

**State of Florida
Division of Bond Finance**

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Copies of the printed Official Statement may be obtained from:

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Refunding Issue - Book-Entry Only

This Offering Statement has been prepared to provide information about the Series 2015A 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-1.

\$99,625,000

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 MANAGEMENT SERVICES
as Lessee, Pursuant to a Master Lease Agreement with
the Florida Correctional Finance Corporation, as Lessor
Series 2015A**

Dated: Date of Delivery

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

Bond Ratings

AA+ Fitch Ratings

Aa2 Moody's Investors Service

AA+ Standard & Poor's Ratings Services

Tax Status

In the opinion of Special Counsel, assuming compliance with the covenants in the Master Trust Indenture and the Master Lease Agreement, the Interest Portion of the Basic Rent Payments on the Series 2015A Certificates is excluded from gross income for Federal income taxation, but may be subject to Federal income taxation on payments received with respect to the Series 2015A Certificates following termination of the Series 2015A Lease as a result of an Event of Non-Appropriation or an Event of Default. See "TAX MATTERS".

Redemption

The Series 2015A Certificates are not subject to redemption prior to maturity.

Security

The Series 2015A Certificates evidence fractional undivided interests of the Owners thereof in certain Basic Rent Payments to be made by the Florida Department of Management Services (the "Department"), as Lessee under the Series 2015A Lease. **The Series 2015A Certificates are secured by and are payable solely from the legally available revenues of the Department annually appropriated by the Florida Legislature for such purpose. 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 Florida Legislature for such purpose. PAYMENTS ON THE SERIES 2015A CERTIFICATES ARE SUBJECT TO ANNUAL APPROPRIATION BY THE FLORIDA LEGISLATURE.** The Series 2015A Certificates do not constitute a general obligation or a pledge of the faith and credit of the Department, FDOC, the Corporation, the State of Florida, or any political subdivision, agency or instrumentality thereof. The issuance of the Series 2015A Certificates will not obligate the Department, FDOC, the State of Florida, or any political subdivision, agency or instrumentality thereof, to levy or to pledge any tax and the Owners of the Series 2015A Certificates will have no recourse to the power of taxation of the State of Florida or any other governmental entity.

Lien Priority

The lien of the Series 2015A Certificates on the Basic Rent Payments under the Series 2015A Lease is a first lien on such revenues.

Additional Certificates

Additional Series of Certificates, except for certain Completion Certificates, are secured independently by the payments under the applicable Lease Schedule and the amount of such Series of Certificates which may be issued is not limited.

Purpose

Proceeds will be used to refund all of the Refunded Certificates, to fund the Series 2015A Reserve Account, and to pay costs of issuance.

Interest Payment Dates

February 1 and August 1, commencing August 1, 2015.

Record Dates

January 15 and July 15.

Closing/Settlement

It is anticipated that the Series 2015A Certificates will be available for delivery through the facilities of DTC in New York, New York on January 29, 2015.

Form/Denomination

The Series 2015A Certificates will initially be registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only through Direct Participants (defined herein) in denominations of \$1,000 and integral multiples thereof. Purchasers of the Certificates will not receive physical delivery thereof.

**Trustee/Registrar/
Paying Agent**

U.S. Bank National Association, Jacksonville, Florida.

Special Counsel

Bryant Miller Olive P.A., Tallahassee, Florida.

Maturity Structure

The Series 2015A Certificates will mature on the dates and bear interest at the rates set forth on the inside front cover.

MATURITY STRUCTURE

<u>Initial CUSIP®</u>	<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield*</u>
34160PDG1	August 1, 2015	\$9,790,000	5.00%	0.10%
34160PDH9	August 1, 2016	10,005,000	5.00	0.40
34160PDJ5	August 1, 2017	9,265,000	5.00	0.73
34160PDK2	August 1, 2018	7,590,000	5.00	1.00
34160PDL0	August 1, 2019	7,255,000	5.00	1.30
34160PDM8	August 1, 2020	7,635,000	5.00	1.50
34160PDN6	August 1, 2021	8,020,000	5.00	1.70
34160PDP1	August 1, 2022	9,275,000	5.00	1.96
34160PDQ9	August 1, 2023	9,770,000	5.00	2.08
34160PDR7	August 1, 2024	10,250,000	5.00	2.18
34160PDS5	August 1, 2025	10,770,000	5.00	2.29

* Yield information provided by the underwriters.

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 Official 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 Official 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 Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015A 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
RICK SCOTT

STATE CABINET OFFICERS

ATTORNEY GENERAL
PAM BONDI

CHIEF FINANCIAL OFFICER
JEFF ATWATER

COMMISSIONER OF AGRICULTURE
ADAM H. PUTNAM

CHAD POPPELL
Secretary
Department of Management Services

JULIE JONES
Secretary
Department of Corrections

Bond Counsel
Bryant Miller Olive P.A.
Tallahassee, Florida

Trustee, Paying Agent and Registrar
U.S. Bank National Association
Jacksonville, Florida

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OFFERING STATEMENT

Relating to
\$99,625,000

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 MANAGEMENT SERVICES
as Lessee, Pursuant to a Master Lease Agreement with
the Florida Correctional Finance Corporation, as Lessor
Series 2015A

For definitions of capitalized terms not defined in the text hereof, see Appendix C-1.

INTRODUCTION

This Offering Statement, which includes the cover and appendices hereto, provides information relating to the \$99,625,000 Refunding Certificates of Participation, Series 2015A (the “Series 2015A Certificates”).

The State of Florida Department of Management Services (the “Department”) operates a program to lease-purchase State and private correctional facilities pursuant to a Master Lease Agreement with the Florida Correctional Finance Corporation (the “Corporation”), and the Department leases such facilities from the Corporation. Pursuant to the Department’s financing program, various Series of Certificates of Participation will be issued from time to time representing fractional undivided interests of the Owners thereof in the right to receive Basic Rent Payments payable under a Lease. The Certificates will be issued pursuant to a Master Trust Indenture among the Trustee, the Corporation and the Department. The Corporation has previously issued eight Series of Certificates under the Master Lease Agreement, of which \$502,825,000 remain outstanding, excluding the Refunded Certificates. See “SECURITY FOR THE SERIES 2015A CERTIFICATES” herein.

The Series 2015A Certificates are being issued to provide funds to (i) refund all of the Refunded Certificates to achieve debt service savings, (ii) to fund the Series 2015A Reserve Account, and (iii) to pay costs associated with the issuance and delivery of the Series 2015A Certificates. See “THE REFUNDING PROGRAM.”

All Certificates are subject to annual appropriation by the Florida Legislature. Although each Series of Certificates is separately secured, all benefit equally from an “all-or-none” Rent Payment appropriation requirement in the Master Lease Agreement. This means that the Legislature must budget and appropriate for all such Rent Payments or none of them. In the event that the Legislature fails to appropriate for any Rent Payments, the Department is required to vacate the premises and the Trustee may take possession of all of the Projects financed under the Master Lease Agreement and re-let all of such Projects.

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 Series 2015A Certificates and the documents authorizing and securing the same do not purport to be comprehensive or definitive. All references to and descriptions of such documents are qualified by reference to the actual documents. Forms of certain Certificate Documents are contained in APPENDIX C hereto and also are available, upon request and upon payment of charges for copying, mailing and handling, from U.S. Bank National Association as Trustee under the Master Trust Indenture. The Trustee’s office is located at 225 Water Street, 7th Floor, Jacksonville, Florida 32202.

End of Introduction

AUTHORITY FOR THE ISSUANCE OF THE SERIES 2015A CERTIFICATES

General Legal Authority

The Florida Legislature has specifically authorized the Department and FDOC to refinance the Refunded Certificates through the Master Lease Agreement pursuant to Chapters 944, 287, and 255, Florida Statutes, and Section 4 of Chapter 2014-51, Laws of Florida, and has appropriated sufficient moneys to make all rent payments to come due under the Master Lease Agreement for Fiscal Year 2014-15.

Department of Management Services

The Florida Department of Management Services (the “Department”) is an agency of the State of Florida created by Section 20.22, Florida Statutes, and existing for the purpose of providing management and administrative services to the State and its other state agencies and employees, including services in respect of facilities operation and management, private prison oversight, information systems operation and maintenance, budgeting, procurement, retirement, health insurance and personnel administration. The Department operates under the direction of the Governor and a Secretary who acts as the administrator. The financing of all correctional facilities financed pursuant to the Master Lease Agreement and the Master Trust Indenture is supervised by the Department through the Bureau of Private Prison Monitoring.

In July 2004, the Department assumed the responsibilities which were previously assigned to the Florida Correctional Privatization Commission (the “Commission”) under the Correctional Privatization Act, Chapter 957, Florida Statutes (the “Act”). Pursuant to that assumption of duties, the Department is authorized to enter into contracts, including Schedules to the Master Lease Agreement, under the Act, to design, finance and operate Private Correctional Facilities. The Department also has the authority under other applicable provisions of Florida law, including without limitation, Chapter 255 and 287, Florida Statutes, to enter into lease purchase contracts with other State agencies, including lease purchase contracts under and pursuant to the Master Lease Agreement, to lease-purchase finance or refinance State Correctional Institutions.

Department of Corrections

The FDOC is an executive agency of the State of Florida existing pursuant to Section 20.315, Florida Statutes. The purpose of the FDOC is to integrate delivery of all offender rehabilitation and incarceration services that are deemed necessary for the rehabilitation of offenders and the protection of society. The FDOC has the authority under Chapter 944, Florida Statutes, to enter into lease purchase financing arrangements with the Department to finance or refinance State Correctional Institutions. See “THE FLORIDA PRISON SYSTEM” below. To the extent the FDOC lease-purchases such State Correctional Institutions, those facilities will be operated by FDOC or an operator approved by FDOC pursuant to Chapter 944, Florida Statutes, and a Sublease Agreement with the Department (the “Sublease Agreement”), and the FDOC will be granted a possessory interest in the facilities pursuant to the terms of the Master Lease Agreement, the Master Trust Indenture and the Sublease Agreement.

Florida Correctional Finance Corporation

The Florida Correctional Finance Corporation is a Florida not-for-profit, special purpose corporation organized and existing for the sole purpose of acting as the lessor under lease purchase agreements with the Department to facilitate the issuance of Certificates of Participation to finance correctional facilities for the State. The Corporation has no capital stock and its sole member is the Department. Its board of directors is appointed by the Secretary of the Department and consists of the Chief of the Department’s Bureau of Private Prison Monitoring, the Director of the Florida Division of Bond Finance and the Budget Director of the Executive Office of the Governor. Its principal office and registered place of business is located at 4050 Esplanade Way, Suite 380, Tallahassee, Florida 32399.

Other than the Refinanced Projects and projects previously financed under the Master Lease Agreement, the Corporation has no other assets subject to the lien of the Master Trust Indenture. The Corporation is not financially liable for the Basic Rent Payments and the Owners will have no right to look to the Corporation for any payment with respect to the Series 2015A Certificates. Therefore, the financial situation of the Corporation is not material to any of the transactions contemplated in this Offering Statement. No financial information concerning the Corporation has been included herein, nor is it contemplated that

any such financial information will be included in any future Offering Statement relating to the sale of any additional Series of Certificates or other obligations of the Department or the Corporation. See “SECURITY FOR THE SERIES 2015A CERTIFICATES” herein.

DESCRIPTION OF THE SERIES 2015A CERTIFICATES

The Series 2015A Certificates are issuable as fully registered (book-entry-only) Certificates in denominations of \$1,000 or any integral multiple thereof. The Series 2015A 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 August 1 and February 1 of each year, commencing August 1, 2015 (each a “Certificate Payment Date”), and represents a fractional undivided interest in the Interest Portion of Basic Rent Payments due on July 15 and January 15 of each year (each a “Basic Rent Payment Date”), to and including the maturity date of each Series 2015A Certificate, at the rates set forth on the inside cover page hereof. The principal amount of the Series 2015A 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 July 15 of each year.

The Series 2015A Certificates will initially be issued exclusively in “book-entry” form. Ownership of one Series 2015A Certificate for each maturity (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 Series 2015A Certificates. Individual purchases of the Series 2015A Certificates will be made in book-entry form only, and the purchasers will not receive physical delivery of the Series 2015A Certificates or any certificate representing their beneficial ownership interest in the Series 2015A Certificates. See Appendix F, “PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED CERTIFICATES” for a description of DTC, certain responsibilities of DTC, the Department and the Trustee, and the provisions for registration and registration for transfer of the Series 2015A Certificates if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

The Series 2015A Certificates are not subject to redemption prior to maturity.

THE REFUNDING PROGRAM

The Series 2015A Certificates will refund all of the outstanding Series 1995B and Series 1995C Certificates (collectively, the “Refunded Series 1995 Certificates”), all of the outstanding Series 2004 Certificates (the “Refunded Series 2004 Certificates”), and all of the outstanding Series 2006A Certificates (the “Refunded 2006A Certificates”) (collectively, the Refunded Series 1995 Certificates, Refunded Series 2004 Certificates and Refunded Series 2006A Certificates are referred to as the “Refunded Certificates”). This refunding is being effectuated to achieve debt service savings.

Simultaneously with the delivery of the Series 2015A Certificates, an agreement will be entered into to provide for the investment of the proceeds of the Series 2015A Certificates, and the Corporation will cause a portion of the proceeds of the Series 2015A Certificates to be deposited, along with other legally available moneys, into a trust fund, to be known as 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 Management Services as Lessee, Pursuant to a Master Lease Agreement with the Florida Correctional Finance Corporation, as Lessor, Series 2015A Certificates Retirement Fund” (the “Retirement Fund”) under an Escrow Deposit Agreement to be entered into among the Corporation and U.S. Bank National Association (the “Escrow Agent”). The Escrow Agent will invest those proceeds 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 escrow will be funded in an amount which, together with interest thereon, will be sufficient to pay all semi-annual interest payments through the redemption dates and 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 Retirement Fund.

The Refunded Series 1995 Certificates will be called for redemption (by separate redemption notice) on August 1, 2015, at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date. The Refunded Series 2004 Certificates will be called for redemption (by separate redemption notice) on March 1, 2015, at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date. The Refunded Series 2006A Certificates will be called for redemption (by separate redemption notice) on August 1, 2015, at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date, plus the required redemption premium equal to one percent of the Refunded Certificates.

SOURCES AND USES OF FUNDS

SOURCES:

Par Amount of Certificates	\$99,625,000
Plus: Original Issue Premium	16,510,610
Sinking Fund Accrual	2,839,694
Cash Contributions	<u>25,068,956</u>
TOTAL SOURCES	<u>\$144,044,260</u>

USES:

Deposit to Escrow Deposit Trust Fund	\$132,147,053
Deposit to Debt Service Reserve	11,613,561
Costs of Issuance	189,002
Underwriter's Discount	<u>94,644</u>
TOTAL USES	<u>\$144,044,260</u>

SECURITY FOR THE SERIES 2015A CERTIFICATES

General

The Series 2015A Certificates evidence fractional undivided interests of the Owners thereof in the Basic Rent Payments to be made under the Master Lease Agreement, as supplemented by Schedule No. 2015A ("Series 2015A Lease"). The Series 2015A Certificates will be issued pursuant to the Master Trust Indenture. The Department is obligated only to make such Basic Rent Payments from amounts paid and collected under the Series 2015A Lease.

The Master Trust Indenture provides for the establishment and maintenance of a Series 2015A Rent Payment Account for deposit of Basic Rent Payments appropriated and paid under the Series 2015A Lease. Rent Payments due under all Schedules to the Master Lease Agreement are subject to annual appropriation by the Florida Legislature on an all-or-none basis and are payable solely from legally available funds appropriated by the Florida Legislature for such purpose; provided that Rent Payments with respect to a particular Schedule and Series of Certificates may be additionally and separately secured by a Certificate Insurance Policy. Eight series of Certificates have previously been issued and are currently Outstanding in the aggregate principal amount of \$502,825,000, excluding the Refunded Certificates. There is no limit on the number of additional Projects that may be financed under the Master Lease Agreement. Such additional Projects may be financed through the sale of additional Series of Certificates under the Master Trust Indenture. **The Florida Legislature may not budget and appropriate for a portion of Rent Payments due for all of the Projects leased under the Master Lease Agreement; in order to avoid a default under the Master Lease Agreement, the Legislature must budget and appropriate for all such Rent Payments or none of them. There can be no assurance that sufficient funds will be appropriated or otherwise be made available to make all of the Rent Payments due under the Master Lease Agreement.** See "THE PROJECTS UNDER THE MASTER LEASE AGREEMENT" herein for a further description of Projects under the Master Lease Agreement.

The Series 2015A Certificates are secured on a parity basis by the Basic Rent Payments to be made under the Series 2015A Lease. Basic Rent Payments under a Series Lease, however, represent only a portion of the rights granted to the Trustee with respect to a Series of Certificates (the "Trust Estate"). The Trust Estate with respect to each Series of Certificates shall include only the respective Series Master Lease Agreement, the moneys in the respective Accounts and Subaccounts relating to the Series of Certificates held in certain funds described in the Master Trust Indenture and certain items of Equipment acquired

with the proceeds of a Series of Certificates. Although all Certificates benefit equally from the “all-or-none” Basic Rent appropriation requirement in the Master Lease Agreement, each Series of Certificates is secured independently from each other Series of Certificates, except as otherwise provided in any Supplemental Trust Indenture. The Supplemental Trust Indenture relating to the Series 2015A Certificates does not alter the general rule that each Series of Certificates is independently secured by the Trust Estate relating to such Series of Certificates.

Pursuant to an Assignment of Leases, Rents and Profits (the “Assignment”), the Corporation will make a present irrevocable assignment to the Trustee of certain of its right, title and interest in and to the Series 2015A Lease, including without limitation, the Basic Rent Payments and any prepayments thereof, and any other amounts required to be paid by the Department under the Series 2015A Lease, but excluding certain retained rights described therein, including certain rights to the land under the Refinanced Projects, the right to possession, its rights to indemnification and its rights to enter into additional Schedules. Although two of the Refinanced Projects were built on land leased by the Corporation under a Ground Lease to FDOC, no portion of that Ground Lease will be assigned to the Trustee, nor will any portion of those Refinanced Projects be secured by a mortgage. The Corporation has fee simple title in the land on which the remaining Refinanced Projects were constructed. The Corporation will not assign its right and interest in the land to the Trustee nor will the Corporation provide the Trustee a mortgage with respect to the Corporation’s title and interest in the land. **Nevertheless, the Trustee will have the contract right under the Assignment and the Series 2015A Supplemental Trust Indenture to act as and on behalf of the Corporation as Lessor under the Master Lease Agreement to enforce the Lessor’s rights under the Master Lease Agreement, including without limitation the covenant that the Department, as lessee, vacate or cause any sublessee to vacate all premises leased under the Master Lease Agreement in the event of a Non-Appropriation, as well as the right to re-enter, take possession of and re-let all leased premises (without terminating the Master Lease Agreement).** See “THE PROJECTS UNDER THE MASTER LEASE AGREEMENT” for a list of facilities currently leased under the Master Lease Agreement.

Master Lease Agreement

Basic Rent Payments with respect to any Series of Certificates are derived from the Master Lease Agreement, which contemplates that the relationship between the Department and the Corporation will be a continuing one, that Projects in addition to the Projects currently under the Master Lease Agreement may be added to the Master Lease Agreement from time to time, and that additional Certificates in addition to the Outstanding Certificates and the Series 2015A Certificates may be issued under the Master Trust Indenture in connection with such Projects. The Owners of the Series 2015A Certificates shall have no claim against, nor receive any benefits from, any portion of the Trust Estate constituting Rent Payments, other than payments under the Series 2015A Lease, or derived from the sale, re-letting or other disposition of Projects, other than the Refinanced Projects (other than certain Equipment), or any cash, securities or investments in the Pledged Accounts, other than the Series 2015A Pledged Accounts. **Rent Payments under the Leases relating to the Projects currently under the Master Lease Agreement and payments derived from the sale, re-letting or other disposition of the related Project, and cash, securities and investments in the related Pledged Accounts are not pledged to the payment of the Series 2015A Certificates.**

The original term of the Series 2015A Lease will be less than one year, beginning on or about January 1, 2015 and ending on June 30, 2015. The Series 2015A Lease shall automatically be renewed for 11 additional 12 month terms ending on June 30 of each year, unless the Series 2015A Lease is earlier terminated by the occurrence of an Event of Default or an Event of Non-Appropriation under the Series 2015A Lease or by the Department either paying all Rent to be paid for the Maximum Lease Term or paying the Option Price for the Refinanced Projects pursuant to the Series 2015A Lease, as such Events are described herein.

Series 2015A Lease Payments

Pursuant to the Series 2015A Lease, the Department agrees to pay or cause to be paid to the Trustee the Basic Rent Payments in arrears by wire transfer of immediately available funds on the fifteenth day prior to the end of each Rent accrual period (each a “Basic Rent Payment Date”) in the amounts required to pay the Principal Portion and the Interest Portion of the Series 2015A Certificates due on the ensuing Certificate Payment Date and the Trustee will apply the same to the payment of the principal of and the interest on the Series 2015A Certificates in accordance with the Master Trust Indenture.

The Department further agrees to pay the Supplemental Rent from time to time to meet its obligations under the Series 2015A Lease including, without limitation, amounts required to be deposited by the Department to the credit of the Series 2015A Reserve Account or to the credit of the Series 2015A Rebate Subaccount, amounts payable to the Corporation as an indemnity

pursuant to the Series 2015A Lease, amounts payable to the Trustee for its services as trustee under the Master Trust Indenture and all other amounts, liabilities and obligations which the Department assumes or agrees to pay to the Corporation or to others with respect to the Refinanced Projects, together with interest on any overdue amount at the Maximum Interest Rate.

The Department represents and warrants that, for the Initial Lease Term and upon the renewal thereof for any Renewal Lease Term, the obligation of the Department to pay Rent under the Series 2015A Lease, for such Fiscal Year of the Department, shall constitute a current obligation 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.

All payments of Rent and all other payments required to be made by or on behalf of the Department under the Series 2015A Lease will be made when due without notice or demand, and, subject to an adequate appropriation having been made by the Florida 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.

Department Covenant

The Department covenants in the Series 2015A Lease that it will make request to the FDOC for appropriation of Rent Payments under the Master Lease Agreement each year. The FDOC must include such request without change in its then annual budget requests submitted to the Florida Legislature as a separately stated line item in such proposed budget. After an appropriation has been made by the Florida Legislature to the FDOC for the Department, the FDOC has no authority over such funds other than to pay from such appropriation to the appropriate party such amounts as are certified for payment by the Department. The Department intends to continue the Series 2015A Lease with respect to the Refinanced Projects in effect for the Maximum Lease Term and believes that funds will be appropriated by the Florida Legislature and will be made available to the Department in an amount sufficient to pay all Rent Payments for the Maximum Lease Term of the Series 2015A Lease. The Series 2015A Lease will remain in effect with respect to the Refinanced Projects through the Initial Lease Term and all Renewal Lease Terms for the Maximum Lease Term, subject to the termination of the Lease Term by the occurrence of an Event of Default or an Event of Non-Appropriation under the Master Lease Agreement or by the Department either causing all Rent Payments to be paid for the Maximum Lease Term or paying the Option Price for the Refinanced Projects pursuant to the Series 2015A Lease.

Ground Lease

The land on which a portion of the Refinanced Projects were built is owned by the State of Florida through the Board of Trustees of the Internal Improvement Trust Fund (the “BOT”). The BOT has leased the land (the “Ground Leases”) to the Corporation for terms at least as long as the final maturity of the Series 2015A Certificates. The Corporation will not assign its rights under the Ground Leases to the Trustee, nor will any portion of the Refinanced Projects be secured by a mortgage; **however, the Trustee does have the contractual right to require that the Department, as lessee, or any sublessee vacate the premises of the Refinanced Projects and other Projects leased under the Master Lease Agreement in the Event of a Non-Appropriation.**

State Appropriations

The obligation of the Department to make Rent Payments which include Basic Rent and Supplemental Rent under the Series 2015A Lease is a limited and special obligation, payable solely from moneys specifically appropriated by the Florida Legislature for such purpose. The Florida Legislature is under no continuing obligation to make such appropriation; however, the Department is required to request an appropriation. See “Department Covenant” herein. Under the Master Lease Agreement, the Florida Legislature may not budget and appropriate for only a portion of Basic Rent for all of the Projects; it must budget and appropriate for all Projects or none of them. If the Legislature does not appropriate for all Rent Payments due under the Master Lease Agreement the Trustee has the right to evict the Department from all facilities.

The payments due under the Master Lease Agreement are to be made only from funds legally available to the Department and neither the Department, the FDOC, the State of Florida, nor any political subdivision or agency thereof shall be obligated to pay any sums due to the Corporation under the Master Lease Agreement from other than duly appropriated funds and neither the full faith and credit of the Department, the FDOC, nor the State of Florida nor any political subdivision or agency thereof is pledged for payment of such sums due under the Master Lease Agreement and the contractual obligation under the Master Lease

Agreement to have the Department request an appropriation to pay the same does not constitute an indebtedness of the Department, the FDOC, the State of Florida or any political subdivision or agency thereof within the meaning of any constitutional or statutory provision or limitation. The State of Florida's performance and obligation to pay under the Master Lease Agreement is contingent upon an annual appropriation by the Florida Legislature.

Pursuant to the Act, the request for appropriation of funds to pay Basic Rent Payments is made by the Department in a request to the FDOC. The FDOC is required to include such request in its budget request to the Florida Legislature as a separately identified item and to forward the request of the Department without change. After the appropriations have been made by the Florida Legislature to the FDOC for the Department, the FDOC has no authority over such funds other than to pay from such appropriation to the appropriate payee such amounts as are certified for payment by the Department.

The State of Florida appropriates the funds for the Rent Payments from the general funds available to the State each year. Appropriations for obligations of the Department, including the Rent Payments under the Master Lease Agreement, for the Fiscal Year ending June 30, 2015 and all prior fiscal years have been made, and for future years are expected to be made, through appropriations to the Department and the FDOC. See "HISTORICAL APPROPRIATIONS" herein. General information relating to the State of Florida, including certain financial information, is set forth in APPENDIX A hereto. The Florida General Purpose Financial Statements for Fiscal Year ended June 30, 2013 are set forth in APPENDIX B.

Non-Appropriation

The Rent Payments are subject to annual appropriation by the Florida Legislature, and if the Florida Legislature does not specifically appropriate sufficient funds, the Master Lease Agreement shall be terminated as a result of an Event of Non-Appropriation. See "Event of Non-Appropriation" herein. An "Event of Non-Appropriation" shall occur if the Florida Legislature does not approve a tentative budget and a final budget in accordance with State law which specifically appropriates sufficient funds to continue making Rent Payments in full for all Projects leased under the Master Lease Agreement beyond the end of the Initial Lease Term or Renewal Lease Term for the following Renewal Lease Term. In the event the Florida Legislature's final budget for such ensuing Renewal Lease Term is not enacted prior to the expiration of the then current Lease Term, the Lease Term shall be deemed renewed pending the enactment of such tentative budget and final budget, and the Department shall be liable for any Rent Payments coming due during such period, but only if the tentative budget and final budget makes available to the Department moneys which may legally be used to make the Rent Payments coming due during such period or if there are sufficient funds available in the Reserve Fund to make the payments due to the Owners of all Certificates issued under the Master Trust Indenture.

If an Event of Non-Appropriation shall occur, the Department shall immediately return possession of each Project (other than certain Equipment) to the Trustee after the date on which such Event of Non-Appropriation occurs. The obligation to return the Projects shall survive the termination of the Master Lease Agreement. Except as otherwise expressly provided in the Certificate Documents, under no circumstances shall the failure of the Florida Legislature to appropriate sufficient moneys to pay Rent Payments constitute a Default or Event of Default or require payment of a penalty, or in any way limit the right of the State, the Department or FDOC to purchase or utilize buildings, facilities or equipment similar in function to the property leased under the Master Lease Agreement.

Reserve Fund

The Series 2015A Reserve Account will be initially funded from Series 2015A Certificate proceeds in an amount equal to the Series 2015A Reserve Requirement (initially \$11,613,560.98), which is the lesser of (1) the maximum annual Principal and Interest Portions of Basic Rent represented by the Series 2015A Certificates, (2) one hundred twenty-five percent (125%) of the average annual Principal and Interest Portions of Basic Rent represented by the Series 2015A Certificates or (3) ten percent (10%) of the issue price of the Series 2015A Certificates, but in all events, subject to the release of funds as provided in the Master Trust Indenture (the "Reserve Requirement"). In the event that there are insufficient funds in the Series 2015A Account in the Rent Payment Fund on any Certificate Payment Date to make the required payment of principal or interest on the Series 2015A Certificates, the Trustee will transfer an amount equal to such deficiency from the Series 2015A Reserve Account.

Any funds remaining on deposit in the Series 2015A Reserve Account on the final maturity date for the Series 2015A Certificates shall be used to retire the Series 2015A Certificates on such date (or such earlier date as the funds on deposit in the Series 2015A Rent Payment Account, the Series 2015A Reserve Account and the Series 2015A Earnings Account, to the extent not required to be rebated to the United States Treasury, are sufficient to retire all Series 2015A Certificates in full).

In the event the amount on deposit in the Series 2015A Reserve Account shall be less than the Series 2015A Reserve Requirement because of use as provided in the preceding paragraph, the Trustee will deposit the delinquent Basic Rent Payment into the Series 2015A Reserve Account upon the receipt of such delinquent Basic Rent Payment. If such deficiency is due to investment loss, or other reason, the Department will pay to the Trustee as Supplemental Rent an amount equal to such deficiency immediately upon receipt of written notice of such deficiency from the Trustee, to the extent of its legally available funds and thereafter from amounts, if any, appropriated for such purpose by the Florida Legislature.

Upon the satisfaction of certain conditions, the Series 2015A Reserve Account may be funded with a surety bond, letter of credit or other financial instruments. See “APPENDIX C-2 - THE MASTER TRUST INDENTURE.”

Deposit to Funds

General. Pursuant to the Master Trust Indenture, the following funds and accounts are established:

1. the Project Fund (the “Project Fund”), which shall consist of an Acquisition Account, a Costs of Issuance Account, a Capitalized Interest Account and an Earnings Account;
2. the Rent Payment Fund (the “Rent Payment Fund”);
3. an Optional Prepayment Fund (the “Optional Prepayment Fund”), an Extraordinary Prepayment Fund (the “Extraordinary Prepayment Fund”), and a Special Prepayment Fund (the “Special Prepayment Fund,” and together with the Optional Prepayment Fund and the Extraordinary Prepayment Fund, collectively the “Prepayment Funds”); and
4. the Reserve Fund.

Simultaneously with the issuance of the Series 2015A Certificates, Series 2015A subaccounts will be established within the Acquisition Account, Costs of Issuance Account, the Rent Payment Fund, the Prepayment Funds and the Reserve Fund.

Application of Basic Rent Payments. Basic Rent Payments and any other Lease Purchase Revenues paid to the Trustee, as assignee of the Corporation pursuant to the Master Lease Agreement and the Assignment, shall be deposited as received by the Trustee in the Rent Payment Fund in the following manner:

- (a) The Basic Rent Payments under the Master Lease Agreement shall be deposited to the respective Series accounts in the Rent Payment Fund.
- (b) Prepayments of Basic Rent Payments for scheduled mandatory redemption of Certificates shall be deposited to the respective Series account in the Rent Payment Fund.
- (c) Optional prepayments of Basic Rent Payments (including payment of the Option Price) shall be deposited to the respective Series account in the Optional Prepayment Fund.
- (d) The prepayments of Basic Rent Payments upon the occurrence of on Event of Mandatory Prepayment under the Master Lease Agreement shall be deposited to the respective Series accounts in the Extraordinary Prepayment Fund.

Amounts in the Rent Payment Fund will be used and withdrawn by the Trustee (i) to pay the Certificate Payments represented by Certificates when due and payable (including accrued interest with respect to any Certificates prepaid prior to maturity pursuant to the Master Trust Indenture to the extent not paid from the Optional, Extraordinary or Special Prepayment Fund) and (ii) to reimburse an Insurer for any payment made pursuant to a Certificate Insurance Policy. On each principal and

interest payment date with respect to a Series of Certificates, an amount equal to the Basic Rent Payments due under the Master Lease Agreement will be disbursed from the Rent Payment Fund for such purpose.

Additional Certificates

The number of Series of Certificates which may be issued under the Master Trust Indenture is not limited. Additional Series may be issued for purposes of funding the Cost of a Project, for completion purposes, or for refunding purposes. Except as described below with the Completion Certificates, each Series of Certificates shall be secured independently from any other Series by the Rent Payments under the applicable Lease Schedule and the respective accounts held under the Master Trust Indenture for such Series of Certificates. However, the Florida Legislature must budget and appropriate for Basic Rent for all Projects under the Master Lease Agreement or none of them. If the Legislature does not appropriate for all Rent Payments due under the Master Lease Agreement the Trustee has the right to evict the Department from all facilities.

Completion Certificates. Completion Certificates may be issued to provide necessary funds to complete payment of the Costs of one or more of the Projects or to finance additional property which shall be added to one or more of the Projects or which shall be substituted for a portion of one or more of the Projects. Such Completion Certificates, for purposes of the Master Trust Indenture and the Master Lease Agreement, shall constitute a part of the Certificates.

The proceeds of Completion Certificates may be used to capitalize interest on such Completion Certificates and pay Costs of Issuance, and shall be deposited in the Pledged Accounts established for the Series of Certificates which financed the original Project in such manner and in such amounts as determined by the Supplemental Trust Indenture relating to authorization of such Completion Certificates. The Completion Certificates shall be secured on a parity with the Series of Certificates to which such Completion Certificates relate in accordance with the terms of the Master Trust Indenture and the Supplemental Trust Indenture authorizing such Completion Certificates.

Refunding Certificates. Refunding Certificates may be issued under and secured by the Master Trust Indenture, at any time or times, for the purposes of (1) providing funds for refunding part or all of the Certificates at or prior to their maturity or maturities, including the payment of any Premium Portion thereon and interest which will accrue on such Certificates to their date of payment, (2) making a deposit, as necessary, to the account of the Reserve Fund which shall secure such Refunding Certificates, and (3) paying the Costs of Issuance relating to said Refunding Certificates. Such Refunding Certificates may be secured in the same manner and from the same Pledged Accounts as the unrefunded portion of the Series of Certificates to be refunded in accordance with the terms of the Master Trust Indenture.

Events of Default and Remedies under the Master Lease Agreement

Events of Default under the Master Lease Agreement include, among other things: (1) the Department defaulting in the payment of Rent or any other payment under the Master Lease Agreement, (2) the Department failing to provide insurance as required by the Master Lease Agreement, (3) the Department failing to immediately surrender the Project to the Trustee following an Event of Lease Default or an Event of Non-Appropriation or (4) the Department taking action or permitting action to be brought against it involving the bankruptcy or insolvency of the Department. See APPENDIX C-4- “THE MASTER LEASE AGREEMENT.”

Remedies under the Master Lease Agreement include, among other things (a) the Corporation taking possession of the Projects (other than certain Equipment) and excluding the Department without terminating the Master Lease Agreement, (b) the Corporation taking possession of the Projects (other than certain Equipment), selling or leasing certain Equipment and holding the Department liable for decreased Rent, (c) the Corporation terminating the Master Lease Agreement and accelerating the Rent Payments due for the current Fiscal Year, (d) the Corporation terminating the Lease and requiring the Department to transfer possession to the Corporation or (e) the Corporation taking any other action at law or in equity necessary or desirable to collect Rent Payments and enforce obligations of the Department under the Lease. The Corporation has assigned to the Trustee certain rights to enforce such remedies; however, the right to possession of the land under the Refinanced Projects has been retained by the Corporation subject to the Trustee’s right to re-let the land. Under the Master Trust Indenture, the right to take remedial actions may be controlled by the Insurer, if applicable, or, in certain circumstances, a majority of the Certificate Owners. See “APPENDIX C-4-THE MASTER LEASE AGREEMENT” and “APPENDIX C-2-THE MASTER TRUST INDENTURE.”

Event of Non-Appropriation

The Master Lease Agreement is for the Initial Lease Term ending at the termination of the Department's current Fiscal Year, which term will be automatically renewed for all the Renewal Lease Terms described in the Series 2015A Lease. However, an automatic renewal will not occur if the Florida Legislature does not, prior to the last day of the current Initial Lease Term or any Renewal Lease Term, approve a budget which appropriates sufficient funds (without regard to any credits from earnings on the Department's funds) from moneys legally available for such purpose in a separate line item in the State budget or otherwise specifically identified to be used to continue making payments under the Master Lease Agreement beyond the end of the then current Initial Lease Term or Renewal Lease Term. In the event the Department's final budget for such ensuing Fiscal Year is not enacted prior to the expiration of the Fiscal Year, the Master Lease Agreement will nevertheless be deemed renewed pending the enactment of such final budget; provided, that if payments are due during such period, an interim budget or continuation of the prior budget makes available to the Department moneys which may be legally used to make the payments due under the Master Lease Agreement during such period or there are sufficient funds available in the Reserve Fund to make the payments due to the Owners of all Certificates issued under the Master Trust Indenture.

In the event that the Florida Legislature does not approve a budget which appropriates funds for all of the Department's obligations under the Master Lease Agreement prior to time permitted under the Master Lease Agreement (generally the last day of the then current Initial Lease Term or the Renewal Lease Term as extended pursuant to the previous paragraph), the Master Lease Agreement will terminate and the Department will not be obligated to make payment of Rent accruing or arising beyond such last day. The Department will deliver immediate written notice to the Corporation and the Trustee and the Insurer, if applicable, if (1) such a specific appropriation is not included in the proposed budget or (2) such a specific appropriation is not included in the budget as adopted by the Florida Legislature. See "Non-Appropriation" herein.

Events of Default and Remedies under the Master Trust Indenture

Events of Default under the Master Trust Indenture include, among other things, (1) default in the due and punctual payment of any Certificate Interest Payment, (2) default in the due and punctual payment of a Certificate Principal Payment whether at a Certificate Payment Date, the stated maturity or on an optional prepayment date, or (3) the occurrence of an Event of Default under the Master Lease Agreement or (4) a covenant default by the Department under the Master Trust Indenture (except a default set forth in clause (1), (2) or (3) of this paragraph) not cured after 30 day notice from the Trustee. See APPENDIX C-2 - "THE MASTER TRUST INDENTURE."

Upon an Event of Default, among other things, the Trustee may or, upon receipt of a Directive shall, accelerate Certificate Principal Payments and the Certificate Interest Payments accrued to the date of such acceleration or the Trustee may, and upon receipt of a Directive shall, liquidate the Trust Estate or the Trustee may sublet, re-let, rent or lease the Projects or any portion thereof (other than certain Equipment) and pursue any other remedy available at law.

Ceiling on State Revenue Collections

The Florida Constitution limits the amount of taxes, fees, licenses and charges for services imposed by the Legislature and collected during any Fiscal Year to the amount of revenues allowed for the prior Fiscal Year, plus an adjustment for growth. Growth is defined as the amount equal to the average annual rate of growth in Florida personal income over the most recent 20 quarters times the State revenues allowed for the prior Fiscal Year. The revenues allowed for any Fiscal Year could be increased by a two-thirds vote of the Legislature.

The Florida Constitution could limit the amount of actual revenues from which the State could appropriate funds. Since the Rent Payments are dependent upon annual legislative appropriation, such constitutional provision could pose an additional constraint on the ability of the State to appropriate moneys to the Department for payment of Rent Payments.

THE FLORIDA PRISON SYSTEM

General

The Florida Department of Corrections (“FDOC”) is the State agency responsible for adult prisons and related programs. As of June 30, 2014, with 100,942 inmates and about 144,000 offenders supervised on probation and parole, Florida was the third largest state prison system in the United States. The FDOC is one of the largest fully accredited correctional agencies in the nation. Through the American Correctional Association and the Commission on Accreditation for Corrections, the FDOC has achieved accreditation of all its major institutions, work release centers and community correction offices.

FDOC operates a variety of facilities, including 49 major institutions, 33 work camps, 14 community release centers and four road prisons. The Private Correctional Facilities and State Correctional Institutions financed or refinanced by the Corporation are included as part of the Florida Prison System. As of June 30, 2014, approximately 16.2% of the inmate population resided in these facilities.

Although the inmate population in the FDOC increased 27% from Fiscal Year 2004 to Fiscal Year 2014, in the most recent year population was essentially flat with an increase of less than 1% between Fiscal Years 2013 and 2014. This increase is due in part to an increase in the amount of time inmates serve. Florida law now requires that every person sentenced to prison who committed a crime on or after October 1, 1995, serve a minimum of 85% of his or her prison sentence. This applies to all inmates, regardless of the type of crime committed. No felony offender sentenced under the 85% minimum is eligible for parole. The average percentage of sentence served for released offenders has increased slightly over the last decade from 84.9% in June 2004 to 85.2% in June 2014.

The Florida Statutes define the correctional system capacity limits for housing the inmate population. Section 944.023, Florida Statutes, provides the formula to calculate the design, total and maximum capacity of each institution which is based on the institutional physical configuration of secure housing units and open bay dormitories. Although an institution may house inmates up to the maximum capacity, Section 944.0231, Florida Statutes, provides that the correctional system as a whole cannot exceed total capacity - one and one-half of system design capacity. Due to the case of *Singletary v. Gomez*, 733 So. 2d 499 (Fla.1998), where inmates successfully challenged denial of overcrowding credits (emergency gain-time, administrative gain time and provisional credits) the FDOC has further limited that overall system capacity to 97.5% of “lawful” capacity - one and one-third of system design capacity (as defined by an earlier statute).

The following table sets forth the historical state prison admissions, releases and population for the past five Fiscal Years:

<u>Fiscal Year</u>	<u>Admissions</u>	<u>Releases</u>	<u>End of Year Population</u>
2010	36,936	36,463	102,232
2011	34,932	35,549	102,319
2012	32,279	34,463	100,527
2013	33,295	33,137	100,884
2014	32,442	32,921	100,942

Source: Florida Department of Corrections.

The Florida Criminal Justice Estimating Conference (the “Conference”) is a periodic meeting of representatives of the State of Florida’s Budget Office, the Florida Legislature’s Appropriations Committee and the Florida Supreme Court. The purpose of the Conference is to disseminate information containing past statistics and to make future projections for state prison capacity and inmate population.

The most recent Conference was held on November 20, 2014. The Conference published the following forecast of prison admissions, releases, and population:

<u>Fiscal Year</u>	<u>Admissions</u>	<u>Releases</u>	<u>End of Year Population</u>
2015	33,042	32,618	101,366
2016	33,271	32,614	102,023
2017	33,418	32,383	103,058
2018	33,544	32,870	103,732
2019	33,645	32,729	104,648

Source: Conference Executive Summary, November 20, 2014.

Facilities

Florida correctional facilities are divided into correctional institutions, work camps, road prisons and community release centers. The classification of inmates into these different facilities takes into account the seriousness of their offenses, length of sentence, time remaining to serve, prior criminal record, escape history, prison adjustment, and other factors. The most serious offenders with the longest sentences and those least likely to adjust to institutional life are placed in more secure facilities.

Correctional Institutions. Correctional institutions are prisons with fences, razor wire or ribbon, electronic detection systems, perimeter towers with armed correctional officers and/or officers in roving perimeter vehicles. Most of these inmates do not reside in cells, but in open bay dormitories with bunk beds. Some exceptions include those confined for disciplinary or security reasons, and those on death row. These facilities are divided into seven levels of security ranging from minimum custody facilities to maximum custody facilities. About 86.0% of the Florida prison population is housed in a major institution or annex.

Work Camps. Work camps are minimum to medium custody facilities, surrounded by fences and razor ribbon. Inmates are usually transferred to a work camp after completing part of their sentences at a correctional institution and demonstrating satisfactory adjustment. Most of these work camps are located next to correctional institutions enabling the sharing of facilities like laundry and health services. The inmates housed at these facilities may be assigned to community and public work squads. Their jobs include cleaning up roadways and right-of-ways, grounds and building maintenance, painting, building construction projects, moving state offices, and cleaning up forests. About 9.9% of the prison population resides in work camps.

Community Release Centers. Facilities that house four categories of community custody inmates, those who are participating in community work release and work at paid employment in the community (“CWR”), those who work in a support capacity for the center (“CWA”), those receiving transitional services (“PWR”) which include substance abuse treatment/programming, educational/vocational services, self-betterment programs, and skills necessary for employment and re-entry into society prior to CWR or CWA placement, and the Community-based Therapeutic inmates (“CTP”) who receive transitional services, in lieu of CWR or CWA. Inmates must be within 6 to 36 months of their release date, depending on their assignment. No sex offenders may be assigned to community release centers. Those assigned to CWA perform such tasks as food service, maintenance of the center, or assignment to work squads. There are no perimeter fences and inmates must remain at the community release center (“CRC”) when they are not working or attending programs outside the CRC. Inmates participating in paid employment must submit a percentage of their net earnings to pay for the following: 55% for room and board, 10% in savings for their release, and, if appropriate, 10% to pay restitution to their victims or court costs/fines, 10% for family support, and 10% for other costs as determined by the Department and the inmate.

There are 14 state-run community release centers (10 male and 4 female) in three regions throughout the State. In addition, there are 20 contract community release centers (16 male and 4 female). The number of inmates housed in a community release center varies from about 30 to just under 200 inmates per facility. More than 6,000 inmates participate in Florida’s work release programs annually, with about 3.8% of the prison population enrolled at any given time. Community release centers are supervised by the Department’s Office of Institutions.

Road Prisons. Road prisons house medium custody inmates and have perimeter fences. Most of these inmates work on community work squads and the highways doing road work. Their jobs also include support services to state agencies such as collecting recycling materials and moving furniture. Less than 1% of the prison population is housed in road prisons.

Facility Construction

Pursuant to the Act, the Department is authorized to provide lease-purchase financing for construction of State Correctional Institutions and Private Correctional Facilities. The Act requires that each Project undertaken by the Department be specifically approved by the Florida Legislature. Proposed facilities must meet the applicable standards of the American Correctional Association and the requirements of all applicable court orders and state laws.

State Correctional Institution Construction. FDOC constructs correctional facilities pursuant to specific statutory and departmental guidelines. The construction process includes site selection, site design, building design and actual construction. Site selection factors include size, location, purchase and construction costs, road access, zoning, environmental issues, and availability of utilities. Acquisition of a site, whether purchased or donated, must be approved by the Board of Trustees of the Internal Improvement Trust Fund, which holds title to all State lands. Site design is performed by an engineering firm selected by a competitive process, as provided by statute, and includes a site master plan, schematic designs, design development and preparation of construction documents for FDOC. Building design may be handled by FDOC in-house using existing designs or, if a new design is required, by an architectural/engineering firm selected by a competitive process, as provided by statute, that prepares schematic designs, does design development and prepares construction documents for FDOC.

There are three different processes that may be used for the construction of a correctional facility: construction by a construction manager; construction by contract; and construction by inmate labor. When the use of a construction manager is desired, FDOC must request approval from the Department to use a construction manager. Once approval from the Department is obtained, FDOC selects the construction manager using a competitive process, as provided by statute. The selection is made based on the qualifications of the construction manager. Once the construction manager is selected and the bid protest period has passed, FDOC negotiates with the construction manager to establish the construction manager's overhead and profit, the construction manager's general conditions, and the construction manager's budget. After the contract is signed and the construction schedule is determined the construction manager bids out all of the work to subcontractors using a competitive process. It is the role of the construction manager to manage and supervise the various subcontractors.

When construction is done by contract, FDOC acts as the construction manager. FDOC bids out all of the work pursuant to a competitive process set out in Chapter 255, Florida Statutes. Once the bid process is complete, FDOC manages and supervises the various subcontractors.

The third type of construction is construction by inmate labor. In this case, FDOC still acts as the construction manager, but uses inmate labor instead of bidding out the work to private firms. This construction method is generally used for smaller construction projects.

Private Correctional Facility Construction. The Department enters into contracts with private contractors for the designing, financing, acquiring, leasing, construction and operation of Private Correctional Facilities. The Act requires that each Project undertaken by the Department be specifically approved by the Florida Legislature. In general, the Department may enter into contracts for Private Correctional Facilities only if it determines that the contract will result in cost savings to the State of at least seven percent over the cost of public provision of a similar facility. The Department seeks competitive proposals for the design and construction of a proposed facility from private companies. Contracts for the design and construction ("Construction Contracts" or "Design Build Agreements") must require that the proposed facilities meet the applicable standards of the American Correctional Association and the requirements of all applicable court orders and state laws.

Operation of Correctional Facilities

Pursuant to Florida Statutes, the FDOC is responsible for the inmates and for the operation of, and has supervisory and protective care, custody, and control of, all buildings, grounds, property of, and matters connected with, the Florida Prison System.

As of June 30, 2014, the FDOC had a total of 21,444 employees, including 16,932 certified officers in institutions or probation/parole offices.

The Department also seeks competitive proposals for the operation of Private Correctional Facilities from private companies. Contracts for operation require the operator to maintain accreditation by the ACA and to meet applicable ACA standards and all applicable court orders and state laws. The operator is responsible for the daily operation and management of the facility and for providing medical, dietary, educational and work programs at least equal to those provided by the FDOC in comparable facilities. Each contract is initially for a three-year period, and may be renewed for successive two-year periods thereafter.

THE PROJECTS UNDER THE MASTER LEASE AGREEMENT

General

The financing of the construction and equipping of the Projects under the Master Lease Agreement by a Series of Certificates are undertaken pursuant to authorization and direction given to FDOC pursuant to Chapter 944, Florida Statutes, and to the Department in the Act. The capacity generated by the projects undertaken is utilized by the FDOC. Thus, the projects undertaken by the FDOC and the Department pursuant to the Act relate importantly to the Florida Prison System described herein. The Series 1995B Project and the Series 1995C Project were not financed under the Master Lease Agreement. When the Series 1995B Certificates and the Series 1995C Certificates are refinanced by the Series 2015A Certificates, the Series 1995B Project and the Series 1995C Project will be added to the Series 2015A lease and will be secured under the Master Lease Agreement.

The Projects Currently Under the Master Lease Agreement

General. The Department currently has seven Private Correctional Facilities (all of which are correctional institutions) and 17 State Correctional Facilities, the acquisition, construction or expansion of which has been financed or refinanced through the issuance of Certificates of Participation in Basic Rent Payments under the Master Lease Agreement as shown in the table below. There are 18,979 beds in the facilities currently under the Master Lease Agreement. These facilities, their operators, financing certificates and other information are presented in the table below.

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Florida Prison System Facilities Under the Master Lease Agreement

Private Correctional Facilities

Year Opened	Facility	Security Level	Operator¹	Beds
1995	Gadsden Correctional Facility, Gadsden County	Medium	MTC	1,544
1995	Bay Correctional Facility, Bay County	Medium	GEO	985
1995	Moore Haven, Glades County	Medium	GEO	985
1997	Lake City, Columbia County	Medium & Close	CCA	893
1997	South Bay, Palm Beach County	Medium & Close	GEO	1,948 ²
2007	Graceville, Jackson County	Medium & Close	GEO	1,884
2010	Blackwater River, Santa Rosa County	Medium & Close	GEO	<u>2,000</u>
Total				<u>10,239</u>

State Correctional Institutions

Mayo Correctional Institute-Annex	Medium/Close	FDOC	1,345
Suwannee Correctional Institute-Annex	Medium/Close	FDOC	1,346
Lowell Reception Center	Medium/Close	FDOC	1,345
Lancaster Secure Housing Unit	Medium	FDOC	228
Okeechobee Work Camp	Minimum/Medium	FDOC	444
Liberty Work Camp	Minimum/Medium	FDOC	432
Santa Rosa Work Camp	Minimum/Medium	FDOC	432
Franklin Work Camp	Minimum/Medium	FDOC	432
Cross City Work Camp	Minimum/Medium	FDOC	432
Union Work Camp	Minimum/Medium	FDOC	432
Hollywood Community Release Center	Minimum	FDOC	144
Kissimmee Community Release Center	Minimum	FDOC	144
Lake City Community Release Center	Minimum	FDOC	144
Santa Fe Community Release Center	Minimum	FDOC	144
Everglades Re-entry Center	Minimum/Medium	FDOC	432
Baker Re-entry Center	Minimum/Medium	FDOC	432
Gadsden Re-Entry Center	Minimum/Medium	FDOC	<u>432</u>
Total			<u>8,740</u>

¹ CCA refers to Corrections Corporation of America, a Maryland corporation, specializing in owning, operating and managing prison facilities. GEO refers to The GEO Group, Inc., a Florida corporation, providing correctional management services to governments. MTC refers to Management and Training Corporation, a privately held sub-chapter S Corporation, headquartered in Centerville, Utah, specializing in designing, building, financing, managing and operating correctional facilities, prison health services and job corps services.

² Total capacity was 1,896 beds through June 30, 2014. Effective July 1, 2014, 52 beds were added to the capacity.

Source: Florida Department of Corrections.

Operation and Management Services Contracts

The Private Correctional Facilities under the Master Lease Agreement are operated by private companies pursuant to Operating Contracts. Under the Operating Contracts, the operators are responsible for the maintenance of the facility, including furnishings and equipment, and are required to obtain liability and hazard insurance. The operators must provide food services, clothing and laundry service, limited health services, education, library and work programs, recreational programs, commissary, religious, phone services and appropriate visitation programs. The operators provide management and staff personnel from their own employees and are required to provide training programs in compliance with ACA standards, State laws and FDOC rules. The Operating Contracts may be terminated by the Department for specific defaults, for convenience, or in the event funds are unavailable due to non-appropriations.

The Operating Contracts specify the maximum (100% of capacity) and minimum (90% of capacity) number of inmates which the FDOC may transfer to a facility. The number of inmates with special health care needs is limited.

Operators are compensated for operating costs based upon an agreed per diem per inmate, which is based upon the number of inmates, subject to a guaranteed minimum of 90% of design capacity. Per diem rates are tiered: up to 90% of design capacity is subject to a base rate, additional inmates are at a significantly reduced rate up to 100% of design capacity. The per diem is subject to adjustment to reflect increased costs due to changes in ACA standards. The current and historical per diems are set forth below.

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Operating Per Diems

Facility	Operator¹	90% Cap						Over 90% Cap				Additional Capacity	
		2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14	Per Diem Rate	Number of Beds
Bay	GEO	\$56.28	\$51.74	\$51.74	\$51.74	\$51.74/\$48.53*	\$28.33	\$14.64	\$14.64	\$14.64	\$14.64/\$3.52*	-	-
Moore Haven	GEO	51.15	52.01	52.01	52.01	52.01/48.18*	10.00	15.30	15.30	15.30	15.30/3.65*	-	-
South Bay	GEO	52.69	52.69	55.91	51.11	51.11	7.29	7.29	7.74	7.00	7.00	\$9.96	34
Graceville	GEO	38.14	36.51	36.51	36.51	36.51/39.44*	8.00	15.02	15.02	15.02	15.02/3.94*	-	-
Gadsden	MTC	52.39	50.11	50.11	47.60	47.60	25.47	8.71	8.71	8.27	8.27	11.15	24
Lake City	CCA	65.05	65.05	69.01	63.10	63.10	22.82	22.82	24.21	22.14	22.14	-	-
Blackwater	GEO	-	45.80	45.80	44.43	44.43	-	7.70	7.70	7.50	7.50	-	-

Source: Department of Management Services.

¹ CCA refers to Corrections Corporation of America, a Maryland corporation, specializing in owning, operating and managing prison facilities. GEO refers to The GEO Group, Inc., a Florida corporation, providing correctional management services to governments. MTC refers to Management and Training Corporation, a privately held sub-chapter S Corporation, headquartered in Centerville, Utah, specializing in designing, building, financing, managing and operating correctional facilities, prison health services and job corps services.

* Split per diem rates reflect rate changes as a result of a change of operator midyear. Per diems listed in table for Bay, Moore Haven, and Graceville were paid to CCA from July 1, 2013 to January 31, 2014 and to GEO from February 1, 2014 through June 30, 2014.

Historical Inmate Population Statistics

FDOC transfers inmates to each Private Correctional Facility from other correctional or short-term detention facilities. The Act requires that the FDOC transfer inmates sufficient to maintain the inmate population at 90% of design capacity. Although releases, medical transfers out or other events may cause the inmate population to temporarily drop below the 90% standard, the occupancy level has historically averaged approximately 92% for the adult facilities. The following table sets forth the inmate population for each private facility financed or refinanced through the issuance of Certificates for the Fiscal Years 2010 through 2014. The average number of inmates and percent occupied are derived from the FDOC's monthly budget reports.

This information is presented for State Fiscal Years, which commence July 1 and end on June 30 of the next succeeding year.

Operating Statistics
Florida Prison System Facilities Under the Master Lease Agreement

Facility	Total Capacity	2010		2011		2012		2013		2014	
		Average⁽¹⁾ Inmate Population	Percent Capacity	Average^{(1)} Inmate Population	Percent Capacity	Average^{(1)} Inmate Population	Percent Capacity	Average^{(1)} Inmate Population	Percent Capacity	Average^{(1)} Inmate Population	Percent Capacity
Department Facilities											
Bay Correctional Facility	985	979	99.4%	980	99.5%	976	99.1%	976	99.1%	975	99.0%
Moore Haven Correctional Facility	985	975	99.0	979	99.4	978	99.3	978	99.3	978	99.3
South Bay Correctional Facility ²	1,948	1,855	99.6	1,856	99.7	1,859	98.1	1,884	99.4	1,886	99.5
Graceville Correctional Facility	1,884	1,844	98.1	1,875	99.5	1,872	99.4	1,870	99.3	1,867	99.1
Blackwater River Correctional Facility	2,000	2,000	100.0	2,000	100.0	2,000	100.0	1,986	99.3	1,985	99.3
Gadsden Correctional Facility	1,544	1,509	99.3	1,510	99.3	1,517	98.3	1,530	99.1	1,533	99.3
Lake City Correctional Facility	893	887	99.2	888	99.3	883	98.8	883	98.8	885	99.0
All Department Facilities	10,239										
FDOC Facilities											
Mayo Correctional Institute-Annex	1,345	-	-	-		618	46.0%	1,404	104.4%	1,430	106.3%
Suwannee Correctional Institute-Annex	1,346	-	-	685	50.9%	1,251	92.9	1,357	100.8	1,389	103.2
Lowell Reception Center	1,345	-	-	-		88	6.5	695	51.7	953	70.9
Lancaster Secure Housing Unit	228	-	-	103	45.2	213	93.4	214	93.9	205	89.9
Okeechobee Work Camp	444	-	-	-		-	-	-	-	-	-
Liberty Work Camp	432	-	-	-		-	-	-	-	343	79.4
Santa Rosa Work Camp	432	-	-	-		-	-	-	-	-	-
Franklin Work Camp	432	-	-	-		-	-	-	-	350	81.0
Cross City Work Camp	432	-	-	-		-	-	-	-	-	-
New River Work Camp (Union)	432	-	-	-		-	-	-	-	272	63.0
Hollywood Community Release Center	144	-	-	-		26	18.1	102	70.8	130	90.3
Kissimmee Community Release Center	144	-	-	-		71	49.3	139	96.5	146	101.4
Lake City Community Release Center	144	-	-	-		72	50.0	148	102.8	149	103.5
Santa Fe Community Release Center	144	-	-	-		68	47.2	143	99.3	146	101.4
Everglades Re-entry Center	432	-	-	-		-	-	-	-	-	-
Baker Re-entry Center	432	-	-	-		-	-	-	-	-	-
Pat Thomas Re-Entry Center	432	-	-	-		-	-	-	-	124	28.7
All FDOC Facilities	8,740			788	9.0%	2,407	27.5%	4,202	48.1%	5,637	64.5%

¹ Weighted average based on average population at each facility.

² Total capacity was 1,896 beds through June 30, 2014. Effective July 1, 2014, 52 beds were added to the capacity.

Source: Florida Department of Management Services and Florida Department of Corrections.

HISTORICAL APPROPRIATIONS

Operating and debt service funds are appropriated to the Department in the budgets of the Department and the FDOC. The amounts shown below for the Department reflect only the appropriations and budget for the Bureau of Private Prison Monitoring, which is the section of the Department responsible for operating the Private Correctional Facilities leased under the Master Lease Agreement. The amounts shown below for FDOC relate to the appropriations and budget for the entire FDOC, which reflects total costs to operate the Florida Prison System facilities under the Master Lease Agreement. The following table summarizes the appropriations and budget for Fiscal Years 2010 through 2014. These amounts have not been audited.

Historical Appropriations for Florida Prison System Facilities Under the Master Lease Agreement Fiscal Year Ended June 30

DMS Bureau of Private Prison Monitoring	2010	2011	2012	2013	2014
Number of Positions	13	14	14	14	14
Salaries	\$842,137	\$917,273	\$981,675	\$939,731	\$953,241
Other Personal Services	15,200	15,200	15,200	15,200	15,200
Special Category	179,445	209,069	83,686	76,914	76,814
Operating Capital Outlay	2,690	3,890	3,890	3,890	3,890
Contracted Services	23,056	23,056	13,056	13,056	13,056
Risk Management Insurance	2,253	2,245	1,962	305	1,885
Contracted Legal Services	77,736	77,736	23,169	23,169	23,169
Administrative Overhead	103,673	103,673	103,673	103,673	103,673
Private Prison - Maintenance and Repair - Trust Fund	959,588	959,588	959,588	959,588	959,588
Human Resource Services	6,070	6,070	4,727	4,454	4,462
Data Processing Services	10,016	10,016	5,708	2,741	6,044
Lease or Lease Purchase of Equipment	-	-	-	1,167	1,267
Total Operating Budget for Bureau of Private Prison Monitoring	\$2,221,864	\$2,327,816	\$2,196,334	\$2,143,888	\$2,162,289
FDOC					
Special Category - Private Institutions	\$138,145,920	\$158,953,334	\$165,691,916	\$167,005,077	\$164,290,414
Privately Operated Institutions Inmate Welfare Trust Fund	2,093,348	2,093,348	2,093,348	2,093,348	2,093,348
Fixed Capital Outlay - Lease - DMS	31,280,309	35,479,155	35,431,091	27,627,750	35,421,335
Fixed Capital Outlay - Lease - DOC	<u>13,274,747</u>	<u>30,584,420</u>	<u>30,583,695</u>	<u>30,584,470</u>	<u>30,609,155</u>
Total FDOC Budget	\$184,794,324	\$227,110,257	\$233,800,050	\$227,310,645	\$232,414,252
Department of Juvenile Justice					
Fixed Capital Outlay - Sublease to DOC	<u>\$2,873,625</u>	<u>\$2,872,500</u>	<u>\$2,871,500</u>	<u>\$2,866,375</u>	<u>\$2,860,000</u>
Total DMS and DOC Budgets for Florida Prison System	<u>\$189,889,813</u>	<u>\$232,310,573</u>	<u>\$238,867,884</u>	<u>\$232,320,908</u>	<u>\$237,436,542</u>
Sources of Appropriations (DMS and FDOC)					
General Revenue Fund	\$187,796,465	\$230,217,225	\$236,774,536	\$230,227,560	\$235,343,194
Private Inmate Welfare Trust Fund	\$2,093,348	\$2,093,348	\$2,093,348	\$2,093,348	\$2,093,348
Total FDOC Operating Budget	\$2,276,233,865	\$2,309,521,404	\$2,197,112,822	\$2,070,562,813	\$2,053,754,493

Source: Department of Management Services and the Department of Corrections.

CERTIFICATE PAYMENT SCHEDULE

Payment requirements for the Outstanding Certificates and the Series 2015A Certificates are as follows:

Certificate Year Ending August 1	Outstanding Certificates ^{1,2}	Series 2015A Certificates			Total Debt Service
		Principal	Interest	Total	
2015	\$43,390,876	\$9,790,000	\$2,518,520	\$12,308,520	\$55,699,396
2016	38,083,829	10,005,000	4,491,750	14,496,750	52,580,579
2017	38,090,143	9,265,000	3,991,500	13,256,500	51,346,643
2018	38,089,890	7,590,000	3,528,250	11,118,250	49,208,140
2019	38,098,620	7,255,000	3,148,750	10,403,750	48,502,370
2020	38,091,062	7,635,000	2,786,000	10,421,000	48,512,062
2021	38,104,006	8,020,000	2,404,250	10,424,250	48,528,256
2022	38,094,216	9,275,000	2,003,250	11,278,250	49,372,466
2023	38,094,431	9,770,000	1,539,500	11,309,500	49,403,931
2024	38,133,174	10,250,000	1,051,000	11,301,000	49,434,174
2025	38,121,269	10,770,000	538,500	11,308,500	49,429,769
2026	38,119,431	-	-	-	38,119,431
2027	38,110,571	-	-	-	38,110,571
2028	36,171,968	-	-	-	36,171,968
2029	<u>25,158,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,158,282</u>
	<u>\$561,951,769</u>	<u>\$99,625,000</u>	<u>\$28,001,270</u>	<u>\$127,626,270</u>	<u>\$689,578,039</u>

¹ Excludes the Refunded Certificates. Net of Federal Build America Bonds subsidy on the Series 2009C Certificates.

² Includes a sinking fund accrual of \$2,839,694 paid on behalf of the Refunded Certificates.

Note: Numbers may not add due to rounding.

TAX MATTERS

The Series 2015A Certificates will be subject to the tax consequences described below under “Series 2015A Certificates.”

Series 2015A Certificates

General. The Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements which must be met subsequent to the issuance of the Series 2015A Certificates (the “Series 2015A Certificates”) in order that component of the Basic Rent Payments designated and paid as interest to the Owners on the Series 2015A Certificates be and remain excluded from gross income for purposes of Federal income taxation.

The Department’s failure to meet these requirements may cause the component of the Basic Rent Payments designated and paid as interest to the Owners of the Series 2015A Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Series 2015A Certificates. The Department has covenanted in the Master Lease Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the component of the Basic Rent Payments designated and paid as interest to the Owners of the Series 2015A Certificates.

In the opinion of Special Counsel, assuming continuing compliance by the Department with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the component of the Basic Rent Payments designated and paid as interest to the Owners of the Series 2015A Certificates is excluded from gross income for federal income tax purposes. The component of the Basic Rent Payments designated and paid as interest to the Owners of the Series 2015A Certificates is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, the component of the Basic Rent Payments designated and paid as interest to the Owners of the Series 2015A Certificates is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on

corporations. However, no opinion is expressed with respect to the federal income tax consequences of any payments received or to be received with respect to the Series 2015A Certificates following termination of the Master Lease Agreement as a result of an Event of Non-Appropriation or the occurrence of an Event of Lease Default thereunder.

Except as described above, Special Counsel will express no opinion regarding the federal income tax or state or local tax consequences resulting from the receipt or accrual of the component of the Basic Rent Payments designated and paid as interest to the Owners of the Series 2015A Certificates, or the ownership or disposition of the Series 2015A Certificates. Prospective purchasers of the Series 2015A Certificates should be aware that the ownership of Certificates may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry certificates, (ii) the reduction of certain loss reserve deductions for property and casualty insurance companies, (iii) the inclusion of the component of the Basic Rent Payments designated and paid as interest to the Owners of the Series 2015A Certificates in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the component of the Basic Rent Payments designated and paid as interest to the Owners of the Series 2015A Certificates in the passive income subject to federal income taxation of certain S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion in gross income of the component of the Basic Rent Payments designated and paid as interest to the Owners of the Certificate by recipients of certain Social Security and Railroad Retirement benefits.

As to questions of fact material to the opinions of Special Counsel, Special Counsel will rely upon representations and covenants made on behalf of the Department, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2015A Certificates), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2015A CERTIFICATES AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE HOLDERS OF THE SERIES 2015A CERTIFICATES, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE HOLDERS OF THE TAX-EXEMPT 2015A CERTIFICATES SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters Relating to the Series 2015A Certificates. Purchasers of the Series 2015A Certificates should consult their tax advisors as to the tax consequences to them of owning the Series 2015A Certificates in their particular state or local jurisdiction.

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 Series 2015A 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 Series 2015A 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 Series 2015A Certificates and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2015A Certificates.

Tax Treatment of Certificate Premium for the Series 2015A Certificates. The difference between the principal amount of the Series 2015A Certificates maturing on August 1, 2015 through and including August 1, 2025 (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 underwriters or wholesalers) at which price a substantial amount of such Premium Certificates of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Certificates, which ends on the earlier of the maturity or call date for each of the Premium Certificates which minimizes the yield on such Premium Certificates to the purchaser. 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 price is required to decrease such purchaser's adjusted basis in such Premium Certificate annually by the amount of amortizable bond premium for the taxable year. The amortization of bond 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. Holders 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.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds such as the Series 2015A Certificates is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2015A Certificates from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2015A Certificates, under certain circumstances, to “backup withholding” at (i) the fourth lowest rate of tax applicable under Section 1(c) of the Code (i.e., a rate applicable to unmarried individuals) for taxable years beginning on or before December 31, 2010; and (ii) the rate of 31% for taxable years beginning after December 31, 2010, with respect to payments on the Series 2015A Certificates and proceeds from the sale of Series 2015A Certificates. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2015A Certificates. This withholding generally applies if the owner of Series 2015A Certificates (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2015A Certificates may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

RECENT STATE FINANCIAL DEVELOPMENTS

The State’s budget is required to be kept in balance from 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.

The financial information set forth below is unaudited. 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 below. No assurance is given that actual results will not differ materially from the estimates provided below.

Fiscal Year 2012-13

Revenues. Actual general revenue collections of \$25.3 billion for the twelve-month period ended June 30, 2013 were \$294.0 million over the March 2013 REC estimate and were up \$1.7 billion (7.2%) from the same period of the prior fiscal year. The one-time payment of \$200.1 million from the National Mortgage Settlement accounted for the majority of the overage. Absent this amount, total General Revenue collections were virtually on March REC estimates.

Budget. The Fiscal Year 2012-13 Budget totaled approximately \$70.0 billion, which is relatively flat when compared to the adjusted budget for Fiscal Year 2011-12. The General Fund budget totaled \$24.7 billion and was primarily funded with general revenue collections and \$565 million in trust fund transfers, including a \$350 million transfer from the Lawton Chiles Endowment Fund.

Reserves. The General Fund Retrospect statement released on October 30, 2013 indicated total budget reversions of nearly \$290 million. Combined with the one-time payment from the National Mortgage Settlement as well as revenues exceeding estimate, the Fiscal 2012-13 year-end General Fund balance increased to approximately \$2.9 billion. The Budget Stabilization Fund increased to \$710.5 million, with the \$214.5 million transfer to the fund authorized in the Budget. When including the Budget Stabilization Fund, General Fund reserves at fiscal year end total approximately \$3.6 billion (14.2% of general revenues). The Fiscal Year 2012-13 year-end trust fund reserve balances totaled \$2.5 billion, including \$565 million in the Lawton Chiles Endowment Fund and \$1.9 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the estimated total reserves to nearly \$6.1 billion (23.9% of general revenues) at fiscal year end.

Fiscal Year 2013-14

Revenues. Actual general revenue collections of \$26.2 billion for the twelve-month period ended June 30, 2014 were \$106.7 million under the March 2014 REC estimate but were up \$883 million (3.5%) from the same period of the prior fiscal year. Growth in Fiscal Year 2013-14 revenues was primarily driven by sales tax collections generated by strong taxable sales that finally surpassed the prior peak collected during Fiscal Year 2006-07.

Budget. The Fiscal Year 2013-14 Budget totaled approximately \$74.2 billion, an increase of \$4.2 billion (6.0%) over the Fiscal Year 2012-13 budget of \$70.0 billion. The General Fund budget totaled \$26.7 billion and was primarily funded with general revenue collections and \$385 million in trust fund transfers.

Reserves. The General Fund Retrospect statement released on November 4, 2014 indicated the Fiscal Year 2013-14 year-end General Fund balance decreased to approximately \$2.6 billion. The Budget Stabilization Fund increased to \$924.7 million, with the \$214.5 million transfer to the fund authorized in the Budget. When including the Budget Stabilization Fund, General Fund reserves at fiscal year end total approximately \$3.5 billion (13.4% of actual general fund revenues). The Fiscal Year 2013-14 year-end trust fund reserve balances totaled nearly \$2.5 billion, including \$575 million in the Lawton Chiles Endowment Fund and nearly \$1.9 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the estimated total reserves to nearly \$6.0 billion (22.8% of actual general revenues) at fiscal year end.

Fiscal Year 2014-15

Budget. The Fiscal Year 2014-15 Budget totals \$77.0 billion, an increase of approximately \$2.8 billion (3.8%) over the Fiscal Year 2013-14 Budget of \$74.2 billion. The General Fund budget totals about \$27.9 billion and will be primarily funded with general revenue collections and \$278 million in trust fund transfers.

Revenues. The December 2014 Outlook increased the general revenue forecast for Fiscal Year 2014-15 by \$296 million over the August 2014 forecast. December 2014 estimated general revenues of \$27.5 billion incorporates increases to sales tax collections due to strong performance in this revenue source since the August 2014 REC and lower gas prices that free up disposable income for other purchases. The revised forecast exceeds actual collections for Fiscal Year 2013-14 by approximately \$1.29 billion or 4.9%.

Actual general revenue collections of nearly \$10.4 billion for the five-month period ended November 30, 2014 were \$162.1 million over the August 2014 REC estimate and were up \$524.5 million (5.3%) from the same period of the prior fiscal year.

Reserves. Based on the December 2014 Outlook, the Fiscal Year 2014-15 year-end General Fund balance is projected to total nearly \$2.0 billion. The Budget includes a \$214.5 million transfer to the Budget Stabilization Fund, which will increase the Budget Stabilization Fund balance to \$1.1 billion at June 30, 2015. When including the Budget Stabilization Fund, General Fund reserves at fiscal year end are projected to total approximately \$3.1 billion (11.3% of projected general revenues). The Fiscal Year 2014-15 year-end trust fund reserve balances are estimated at \$2.3 billion, including an estimated \$607 million in the Lawton Chiles Endowment Fund and \$1.7 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the estimated total reserves to approximately \$5.4 billion (19.8% of projected general revenues) at fiscal year end. 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 below. No assurance is given that actual results will not differ materially from the estimates provided below.

Water and Land Conservation Constitutional Amendment approved by voters. Florida's 2014 ballot for the General Election included an amendment to provide funding for the Land Acquisition Trust Fund to acquire, restore, improve, and manage conservation lands and water quality resources by dedicating 33% of net revenues from the existing documentary stamp taxes for 20 years. Voters approved the amendment with 75% of the vote, exceeding the 60% required. The Legislature has not enacted legislation to implement the constitutional amendment. The implementing legislation could reduce the amount of general revenue available for future budgets. However, the amendment specifically permits debt service expenditures related to the Florida Forever and Everglades Restoration bond programs to count towards the 33% constitutional requirement. Therefore, implementation of the amendment should not negatively effect pledged revenues for debt service on those bonds, or the use of the unpledged portion of documentary stamp taxes to pay debt service in the unlikely event of a shortfall.

THE TRUSTEE

U.S. Bank National Association is Trustee under the Master Trust Indenture. The Trustee's office is located at 225 Water Street, Suite 700, Jacksonville, Florida 32202.

MISCELLANEOUS

Investment of Funds

Proceeds of the Series 2015A Certificates will be deposited with the Trustee in Series 2015A subaccounts within the Cost of Issuance Account and the Reserve Fund, created pursuant to the Master Trust Indenture and with the Escrow Agent pursuant to the Escrow Deposit Agreement. See “SOURCES AND USES OF FUNDS.” Basic Rent Payments of the Department will be deposited with the Trustee in an account in the Rent Payment Fund as described above under the heading “SECURITY FOR THE SERIES 2015A CERTIFICATES—Deposit to Funds.” Amounts deposited in these funds and accounts will be invested by the Trustee at the direction of the Department in Qualified Investments as provided in the Master Trust Indenture or by the Escrow Agent as provided in the Escrow Deposit Agreement.

Investment by the Chief Financial Officer - Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2014, the ratio was approximately 46% internally managed funds, 43% externally managed funds, 3% Certificates of Deposit and 8% in an externally managed Security Lending program. The total portfolio market value on June 30, 2014, was \$23,533,107,893.33.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2014, \$15.581 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury; additionally, \$5.856 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

As provided by State law, the Treasury must be able to timely meet all disbursement needs of the State. Accordingly, the Treasury allocates its investments to provide for estimated disbursements plus a cushion for liquidity in instances of greater-than-expected disbursement demand.

To this end, a portion of Treasury’s investments are managed for short-term liquidity and preservation of principal. The remainder is managed to obtain maximum yield, given the safety parameters of State law and Treasury’s Comprehensive Investment Policy. Investments managed for short-term liquidity and preservation of principal are managed “internally” by Treasury personnel. The majority of investments managed for a maximum return are managed by “external” investment managers not employed by the State.

The Externally Managed Investment Program provides long-term value while limiting risk appropriately and provides a backup source of liquidity. External investment strategy focuses on medium-term and long-term fixed income securities, rather than money market instruments, in order to take advantage of higher returns historically achieved by such securities. Portfolio managers are hired to actively manage funds. These funds may be invested in U.S. Treasury government agency obligations, investment grade corporate debt, municipal debt, mortgage backed securities, asset backed securities, negotiable certificates of deposit, and U.S. dollar denominated investment-grade foreign bonds that are registered with the Securities and Exchange Commission. The managers may also use leveraging techniques such as forward purchase commitments, covered options, and interest rate futures.

Investment by the Board of Administration - The Board of Administration manages investment of assets on behalf of the members of the Florida Retirement System (the “FRS”) Defined Benefit Plan. It also acts as sinking fund trustee for most State bond issues and oversees the management of a short-term investment pool for local governments and smaller trust accounts on behalf of third party beneficiaries.

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2014, the Board of Administration directed the investment/administration of 37 funds in 475 portfolios.

As of June 30, 2014 the total market value of the FRS (Defined Benefit) Trust Fund was \$149,097,956,342.50. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

The Board of Administration uses a variety of derivative products as part of its overall investment strategy. These products are used to manage risk or to execute strategies more efficiently or more cost effectively than could be done in the cash markets. They are not used to speculate in the expectation of earning extremely high returns. Any of the products used must be within investment policy guidelines designed to control the overall risk of the portfolio.

The Board of Administration invests assets in 36 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2014, the total market value of these funds equaled \$31,876,401,989.74. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plan. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

Investment of bond sinking funds is controlled by the resolution authorizing issuance of a particular series of bonds. The Board of Administration's investment policy with respect to sinking funds is that only U.S. Treasury securities, and repurchase agreements backed thereby, be used.

Bond Ratings

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of AA+, Aa2 and AA+, respectively, to the Series 2015A 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 Series 2015A 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 Series 2015A 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 Fund, supporting the conclusion that the Series 2015A 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 Series 2015A Certificates.

Litigation

There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body, pending or threatened against or affecting the existence of the State or the Department or which may adversely affect or which seeks to enjoin or prohibit the issuance of the Series 2015A Certificates or the use of the Funds established by the Master Trust Indenture or which in any way contests or affects the validity or enforceability of the Certificate Documents, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Offering Statement or the validity of the Master Lease Agreement, the Master Trust Indenture or any other agreement or instrument to which the Department is a party and which is used or contemplated for use in the transactions contemplated by this Offering Statement.

Legal Matters

Legal matters incident to the issuance of the Series 2015A Certificates and with regard to the tax-exempt status of the Interest Portion (see "TAX MATTERS" herein) are subject to the legal opinion of Bryant Miller Olive P.A., Tallahassee, 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 Series 2015A Certificates, will be delivered to the Corporation at the time of original delivery.

The proposed text of the legal opinion is set forth as APPENDIX D. The legal opinion to be delivered may vary from the text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it 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.

Continuing Disclosure

The Department has covenanted and undertaken for the benefit of the Owners of the Series 2015A Certificates to provide certain financial information and operating data relating to the Department and the Series 2015A Certificates in each year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated material events. Such covenant shall only apply so long as the Series 2015A Certificates remain Outstanding under the Master Trust Indenture. The covenant shall also terminate upon (1) the termination of the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”) by legislative, judicial or administration action or (2) an Event of Non-Appropriation. The Annual Report 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 specific nature of the information to be contained in the Annual Report and the notices of material events are described in “APPENDIX-E-FORM OF THE CONTINUING DISCLOSURE AGREEMENT” attached hereto. These undertakings have been made in order to assist the Underwriters in complying with the Rule. The Continuing Disclosure Agreement shall be executed by the Department, prior to the issuance of the Series 2015A Certificates. No entity other than the Department is obligated to provide any continuing disclosure information with respect to the Series 2015A Certificates pursuant to the Rule. The Department has not failed, in the previous five years, to comply in all material respects with any prior undertakings.

Underwriting

Citigroup Global Markets Inc. (the “Underwriter”) has agreed to purchase the Series 2015A Certificates at an aggregate purchase price of \$116,040,966.05 (which represents the par amount of the Series 2015A Certificates plus an original issue premium of \$16,510,609.80 and minus the Underwriter’s discount of \$94,643.75). The Underwriter may offer and sell the Series 2015A Certificates to certain dealers (including dealers depositing bonds into investment trusts, including trusts managed by the Underwriter) at prices lower than the initial offering prices. The offering prices or yields on the Series 2015A Certificates set forth on the inside front cover may be changed after the initial offering by the Underwriters.

Execution of Offering Statement

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

CHAD POPPELL
Secretary
Department of Management Services

JULIE JONES
Secretary
Department of Corrections

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APPENDIX A

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, which is 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.

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STATE OF FLORIDA

GENERAL HISTORY AND GEOGRAPHY

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. The State capital is the city of Tallahassee.

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.

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 also 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 March, 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 49 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 Family Services 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 new department will include the Office of Tourism, Trade, and Economic Development as well as portions of the Department of Community Affairs (DCA) and the Agency for Workforce Innovation (AWI), and the Ready to Work Program from the Department of Education. Remaining portions of DCA and AWI will be 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 160 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 whistle blower 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.

Parole Commission 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 fourth most populous state, with a population of 19.3 million as of April 1, 2013. This represents nearly a 1.0% increase from April 1, 2012.

While the State's population grew by 20.5% between 2000 and 2013, annual population growth has slowed considerably in recent years. 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 US average annual growth rate of 0.8% 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, but the State has experienced record low levels of net migration in recent years, resulting in the slowed population growth.

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 is 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 is approximately 12.9% and is expected to increase to 16.0% by 2020. Florida's working age population (18-64) is currently 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 is 62.7% of total population currently and projected to decline to 60.0%.

Population Change Florida and U.S., 1980 - 2020 (April 1 census day figures)

<u>Year</u>	<u>Florida</u>		<u>U. S.</u>	
	<u>(in thousands)</u>	<u>% change</u>	<u>(in thousands)</u>	<u>% change</u>
1980	9,747	-	226,546	-
1990	12,938	32.7%	248,710	9.8%
2000	15,983	23.5	281,422	13.2
2010	18,801	17.6	308,746	9.7
2020 (projected)	21,185	12.7	336,836	9.1

Source: Office of Economic and Demographic Research, The Florida Legislature (July, 2014) and U.S. Census Bureau.

Florida Population Age Trends, 2010-2030

Age	2010		2020		2030	
	Population	% of total	Population	% of total	Population	% of total
0-4	1,073,506	5.7%	1,169,790	5.5%	1,291,884	5.5%
5 to 17	2,928,585	15.6%	3,130,654	14.8%	3,383,376	14.3%
18-24	1,739,657	9.3%	1,812,788	8.6%	1,962,225	8.3%
25-44	4,720,799	25.1%	5,230,883	24.7%	5,880,264	24.9%
45-64	5,079,161	27.6%	5,496,343	26.0%	5,420,972	23.0%
65+	<u>3,259,602</u>	17.3%	<u>4,309,239</u>	20.4%	<u>5,670,251</u>	24.0%
Total	18,801,310		21,149,697		23,608,972	

Source: Office of Economic and Demographic Research, The Florida Legislature. (Demographic Estimating Conference, February, 2014).

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. The State's GDP for 2013 is estimated at \$800 billion, which is about 3.0% higher than 2012 GDP of \$777 billion.

Florida's GDP has increased 6.3% over the past five years from \$753 billion in 2008 to \$800 billion in 2013. Private industry

accounted for 88% of the State's 2013 GDP and government accounted for the remaining 12%. Real estate was the largest single industry, accounting for 17% of Florida's 2013 GDP.

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

Florida's Gross Domestic Product by Major Industry **2008 and 2013**

(millions of chained 2005 dollars)¹

<u>Industry</u>	<u>2008</u>	<u>% of Total</u>	<u>2013</u>	<u>% of Total</u>
Agriculture, forestry, fishing and hunting	\$5,732	0.8%	\$9,086	1.1%
Mining	1,930	0.3	2,478	0.3
Utilities	14,482	1.9	15,173	1.9
Construction	46,291	6.1	34,705	4.3
Manufacturing	39,949	5.3	39,616	4.9
Wholesale trade	51,335	6.8	56,490	7.1
Retail trade	55,576	7.4	61,580	7.7
Transportation and warehousing, excluding Postal Services	22,266	3.0	24,540	3.1
Information	32,063	4.3	30,927	3.9
Finance and insurance	36,645	4.9	44,522	5.6
Real estate and rental and leasing	130,389	17.3	133,153	16.6
Professional and technical services	50,707	6.7	54,603	6.8
Management of companies and enterprises	10,162	1.3	12,568	1.6
Administrative and waste services	30,595	4.1	31,635	4.0
Educational services	6,787	0.9	8,232	1.0
Health care and social assistance	58,298	7.7	69,331	8.7
Arts, entertainment and recreation	13,065	1.7	15,328	1.9
Accommodation and food services	30,219	4.0	35,170	4.4
Other services, except government	20,325	2.7	21,284	2.7
Government	<u>96,197</u>	12.8	<u>100,069</u>	12.5
Total ²	\$753,013		\$800,490	

Source: U.S. Department of Commerce, Bureau of Economic Analysis (June, 2014).

¹ A measure of real output and prices using 2005 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 May not add, due to chaining formula and rounding.

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 93.7 million people visited the State in 2013, a 4.3% increase over the final 2012 total. Leisure and hospitality services accounted for 13.5% of the State's non-farm employment in 2012. According to the Florida Department of Business and Professional Regulation, as of August 1, 2012, 47,511 food service establishments were licensed with seating capacity of 3,720,745, and 37,175 lodging establishments were licensed with 1,551,225 total units. According to the Florida Department of Environmental Protection, visitors to the State's public parks and recreation areas totaled 25.5 million for Fiscal Year 2013, a 2% increase from the prior year. In 2013, accommodation and food services contributed 4.0% of the State's GDP, and arts, entertainment and recreation contributed 1.7%.

Transportation of goods and passengers is facilitated by Florida's integrated transportation system. The State has approximately 122,000 miles of roads, 15 freight railroads with 2,796

miles of track, and AMTRAK passenger train service. There are 29 fixed route transit systems. There are 800 aviation facilities, of which 131 are available for public use; 20 provide scheduled commercial service and 14 provide international service. According to Federal Aviation Administration figures, based on calendar year 2012 enplanements, four Florida airports were among the top 50 in the U.S. and three were among the top 50 based on cargo weight. In that year, Miami International Airport ranked 12th in North America in passenger traffic and ranked 4th in North America in cargo volume. Florida also has 14 deep water ports, 9 major shallow water ports, and 4 significant river ports, many of which are interconnected by the State's inland waterway system.

In 2013, agriculture, forestry and fishing constituted only about 0.8% of GDP. In 2012, Florida ranked 19th for all crop production according to the U.S. Department of Agriculture. The State ranked 1st in production of oranges and sugar cane and ranked 2nd for production of vegetables and melons, tomatoes, and strawberries.

Construction activity, which constituted approximately 6.1% of Florida's 2013 GDP, is another factor to consider in analyzing the State's economy. The following table shows housing starts and construction values from 2003 through 2013.

Florida Housing Starts and Construction Value: 2003-2013¹

<u>Year</u>	<u>Housing Starts (thous)</u>		<u>Construction Value (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>
2003	146.7	68.8	\$25,615.4	\$7,052.4	\$17,111.1	\$49,778.8
2004	172.4	81.6	31,956.0	9,404.6	17,450.3	58,810.9
2005	193.1	93.6	39,349.7	13,249.4	19,111.5	71,710.6
2006	132.6	84.1	30,251.0	11,472.8	22,002.9	63,726.6
2007	63.8	53.9	15,484.4	6,406.7	28,431.6	50,322.8
2008	34.5	25.3	9,110.1	3,000.8	20,267.5	32,378.4
2009	24.6	7.7	6,513.0	943.7	17,590.7	25,047.4
2010	29.0	10.2	7,708.0	1,124.4	15,871.7	24,704.1
2011	29.3	12.2	8,180.6	1,473.6	13,123.0	22,777.2
2012	40.0	20.3	11,806.2	2,675.8	14,107.0	28,589.1
2013	53.2	29.3	16,528.3	3,706.9	12,408.6	32,643.7

Source: Office of Economic and Demographic Research, The Florida Legislature (April, 2014).

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

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Employment

The following tables provide employment information for Florida and the U.S. As shown below, total employment in Florida increased from 8.7 million in Fiscal Year 2013 to nearly 8.9 million in Fiscal Year 2014. The unemployment rate decreased for a fourth, consecutive year to 6.4% in Fiscal Year 2014. Florida's unemployment rate continues to trend in line with the nation's unemployment rate.

The total number of non-agricultural jobs in Florida has decreased 5.4% since 2007 to 7.6 million in 2013. However, year-over-year, total non-agricultural jobs in Florida have increased from 7.4 million in 2012 to 7.6 million in 2013. At the same time, total US non-agricultural jobs have increased 3% since 2007 to 141.8 million in 2013.

Unemployment Rate, Florida vs. U.S. Fiscal Years 2003-2013

Fiscal Year	Total Civilian Labor Force (in thousands)		Total Employment (in thousands)		Annual Average Unemployment Rate (percent)	
	Florida	U.S.	Florida	U.S.	Florida	U.S.
2003-04	8,337.4	146,800.0	7,924.5	138,300.0	5.0%	5.8%
2004-05	8,572.4	148,200.0	8,203.1	140,400.0	4.3	5.3
2005-06	8,806.6	150,400.0	8,499.6	143,100.0	3.5	4.8
2006-07	9,055.5	152,500.0	8,727.1	145,500.0	3.6	4.5
2007-08	9,220.9	153,700.0	8,790.2	146,100.0	4.7	4.9
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	9,476.1	155,694.0	8,868.8	146,221.0	6.4	6.1

Source: Office of Economic and Demographic Research, The Florida Legislature (July, 2014).

Composition of Nonagricultural Employment Florida and the Nation 2007 and 2013¹ (thousands)

	2007				2013			
	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total
Natural Resources & Mining	6.7	0.1	724.0	0.5	5.7	0.1	1,062.0	0.7
Construction	622.9	7.8	7,630.0	5.5	368.3	4.9	8,864.0	6.3
Manufacturing	399.0	5.0	13,879.0	10.1	321.9	4.2	14,763.0	10.4
Transportation & Warehousing	229.8	2.9	4,540.9	3.3	252.6	3.3	5,200.0	3.7
Utilities	23.7	0.3	553.4	0.4	22.6	0.3	870.0	0.6
Wholesale Trade	361.2	4.5	6,015.2	4.4	317.7	4.2	3,630.0	2.6
Retail Trade	1,028.5	12.8	15,520.0	11.3	979.0	12.9	15,912.0	11.2
Information	162.7	2.0	3,032.0	2.2	133.9	1.8	2,792.0	2.0
Financial Activities	551.2	6.9	8,348.0	6.1	512.6	6.8	9,613.0	6.8
Professional & Business Services	1,156.2	14.4	17,942.0	13.0	1,116.8	14.7	16,338.0	11.5
Education & Health Services	1,016.5	12.7	18,322.0	13.3	1,128.1	14.9	22,303.0	15.7
Leisure & Hospitality Services	983.5	12.3	13,427.0	9.8	1,036.9	13.7	13,111.0	9.2
Other Services	345.6	4.3	5,494.0	4.0	306.5	4.0	7,095.0	5.0
Government	1,122.6	14.0	22,218.0	16.1	1,076.6	14.2	20,247.0	14.3
Total Non-farm	8,009.8		137,645.0		7,579.2		141,800.0	

Source: US Department of Labor, Bureau of Labor Statistics (April, 2014).

¹ Not Seasonally adjusted.

Income

Historically, Florida's total personal income has grown at rates similar to those of the U.S. and the other southeastern states. From 2004 to 2013, Florida's total personal income grew by 42% and per capita income increased approximately 25%. For the nation and the Southeast, total personal income increased by 41% and 44%, while per capita income grew 34% and 29%, respectively, over the same time period. With the exception of 2009, personal income and per capita income have increased annually for the past ten years.

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 the past ten calendar years.

The table on the following page shows Florida personal income and earnings by major source for calendar years 2008 and 2013. Total Income in Florida has increased approximately 10.7% over the five year time period. Increases and decreases in income varied across industries, with health care realizing the largest increase and construction seeing the biggest decrease.

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

Year	Total Personal Income (In millions of Current Dollars)						Per Capita Personal Income (In Current Dollars)					
	U.S.	% Change	S.E.	% Change	Florida	% Change	U.S.	% Change	S.E.	% Change	Florida	% Change
2004	\$10,048,300	7.2%	\$2,249,054	6.9%	\$582,766	9.7%	\$33,909	5.0%	\$30,801	5.4%	\$33,463	7.1%
2005	10,609,300	5.6	2,403,753	6.9	633,193	8.7	35,452	4.6	32,418	5.2	35,489	6.1
2006	11,389,000	7.3	2,580,723	7.4	690,268	9.0	37,725	6.4	34,379	6.0	37,996	7.1
2007	11,994,900	5.3	2,728,855	5.7	721,052	4.5	39,506	4.7	35,848	4.3	39,256	3.3
2008	12,429,600	3.6	2,843,864	4.2	740,676	2.7	40,947	3.6	36,906	3.0	39,978	1.8
2009	12,087,500	(2.8)	2,722,901	(4.3)	687,337	(7.2)	38,637	(5.6)	34,992	(5.2)	36,849	(7.8)
2010	12,429,300	2.8	2,831,622	4.0	722,368	5.1	39,791	3.0	36,047	3.0	38,345	4.1
2011	13,202,000	6.2	2,968,900	4.8	755,358	4.6	41,560	4.4	37,473	4.0	39,636	3.4
2012	13,887,700	5.2	3,068,647	3.4	779,339	3.2	42,693	2.7	38,382	2.4	40,344	1.8
2013	14,166,900	2.0	3,236,336	5.5	828,438	6.3	45,543	6.7	39,746	3.6	41,692	3.3

Source: U.S. Department of Commerce, Bureau of Economic Analysis (May, 2014).

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Florida Personal Income and Earnings by Major Source: 2008 vs. 2013
(thousands of current dollars)

	2008	% Total	2013	% Total
Earnings:				
Wages and Salaries:				
Farm	\$2,075,776	0.2%	\$2,562,865	0.3%
Non Farm	453,173,468	53.2%	485,718,748	51.5%
Private:				
Forestry, fishing and other	1,458,293	0.2%	1,827,378	0.2%
Mining	774,358	0.1%	702,440	0.1%
Utilities	2,754,812	0.3%	2,980,955	0.3%
Construction	32,305,436	3.8%	25,642,316	2.7%
Manufacturing	24,790,005	2.9%	23,752,367	2.5%
Wholesale Trade	26,248,652	3.1%	28,289,803	3.0%
Retail Trade	35,188,547	4.1%	38,231,253	4.1%
Transportation & Warehousing	14,455,843	1.7%	16,461,994	1.7%
Information	13,511,916	1.6%	13,015,981	1.4%
Finance and insurance	29,743,145	3.5%	35,129,169	3.7%
Real estate and rental and leasing	10,630,491	1.2%	10,695,284	1.1%
Professional and technical services	41,910,647	4.9%	46,256,597	4.9%
Management of companies and enterprises	8,145,056	1.0%	10,497,034	1.1%
Administrative and waste services	25,168,006	3.0%	26,494,780	2.8%
Educational services	5,925,799	0.7%	7,377,765	0.8%
Health care and social assistance	53,242,374	6.2%	63,672,031	6.7%
Arts, entertainment and recreation	9,093,942	1.1%	10,138,248	1.1%
Accommodation and food services	19,615,622	2.3%	23,603,440	2.5%
Other services, except public administration	<u>19,072,791</u>	2.2%	<u>21,168,707</u>	2.2%
Total Private	374,035,735	43.9%	405,937,542	43.0%
Government & government enterprises	79,137,733	9.3%	79,781,210	8.5%
Total Wages & Salaries	455,249,244	53.4%	488,281,617	51.7%
Other Income:				
plus: Dividends, Interest & Rent	207,642,200	24.4%	219,489,052	23.3%
plus: Personal current transfer receipts	123,042,492	14.4%	162,856,947	17.3%
plus: Adjustment for residence	1,943,554	0.2%	2,159,290	0.2%
Less: Contributions for social insurance	<u>(51,679,144)</u>	(6.1)%	<u>(57,598,280)</u>	(6.1)%
Total Other Income:	280,949,102	33.0%	326,907,009	34.6%
Total Personal Income	736,198,346	86.3%	815,188,626	86.4%
Other Earnings:				
Supplements to wages and salaries	76,725,907	9.0%	80,565,712	8.5%
Proprietors' income:	<u>39,658,650</u>	4.7%	<u>47,980,573</u>	5.1%
Total Earnings:	116,384,557	13.7%	128,546,285	13.6%
TOTAL INCOME	\$852,582,903	100.0%	\$943,734,911	100.0%

Source: US Department of Commerce, Bureau of Economic Analysis (August, 2014).

International Trade

Florida's location lends itself to international trade and travel. Florida was the 7th largest exporter in the nation in 2013. The State's international merchandise trade (imports and exports) totaled \$158.4 billion in 2013, a decrease of 2.3% over 2012. Despite the decline, 2013 merchandise trade was the second highest level ever recorded. Between 2012 and 2013, Florida's merchandise exports declined by 5.4% while imports increased 1.6%. During the same period, the nation's exports increased by 2.1% and imports decreased by less than 1%.

The State's top five exports for 2013 were precious metals, aircraft, vehicles, telecommunications equipment, and computers. The top imports were oil, gold, vehicles, refined copper and alloys, and electronics. Florida's top trading partners for 2013 were Brazil, Colombia, China, Costa Rica and Chile.
(Source: Enterprise Florida, March 2014)

Florida's International Trade: 2003-2013
(millions of U.S. dollars)

<u>Year</u>	<u>Exports</u>	<u>% Change</u>	<u>Imports</u>	<u>% Change</u>
2003	\$32,404	0.5%	\$40,462	9.5%
2004	37,501	15.7	43,896	8.5
2005	44,115	17.6	51,169	16.6
2006	51,767	17.3	57,399	12.2
2007	58,915	13.8	55,925	(2.6)
2008	73,022	23.9	57,525	2.9
2009	59,884	(18.0)	43,107	(25.1)
2010	73,064	22.0	53,164	23.3
2011	86,753	18.7	62,413	17.4
2012	90,360	4.2	71,833	15.1
2013	85,460	(5.4)	72,971	1.6

Source: Enterprise Florida (March, 2014).

Primary Sources of Sales Tax

The following tables illustrate taxable sales by category of expenditure over the past ten years, and compare the top twenty-five

types of businesses generating sales tax revenues in Fiscal Years 2009 and 2013.

Florida Taxable Sales and Sales Tax Liability by Category
Fiscal Years ended June 30, 2004-2014
(millions of current dollars)

Fiscal Year	Consumer Non-durables				Consumer Durables				Building		Business	
	Recreation/Tourism		Other		Autos & Accessories		Other		Investment		Investment	
Year	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes
2004	\$53,924	\$3,224.5	\$77,387	\$4,675.7	\$56,017	\$3,349.6	\$23,003	\$1,375.5	\$18,455	\$1,103.5	\$55,027	\$3,223.9
2005	58,821	3,517.3	84,393	5,099.0	60,332	3,607.6	25,735	1,538.9	22,868	1,367.4	63,723	3,733.4
2006	63,247	3,781.9	92,961	5,616.7	64,883	3,879.9	28,704	1,716.4	26,525	1,586.1	71,783	4,205.0
2007	65,019	3,887.9	97,809	5,909.6	62,511	3,737.9	27,831	1,664.2	23,745	1,419.8	72,464	4,245.5
2008	65,772	3,932.9	98,075	5,925.7	54,885	3,281.9	24,363	1,456.8	20,319	1,215.0	66,612	3,902.7
2009	61,767	3,693.4	92,760	5,604.6	43,547	2,603.9	19,938	1,192.2	16,362	978.4	59,961	3,513.0
2010	60,407	3,610.5	91,404	5,515.3	43,641	2,608.7	18,299	1,094.1	14,845	888.2	55,154	3,233.9
2011	63,818	3,816.1	94,741	5,724.3	45,889	2,744.0	19,271	1,152.3	15,129	904.6	56,836	3,329.9
2012	68,168	4,076.2	98,880	5,974.3	48,803	2,918.3	20,431	1,221.7	15,845	947.4	58,543	3,429.8
2013	72,029	4,306.9	102,711	6,205.6	53,922	3,224.5	21,711	1,298.1	17,893	1,069.8	61,397	3,597.1
2014	77,043	4,606.9	107,830	6,515.1	59,673	3,568.2	23,194	1,386.9	20,061	1,199.5	65,615	3,844.3

Source: Office of Economic and Demographic Research (September, 2014).

State Sales Tax Collections by Top 25 Business Types
Fiscal Years Ended June 30, 2009 vs. 2014¹

<u>Type of Business</u>	<u>2009</u>	<u>2014</u>
Automotive Dealers	\$2,062,983,662	\$2,980,024,588
General Miscellaneous Merchandise Stores	2,490,794,874	2,880,799,407
Restaurants, Lunchrooms, Catering Services	1,670,371,379	2,103,320,072
Leased or Rental of Commercial Real Property	1,356,669,887	1,414,211,508
Hotels/Motels Accommodations & Other Lodging Places	870,146,231	1,194,169,051
Food & Beverage Stores	873,954,711	1,042,274,934
Lumber and Other Building Materials Dealers	718,079,232	883,482,359
Apparel & Accessory Stores	617,197,337	881,860,740
Admissions, Amusement & Recreation Services	581,067,773	761,325,051
Wholesale Dealers	512,868,198	665,838,097
Radio, Television, Consumer Electronics, Computers, Music Stores	497,026,503	560,319,774
Manufacturing	470,166,698	511,973,630
Utilities, Electric, Gas, Water, Sewer	522,111,183	494,637,377
Home Furniture, Furnishings & Equipment	333,279,728	460,524,554
Automotive Accessories & Parts	208,194,181	289,601,713
Rental of Tangible Personal Property	290,313,024	283,346,183
Automobile Repair & Services	229,039,430	257,761,181
Communications	137,699,634	222,080,169
Paint, Wallpaper & Hardware Dealers	137,756,800	169,017,169
Taxable Services (per Chapter 212, F.S.)	159,937,296	162,104,246
Building Contractors	84,588,044	157,620,916
Drinking Places (Alcoholic beverages served on premises)	151,511,728	145,697,438
Store & Office Equipment, Office Supplies	153,573,911	132,340,905
Gifts, Cards, Novelty, Hobby, Crafts & Toy Stores	113,922,398	128,643,520
Shoe Stores	88,108,347	125,747,240

Source: Florida Department of Revenue, Office of Tax Research (September, 2014).

¹ Arranged in descending order of collection amounts for Fiscal Year ended June 30, 2014. In that Fiscal Year, "Miscellaneous" and unspecified business types accounted for \$176,728,614 in sales tax collections.

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 three percent 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. After passage of the appropriations bill, the Governor may exercise line item vetoes or veto the entire bill.

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.

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 subsequently to the Legislative Budget Commission for further action, 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. 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 moneys 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 a 0.5% or 1% discretionary sales surtax 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); and (5) restaurant meals.

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, 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, and hurricane preparedness items.

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%).

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.

All receipts of the corporate income tax are credited to the General Revenue Fund.

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. One of the largest portions is dedicated to the Land Acquisition Trust Fund, which receives 9.5% (less \$17.3 million, which is distributed to the General Revenue Fund) of collections. 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 now effectively distributed as follows:

63.31% Regarded as the General Revenue distribution, this portion of collections is first applied to pay debt service on Preservation 2000 Bonds, Florida Forever Bonds, and Everglades Restoration Bonds. The balance of this allocation goes to the General Revenue Fund after funding:

- the State Transportation Trust Fund (the lesser of 38.2% of the remainder or \$541.75 million);
- to the Grants and Donations Trust Fund (the lesser of .23% of the remainder or \$3.25 million);
- the Ecosystem Management and Restoration Trust Fund (the lesser of 2.12% of the remainder or \$30 million);
- to fund the General Inspection Trust Fund (the lesser of .02% of the remainder or \$300,000);

3.128% to the Conservation and Recreation Lands Trust Fund;

0.392% to the State Game Trust Fund

0.25% to the Department of Environmental Protection Water Quality Assurance Trust Fund;

0.25% to the Department of Agriculture and Consumer Services General Inspection Trust Fund;

7.53% to State Housing Trust Fund;

- first \$35 million to State Economic Enhancement and Development Trust Fund;

- 50% of remainder to State Housing Trust Fund;

- 50% of remainder to Local Government Housing Trust Fund;

8.66% to State Housing Trust Fund;

- first \$40 million to State Economic Enhancement and Development Trust Fund;

- 12.5% of remainder to State Housing Trust Fund;

- 87.5% of remainder to Local Government Housing Trust Fund.

the lesser of % or \$ million (%/\$)

7.56% / \$84.9 \$6.3 million to General Revenue Fund, remainder to Land Acquisition Trust Fund

1.94% / \$26 to the Land Acquisition Trust Fund;

4.2% / \$60.5 to the Water Management Lands Trust Fund;

2.28% / \$34.1 to the Invasive Plant Control Trust Fund;

0.5% / \$9.3 to the State Game Trust Fund.

Except to the extent needed to pay debt service on bonds, proceeds are subject to an 8% general revenue service charge and costs of the Department of Revenue necessary to collect and enforce the tax.

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 percent 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 May 31, 2014, the market value of the endowment was \$618.2 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.

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Five Year History of Trust Fund and General Revenues¹
(millions of dollars)

General Revenue Receipts²	2008-09	2009-10	2010-11	2011-12	2012-13
Sales and Use Tax ³	\$16,531.4	\$16,014.7	\$16,638.3	\$17,422.0	\$18,417.6
Beverage Licenses and Taxes	582.1	585.7	550.8	520.4	481.5
Corporation Income Tax	1,833.4	1,790.0	1,874.5	2,010.8	2,081.0
Documentary Stamp Tax	130.2	143.3	167.2	208.6	381.0
Corporate Filing Fees	239.9	238.1	273.6	275.8	284.1
Tobacco Tax	278.9	205.8	213.4	199.8	202.1
Insurance Premium Tax	614.7	649.2	660.5	662.6	675.9
Indian Gaming	0.0	287.5	139.7	146.3	221.6
Pari-mutuel Fees, Licenses and Taxes	15.1	15.7	12.3	12.5	12.6
Slot Machine Licenses GR	4.9	12.0	18.5	12.0	10.8
Intangible Personal Property Tax	200.0	158.7	162.5	184.6	276.5
Interest Earnings	126.8	118.1	135.6	117.3	107.3
Auto Title and Lien Fees	24.2	182.3	234.9	242.2	58.2
Oil and Gas Severance Tax	4.4	2.2	6.2	9.0	8.0
Solid Mineral Severance Tax	13.6	10.8	12.4	12.3	13.2
Drivers Licenses and Fees	82.8	172.8	200.2	200.5	194.5
Motor Vehicle and Mobile Home Licenses	0.7	311.0	404.2	425.0	437.2
Article V Fees & Transfers	260.2	192.5	167.3	165.4	284.3
Medical and Hospital Fees	138.1	210.2	208.6	235.3	332.1
Motor Vehicle Fees and Charges	0.0	75.1	99.7	101.2	106.2
Fines/Foreitures/Judgements GR	18.6	18.2	19.5	60.9	276.5
Other GR	<u>218.9</u>	<u>231.4</u>	<u>215.2</u>	<u>251.5</u>	<u>256.6</u>
Total GR Collections and Transfers	21,319.1	21,625.7	22,415.3	23,476.0	25,118.7
Plus Service Charges to GR	304.7	435.2	462.5	449.0	486.2
Less Refunds of GR	<u>(598.2)</u>	<u>(537.8)</u>	<u>(326.1)</u>	<u>(306.2)</u>	<u>(290.3)</u>
Net GR Collections and Transfers	21,025.6	21,523.1	22,551.6	23,618.8	25,314.6

Trust Fund Revenues²

Major Transportation Revenues:

Auto Title and Lien Fees	86.9	99.1	103.0	105.7	303.9
Motor Fuel Tax	1,824.3	1,855.4	1,850.7	1,835.5	1,864.7
Motor Vehicle and Mobile Home Licenses	499.9	799.3	812.3	810.5	840.5
Motor Vehicle Fees and Charges	<u>218.5</u>	<u>198.3</u>	<u>205.1</u>	<u>218.3</u>	<u>230.5</u>
Subtotal	2,629.6	2,952.0	2,971.0	2,970.1	3,239.7

Workers Insurance Tax:

Workers' Compensation Tax	17.1	19.5	33.3	47.8	74.3
Workers' Comp. Special Disability	144.1	112.4	37.1	39.4	43.0
Unemployment Compensation Tax	<u>879.5</u>	<u>1,155.9</u>	<u>1,674.2</u>	<u>2,156.2</u>	<u>2,247.8</u>
Subtotal	1,040.6	1,287.8	1,744.6	2,243.4	2,365.1

Conservation and Recreational Lands:

Documentary Stamp Tax	949.9	894.0	944.9	1,004.9	1,199.4
Solid Mineral Severance Tax	45.8	36.7	25.9	11.8	14.3
Oil and Gas Severance Tax	2.1	1.3	2.6	2.6	1.2
Sales and Use Tax	<u>60.7</u>	<u>23.7</u>	<u>23.7</u>	<u>23.3</u>	<u>23.3</u>
Subtotal	1,058.6	955.7	997.2	1,042.6	1,238.3

Education - Tuition , Fees and Charges:

Slot Machine Tax to Education	104.1	136.4	127.7	142.7	142.2
Lottery to Education	1,289.1	1,246.8	1,184.0	1,321.7	1,382.0
Unclaimed Property (State School Trust Fund)	<u>112.0</u>	<u>154.2</u>	<u>157.5</u>	<u>163.6</u>	<u>206.2</u>
Subtotal	1,505.2	1,537.4	1,469.2	1,627.9	1,730.4

Agencies' Administrative Trust Funds:

Beverage Licenses and Taxes	30.7	27.6	31.0	29.8	28.0
Insurance Premium Tax	79.5	50.4	52.2	52.8	52.3
General Inspection Fees and Licenses	61.0	57.4	69.8	59.9	72.9
Citrus Inspection Fees and Licenses	18.2	14.8	14.0	18.4	15.4
D.F.S. and Treas Fees, Licenses & Taxes	130.6	116.7	125.0	130.1	128.1
Citrus Taxes	49.0	41.4	42.4	42.3	38.7
Hunting and Fishing Licenses	47.6	47.4	51.4	50.8	49.2
Pari-mutuel Fees, Licenses and Taxes	14.1	10.9	13.7	14.4	12.5
Professional Fees and Licenses	69.2	61.2	78.0	71.4	88.2
Drivers' Licenses and Fees	51.2	131.5	141.2	145.9	143.1
HSMV, Misc Fees, Licenses & Fines	-	23.5	20.7	32.1	33.2
Slot Machine Licenses and Fees	5.0	4.6	3.3	1.9	7.5
Lottery to Administration	301.7	303.9	322.9	349.7	418.9
Unclaimed Property to Administration	<u>4.4</u>	<u>6.0</u>	<u>6.4</u>	<u>4.0</u>	<u>4.0</u>
Subtotal	862.2	897.5	972.0	1,003.5	1,092.0

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

Other Trust Fund Revenues for State Use:	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Tobacco Tax	157.0	1,129.1	1,096.8	1,033.6	1,017.4
Lottery Prizes	2,415.2	2,403.0	2,515.5	2,792.5	3,223.2
Unclaimed Property Refund to Owners	175.4	191.3	190.3	213.1	255.8
Tobacco Fines/Forfeitures/Judgements Trust	388.9	363.7	366.9	358.9	368.5
Other Fines/Forfeitures/Judgements Trust	272.5	281.7	245.5	235.9	299.2
Article V Fees	1.3	453.5	696.8	697.6	557.5
Interest Earnings	311.5	153.0	177.1	162.1	146.1
Miscellaneous Revenues ⁴	176.6	157.2	259.9	221.5	180.3
Other Trust	<u>2,700.3</u>	<u>3,127.4</u>	<u>3,005.0</u>	<u>3,376.6</u>	<u>3,261.6</u>
Subtotal	6,598.6	8,259.8	8,553.9	9,091.8	9,309.7
Total Trust Fund Revenue for State Use	13,694.8	15,890.3	16,708.0	17,979.3	18,975.0

Revenues Shared With Local Governments and School Districts

Sales and Use Tax	2,017.4	1,953.6	2,035.0	2,127.9	2,245.5
Beverage Licenses and Taxes	14.1	13.7	14.4	14.5	14.9
Documentary Stamp Tax	42.6	41.2	44.3	48.1	63.0
Insurance Premium Tax	156.3	156.4	154.9	162.6	165.9
Article V Fees	19.4	0.0	0.0	0.0	0.0
Indian Gaming	0.0	0.0	0.8	3.8	4.5
Motor Fuel Tax	387.7	388.4	387.6	358.9	360.1
Oil and Gas Severance Tax	1.3	0.4	1.3	1.9	2.0
Solid Mineral Severance Tax	14.0	11.1	10.6	10.4	8.3
Gross Receipts Tax ³	1,126.2	1,097.7	1,071.6	1,035.3	1,003.0
Mtr Vehicle and Mobile Home Licenses	119.4	124.7	125.5	133.6	138.7
Tobacco Taxes	11.1	8.0	8.2	7.6	7.7
Other Fees, Licenses and Taxes ³	<u>58.5</u>	<u>55.6</u>	<u>57.0</u>	<u>55.2</u>	<u>51.1</u>
Total Local Government	3,968.2	3,850.8	3,911.2	3,959.7	4,064.7

Federal and Local Assistance

Counties and Cities	72.6	73.5	69.2	66.5	63.9
U.S. Government	20,483.0	28,124.9	28,950.5	22,416.8	22,089.1
Other Grants	<u>147.1</u>	<u>232.9</u>	<u>151.2</u>	<u>123.8</u>	<u>131.8</u>
Total Federal and Local Assistance	20,702.7	28,431.4	29,170.8	22,607.0	22,284.8

<u>Summary of Trust Fund and General Revenue⁵</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
General Revenue	\$21,025.6	\$21,523.1	\$22,551.6	\$23,618.8	\$25,314.6
Trust Fund	13,694.8	15,890.3	16,708.0	17,979.3	18,975.0
Revenues Shared with Local Governments	3,968.2	3,850.8	3,911.2	3,959.7	4,067.7
Donations & Fed Assistance	<u>20,702.7</u>	<u>28,431.4</u>	<u>29,170.8</u>	<u>22,607.0</u>	<u>22,284.8</u>
Total Direct Revenues	\$59,391.3	\$69,695.6	\$72,341.6	\$68,164.8	\$70,642.1

Source: Florida Office of Economic and Demographic Research, January 2014.

¹ Numbers may not add due to rounding.

² 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.

³ Includes portion of Communications Services Tax.

⁴ Includes an unknown amount of General Revenue appropriations.

⁵ Shown before transfers of General Revenue service charges and refunds.

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GENERAL REVENUE FUND
FINANCIAL RETROSPECT AND OUTLOOK STATEMENTS¹

Retrospect Statement
Fiscal Years 2012-13 and 2013-14
(millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2012-13			
Balance forward from 2011-12	\$0.0	\$1,509.3	\$1,509.3
Revenue collections	24,688.5	655.1	25,343.6
Transfers from trust funds	0.0	745.7	745.7
Miscellaneous Adjustments	0.0	0.3	0.3
FCO reversions	0.0	5.2	5.2
Federal funds interest earnings rebate	0.0	0.0	0.0
Total 2012-13 funds available	<u>\$24,688.5</u>	<u>\$2,915.6</u>	<u>\$27,604.1</u>
EXPENDITURES 2012-13			
Operations	\$12,174.2	\$281.1	\$11,477.4
Aid to Local Governments	12,091.8	(201.0)	11,298.9
Fixed Capital Outlay	43.9	24.8	113.2
Fixed Capital Outlay/Aid to Local Governments	24.4	52.9	47.5
Transfer to Budget Stabilization Fund	0.0	214.5	214.5
Miscellaneous Expenditures	0.0	5.7	5.7
Total 2012-13 expenditures	<u>\$24,334.3</u>	<u>\$378.0</u>	<u>\$24,712.3</u>
ENDING BALANCE	\$354.2	\$2,537.6	\$2,891.8
Budget Stabilization Fund	-	-	\$708.8
Available Reserves	-	-	\$3,600.6
FUNDS AVAILABLE 2013-14			
Balance forward from 2012-13	\$0.0	\$2,891.8	\$2,891.8
Revenue collections	25,991.2	226.6	26,217.8
Transfers from trust funds	0.0	385.1	385.1
Miscellaneous Adjustments	0.0	0.4	0.4
FCO reversions	0.0	0.3	0.3
Federal funds interest payment	(0.1)	0.0	(0.1)
Total 2013-14 funds available	<u>\$25,991.1</u>	<u>\$3,504.2</u>	<u>\$29,495.3</u>
EXPENDITURES 2013-14			
Operations	\$12,498.6	\$293.7	\$12,792.3
Aid to Local Governments	13,270.4	46.4	13,316.8
Fixed Capital Outlay	57.4	57.2	114.6
Fixed Capital Outlay/Aid to Local Governments	0.1	76.3	76.4
Transfer to Budget Stabilization Fund	0.0	214.5	214.5
Transfer to Lawton Chiles Endowment Fund	0.0	45.3	45.3
Transfer to PECO Trust Fund	0.0	344.8	344.8
Miscellaneous Expenditures	0.0	9.4	9.4
Total 2013-14 expenditures	<u>\$25,826.4</u>	<u>\$1,087.6</u>	<u>\$26,914.0</u>
ENDING BALANCE	\$164.7	\$2,416.6	\$2,581.3
Budget Stabilization Fund	-	-	\$924.7
Available Reserves	-	-	\$3,506.0

FINANCIAL OUTLOOK STATEMENT⁵
Fiscal Years 2014-15, 2015-16, 2016-17 and 2017-18
including Results of December 15, 2014 Revenue Estimating Conference
(millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2014-15			
Balance Forward from 2013-14	\$0.0	\$2,581.3	\$2,581.3
Estimated revenues	27,416.4	69.0	27,485.4
FCO reversions	0.0	2.0	2.0
HB 5001 Transfers from Trust Fund	0.0	278.1	278.1
Federal funds interest earnings rebate	<u>(0.1)</u>	<u>0.0</u>	<u>(0.1)</u>
Total 2014-15 funds available ^{2,3,4}	\$27,416.3	\$2,930.4	\$30,346.7
EFFECTIVE APPROPRIATIONS 2014-15			
State Operations	\$13,474.9	\$452.8	\$13,928.3
Aid to Local Government	13,458.1	94.3	13,551.8
Fixed Capital Outlay	84.1	126.4	210.5
Fixed Capital Outlay/Aid to Local Government	0.0	223.2	223.2
Budget Amendments Campaign Financing Act	0.0	4.3	4.3
HB 5001 Transfer to Budget Stabilization Fund (section 95)	0.0	214.5	214.5
HB 5001 Transfer to PECO Trust Fund (section 9)	0.0	169.9	169.9
Transfer to Lawton Chiles Endowment Fund (Ch. 2012-33, L.O.F.)	0.0	0.0	0.0
SB 1852 Reappropriations (2013)	0.0	34.1	34.1
HB 5001 and HB 5601 Reappropriations (2014)	<u>0.0</u>	<u>49.9</u>	<u>49.9</u>
Total 2014-15 effective appropriations	\$27,017.1	\$1,369.4	\$28,386.5
Ending Balance ^{2,3,4,6}	\$399.2	\$1,561.0	\$1,960.2
FUNDS AVAILABLE 2015-16			
Balance Forward from 2014-15	\$0.0	\$1,960.2	\$1,960.2
Estimated revenues	28,717.4	(138.9)	28,578.5
Unused appropriations/reversions	0.0	91.2	91.2
FCO reversions	0.0	2.0	2.0
Federal funds interest earnings rebate	<u>(0.2)</u>	<u>0.0</u>	<u>(0.2)</u>
Total 2015-16 funds available ^{2,3,4,6}	\$28,717.2	\$1,914.5	\$30,631.7
FUNDS AVAILABLE 2016-17			
Estimated Revenues	\$30,099.3	(\$98.8)	\$30,000.5
Unused Appropriations/Reversions	0.0	91.2	91.2
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	<u>(0.2)</u>	<u>0.0</u>	<u>(0.2)</u>
Total 2016-17 funds available ^{2,3,4,6}	\$30,099.1	(\$5.6)	\$30,093.5
FUNDS AVAILABLE 2017-18			
Estimated Revenues	\$31,351.0	\$6.4	\$31,357.4
Unused Appropriations/Reversions	0.0	91.2	91.2
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	<u>(0.2)</u>	<u>0.0</u>	<u>(0.2)</u>
Total 2017-18 funds available ^{2,3,4,6}	\$31,350.8	\$99.6	\$31,450.4

Source: Office of Economic and Demographic Research.

¹ Based on December 15, 2014 Revenue Estimating Conference.

² The Budget Stabilization Fund is available to address budget shortfalls or to provide emergency funding, as described in "STATE FINANCIAL OPERATIONS - Budget Shortfall" in this Appendix A. Hurricane related budget amendments transferred \$11 million to the Casualty Insurance Risk Management Trust Fund in Fiscal Year 2004-05 and \$11.8 million in Fiscal Year 2005-06. Such transfers must be restored in five equal annual transfers from the General Revenue Fund, commencing in the third Fiscal Year following that in which the expenditure was made. As of July 1, 2014 all amounts were paid.

³ The amount of \$1,072.4 million was transferred out of the Budget Stabilization Fund to the General Revenue Fund in Fiscal Year 2008-09. Section 215.32(3) F.S. stipulates that repayments to the fund are appropriated in five equal installments beginning in the third year following the year in which the expenditure was made, unless otherwise established by law. Per the aforementioned statute, the fourth repayment was appropriated for 2014-15, and the final amount of \$214.5 million will be required for Fiscal Year 2015-16.

⁴ This estimate anticipates that the operation of slot machines will remain limited to eight pari-mutuel facilities in Miami-Dade and Broward counties. If additional slot machine operations or other casino-style gaming are authorized in other locations in Miami-Dade counties or in locations elsewhere in the state, payments to the state under the Gaming Compact Between the Seminole Tribe of Florida and the State of Florida may be reduced.

⁵ This financial statement is based on current law as it is currently administered. It does not include the potential effect of any legal actions which might affect revenues or appropriations. The Attorney General periodically issues an update on any such litigation. In addition, it does not recognize any deficits in any spending programs unless specifically stated.

⁶ The 2012 General Appropriations Act transferred an amount of \$350.0 million from the Lawton Chiles Endowment Fund to the General Revenue Fund. House Bill 5301 requires 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 year until repayment is complete. The estimates of repayment for the term of this outlook statement are zero for Fiscal Year 2014-15 through Fiscal Year 2017-18.

Actual and Projected General Revenues

The actual general revenue collections for Fiscal Year 2013-14 of \$26,198.0 million were \$883 million, or 3.5%, more than collections for Fiscal Year 2012-13. Actual general revenue collections for Fiscal Year 2013-14, and projections adopted at the December 15, 2014 meeting of the Revenue Estimating Conference for Fiscal Years 2014-15 through 2017-18, are shown in the following table.

	General Revenues <i>Fiscal Years 2013-14 through 2017-18</i> (millions of dollars)									
	Act. 2013-14		Est. 2014-15		Est. 2015-16		Est. 2016-17		Est. 2017-18	
	<u>Actual</u>	<u>Estimate</u>	<u>% Change¹</u>	Estimate	% Change^{1}	Estimate	% Change^{1}	Estimate	% Change^{1}	<u>Estimate</u>
Sales Tax- GR	\$19,707.7	\$20,900.4	6.1%	\$21,937.8	5.0.%	\$23,082.2	5.2%	\$24,312.1	5.4%	
Beverage Tax & Licenses	443.8	434.0	(2.2)	425.6	(1.9)	414.9	(2.5)	401.2	(17.7)	
Corporate Income Tax	2,042.5	2,125.8	4.1	2,174.8	2.3	2,187.7	0.6	2,119.2	0.6	
Documentary Stamp Tax ²	603.7	753.8	24.9	851.7	13.0	930.2	9.2	998.2	8.0	
Tobacco Tax	178.2	175.1	(1.7)	172.1	(1.7)	169.1	(1.7)	166.4	(1.1)	
Insurance Premium Tax	675.6	770.0	14.0	737.8	(4.2)	740.6	0.4	746.6	3.2	
Pari-Mutuels Tax	25.3	23.1	(8.7)	22.5	(2.6)	22.0	(2.2)	21.8	(1.2)	
Intangibles Tax	256.1	292.8	14.3	317.0	8.3	336.7	6.2	353.3	5.2	
Interest Earnings	75.6	97.8	29.4	142.9	46.1	221.7	55.1	281.0	84.6	
Indian Gaming Revenues	230.3	248.5	7.9	156.5	(37.0)	111.1	(29.0)	113.0	(30.7)	
Highway Safety Licenses & Fees	877.3	555.9	(36.6)	473.7	(14.8)	541.4	14.3	621.8	12.9	
Medical & Hospital Fees	296.1	296.8	0.2	300.6	1.3	307.9	2.4	284.0	1.9	
Severance Taxes	19.9	16.7	(16.1)	15.9	(4.8)	16.0	0.6	16.3	(1.3)	
Corporation Filing Fees	298.6	303.6	1.7	308.0	1.4	312.0	1.3	315.8	1.4	
Service Charges	466.8	496.0	6.3	506.8	2.2	523.7	3.3	534.4	2.6	
Other Taxes, Licenses & Fees	380.0	353.5	(7.0)	364.5	3.1	372.7	2.2	365.4	(13.4)	
Less: Refunds	(379.5)	(358.4)	(5.6)	(329.7)	(8.0)	(289.4)	(12.2)	(293.1)	4.1	
Net General Revenue: ³	\$26,198.0	\$27,485.4	4.9%	\$28,578.5	4.0%	\$30,000.5	5.0%	\$31,357.4	4.6%	

Source: Office of Economic and Demographic Research, December 15, 2014 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 May not add due to rounding.

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.***

Operating and Fixed Capital Outlay Budget By Program Area

Fiscal Years 2010-11 through 2014-15

(In Millions of Dollars)

Program	2010-11		2011-12		2012-13		2013-14		2014-15	
	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO
General Revenue										
Education	\$ 12,494.9	\$ 6.4	\$ 11,887.1	\$ 29.3	\$ 12,680.1	\$ 9.4	\$ 14,148.0	\$ 9.0	\$ 14,471.8	\$ 5.3
Human Services	6,703.4	5.4	7,012.8	1.4	7,665.3	7.9	7,825.8	10.9	8,237.2	32.7
Criminal Justice & Corrections	3,420.9	74.4	3,269.7	74.7	3,065.6	70.5	3,130.5	51.4	3,411.1	74.2
Natural Resources, Environment										
Growth Mngmt, & Transportation	158.6	24.4	166.3	63.0	174.2	51.4	199.1	119.2	277.7	239.5
General Government	847.7	6.7	612.4	18.4	681.1	29.7	945.5	48.3	704.6	62.9
Judicial Branch	46.9	-	47.6	-	330.4	1.0	334.9	5.5	379.2	10.1
Total General Revenue	\$ 23,672.4	\$ 117.3	\$ 22,995.9	\$ 186.8	\$ 24,596.7	\$ 169.9	\$ 26,583.7	\$ 244.4	\$ 27,481.6	\$ 424.7
Trust Funds										
Education	\$ 7,666.6	\$ 2,347.3	\$ 6,214.5	\$ 1,769.7	\$ 5,966.7	\$ 1,630.2	\$ 6,126.6	\$ 1,811.8	\$ 6,176.7	\$ 1,947.2
Human Services	21,754.7	18.8	22,927.3	49.7	22,220.6	19.0	23,291.8	15.6	23,572.5	35.5
Criminal Justice & Corrections	1,155.6	-	1,134.0	-	1,055.2	-	650.7	-	674.5	-
Natural Resources, Environment										
Growth Mngmt, & Transportation	2,478.7	7,116.9	2,150.4	8,479.3	2,728.4	8,375.8	2,702.1	9,500.3	2,789.2	10,277.0
General Government	3,554.9	78.8	3,290.4	67.0	3,058.6	100.8	3,404.0	57.9	3,496.9	92.7
Judicial Branch	415.1	0.4	411.6	-	114.8	-	103.6	-	112.6	-
Total Trust Funds	\$ 37,025.6	\$ 9,562.2	\$ 36,128.2	\$ 10,365.7	\$ 35,144.3	\$ 10,125.8	\$ 36,278.8	\$ 11,385.6	\$ 36,822.4	\$ 12,352.4
Total All Funds										
Education	\$ 20,162.0	\$ 2,354.0	\$ 18,101.6	\$ 1,799.0	\$ 18,646.8	\$ 1,639.6	\$ 20,274.6	\$ 1,820.8	\$ 20,648.5	\$ 1,952.5
Human Services	28,458.1	24.2	29,940.1	51.1	29,885.9	26.9	31,117.6	26.6	31,809.7	68.2
Criminal Justice & Corrections	4,576.5	74.4	4,403.7	74.7	4,120.8	70.5	3,781.1	51.4	4,085.6	74.2
Natural Resources, Environment										
Growth Mngmt, & Transportation	2,637.3	7,141.3	2,316.7	8,542.3	2,902.6	8,427.2	2,901.2	9,619.5	3,066.9	10,516.5
General Government	4,402.6	85.5	3,902.8	85.4	3,739.7	130.5	4,349.6	106.2	4,201.5	155.6
Judicial Branch	462.0	0.4	459.2	-	445.2	1.0	438.5	5.5	491.8	10.1
Total All Funds	\$ 60,698.5	\$ 9,679.8	\$ 59,124.1	\$ 10,552.5	\$ 59,741.0	\$ 10,295.7	\$ 62,862.6	\$ 11,630.0	\$ 64,304.0	\$ 12,777.1

Source: Annual Conference Committee Report on General Appropriations Bills as passed by the Legislature, before veto messages; does not reflect appropriations made in other legislation or budget amendments.

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 moneys 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.

State of Florida
Direct Debt Outstanding by Type and Program

As of June 30, 2014

(In Millions Dollars)

<u>Debt Type</u>	<u>Amount</u>
Net Tax-Supported Debt	\$20,012.5
Self-Supporting Debt	4,221.7
Total State Debt Outstanding	\$24,234.2
Net Tax-Supported Debt	
Education	
Public Education Capital Outlay	\$9,786.1
Capital Outlay	377.6
Lottery	2,218.5
University System Improvement	163.8
University Mandatory Fee	86.7
Community Colleges	97.8
Total Education	\$12,730.4
Environmental	
Florida Forever Bonds	1,273.7
Everglades Restoration Bonds	227.9
Inland Protection	73.3
Total Environmental	\$1,574.8
Transportation	
Right-of-Way Acquisition and Bridge Construction	1,638.1
State Infrastructure Bank	6.7
P3 Obligations	2,204.0
Florida Ports	378.2
Total Transportation	\$4,227.0
Appropriated Debt / Other	
Facilities	310.1
Prisons	570.8
Children & Families	103.0
Juvenile Justice	7.8
Lee Moffitt Cancer Center	131.6
Master Lease	14.8
Energy Saving Contracts	49.6
Sports Facility Obligations	292.6
Total Appropriated Debt / Other	\$1,480.2
Total Net Tax-Supported Debt Outstanding	\$20,012.5
Self-Supporting Debt	
Education	
University Auxiliary Facility Revenue Bonds	\$852.7
Environmental	
Florida Water Pollution Control	432.9
Transportation	
Toll Facilities	2,883.0
State Infrastructure Bank Revenue Bonds	53.2
Total Transportation	\$2,936.1
Total Self-Supported Debt Outstanding	\$4,221.7

Source: State of Florida, 2014 Debt Affordability Report.

Per Capita Tax Supported Debt
For Fiscal Years Ended June 30

<u>Year</u>	<u>Population¹ (thousands)</u>	<u>Total Principal Outstanding² (millions)</u>	<u>Per Capita</u>
2002	16,588	\$15,421.7	\$930
2003	16,969	16,186.1	954
2004	17,401	16,891.8	971
2005	17,816	17,455.3	980
2006	18,240	17,865.6	979
2007	18,602	18,339.6	986
2008	18,783	20,328.7	1,082
2009	18,767	22,372.9	1,192
2010	18,761	23,557.3	1,256
2011	18,880	22,945.0	1,215
2012	19,020	21,592.8	1,135
2013	19,214	20,347.7	1,059
2014	19,440	20,012.5	1,029

¹ Population estimate by the Office of Economic and Demographic Research, Florida Legislature (November, 2014).

² State of Florida 2014 Debt Affordability Report; excludes refunded debt.

State of Florida
Total Debt Outstanding
As of June 30, 2014

Fiscal Year	Net Tax-Supported Debt Outstanding			Self-Supporting Debt Outstanding			Total Debt Outstanding		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 1,124,914,276	\$ 865,109,599	\$ 1,990,023,875	\$ 260,229,271	\$ 202,793,257	\$ 463,022,528	\$ 1,385,143,547	\$ 1,067,902,856	\$ 2,453,046,403
2016	1,228,594,246	825,065,660	2,053,659,906	218,926,132	188,972,323	407,898,455	1,447,520,378	1,014,037,983	2,461,558,361
2017	1,281,457,301	780,243,465	2,061,700,765	214,477,189	177,744,439	392,221,629	1,495,934,490	957,987,904	2,453,922,394
2018	1,393,866,705	733,091,900	2,126,958,605	220,331,477	167,484,081	387,815,559	1,614,198,182	900,575,981	2,514,774,164
2019	1,154,200,562	684,311,834	1,838,512,395	228,549,000	156,989,371	385,538,371	1,382,749,562	841,301,205	2,224,050,766
2020	1,149,326,982	636,443,460	1,785,770,442	218,181,000	145,797,171	363,978,171	1,367,507,982	782,240,631	2,149,748,613
2021	1,171,810,581	588,716,408	1,760,526,989	223,718,000	135,042,724	358,760,724	1,395,528,581	723,759,131	2,119,287,713
2022	1,188,893,803	540,357,334	1,729,251,137	201,017,000	124,228,088	325,245,088	1,389,910,803	664,585,422	2,054,496,226
2023	1,156,473,299	469,962,700	1,626,435,999	197,935,000	114,504,447	312,439,447	1,354,408,299	584,467,146	1,938,875,445
2024	1,074,975,953	421,441,581	1,496,417,534	200,324,000	105,003,236	305,327,236	1,275,299,953	526,444,817	1,801,744,770
2025	1,002,404,927	365,862,109	1,368,267,035	204,914,000	95,879,818	300,793,818	1,207,318,927	461,741,926	1,669,060,853
2026	857,699,789	324,243,395	1,181,943,184	188,189,000	86,715,019	274,904,019	1,045,888,789	410,958,414	1,456,847,202
2027	779,553,804	289,241,926	1,068,795,730	189,313,000	78,130,386	267,443,386	968,866,804	367,372,312	1,336,239,116
2028	704,318,612	273,282,141	977,600,752	162,753,000	69,799,770	232,552,770	867,071,612	343,081,911	1,210,153,523
2029	618,633,192	246,562,230	865,195,422	155,018,000	62,342,455	217,360,455	773,651,192	308,904,685	1,082,555,877
2030	569,120,522	225,099,761	794,220,283	142,981,000	55,258,162	198,239,162	712,101,522	280,357,923	992,459,445
2031	510,700,603	208,109,608	718,810,211	132,890,000	48,656,828	181,546,828	643,590,603	256,766,436	900,357,038
2032	500,921,858	193,415,422	694,337,280	125,595,000	42,507,595	168,102,595	626,516,858	235,923,017	862,439,875
2033	454,327,188	178,938,798	633,265,985	126,335,000	36,456,808	162,791,808	580,662,188	215,395,605	796,057,793
2034	399,502,678	161,241,259	560,743,937	114,825,000	30,307,065	145,132,065	514,327,678	191,548,324	705,876,002
2035	369,315,258	152,914,342	522,229,600	99,460,000	24,621,459	124,081,459	468,775,258	177,535,800	646,311,058
2036	346,191,307	145,425,917	491,617,223	100,055,000	19,590,370	119,645,370	446,246,307	165,016,287	611,262,593
2037	311,891,773	136,710,607	448,602,380	69,175,000	14,609,434	83,784,434	381,066,773	151,320,040	532,386,813
2038	216,613,292	128,723,973	345,337,265	59,705,000	11,086,479	70,791,479	276,318,292	139,810,452	416,128,744
2039	152,588,659	117,489,572	270,078,231	62,310,000	7,925,021	70,235,021	214,898,659	125,414,594	340,313,252
2040	102,913,543	126,309,878	229,223,421	43,820,000	4,624,363	48,444,363	146,733,543	130,934,241	277,667,784
2041	60,379,050	100,880,304	161,259,354	28,515,000	2,600,275	31,115,275	88,894,050	103,480,579	192,374,629
2042	49,686,452	104,083,546	153,769,998	20,125,000	1,345,131	21,470,131	69,811,452	105,428,677	175,240,129
2043	50,357,132	109,824,996	160,182,128	12,020,000	551,125	12,571,125	62,377,132	110,376,121	172,753,253
2044	26,596,299	116,328,399	142,924,698	-	-	-	26,596,299	116,328,399	142,924,698
2045	4,270,710	11,033,356	15,304,066	-	-	-	4,270,710	11,033,356	15,304,066
	\$ 20,012,500,352	\$ 10,260,465,479	\$ 30,272,965,831	\$ 4,221,686,070	\$ 2,211,566,698	\$ 6,433,252,768	\$ 24,234,186,422	\$ 12,472,032,177	\$ 36,706,218,599

¹ Public/Private Partnership obligations of the Department of Transportation are included in net tax-supported debt. The Department of Transportation has assumed the full annual payment obligation; however, certain payments are expected from non-tax sources. For the purpose of showing net-tax supported payments, the payments from other sources have not been considered.

Source: State of Florida 2014 Debt Affordability Report.

Net Tax-Supported Bonds Issued Since July 1, 2014
(chronological, by date of issuance)

State Board of Education Public Education Capital Outlay Refunding Bonds, 2014 Series B	\$117,300,000
Less: Public Education Capital Outlay Bonds refunded	(126,300,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2014 Series C	220,520,000
Less: Public Education Capital Outlay Bonds refunded	(238,395,000)
Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2014A	215,515,000
Less: Florida Forever Bonds refunded	(244,810,000)
State Board of Education Capital Outlay Refunding Bonds, 2014 Series B	129,880,000
Less: Capital Outlay Bonds refunded	(128,615,000)
Board of Governors Florida State University Parking Facility Revenue Refunding Bonds, Series 2014A	13,485,000
Less: Florida State Parking Bonds refunded	<u>(15,395,000)</u>
	(\$56,815,000)

Self Supporting Bonds Issued Since July 1, 2014
(chronological, by date of issuance)

Department of Transportation Turnpike Revenue Bonds, Series 2014A	\$223,580,000
Less: Turnpike Revenue Bonds refunded	<u>(114,985,000)</u>
	\$108,595,000

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STATEMENT OF ASSETS AND LIABILITIES

Administered by State Chief Financial Officer

	ASSETS	
	JUNE 30, 2014	JUNE 30, 2013
Currency and Coins	\$0.00	\$0.00
Unemployment Compensation Investments Due From U.S Treasury -Unemployment	1,658,309,665.50	667,942,492.03
Deferred Compensation Assets	3,389,158,434.25	3,004,208,270.20
Bank Accounts	(58,768,562.76)	(42,432,168.88)
Consolidated Revolving Account	252,158.35	409,319.38
Total Cash, Receivables, and Other Assets	\$4,988,951,695.34	\$3,630,127,912.73
 Certificates of Deposit	 \$549,500,000.00	 \$800,900,000.00
Securities	20,912,648,631.91	19,563,334,762.61
Total Investments	21,462,148,631.91	20,364,234,762.61
Total Assets of the Division of Treasury	\$26,451,100,327.25	\$23,994,362,675.34
	LIABILITIES	
	JUNE 30, 2014	JUNE 30, 2013
General Revenue Fund	\$3,616,661,815.94	\$4,014,706,684.00
Trust Fund	12,639,677,217.17	10,341,187,244.23
Budget Stabilization Fund	924,727,100.40	708,791,896.79
Total Three Funds	\$17,181,066,133.51	\$15,064,685,825.02
 Interest Payable & Securities Liability	 \$9,853,063.82	 \$3,671,117.39
Due to Special Purpose Investment Accounts	5,870,770,537.32	5,921,388,143.35
Due to Deferred Compensation Participants and/or Program	3,389,158,434.25	3,004,208,270.20
 Due to Consolidated Revolving Account Agency Participants	 252,158.35	 409,319.38
Total Liabilities of the Division of Treasury	\$26,451,100,327.25	\$23,994,362,675.34

Source: Annual Report of the State Chief Financial Officer for the Fiscal Year Ended June 30, 2014.

- 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 \$43,294,376.32 as of June 30, 2014 with received items in transit of \$64,931,787.53 and disbursed items in transit of (\$674,452.90) which nets to \$64,257,334.63. These items have cleared the bank but have not been posted to the State ledger. The Total Bank Accounts figure does not include \$12,569,900.81 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, 2014 is \$7,827,158.35. Of this, \$252,158.35 is in a financial institution account and \$7,575,000.00 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 created entities.
- ⁶ Includes Purchased Interest in the amount of \$360,917.08.
- ⁷ Included in the Trust Fund Balance is \$7,282,563,067.22 earning interest for the benefit of Trust Funds, Unemployment Trust Fund balance of \$1,658,309,665.50, and the remaining balance of \$3,698,804,484.45 earning interest for General Revenue.
- ⁸ Represents \$4,858,693.82 interest not yet received to State Accounts and Securities Liability Cost of \$4,994,370.00 which settles July 2014.

Note:

Total Market Value of all Securities held by the Treasury.

June 30, 2014

January, 2011

June 30, 2013

June 30, 2013

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. The assets of the FRS Defined Benefit Program 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 defined benefit 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 defined contribution 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 defined contribution 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. 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"). 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, 2013, there were 1,008 participating employers, and 1,116,024 individual members, as follows:

Retirees & Beneficiaries	346,678 ¹
Terminated Vested Members	108,848
DROP Participants	38,724
Active Vested Members	477,461
Active Non-vested members	144,313
TOTAL	1,116,024²

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 provides for 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

	<u>Vesting Period</u>	<u>Regular Class, SMSC, EOC</u>	<u>Special Risk 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 percent for members with an effective DROP begin date before July 1, 2011, and an equivalent annual rate of 1.3 percent 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.

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.

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 provides 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 -

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

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
- 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.

Actuarial Valuation of Assets. The Actuarial Value of Assets measures the value of plan assets to determine the funded ratio of the plan as compared to the actuarial liabilities. The actuarial valuation measure reflects a five-year averaging methodology (the “Asset Smoothing Method”), as required by Section 121.031(3)(a), Florida Statutes. Under the Asset Smoothing Method, the expected actuarial value of assets in the Florida Retirement System Trust Fund is determined by crediting the rate of investment return assumed in the valuation (7.75% through June 30, 2014; 7.65% beginning July 1, 2014) to the prior year’s actuarial value of assets and net cash flow. Then, 20% of the difference between the actual market value and the expected actuarial value of assets is recognized. The actuarial value of assets are also restricted by a 20% corridor around the market value of assets. The actuarial value of assets used for the valuation is the lesser of the actuarial value described above or 120% of market value but not less than 80% of the market value. The Asset Smoothing Method, which is an allowed method for determining the Actuarial Value of Assets under GASB 25, prevents extreme fluctuations in the actuarial value of assets, the Unfunded Actuarial Accrued Liability (UAAL) 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 investment gains and losses annually.

The actuarial valuation of the FRS uses a variety of assumptions to calculate the actuarial accrued 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 accrued liability, the UAAL, or the funded ratio.

As of July 1, 2014, FRS actuarial determinations are based on the following:

Actuarial Cost Method: Entry Age Normal (Alternative Ultimate Entry Age Calculation)

Amortization method:	Level Percentage of Pay, Closed
Remaining amortization period:	28 years ¹
Asset valuation method:	5-year Smoothed Method
Investment rate of return:	7.65%, beginning July 1, 2014
Projected salary increases:	3.25% ²
Inflation level:	2.60%
Cost of living adjustments:	3.00% ³

¹ Used for GASB Statement #27 reporting purposes.

² Includes individual salary growth of 3.25 percent plus an age- and service-graded merit scale defined by gender and employment class. See page A-17 of the July 1, 2014 actuarial valuation.

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

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 Assumptions Conference that occurs each fall. In addition, 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 Assumptions Conference may adopt changes to such actuarial assumptions as it deems appropriate for incorporation beginning with the valuation following the experience study period.

Assumed Investment Rate of Return. The actuarial valuation assumes a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund. Due to the volatility of the marketplace, however, the actual rate of return earned by the Florida Retirement System Trust Fund on its assets may be higher or lower than the assumed rate. Changes in the Florida Retirement System Trust Fund’s assets as a result of market performance will lead to an increase or decrease in the UAAL and the funded ratio. The five-year Asset Smoothing Method required by Florida law 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 Florida Retirement System 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 UAAL. Investment returns in Fiscal 2012 fell below the assumed rate, while returns in Fiscal Years 2013 and 2014 surpassed the assumed rate. No assurance can be given about future market performance and its impact on the UAAL.

The assumed rate of investment return for Fiscal Year 2014 was 7.75 percent; the actual return calculated on the basis of fair value was 17.54 percent. Beginning with Fiscal Year 2015 the assumed rate of investment return will be 7.65%. As of June 30, 2014, the Florida Retirement System Trust Fund was valued at nearly \$150.0 billion (market value), and invested in the classes and approximate percentages as follows:

59.1%	Global Equity
22.0%	Fixed Income
7.7%	Real Estate
5.2%	Private Equity
5.1%	Strategic Investments
0.9%	Cash

For additional information, see the Florida Retirement System Pension Plan Annual Report under the "System Information" tab of the "Publications" page on their website at: <http://frs.myflorida.com> or contact the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

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

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

Annuitants and Annualized Benefit Payments Under the FRS Pension Plan^{1,2}
(in thousands where amounts are dollars)

<u>Fiscal Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annuitants	289,602	304,337	319,689	334,682	347,962
Benefits Payments (000 omitted)	\$4,878,227	\$5,315,144	\$5,775,405	\$6,233,606	\$6,691,437
Average Benefits	\$16,845	\$17,465	\$18,066	\$18,625	\$19,230

Source: Florida Department of Management Services, Division of Retirement. Florida Retirement System Annual Reports for Fiscal Years 2009 through 2013.

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.

Funded Status. As shown in the table below, the value of the assets increased from \$131.7 billion in Fiscal Year 2013 to \$138.6 billion in Fiscal Year 2014 on an actuarial basis and increased from \$133.0 billion to \$150.0 billion on a market value basis. The actuarial liabilities increased from \$154.1 billion in Fiscal Year 2013 to \$160.0 billion in Fiscal Year 2014. As of the end of Fiscal Year 2014, the FRS had an aggregate UAAL of approximately \$21.51 billion on an

actuarial basis (using the Asset Smoothing Method) and \$10.15 billion on a market value basis. The respective Funded Ratios for these UAALs are 86.56% and 93.66%. The following tables summarize the current financial condition and the funding progress of the FRS.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> <u>(a)</u>	<u>Actuarial Accrued Liability</u> <u>(AAL)</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded Ratio (%)</u> <u>(a/b)</u>	<u>Annualized Covered Payroll¹</u> <u>(c)</u>	<u>UAAL as a Percentage of Covered Payroll</u> <u>((b-a)/c)</u>
July 1, 2005	\$111,539,878	\$103,925,498	(\$7,614,380)	107.33%	\$24,185,983	(31.48)%
July 1, 2006	117,159,615	110,977,831	(6,181,784)	105.57	25,327,922	(24.41)
July 1, 2007	125,584,704	118,870,513	(6,714,191)	105.65	26,385,768	(25.45)
July 1, 2008	130,720,547	124,087,214	(6,633,333)	105.35	26,891,340	(24.67)
July 1, 2009	118,764,692	136,375,597	17,610,905	87.09	26,573,196	66.27
July 1, 2010	120,929,666	139,652,377	18,722,711	86.59	25,765,362	72.67
July 1, 2011	126,078,053	145,034,475	18,956,422	86.93	25,686,138	73.80
July 1, 2012	127,891,781	148,049,596	20,157,815	86.38	24,491,371	82.30
July 1, 2013	131,680,615	154,125,953	22,445,338	85.44	24,568,642	91.36
July 1, 2014 ²	138,621,201	160,130,502	21,509,301	86.56	24,723,565	87.00

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports.

¹ Includes DROP payroll.

² Preliminary.

Schedule of Funding Progress

Market Value of Assets

(thousands of dollars)

Fiscal Year	Market Value of Assets¹ (a)	Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (%) (a/b)	Annualized Covered Payroll³ (c)	UAAL as a Percentage of Coverage Payroll (b-a)/c)
		Entry Age² (b)	(b-a)				
2005	\$108,206,443	\$103,925,498		(\$4,280,945)	104.12%	\$24,185,983	(17.70)%
2006	116,340,049	110,977,831		(5,362,218)	104.83	25,327,922	(21.17)
2007	134,315,241	118,870,513		(15,444,728)	112.99	26,385,768	(58.53)
2008	124,466,800	124,087,214		(379,586)	100.31	26,891,340	(1.41)
2009	96,503,162	136,375,597		39,872,435	70.76	26,573,196	150.05
2010	107,179,990	139,652,377		32,472,387	76.75	25,765,362	126.03
2011	126,579,720	145,034,475		18,454,755	87.28	25,686,138	71.85
2012	119,981,465	148,049,596		28,068,131	81.04	24,491,371	114.68
2013	129,672,088	154,125,953		24,453,865	84.13	24,568,642	99.53
2014 ⁴	149,976,719	160,130,502		10,153,783	93.66	24,723,565	41.07

¹ Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports.

² Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports. Actuarial Accrued Liability is determined as of the July 1 immediately after the end of each Fiscal Year.

³ Includes DROP payroll. Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports.

⁴ Preliminary.

The following table shows employer contributions to the FRS Pension Plan for Fiscal Years 2004 through 2013. 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, comprised of the FRS's Normal Cost plus any Unfunded Actuarial Liability, which is also called the Annual Required Contribution (the "ARC"). The ARC 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.

During Fiscal Years 2004 through 2008, the FRS was in a surplus position. Florida law allows a portion of the surplus to be used to reduce the ARC, 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 ARC between Fiscal Years 2004 and 2006 but adopted rates during Fiscal Years 2007 through 2010 that more than funded the ARC. Again during Fiscal Years 2011 through 2013, the Florida Legislature did not adopt the actuarially recommended rates. Failure to adopt rates sufficient to fully fund the ARC has contributed to the decline in the funded status of the FRS.

For Fiscal Years 2014 and 2015, the Florida Legislature adopted the actuarially determined rates, which is expected to result in the ARC being fully funded based on plan assumptions.

Employer Contributions to the FRS Pension Fund

(thousands of dollars)

Fiscal Year	State Employer Contributions (a)	Non-State Employer Contributions (b)	Total Employer Contributions (a+b)	Annual Required Contributions (ARC) (c)	Percent of ARC Contributed (a+b)/c	Amount of ARC Unfunded c-(a+b)
2004	\$434,308	\$1,464,128	\$1,898,436	\$2,044,540	92.85%	\$146,104
2005	518,488	1,547,700	2,066,187	2,141,862	96.47	75,675
2006	476,437	1,619,089	2,095,527	2,193,928	95.51	98,401
2007	589,123	2,141,612	2,730,735	2,455,255	111.22	(275,480)
2008	560,990	2,232,013	2,793,002	2,612,672	106.90	(180,330)
2009	575,035	2,229,146	2,804,181	2,535,854	110.58	(268,327)
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 ¹	82.21	654,853
2012 ²	226,098	925,901	1,151,999	1,962,816	58.70	810,817
2013 ³	273,351	1,064,090	1,337,441	2,091,343	63.95	753,902

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports.

¹ 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 ARC, and significant market losses, which increased the unfunded liability, and therefore the ARC.

² Beginning in Fiscal Year 2012, both the ARC and the employer contributions which fund the ARC, reflects FRS plan changes that reduced retirement benefits and required employees to contribute 3% of their salaries to the FRS. Required employer contributions decreased by the amount of the employee contributions totaling \$674.2 million.

³ Employee contributions totaled \$694.9 million.

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 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 benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. For the fiscal year ended June 30, 2013, 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, 2014, the statutorily required contribution rate pursuant to Section 112.363, F.S. increased to 1.26% 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)

	2008	2009	2010	2011	2012	2013
Recipients	244,390	256,452	269,999	283,479	297,303	310,139
Contributions	\$334,819	\$341,569	\$332,023	\$334,449	\$322,610	\$327,574
Benefits Paid	\$305,682	\$321,742	\$338,892	\$356,150	\$374,444	\$390,973
Trust Fund Net Assets	\$275,139	\$294,547	\$291,459	\$271,348	\$220,346	\$157,928

Beginning with Fiscal Year 2007, the Department of Management Services has obtained biennial actuarial valuations of assets and liabilities of the HIS Program, and actuarially determined Annual Required Contributions for the HIS Program.

HIS actuarial determinations are based on the following:

Valuation Date:	July 1, 2012
Actuarial Cost Method:	Entry Age Normal
Amortization method:	Level Percentage of Pay, Open
Equivalent Single amortization period:	30 years ¹
Asset valuation method:	Market Value
Actuarial Assumptions:	
Investment rate of return:	4.00% ²
Projected salary increases:	5.85% ^{2,3}
Cost of living adjustments:	0.00%

Source: Florida Department of Management Services, Division of Retirement.

¹ Used for GASB Statement #27 reporting purposes.

² Includes inflation at 3.00%.

³ Includes individual salary growth of 4.00 percent plus an age- and service-graded merit scale defined by gender and employment class.

Retiree Health Insurance Subsidy Program Schedule of Funding Progress
(in thousands where amounts are dollars)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial		Unfunded AAL (UAAL)	Funded Ratio (a/b)	Annualized Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) Entry Age	(b)				
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 ²		\$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 Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of Retirement.

¹ Includes DROP and PEORP payroll.

² The actuarially assumed investment rate of return decreased from 7.75% to 4.00%, resulting in an increase in the actuarially accrued liability.

Schedule of Employer Contributions
(in thousands where amounts are dollars)

Fiscal Year Ended <u>June 30</u>	Annual Required Contribution (ARC) ¹	Actual Contribution	Contribution as a Percentage of ARC
2007	\$363,175	\$326,052	90%
2008	\$391,847	\$334,819	85%
2009	\$395,256	\$341,569	86%
2010	\$409,546	\$332,023	81%
2011	\$563,907	\$334,449	59%
2012	\$584,600	\$322,610	55%
2013	\$539,831	\$327,575	60%

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of Retirement.

¹ The Annual Required Contribution is the actuarially determined cost of the 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.

Other Postemployment Benefits (OPEB)

The following is based on the October 16, 2013 update to the July 1, 2013 actuarial valuation of the State Employees' Health Insurance Program.

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 Department of Management Services 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.

There are 21 participating employers including the primary government of the state, the 12 state universities, and other governmental entities. There was an average enrollment of 172,190 contracts including 36,485 retirees and 135,705 employees and COBRA participants for Fiscal Year 2013. Employees must make an election to participate in the plan within 31 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 Health Investor PPO Plan, a standard Health Maintenance Organization ("HMO") Plan, and a Health Investor 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 pre-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.

Monthly premiums, through June 2013 coverage, for active employees and retirees under the age of 65 for the standard plan were \$587.74 and \$1,329.14 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2013 coverage, for the standard Preferred Provider Organization Plan were \$326.92 for a single contract, \$653.84 for two Medicare eligible members, and \$942.64 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 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%	n/a	n/a

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of State Group Insurance.

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.

The entry age actuarial cost method was used for the actuarial valuation as of July 1, 2013. This method allocates the value of a member's benefit as a level percentage of pay between entry age and retirement age. Allocating costs as a level percentage of pay, even though the benefits are not pay-related, helps with budgeting for these employee benefits costs as a percentage of payroll. Actuarial assumptions included a 3% inflation rate, a 4% return on invested assets, and a 4% payroll growth rate. Initial healthcare cost trend rates used for the Preferred Provider Organization ("PPO") Plans are 7.4%, 7.0%, and 8.2% for the first three years followed by 7.6% in the fourth year grading to 5.00% over the course of 70 years. For the Health Maintenance Organization ("HMO") Plans, initial healthcare cost trend rates of 3.9%, 7.8% and 8.3% for the first three years followed by 8.2% in the fourth year and grading to 5.00% over the course of 70 years. The unfunded actuarial accrued liability is being amortized as a level percentage of pay - on an open basis, over a 30 year period.

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.

Schedule of Employer Contributions
(thousands of dollars)

Fiscal Year Ended <u>June 30</u>	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%

Source: State of Florida Comprehensive Annual Financial Reports.

¹ The Annual Required Contribution is the actuarially determined cost of the 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.

The following disclosure relates only to the State of Florida's share of the OPEB. The State of Florida's participation in the annual required contribution is approximately 72.4% and the actuarial accrued liability is approximately 65.2%.

Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2013 (dollars in thousands):

Annual Required Contribution (ARC)	\$327,829
Interest on the Net OPEB Obligation	28,412
Adjustments to the ARC	<u>(24,624)</u>
Annual OPEB Cost	331,617
Employer Contribution	<u>(103,428)</u>
Increase/Decrease in the Net OPEB Obligation	228,189
Net OPEB Obligation - July 1, 2012	<u>710,309</u>
Net OPEB Obligation - June 30, 2013	<u><u>\$938,498</u></u>
Percent of annual OPEB cost contributed	31.19%

Funded Status

The funded status of the plan as of June 30, 2013, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2012
Actuarial accrued liability (AAL)	\$4,878,629
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$4,878,629</u>
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll	\$4,248,022
UAAL as a percentage of covered payroll	114.84%

Source: State of Florida Comprehensive Annual Financial Reports.

APPENDIX B

State of Florida

FINANCIAL INFORMATION

The portion of the State of Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013 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, Attn: Statewide Financial Reporting Section at 200 East Gaines Street, Tallahassee, FL 32399-0354 or at www.myfloridacfo.com/Division/AA/Reports/default.htm.

STATE OF FLORIDA

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2013



**Rick Scott
GOVERNOR**

**Jeff Atwater
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, 2013

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INTRODUCTORY SECTION



February 21, 2014

Citizens of the State of Florida
The Honorable Rick Scott, Governor
The Honorable Don Gaetz, President of the Senate
The Honorable Will Weatherford, Speaker of the House of Representatives

To the Citizens of Florida, Governor Scott, President Gaetz, and Speaker Weatherford:

I am pleased to submit the State of Florida's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013, 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, 2013. 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, 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.

ECONOMIC CONDITION

Florida marked the conclusion of its fourth year of positive growth in general fund collections in June 2013. This milestone followed three consecutive years of declines during the Great Recession and indicated that the state was nearing the end of its recovery process and returning to normalcy. The state's Economic Estimating Conference confirmed in November that Florida's economy is continuing to improve as expected—with the caveat that the strength of future growth is still largely contingent on both the national economy's ability to deal with the actual implementation of the federal Bipartisan Budget Act and the pending resolution of the debt ceiling debate. If final agreement is reached and any negative consequences are contained, the Conference expects that the growth in Florida will continue—allowing more normal economic and fiscal patterns to emerge sometime prior to the 2016-17 fiscal year.

DEPARTMENT OF FINANCIAL SERVICES
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Page Two
February 21, 2014

Meanwhile, Florida's population growth and other key indicators continue to improve. Florida's real Gross Domestic Product in 2012 showed that the state's economic growth was in positive territory for the third year in a row since the end of the Great Recession. The state's ranking improved to 14th in the nation in real growth with a gain of 2.4 percent, just slightly below the national average of 2.5 percent. As a more real-time measure of personal income, the results were similar: Florida finished the 2012 calendar year with 3.2 percent growth over 2011, putting the state only slightly below the national growth rate of 3.5 percent. After declining in the first quarter of 2013, Florida's personal income was strong growth (1.5%) in the second quarter; however the state's second-quarter growth was largely caused by a return to normalcy after an artificial decline. The third quarter data has largely washed out these anomalies, showing that Florida's better than average growth rate was ranked 8th in the country. For fiscal year 2013-2014, Florida's personal income is expected to reach \$837.4 billion, with 4.1 percent growth over the prior year. Moreover, new vehicle registrations and tourist visits continue to contribute strongly to Florida's economic recovery. In response to all of this, the state's revenue collections are continuing to grow over the prior year.

The level of employment in Florida continues to improve from the low levels of the Great Recession. For the third quarter of the 2013 calendar year, total non-farm employment stood at 7.54 million jobs. The forecast indicates that non-farm employment will add approximately 138 thousand jobs during the course of the 2013-14 fiscal year, representing a 1.9 percent increase over the prior fiscal year. Similar to the job creation numbers, Florida's unemployment rate has shown real improvement over the last year and has finally dropped below the national rate. Like the nation as a whole, the state's improvement has largely been related to changes in labor force participation; however, the Florida Legislature's Office of Economic and Demographic Research (EDR) believes this will change as the economy continues to improve. Typical economic recoveries are led by increases in lending and housing construction. Since the housing and credit markets are still sluggish compared to the years leading up to the Housing Boom, Florida's employment recovery has largely been coming from sectors other than the construction-related areas.

While it is building from very low levels, the construction sector is performing better than expected. Building permit activity, an indicator of new construction, is back in positive territory, showing strong (32.4 percent) calendar year growth in 2012. For the first eight months of the 2013 calendar year, permits were running 42.8 percent above the same timeframe in the prior year, but the level is still low by historic standards. There will be continuing improvement in starts over the forecast, reaching annual rates of 83 thousand units in state fiscal year 2013-14 and 118 thousand units in state fiscal year 2014-15. However, the peak year for starts was 2005-06 at nearly 272 thousand units.

EDR feels the long-lasting housing market correction, the bubble of foreclosures still working through the courts, and sluggish credit conditions for mortgages coupled with rising interest rates will remain the predominant drags on Florida's economy in the near-term. EDR expects that it will take another two years to fully regain the losses experienced in America's worst recession since the Great Depression. In this regard, meaningful improvement in several vital areas will lag behind the rest of Florida's economic recovery. Even so, the recovery in Florida is well underway. The subsequent turnaround in Florida housing is being led by: low home prices that are attracting new buyers and clearing the inventory; the release of pent-up demand caused by past population growth and stalled household formation; and, Florida's unique demographics and the aging of the baby-boom generation which will fuel future population growth.

As updated by EDR for recent conferences, the constitutionally required Long-Range Financial Outlook indicates that a budget gap is unlikely in the upcoming budget year, meaning that projected revenues are sufficient to address anticipated expenditures. The Long-Range Financial Outlook also identifies potential 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.

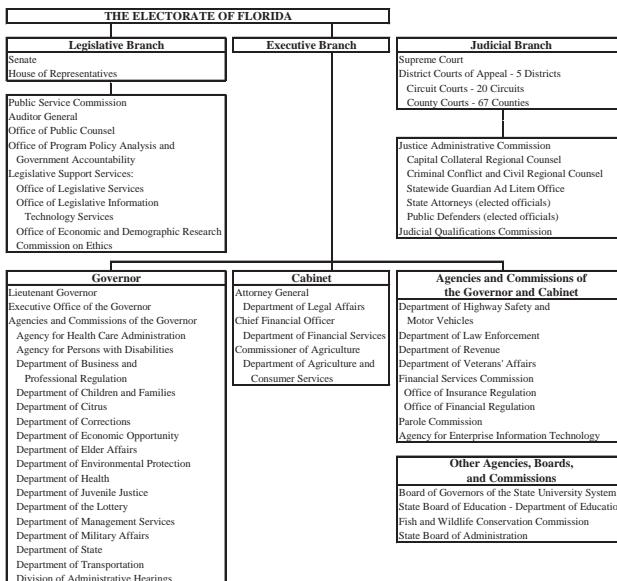
Sincerely,

Jeff Atwater
Chief Financial Officer

JA:pjb

2013 STATE OF FLORIDA CAFR

ORGANIZATION AT JUNE 30, 2013

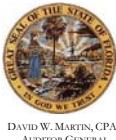


PRINCIPAL OFFICIALS AT JUNE 30, 2013

Legislative Branch	Executive Branch	Judicial Branch
Senate		
House of Representatives		
Public Service Commission		
Auditor General		
Office of Public Counsel		
Office of Program Policy Analysis and Government Accountability		
Legislative Support Services:		
Office of Legislative Services		
Office of Legislative Information		
Technology Services		
Office of Economic and Demographic Research		
Commission on Ethics		
Governor	Cabinet	Agencies and Commissions of the Governor and Cabinet
Lieutenant Governor	Attorney General	Department of Highway Safety and Motor Vehicles
Executive Office of the Governor	Department of Legal Affairs	Department of Law Enforcement
Agencies and Commissions of the Governor	Chief Financial Officer	Department of Revenue
Agency for Health Care Administration	Department of Financial Services	Department of Veterans' Affairs
Agency for Persons with Disabilities	Commissioner of Agriculture	Financial Services Commission
Department of Business and Professional Regulation	Department of Agriculture and Consumer Services	Office of Insurance Regulation
Department of Children and Families		Office of Financial Regulation
Department of Citrus		Parole Commission
Department of Corrections		Agency for Enterprise Information Technology
Department of Economic Opportunity		
Department of Elder Affairs		
Department of Environmental Protection		
Department of Health		
Department of Juvenile Justice		
Department of the Lottery		
Department of Management Services		
Department of Military Affairs		
Department of State		
Department of Transportation		
Division of Administrative Hearings		

⁽¹⁾The position of Lieutenant Governor was vacant following the resignation of Jennifer Carroll on March 12, 2013. Carlos Lopez-Cantera was sworn-in as Lieutenant Governor on February 3, 2014.

FINANCIAL SECTION



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL

STATE OF FLORIDA

G74 Claude Pepper Building
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, 2013, and 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 both a major enterprise fund and 35 percent and 1 percent, respectively, of the assets and revenues of the business-type activities.
- ◆ The Florida Turnpike System, which is 94 percent and 88 percent, respectively, of the assets and revenues of the Transportation major enterprise fund.
- ◆ The Hurricane Catastrophe Fund, which is both a major enterprise fund and 32 percent and 11 percent, respectively, of the assets and revenues of the business-type activities.
- ◆ The College Savings Plan and the trust funds maintained by the State Board of Administration to account for the investments of the Florida Retirement System and the Public Employee Optional Retirement Program, which collectively represent 88 percent of the assets and 57 percent of the revenues/additions of the aggregate remaining fund information.
- ◆ The Florida Housing Finance Corporation, Citizens Property Insurance Corporation, component units related to the State's universities and community colleges, and certain other funds and entities that, in the aggregate, represent 69 percent and 46 percent, respectively, of the assets and revenues of the discretely presented component units.

Financial statements for the above-listed funds and entities were audited by other auditors whose reports thereon 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, 2013, and the respective changes in financial position and, where applicable, cash flows therefor 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 I. to the financial statements, for the 2012-13 fiscal year the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 the accompanying management's discussion and analysis on pages 14 through 20 and the budgetary information, the funding and contribution information for pension and other postemployment benefits, and information on infrastructure using the modified approach on pages 148 through 159 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 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 8, and the combining and individual fund statements and related budgetary comparison schedules and the statistical section, on pages 163 through 273, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates 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 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, 2014, 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 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 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,

David W. Martin, CPA
Tallahassee, Florida
February 21, 2014

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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, 2013 (fiscal year 2012-13). 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 what is reported in 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

Scope	Government-wide Financial Statements		Fund Financial Statements		
	Governmental Funds	Proprietary Funds	Fiduciary Funds		
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 Statement of net position Statement of changes in net position Statement of cash flows 			
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 information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term	
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 cash has already 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, 2013, and 2012, derived from the government-wide Statement of Net Position. The state's net position at the close of the fiscal year was \$57.3 billion for governmental activities and \$17.3 billion for business-type activities, which was a combined total of \$74.6 billion for the primary government. The three components of net position include net investments in capital assets; restricted; and unrestricted. The largest component, totaling \$65.8 billion as of June 30, 2013, 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 \$18.7 billion as of June 30, 2013. 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 \$10.8 billion at June 30, 2013. 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 Asset Deficit, for more information.

Business-type activities reflect a restricted net position of \$10.6 billion at June 30, 2013, an increase of \$3.2 billion over the prior year. The increase 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 24,086	\$ 22,010	\$ 29,340	\$ 29,613	\$ 53,426	\$ 51,623
Capital assets, net	66,378	64,503	8,788	8,328	75,166	72,831
Total assets	90,464	86,513	38,128	37,941	128,592	124,454
Other liabilities	7,527	7,397	4,174	9,067	11,701	16,464
Noncurrent liabilities	25,589	26,340	16,525	15,483	42,114	41,823
Total liabilities	33,116	33,737	20,699	24,550	53,815	58,287
Total deferred inflows of resources	....	....	140	....	140	....
Net position:						
Net investments in capital assets	59,994	58,404	5,841	5,366	65,835	63,770
Restricted	8,128	7,807	10,559	7,408	18,687	15,215
Unrestricted	(10,774)	(13,435)	889	617	(9,885)	(12,818)
Total net position	\$ 57,348	\$ 52,776	\$ 17,289	\$ 13,391	\$ 74,637	\$ 66,167

Statement of Activities

Table 3 presents the state's Condensed Statement of Activities for fiscal year 2012-13 and fiscal year 2011-12, 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 \$8.4 billion. The net position of governmental activities increased by \$4.6 billion and the net position of business-type activities increased by \$3.8 billion. The majority of the increase in total program expenses for governmental activities relates to a \$1.1 billion increase in Human Services expenses, while the largest declines in business-type activities expenses are the \$2.2 billion decrease in Prepaid College Program expenses and the \$1.0 billion decrease in Reemployment Assistance 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	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 8,450	\$ 8,430	\$ 9,892	\$ 11,146	\$ 18,342	\$ 19,576
Operating grants and contributions	25,853	23,925	1,443	2,165	27,296	26,090
Capital grants and contributions	2,022	2,036	6	....	2,028	2,036
Total program revenues	36,325	34,391	11,341	13,311	47,666	47,702
General revenues and payments						
Sales and use tax	19,915	18,633	....	....	19,915	18,633
Other taxes	12,338	11,839	....	....	12,338	11,839
Investment earnings (loss)	104	288	1	5	105	293
Emergency assessments	....	....	490	457	490	457
Miscellaneous	....	....	1	1	1	1
Total general revenues and payments	32,357	30,760	492	463	32,849	31,223
Total revenues	68,682	65,151	11,833	13,774	80,515	78,925
Program expenses						
General government	6,430	6,343	....	....	6,430	6,343
Education	17,807	17,696	....	....	17,807	17,696
Human services	30,771	29,650	....	....	30,771	29,650
Criminal justice and corrections	4,187	4,246	....	....	4,187	4,246
Natural resources and environment	2,374	2,266	....	....	2,374	2,266
Transportation	3,543	3,614	426	422	3,969	4,036
State courts	456	409	....	....	456	409
Lottery	....	....	3,620	3,188	3,620	3,188
Hurricane Catastrophe Fund	....	....	(95)	114	(95)	114
Prepaid College Program	....	....	(149)	2,010	(149)	2,010
Reemployment Assistance	....	....	2,390	3,407	2,390	3,407
Nomajor enterprise funds	....	....	287	257	287	257
Indirect interest on long-term debt	6	6	....	....	6	6
Total program expenses	65,574	64,230	6,479	9,398	72,053	73,628
Excess (deficiency) before gain (loss) and transfers	3,108	921	5,354	4,376	8,462	5,297
Gain (loss) on sale of capital assets	(63)	(21)	(5)	(1)	(68)	(22)
Transfers	1,534	1,453	(1,534)	(1,452)	....	1
Change in net position	4,579	2,353	3,815	2,923	8,394	5,276
Beginning net position, as restated (Note 1)	52,693	50,462	13,474	10,468	66,167	60,930
Prior period adjustments	76	(39)	....	....	76	(39)
Ending net position	\$ 57,348	\$ 52,776	\$ 17,289	\$ 13,391	\$ 74,637	\$ 66,167

Major Fund Analysis

Governmental Funds

The state's governmental funds reported a combined ending fund balance of \$15.7 billion at June 30, 2013, which represented a \$1.8 billion or 12.9 percent growth from the prior year. Revenues increased by \$3.4 billion or 5.3 percent, other financing sources and uses decreased by \$38 million or 1.5 percent, and expenditures increased by \$1.8 billion or 2.7 percent. Overall increases in revenues and expenditures were primarily attributable to the rise in tax revenues and the increase in federal grants and donations received and expended. Information is provided below regarding major funds with significant variances relative to the prior year.

General Fund – Fund balance at June 30, 2013, totaled \$6.2 billion, an increase of \$1.4 billion or 28.3 percent. Revenues and other financing sources rose \$1.8 billion or 6.3 percent predominantly due to the growth in sales and use taxes and documentary stamp taxes. Conditions surrounding this increase are discussed further in the Economic Factors Section that follows. Expenditures and other financing uses increased \$1.7 billion or 6.0 percent from the prior year. Significant expenditure increases were made in the following areas: human services - \$749 million and education - \$650 million.

Health and Family Services – Fund balance at June 30, 2013, totaled \$1.6 billion, which represented a growth of \$481 million or 41.6 percent from the prior year. Revenues and other financing sources increased \$1.7 billion or 7.4 percent primarily due to more grants and donations revenues as a result of an increased federal participation in health care. Expenditures and other financing uses increased \$155 million or 6.0 percent primarily due to the continued expansion in current expenditures for health care and supplemental nutrition assistance issuance.

Proprietary Funds

The state's proprietary funds reported a combined ending net position of \$17.3 billion at June 30, 2013, of which \$5.8 billion is net investments in capital assets, and \$10.6 billion is restricted for specific purposes. The remaining \$889 million 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.

Reemployment Assistance – This fund reported a net position of \$1.2 billion at June 30, 2013, an increase of \$1.3 billion. Revenues decreased by \$719 million or 16.4 percent, while expenses declined by \$1.0 billion or 29.8 percent. Revenues decreased as a result of a continued reduction of federal funds to cover the Federal Extended Unemployment Compensation program during the fiscal year. The reduction in expenses relative to the prior year is due to a significant decrease in benefit payments as the economy and unemployment rate in Florida improved.

Hurricane Catastrophe Fund – The net position at June 30, 2013, totaled \$8.3 billion, an improvement of approximately \$1.9 billion or 29.1 percent. The increase in net position remained fairly consistent with the increase in the prior year as year-over-year results of operations were \$1.4 billion of operating income. Net premium revenues and other operating revenues remained consistent with the prior year and the fund did not incur any hurricane losses. See Note 14 to the financial statements for additional information on this fund.

Prepaid College Program – The net position at June 30, 2013, totaled \$830 million, an increase of approximately \$265 million or 46.9 percent. Revenues decreased by \$1.9 billion while expenses declined by \$2.2 billion. The decline in revenues was primarily due to the decrease in fair value of fixed income investments, while expenses decreased primarily due to a change in the principal determination of the present value of future benefit payments. The overall increase in market interest rates during the fiscal year contributed to both the decreasing fair value of fixed income investments and the reduction in the actuarially determined present value of future benefit payments. Please see Note 13 for more information.

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 \$729 million increase between the original and final estimated revenues. Final budgeted total expenditures decreased by \$332 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, 2013, the state reported \$66.4 billion in net capital assets for governmental activities and \$8.8 billion in net capital assets for business-type activities. Net capital assets for governmental and business-type activities increased from fiscal year 2011-12 to fiscal year 2012-13 by approximately 3.2 percent. Consistent with prior years, the increase is primarily due to land acquisition and 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 \$7.4 billion. Construction commitments by other state agencies for major projects including office buildings and correctional facilities decreased by \$65 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 \$3.3 billion, or approximately 11 percent, from the prior fiscal year to a total of \$25.6 billion at June 30, 2013. The majority of the outstanding debt serves to finance educational facilities (\$14.7 billion), the Florida Hurricane Catastrophe Fund (\$3.3 billion) and transportation infrastructure (\$5.0 billion). New and refinanced bonded debt issues for 2013 totaled \$4.2 billion. Annual debt service payments on net tax-supported debt totaled \$2.2 billion for 2013, which is approximately the same as the prior year. Annual debt service requirements are projected to decrease by \$300 million to approximately \$1.9 billion for fiscal year 2014 due to the retirement of the Preservation 2000 bonds. Projected debt service is expected to remain at approximately \$1.9 billion as a result of limited new-money debt issuance and ongoing refinancing activities to achieve debt service savings.

The state maintained its credit ratings during the past year. During the fiscal year ended June 30, 2013, the three major rating agencies, Standard & Poor's Rating Services, Fitch Ratings, and Moody's Investors Service, each affirmed the state's AAA, AAA, and Aa1 general obligation ratings, respectively. Fitch revised its outlook on the rating from negative to stable while Moody's Investors Service and Standard & Poor's Rating Services affirmed the state's stable outlook. The state's benchmark debt ratio of debt service to revenues available to pay debt service improved to 6.79 percent in fiscal year 2013 from 7.14 percent in fiscal year 2012. The improvement is directly related to the increased revenue available to pay debt service. For the first time in several years, the benchmark debt ratio is slightly below the 7 percent policy cap.

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 2013 Debt Affordability Report* for more detailed information about the state's debt position. The report can be found at www.flafia.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 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 2012-13 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, 2013, were 6.1 percent higher than the prior fiscal year. Higher than any growth rate seen since Fiscal Year 2005-06 during the peak of Florida's housing boom, this growth rate embodies the steady improvement seen since the end of the Great Recession. As was true last year, the growth came from gains in virtually all of the major sources supporting the general fund. Most importantly, total sales tax revenue — the state's primary source of general revenue — grew 6.4 percent from Fiscal Year 2011-12 to Fiscal Year 2012-13. While the economic recovery was gradual with relatively modest gains in employment and personal income, signs of continued strengthening were clearly underway by the end of the fiscal year. However, the general fund collections were still below those of the 2005-06 peak collection year at 87.9 percent of that level.

Several revenue sources have closely tracked the ebb and flow of the state's overall economic conditions. Among them, documentary stamp and intangibles tax collections predominantly rely on activity in the state's real estate market. Since the end of the housing boom in 2005-06, Florida's large inventory of unsold homes and looming foreclosures have hindered meaningful recovery in the real-state market. Seven years since the boom's height, this continues to be true although there are clear indications of improvement. For statewide existing home sales and the median sales price for existing homes, the direction was positive with both indicators exhibiting strong percentage gains over the prior year, registering 13.1 percent and 12.2 percent growth respectively. The picture had also improved for private housing starts and refinancing, allowing total documentary stamp taxes to grow 28.9 percent. This growth brought documentary stamp taxes to 41.0 percent of their prior peak. The intangibles tax, which entirely benefits the general fund, followed a similar pattern, posting a robust 46.7 percent gain. However, the collection levels, which inflate the percentage growths, are still low by historic standards.

Almost divorced from a national economy just finding strength in its recovery, national corporate profits continued to be in record-breaking territory in Fiscal Year 2012-13, and the state's corporate income tax collections have followed this direction, if not the magnitude. Still considerably below peak total receipts, Florida's corporate income tax collections grew a modest percent over the prior year.

Almost three-quarters of the state's general revenue sources posted gains over the prior year. At the end of the 2012-13 state fiscal year, overall general fund collections — which do not include a \$200.1 million deposit from the National Mortgage Settlement Agreement — were \$93.9 million above the estimate made by the state's Revenue Estimating Conference (Conference) in March 2013, leading to the 6.4 percent growth rate described above. In this regard, the general fund outperformed the class of total revenue for the state. Including federal dollars, total revenue increased by 6.0 percent over this period.

When the state's Conference met in December 2013, monthly collections for the 2013-14 state fiscal year were already above the estimates made in August 2013 by \$52.6 million. However, the monthly collections had shown mixed results — above estimate for the first two months and then virtually on estimate for the following two months — coming in less than one percent above estimate for the combined period. In addition, while the newly adopted national and Florida economic outlooks were similar to the ones adopted in the summer and spring, they were generally weaker due to the ongoing uncertainty regarding future federal actions on the budget and debt ceiling — especially in the outer years. Weighing both sets of factors, the Conference increased expected revenues by \$95.7 million — or about one-third of one percent above the earlier forecast — to recognize only the more persistent gains. State Economists are projecting that final general revenue collections will be \$965 million higher than last year to produce a 3.8 percent growth rate for the 2013-14 fiscal year. After adjusting for the National Mortgage Settlement Agreement deposit in the 2012-13 fiscal year, which the Conference included in its estimates, the projected growth rate becomes 4.6 percent. The revised projected total general revenue for the 2013-14 fiscal year is \$26.3 billion.

As a buffer against any further financial shocks or ill effects from the pending resolution of the debt ceiling debate, the latest General Revenue Outlook shows that there will be just over \$2.18 billion in unallocated general revenue remaining at the end of the current fiscal year. The state's major reserve for emergencies, the Budget Stabilization Fund, has a planned balance of at least \$924.8 million on June 30, 2014, and should increase to nearly \$1.14 billion by June 30, 2015. The anticipated increases relate to the scheduled third and fourth of five repayments of the funds previously transferred to the general fund in state fiscal year 2008-09 (\$1.07 billion in total). Refer to Note 1K, for additional information on the Budget Stabilization Fund. The other source most frequently mentioned as part of the state's informal reserve system is the Newton Chiles Endowment Fund that had an end-of-quarter value of \$554.8 million on September 30, 2013, bringing the total of all reserves to nearly \$3.66 billion or 13.9 percent of the state's general fund collections. According to the state's Long-Range Financial Outlook adopted in September 2013, the state is not anticipating a budget gap for the upcoming fiscal year, meaning the projected revenues should meet all anticipated needs.

Contact the State's Financial Management

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

Department of Financial Services
Bureau of Financial Reporting
Statewide Financial Reporting Section
200 East Gaines Street
Tallahassee, Florida 32399-0364
(850) 413-5511

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

2013 STATE OF FLORIDA CAFR

STATEMENT OF NET POSITION
JUNE 30, 2013
(in thousands)

Primary Government				
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS				
Current cash equivalents	\$ 164,464	\$ 121,437	\$ 285,901	2,631,638
Pooled investments with State Treasury	13,120,139	1,877,230	14,997,369	2,619,569
Other investments	1,382,754	23,312,946	24,695,700	20,819,045
Receivables, net	4,921,382	1,225,313	6,146,695	2,137,624
Internal balances	401,826	(401,826)	.....	.....
Due from component units/primary	2,019	1,050	3,069	318,325
Inventories	57,786	4,453	62,239	67,883
Restricted cash and cash equivalents	.....	23	23	406,658
Restricted pooled investments with State Treasury	.....	67,220	67,220	731,220
Deferred investments	1,274,494	1,274,494	915,020	4,817,982
Advances to other entities	915,020	.....	915,020	.....
Loans and notes receivable, net	3,109,091	1,812,613	4,921,704	3,013,349
Other assets	11,135	45,402	56,537	1,091,191
Capital assets, net	66,378,376	8,787,590	75,165,966	22,529,549
Total assets	90,463,992	38,127,945	128,591,937	61,184,033
DEFERRED OUTFLOWS OF RESOURCES				
Accum. decrease in fair value -Hedging derivatives	.....	.....	53,164	.....
Total deferred outflows of resources	.....	.....	53,164	.....
LIABILITIES				
Accounts payable and accrued liabilities	1,831,181	780,173	2,611,354	3,077,919
Due to other governments	.....	11,320	11,320	.....
Due to component units/primary	10,819	10	10,829	113,341
Deferred revenue	.....	47,200	47,200	490,556
Obligations under security lending agreements	1,441,314	1,793,219	3,234,533	.....
Long-term liabilities	.....	.....	.....	.....
Due within one year	4,243,722	1,541,564	5,785,386	3,365,336
Due in more than one year	25,588,924	16,525,483	42,114,407	14,720,454
Total liabilities	33,115,960	20,698,969	53,814,929	21,767,606
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangement receipts	.....	140,259	140,259	2,404
Total deferred inflows of resources	.....	140,259	140,259	2,404
NET POSITION				
Net investments in capital assets	59,994,370	5,841,079	65,835,449	18,617,990
Restricted for:				
Environment, Recreation and Conservation	2,533,998	.....	2,533,998	.....
Public Education	390,829	.....	390,829	.....
Health and Family Services	1,562,739	.....	1,562,739	.....
Transportation	1,665,701	168,934	1,834,635	.....
Nonmajor governmental funds	1,137,373	.....	1,137,373	.....
Debt service	280,048	.....	280,048	84,095
Lottery	.....	102,088	102,088	.....
Prepaid College Program	.....	829,845	829,845	.....
Hurricane Catastrophe Fund	.....	8,295,259	8,295,259	.....
Reemployment Assistance	.....	1,158,339	1,158,339	.....
Other	557,025	4,165	561,190	5,827,799
Funds held for permanent endowment	.....	.....	.....	.....
Expendable	.....	.....	640,854	.....
Nonexpendable	.....	.....	3,309,079	.....
Unrestricted	(10,774,051)	889,008	(9,885,043)	10,987,470
Total net position	\$ 57,348,052	\$ 17,288,717	\$ 74,636,749	\$ 39,467,187

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

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2013 STATE OF FLORIDA CAFR

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

Function/Program Primary government	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 6,430,345	\$ 5,153,314	\$ 1,115,849	\$ 71	\$ (161,111)
Education	17,807,322	2,438,580	2,521,486	29	15,042,227
Health	30,770,500	1,363,570	20,401,051	1,442	(8,320,000)
Human justice and corrections	4,186,809	762,411	104,962	96	(3,320,000)
Natural resources and environment	2,374,092	336,560	1,253,723	16,172	(767,637)
Transportation	3,543,133	485,131	48,362	2,004,619	(1,005,021)
State courts	455,878	105,006	1,669	.....	(349,203)
Indirect interest on long-term debt	5,904	.....	.....	.....	(5,904)
Total governmental activities	65,574,207	8,449,572	25,852,502	2,022,429	\$ (29,249,704)
Business-type activities:					
Transportation	426,056	851,997	.....	189	426,130
Lottery	3,619,597	5,012,842	.....	.....	1,393,245
Hurricane Catastrophe Fund	1,295,500	.....	.....	.....	1,390,813
Prepaid College Program	(149,009)	115,727	.....	.....	264,736
Reemployment Assistance	2,389,173	2,252,616	1,420,101	1,265,304	.....
Nonmajor enterprise funds	287,278	380,570	22,763	6,225	122,080
Total business-type activities	6,478,522	9,891,752	1,442,864	6,414	4,862,508
Total primary government	\$ 72,052,729	\$ 18,341,324	\$ 27,295,366	\$ 2,028,843	\$ (24,387,196)
Component units					
Florida Housing Finance Corporation	\$ 4,322,636	\$ 2,864,447	788,569	21,070	\$ 28,089
University of Florida	1,589,000	2,596,387	.....	.....	(648,550)
Citizens Property Insurance Corporation	10,949,743	3,431,462	3,740,408	465,805	(3,587,068)
Nonmajor component units	\$ 17,320,041	\$ 8,534,517	\$ 4,528,977	\$ 486,875	\$ (3,769,672)
Primary Government					
Governmental Activities	Business-type Activities	Total	Component Units		
\$ (29,249,704)	\$ 4,862,508	\$ (24,387,196)	\$ (3,769,672)		
Net (expense) revenue					
General revenues:					
Taxes	\$ 188,544	\$ 216,633	\$ 788,569	21,070	\$ 28,089
Use and use tax	19,914,591	.....	19,914,591	.....	.....
Fuel taxes	2,580,843	.....	2,580,843	.....	.....
Corporate income tax	2,055,440	.....	2,055,440	.....	.....
Documentary stamp tax	1,662,044	.....	1,662,044	.....	.....
Intangible personal property tax	279,047	.....	279,047	.....	.....
Sales and admissions service tax	1,422,776	.....	1,422,776	.....	.....
Beverage and tobacco taxes	1,700,095	.....	1,700,095	.....	.....
Insurance premium tax	907,004	.....	907,004	.....	.....
Gross receipts utilities tax	588,765	.....	588,765	.....	.....
Property taxes	1,422,233	.....	1,422,233	.....	479,888
Other	1,422,233	.....	1,422,233	.....	.....
Investment earning (loss)	104,112	496	104,608	877,166	.....
Gain (loss) on sale of capital assets	(62,746)	(4,679)	(67,425)	.....	2,920,151
Payments from the State of Florida	.....	.....	490,011	490,011	.....
Currency assessments	.....	.....	740	740	566,338
Transfers	1,534,368	(1,534,368)	.....	.....	.....
Contributions to permanent funds	.....	.....	.....	.....	81,189
Total general revenues, transfers and contributions	33,828,711	(1,024,800)	32,780,911	4,902,673	.....
Changes in net position:					
Beginning, as restated (Note 1)	3,619,597	3,281,888	8,625,303	1,005,021	.....
Adjustments to increase (decrease) beginning net position	52,692,471	13,474,009	66,167,980	38,380,130	.....
Net position - ending	75,554	.....	75,554	(45,944)	.....
	\$ 57,348,032	\$ 17,288,717	\$ 74,636,749	\$ 39,467,187	.....

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

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2013 STATE OF FLORIDA CAFR

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.

ENVIRONMENT, RECREATION AND CONSERVATION

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 163.

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2013 STATE OF FLORIDA CAFR

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 18,000	\$ 1,723	\$ 691,546	\$ 57,599	
Pooled investments with State Treasury	6,016,047	1,389,669	1,325,529		
Other investments	719,583	74	.....	.....
Receivables, net	1,572,631	156,330	64,063	1,998,730	
Due from other funds	194,841	8,666	92,343	111,504	
Due from component units/primary	566	234	.....	40	
Inventories	9,576	563	26	34,748	
Other	533	.....	10	.....
Total current assets	<u>8,531,867</u>	<u>1,557,259</u>	<u>847,988</u>	<u>3,528,150</u>	
Noncurrent assets					
Long-term investments	1,521	.....	.....	.....
Advances to other funds	2,603	.....	.....	.....
Advances to other entities	14,108	418,26	857,192	.....
Other loans and notes receivable, net	81,240	1,121,121	.....	41,056	
Other	.....	.....	.....	.....
Total noncurrent assets	<u>99,472</u>	<u>1,162,947</u>	<u>857,192</u>	<u>41,056</u>	
Total assets	<u>\$ 8,631,339</u>	<u>\$ 2,720,206</u>	<u>\$ 1,705,180</u>	<u>\$ 3,569,206</u>	
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 414,534	\$ 35,376	\$ 21,271	\$ 239,698	
Due to other funds	197,599	24,917	2,432	43,020	
Due to component units/primary	1,735	1,126	1	3,561	
Compensated absences	17,922	584	.....	3,410	
Claims payable	460,535	.....	.....	1,194,357	
Deposits	8,291	9,276	50	9,788	
Installment purchases/capital leases	.....	.....	51	.....
Deferred revenues	288,827	689	15,796	358,874	
Obligations under security lending agreements	1,062,003	104,470	53,645	10,716	
Total current liabilities	<u>2,451,446</u>	<u>176,438</u>	<u>93,195</u>	<u>1,863,475</u>	
Noncurrent liabilities					
Advances from other funds	100	.....	811,623	.....
Deposits	.....	.....	27,292	.....
Deferred revenues	22,946	512	.....	41,056	
Other	.....	.....	.....	.....
Total noncurrent liabilities	<u>23,046</u>	<u>512</u>	<u>811,623</u>	<u>68,348</u>	
Total liabilities	<u>\$ 2,474,492</u>	<u>176,950</u>	<u>904,818</u>	<u>1,931,823</u>	
Fund balances					
Nonspendable	27,518	42,389	36	34,748	
Restricted	60,359	1,945,533	1,153,365	129,270	
Committed	746,914	555,334	390,738	1,473,365	
Unassigned	5,322,056	.....	(743,777)	.....
Total fund balances	<u>6,156,847</u>	<u>2,543,256</u>	<u>800,362</u>	<u>1,637,383</u>	
Total liabilities and fund balances	<u>\$ 8,631,339</u>	<u>\$ 2,720,206</u>	<u>\$ 1,705,180</u>	<u>\$ 3,569,206</u>	

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

2013 STATE OF FLORIDA CAFR

	Transportation	Nonmajor Governmental Funds	Totals 6/30/13
\$ 1,063	\$ 31,871	\$ 110,346	
1,824,837	1,419,351	12,666,979	
2	351,130	1,070,789	
335,720	408,958	4,536,432	
168,249	52,614	628,217	
.....	.....	840	
11,026	1,847	57,786	
162	.....	705	
<u>2,340,897</u>	<u>2,265,933</u>	<u>19,072,094</u>	
\$ 3,417,769	\$ 3,508,156	\$ 23,551,856	

2013 STATE OF FLORIDA CAFR

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2013
(in thousands)

Total fund balances for governmental funds	\$ 15,712,523
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	17,474,517
Nondepreciable infrastructure	37,662,552
Buildings, equipment and other depreciable assets	6,263,361
Accumulated depreciation	(3,761,256)
Construction work in progress	<u>7,579,776</u>
	65,218,950
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(717,120)
Installment purchases/capital leases/public-private partnership agreements	(2,330,282)
Claims payable	(2,509,539)
Bonds payable	(19,076,447)
Certificates of participation payable	(109,340)
Net other post employment benefits	(878,322)
Other	<u>(34,678)</u>
	(25,655,728)
Accrued interest payable on bonds that is not recognized on the fund statements but is recognized on the Statement of Net Position.	(55,171)
Assets (receivables) not available to provide current resources are offset with deferred revenues (liability) in the fund statements. The reduction of the liability and recognition of revenue increases net position in the Statement of Net Position.	
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.	1,690,693
Net position of governmental activities	<u>\$ 57,348,032</u>

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2013 STATE OF FLORIDA CAFR

2013 STATE OF FLORIDA CAFR

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services
REVENUES				
Taxes	\$ 27,442,050	\$ 273,991	\$ 1,002,228	\$ 928,214
Licenses and permits	503,175	46,304	674	35,829
Fees and charges	1,903,996	155,979	56,317	1,556,080
Grants and donations	3,067,414	170,597	2,335,340	20,673,084
Investment earnings (losses)	53,698	21,675	46,759	4,426
Fines, forfeits, settlements and judgments	374,141	3,272	152,376	42,961
Other	1,914	21,689	2,092	9,555
Total revenues	<u>30,304,288</u>	<u>693,199</u>	<u>3,595,476</u>	<u>23,250,149</u>
EXPENDITURES				
Current:				
General government	4,097,646	29,095	.....	144,768
Education	12,666,280	.....	4,295,632	.....
Human services	6,222,578	.....	.....	23,947,532
Court, justice and corrections	3,067,415	.....	.....	.....
Animal resources and environment	281,274	711,307	.....	.....
Transportation	1,383	.....	.....	.....
State courts	339,967	.....	.....	.....
Capital outlay	44,109	24,579	2,150	7,635
Debt service:				
Principal retirement	5,819	.....	.....	5,045
Interest and fiscal charges	5,071	.....	.....	819
Total expenditures	<u>26,731,972</u>	<u>764,981</u>	<u>4,297,782</u>	<u>24,105,799</u>
Excess (deficiency) of revenues over expenditures	<u>3,572,316</u>	<u>(71,782)</u>	<u>(702,306)</u>	<u>(855,650)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of bond issues	2,977	49,899	165,124	.....
Proceeds of refunding bonds	.....	.....	.....	.....
Proceeds of financing agreements	.....	.....	.....	.....
Operating transfers in	729,369	756,184	1,920,028	1,791,283
Operating transfers out	(2,948,424)	(604,364)	(1,484,121)	(454,319)
Payments to refunded bond agent	.....	.....	.....	.....
Total other financing sources (uses)	<u>(2,216,078)</u>	<u>201,719</u>	<u>601,031</u>	<u>1,336,964</u>
Net change in fund balances	<u>1,556,238</u>	<u>129,937</u>	<u>(101,275)</u>	<u>481,314</u>
Fund balances - beginning, as restated (Note 1)	<u>4,800,609</u>	<u>2,413,319</u>	<u>901,637</u>	<u>1,156,069</u>
Adjustments to increase (decrease) beginning fund balances	.....	.....	.....	.....
Fund balances - beginning, as restated	<u>4,800,609</u>	<u>2,413,319</u>	<u>901,637</u>	<u>1,156,069</u>
Fund balances - ending	<u>\$ 6,156,847</u>	<u>\$ 2,543,256</u>	<u>\$ 800,362</u>	<u>\$ 1,637,383</u>

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

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	Transportation	Nonmajor Governmental Funds	Totals 6/30/13
\$ 2,302,127	\$ 224,623	\$ 32,173,233	
9,724	1,255,656	1,851,362	
472,830	785,138	4,000,332	
2,045,334	2,352,088	27,500,77	
11,875	1,489,489	191,892	
4,681	960,504	1,537,935	
4,554	108,638	148,442	
4,851,425	5,735,136	68,429,673	

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2013 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, 2013
(in thousands)

Net change in fund balance - total governmental funds	\$ 1,617,691
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.	(7,015)
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	2,396,583
Depreciation expense	(277,508)
	2,119,075
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.	(60,649)
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 revenues.	270,901
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	35,163
Decrease in accrued interest	2,700
Increase in claims payable	(72,925)
Decrease in arbitrage liability	.....
Increase in net other post employment benefits	(214,485)
Decrease in other liabilities	423,953
	174,406
The incurrence of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment 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, and deferred amounts on refundings when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Bond proceeds	(229,511)
Refunding bond proceeds	(1,759,221)
Financing agreement proceeds	(631,503)
Repayment of bonds	1,255,727
Repayment of capital leases/installment purchase contracts	14,941
Payment to refinanced bond escrow agent	1,759,221
Amortization of bond premium	177,816
Amortization of deferred amount on refunding	(14,823)
Accrued interest payable at refunding	(108,049)
	464,598
Change in net position of governmental activities	\$ 4,579,007

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PROPRIETARY FUND FINANCIAL STATEMENTS

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Major Funds

TRANSPORTATION

This fund 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.

HURRICANE CATASTROPHE FUND

This fund, administered by the State Board of Administration, is a blended component unit and was created 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 Florida Prepaid College Program contracts, 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 reemployment assistance benefits.

Nonmajor Funds

Nonmajor enterprise funds are presented on page 199.

Internal Service Funds

Internal service funds are presented on page 205.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013
(in thousands)

2013 STATE OF FLORIDA CAFR

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 25,236	\$ 61,569	\$ 138	\$ 23,847	\$ 1,040	
Pooled investments with State Treasury	751,540	159,594	.....	10,680,297	1,874,631	661,344
Other current assets	.....	.....	.....	.....	.....	.....
Receivables, net	16,540	47,100	137,796	376,849	611,338	
Due from other funds	821	1	.....	7,834	2,636	
Due from component units/primary	.....	.....	.....	.....	1,048	
Inventories	3,590	863	.....	.....	.....
Other	.....	2,146	.....	.....	.....
Total current assets	797,727	271,273	10,218,231	2,283,161	1,277,406	
Noncurrent assets						
Restricted cash and cash equivalents	23	.....	.....	.....	.....	23
Restricted pooled investments with State Treasury	51,366	15,854	.....	.....	.....	67,220
Restricted investments	317,391	957,103	.....	.....	.....	1,274,494
Long-term investments	.....	.....	1,834,022	9,447,391	.....	59,077
Other long-term notes receivable, net	82,308	.....	.....	1,727,001	.....	3,804
Capital assets	.....	.....	.....	.....	.....	1,812,613
Land and other nondepreciable assets	884,300	1,390	.....	.....	.....	885,690
Nondepreciable infrastructure	6,903,264	.....	.....	.....	.....	6,903,264
Buildings, equipment, and other depreciable assets	517,718	13,521	66	41	.....	106,708
Accumulated depreciation	(234,126)	(11,696)	(61)	(39)	.....	(41,027)
Construction work in progress	631,945	.....	.....	.....	.....	15,586
Other	12,980	19,037	10,299	.....	.....	42,316
Total noncurrent assets	9,167,169	995,209	1,844,326	11,174,394	.....	143,648
Total assets	9,964,896	1,266,482	12,062,557	13,457,555	1,277,406	504,496
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	36,399	9,287	241,198	404,187	73,600	14,805
Accrued prize liability	.....	217,030	.....	.....	.....	217,030
Due to other governments	.....	.....	.....	11,320	.....	11,320
Due to other funds	112,575	76,209	198	3	2,465	8,274
Due to component units/primary	.....	.....	.....	.....	.....	10
Contractor advances	.....	768	46	47	.....	4,229
Installment purchases/capital leases	.....	.....	.....	.....	977	2,418
Bonds payable	.....	.....	300,000	.....	.....	300,000
Bonds payable from restricted assets	118,960	.....	.....	.....	6,542	118,960
Deposits	249	.....	.....	8,538	.....	132,732
Claims payable	.....	.....	206,945	.....	.....	206,945
Deferred revenues	.....	.....	.....	.....	47,200	47,200
Obligations under security lending agreements	63,061	508,573	.....	1,201,294	.....	20,291
Certificates of participation payable	.....	.....	.....	.....	.....	1,793,219
Tuition and housing benefits payable	.....	.....	677,233	.....	.....	30,560
Total current liabilities	331,244	811,867	748,387	2,282,764	95,923	677,233
Long-term liabilities						
Advances from other funds	206,420	343,442	.....	.....	.....	206,420
Accrued prize liability	.....	.....	.....	.....	343,442	2,778
Bonds payable	2,754,738	.....	3,018,786	.....	.....	5,773,524
Certificates of participation payable	.....	.....	.....	.....	.....	576,394
Installment purchases/capital leases	.....	.....	.....	.....	3,121	3,121
Deposits	600	.....	.....	23,144	.....	15,605
Compensated absences	.....	2,908	120	128	.....	23,744
Tuition and housing benefits payable	.....	2,962	.....	.....	13,124	16,280
Other	.....	.....	10,344,816	.....	.....	10,344,816
Total noncurrent liabilities	2,961,758	349,312	3,018,906	10,344,944	23,144	17,594
Total liabilities	3,293,002	1,161,179	3,767,293	12,627,708	119,067	33,839
DEFERRED INFLows OF RESOURCES						
Deferred service concession arrangement receipts	140,259	.....	.....	.....	.....	140,259
Total deferred inflows of resources	140,259	.....	.....	.....	.....	140,259
NET POSITION						
Net assets in capital assets	5,756,589	3,215	5	2	1,158,339	81,268
Restricted for Reemployment Assistance	.....	.....	.....	.....	.....	1,158,339
Restricted for Lotteries	.....	102,088	8,295,259	.....	.....	102,088
Restricted for Hurricane Catastrophe Fund	.....	.....	.....	829,845	.....	829,845
Restricted for Prepaid College Program	.....	.....	.....	.....	168,934	168,934
Restricted for Transportation	168,934	.....	.....	.....	4,165	4,165
Restricted - other	.....	.....	.....	.....	114,288	114,288
Unrestricted	606,112	.....	.....	.....	889,908	889,908
Total net position	\$ 6,531,635	\$ 105,303	\$ 8,295,264	\$ 829,847	\$ 1,158,339	\$ 282,996

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

2013 STATE OF FLORIDA CAFR

	Nonmajor Enterprise Funds	Totals 6/30/13	Internal Service Funds
\$ 9,607	\$ 121,437	\$ 54,118	
304,752	1,877,230	453,160	
17,528	11,972,456	76,657	
21,100	1,234,723	24,144	
6,920	18,212	34,646	
2	1,050	1,179	
.....	4,453	.....
939	3,085	.....
.....	.....	360,848	
.....	.....	15,208,646	
.....	.....	643,914	
.....	23	.....
.....	67,220	.....
.....	1,274,494	.....
.....	59,077	11,340,490	
.....	3,804	1,812,613	
.....	885,690	322	
.....	6,903,264	.....
106,708	638,954	1,397,330	
(41,027)	(280,909)	(417,887)	
15,586	647,531	179,661	
.....	42,316	.....
143,648	23,224,746	1,159,426	
504,496	38,533,392	1,803,340	
102,328	4,572,513	414,119	
.....	
206,420	2,778	.....
343,442	.....	.....
5,773,524	313,678	.....
576,394	.....	.....
3,121	3,121	15,605	
23,744	.....	.....
13,124	16,280	13,320	
10,344,816	.....	.....
20,256	30,681	.....
17,594	20,256	.....
33,839	16,731,903	952,456	
136,167	21,104,416	1,366,375	
.....	
140,259	.....	.....
140,259	.....	.....
81,268	5,841,179	193,554	
1,158,339	.....	.....
102,088	.....	.....
8,295,259	.....	.....
829,845	.....	.....
168,934	.....	.....
4,165	4,165	114,288	
282,996	889,908	128,943	
368,329	\$ 17,288,717	\$ 436,765	

2013 STATE OF FLORIDA CAFR

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program
OPERATING REVENUES				
Sales - nonstate	\$ 5,236	\$ 5,019,379	\$ 1,254,213	\$ 384,181
Change in actuarial value of contract premiums	.....	.....	(84,590)	2,313
Fees	822,490	.....	41	.....
Sales - state	.....	507	.....	.....
Rents and royalties - nonstate	7,694	.....	.....	.....
Rents - state	.....	.....	.....	.....
Fines, forfeits, settlements and judgments	7,966	178	1,626	.....
Other	.....	.....	.....	.....
Total operating revenues	843,386	5,020,064	1,255,880	301,904
OPERATING EXPENSES				
Benefit payments	.....	.....	.....	.....
Payment of lottery winnings	.....	3,162,889	.....	.....
Commissions on lottery sales	.....	278,493	.....	.....
Contractual services	255,767	114,014	3,489	375,284
Change in actuarial value of contract benefit payments	.....	.....	(178,500)	(532,917)
Insurance claims expense	.....	.....	.....	.....
Personal services	15,613	25,560	1,217	938
Depreciation	36,181	270	3	1
Materials and supplies	4,699	1,344	15	45
Repairs and maintenance	.....	1,112	1	22
Basic services	.....	5,382	211	123
Interest and fiscal charges	.....	.....	28	28
Total operating expenses	312,260	3,589,064	(173,536)	(156,476)
Operating income (loss)	531,126	1,431,000	1,429,416	458,380
NONOPERATING REVENUES (EXPENSES)				
Grants and donations	189	.....	.....	.....
Investment earnings (losses)	2,926	(7,222)	39,620	(186,186)
Interest and fiscal charges	(113,997)	(30,533)	(78,223)	(6,529)
Fines, forfeits, judgments and settlements	665	.....	.....	75
Property disposition gain (loss)	(4,463)	(61)	.....	.....
Grant expense and client benefits	.....	.....	.....	.....
Emergency assessment funds received	.....	.....	490,011	.....
Other	5,684	.....	.....	8
Total nonoperating revenues (expenses)	(108,796)	(37,816)	451,408	(192,632)
Income (loss) before transfers and contributions	422,330	1,393,184	1,880,824	265,748
Operating transfers in Operating transfers out	16,557	.....	.....	.....
Capital contributions	(22,103)	(1,424,482)	(10,000)	(938)
Change in net position	416,784	(31,298)	1,870,824	264,810
Total net position - beginning, as restated (Note 1)	6,114,851	136,601	6,424,440	565,037
Total net position - ending	\$ 6,531,635	\$ 105,303	\$ 8,295,264	\$ 829,847

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

2013 STATE OF FLORIDA CAFR

Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/13	Internal Service Funds
\$	\$ 93,415	\$ 6,756,424	\$ 46,741
.....	.....	(84,590)	.....
2,213,105	228,338	3,266,246	.....
.....	34,770	34,811	1,990,803
.....	7	8,208	279
.....	97	97	161,901
.....	15,280	25,050	25
.....	2	2	15,878
2,213,105	371,909	10,006,248	2,215,627
2,389,913	.....	2,389,913	.....
.....	.....	3,162,889	.....
.....	278,493	278,493	.....
.....	78,990	827,544	493,235
.....	.....	(711,417)	.....
.....	.....	1,483,294	.....
160,290	203,618	112,877	.....
5,800	42,255	25,660	.....
6,553	12,656	17,415	.....
1,386	2,521	9,433	.....
29,497	35,213	14,612	.....
3,023	3,079	.....	.....
2,389,913	285,539	6,246,764	2,156,526
(176,808)	86,370	3,759,484	59,101
1,420,101	28,988	1,449,278	.....
21,880	998	(127,984)	(1,035)
.....	(507)	(229,589)	(77,160)
.....	740	.....	.....
.....	(155)	(4,679)	(1,600)
.....	(1,100)	(1,100)	.....
.....	490,011	.....	.....
333	(100)	5,925	.....
1,442,314	28,124	1,582,602	(79,795)
1,265,506	114,494	5,342,086	(20,694)
10,503	17,793	44,853	25,376
(17,203)	(97,506)	(1,572,232)	(14,565)
1	1	2,868	.....
1,258,806	34,782	3,814,708	(7,015)
(100,467)	333,547	13,474,009	443,780
\$ 1,158,339	\$ 368,329	\$ 17,288,717	\$ 436,765

2013 STATE OF FLORIDA CAFR

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 831,975	\$ 5,010,796	\$ 1,258,454
Cash paid to vendors	(361,285)	(401,133)	(3,612)
Cash paid to employees	(15,615)	(24,701)	(1,220)
Cash paid for grants made	.....	.....	.....
Loans collected/(issued)	.....	.....	.....
Lottery prizes	.....	(3,154,135)	.....
Cash paid for insurance claims	.....	.....	(21,799)
Reemployment assistance	.....	.....	.....
Net cash provided (used) by operating activities	455,075	1,430,827	1,231,823
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	(54,757)	(1,399,584)	(10,000)
Advances from or repayment from other funds	(5,930)	.....	.....
Advances, grants or loans (to) or repayment from others	(1,796)	.....	.....
Cash received from sale of bonds	113,579	.....	1,991,694
Payment of bonds or loans (principal and interest)	.....	.....	(3,879,627)
Cash received from noncapital grants or donations	.....	.....	475,498
Emergency assessment funds received	.....	.....	.....
Net cash provided (used) by noncapital financing activities	51,096	(1,399,584)	(1,422,435)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from sale of capital assets	.....	.....	.....
Cash received from the sale of bonds	113,579	.....	.....
Cash received from capital grants and donations	189	.....	.....
Payment of bond principal	(160,920)	.....	.....
Payment of principal on installment purchase/capital lease	.....	.....	.....
Payment of interest on bonds/installment purchase/capital lease	(139,020)	.....	.....
Purchase or construction of capital assets	(351,358)	(2,190)	(5)
Line of credit draw/(payments)	.....	.....	.....
Net cash provided (used) by capital and related financing activities	(537,530)	(2,190)	(5)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security lending	(21,277)	61,209	.....
Proceeds from the sale or maturity of investments	1,534,434	130,728	334,908,246
Cash paid to bond prize winners upon maturity of grand-prize investments	.....	(130,728)	.....
Investment earnings	7,110	2,825	22,307
Purchase of investments	(1,648,064)	.....	(334,739,965)
Net cash provided (used) by investing activities	(127,797)	64,034	190,588
Net increase (decrease) in cash and cash equivalents	(159,156)	93,087	(29)
Cash and cash equivalents - beginning, as restated	987,321	143,930	167
Cash and cash equivalents - ending	\$ 828,165	\$ 237,017	\$ 138

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

2013 STATE OF FLORIDA CAFR

Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/13	Internal Service Funds
\$ 480,586	\$ 2,213,427	\$ 377,482	\$ 10,172,720	\$ 2,250,907
(466,650)	(889)	(119,132)	(1,351,812)	(526,506)
.....	.....	(155,942)	(198,367)	(103,138)
.....
.....	.....	(1,605)	(1,605)	.....
.....	.....	.....	(3,154,135)	.....
.....	.....	(60)	(21,859)	(1,498,144)
.....	(2,371,043)	(496)	(2,371,539)	.....
13,047	(157,616)	100,247	3,073,403	123,119
(938)	(5,767)	(78,167)	(1,549,213)	7,949
8	(673,665)	(1,088)	(676,541)	.....
.....	.....	.....	2,105,273	.....
.....	.....	.....	(3,879,627)	.....
.....	1,455,015	24,288	1,479,303	.....
.....	.....	.....	475,498	.....
(930)	775,583	(54,967)	(2,051,237)	7,949
.....
.....	.....	29	29	.....
.....	.....	113,579	.....	.....
.....	.....	3,007	3,196	.....
.....	.....	.....	(160,920)	(35,355)
.....	.....	.....	(139,020)	(46,683)
(2)	.....	(9,204)	(362,759)	(35,299)
.....	.....	655	655	.....
(2)	.....	(5,513)	(545,240)	(140,378)
1,147	.....	(770)	40,309	(16,176)
13,009,009	.....	87,578	349,669,995	.....
.....	.....	.....	(130,728)	.....
106,205	19,846	414	158,707	(16,249)
(13,118,685)	(90,073)	(349,596,787)	(15)	.....
(2,324)	19,846	(2,851)	141,496	(32,440)
9,791	637,813	36,916	618,422	(41,750)
14,056	24,571	277,443	1,447,488	549,028
\$ 23,847	\$ 662,384	\$ 314,359	\$ 2,065,910	\$ 507,278

2013 STATE OF FLORIDA CAFR

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

	Transportation	Lottery	Hurricane Catastrophe Fund
Operating income (loss)	\$ 531,126	\$ 1,431,000	\$ 1,429,416
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	36,181	270	3
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(7,320)	(9,570)	3,765
(Increase) decrease in due from other funds	(15,266)	.....	.....
Increase (decrease) in allowance for uncollectibles	.....	301	.....
(Increase) decrease in inventories	487	280	.....
(Increase) decrease in other non-current assets	.....	958	.....
Increase (decrease) in accounts payable	(84,096)	(1,067)	(201,366)
Increase (decrease) in compensated absences	.....	93	1
Increase (decrease) in due to other funds	(4,126)	.....	4
Increase (decrease) in other non-current liability	(1,566)	767	.....
(Increase) decrease in deposits	61	.....	.....
Increase (decrease) in deferred revenue	(406)	.....	.....
Increase (decrease) in prize liability	.....	7,795	.....
Net cash provided (used) by operating activities	\$ 455,075	\$ 1,430,827	\$ 1,231,823

Noncash investing, capital, and financing activities

Change in fair value of investments	\$	\$	\$
Contribution of capital assets	.....	.....	.....

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

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2013 STATE OF FLORIDA CAFR

Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/13	Internal Service Funds
\$ 458,380	\$ (176,808)	\$ 86,370	\$ 3,759,484	\$ 59,101
1	.....	5,800	42,255	25,660
92,922	33,612	(3,768)	109,641	3,971
(7,808)	.....	(3,606)	(26,680)	(8,901)
.....	16,232	2,028	18,561	.....
.....	.....	.....	967	.....
.....	.....	24	982	.....
(530,505)	(30,590)	(1,275)	(848,899)	(13,326)
55	.....	667	816	2,176
2	(62)	172	(4,010)	7,531
.....	.....	4,260	3,461	6,697
.....	.....	7	68	.....
.....	9,568	9,162	40,210
.....	7,795
\$ 13,047	\$ (157,616)	\$ 100,247	\$ 3,073,403	\$ 123,119

\$	\$	\$ 316	\$ 316	\$
.....	82	82	2,834

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2013 STATE OF FLORIDA CAFR

FIDUCIARY FUND FINANCIAL STATEMENTS

PRIVATE-PURPOSE TRUST FUNDS

Individual fund descriptions and financial statements begin on page 213.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

Individual fund descriptions and financial statements begin on page 219.

INVESTMENT TRUST FUNDS

Individual fund descriptions and financial statements begin on page 225.

AGENCY FUNDS

Individual fund descriptions and financial statements begin on page 229.

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2013 STATE OF FLORIDA CAFR

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013
(in thousands)

	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Agency Funds	Totals 6/30/13
ASSETS					
Cash and cash equivalents	\$ 12,101	\$ 278,439	\$ 1,531,754	\$ 16,368	\$ 306,908
Pooled investments with State Treasury	564,212	77,405	1,043,444	3,216,815	
Total cash and cash equivalents	576,313	355,844	1,531,754	1,059,812	3,523,723
Investments					
Certificates of deposit	2,051,388	2,462,184		4,513,572	
U.S. government & federally guaranteed obligations	28,738	9,937,361	347,719	10,313,818	
Federal agencies	37,527	7,792,894		5,599	7,836,020
Commercial paper	4,755,488	1,252,661		6,008,149	
Repurchase agreements	750,000	639,694		1,389,694	
Bonds and notes	49,589	9,053,786	725,959	9,829,334	
Bank accounts and notes	6,175	4,457,999		5,747,774	
Real estate contracts		9,450,776		9,040,776	
Mutual fund investments	3,079	14,550,716		14,553,795	
Money market and short-term investments	50,972	1,595,363	850,593	2,496,928	
Domestic equity	133,958	38,450,982		38,584,940	
Alternative Investments		13,555,756		13,555,756	
International equity	34,113	33,948,813		33,982,926	
Deferred compensation annuities		33,001		33,001	
Other investments		1,034	100	1,134	
Total investments	344,151	147,968,857	5,931,091	353,418	154,597,517
Receivables					
Accounts receivable	22,253	8,952	525,075	556,280	
State contributions receivable		40,027		40,027	
Other contributions receivable	1	211,707		211,707	
Interest receivable	1,041	19,656,658	2,551	1,873	196,123
Dividends receivable	217	172,599		172,816	
Pending investment sales	2,470	2,407,948		2,410,418	
Foreign currency contracts receivable	18	532,042		532,060	
Due from state funds	1	18,645	100,227	118,873	
Due from other governments	12,378		4,565	16,943	
Total receivables	38,379	3,582,578	2,551	631,740	4,255,248
Security lending collateral		3,245,417		3,245,417	
Advances to other funds	811,623			811,623	
Advances to other entities	1,114,288			1,114,288	
Capital assets	15,000	854		15,854	
Accumulated depreciation	(1,021)	(430)		(1,451)	
Other assets	6,663	6,135	18	12,816	
Total assets	2,905,396	155,159,255	7,465,414	2,044,970	167,575,035
LIABILITIES					
Accounts payable and accrued liabilities	8,613	70,017	612	588,886	668,128
Due to other funds	9,675	23,634	51	104,591	137,951
DR&R		3,209,149		3,209,149	
Pending investment purchases	18,814	6,000,000		6,000,000	
Short sell obligations		367,076		367,076	
Foreign currency contracts payable	18	526,766		526,784	
Broker rebate fees		47		47	
Due to other governments	3,798		254	454,254	458,306
Obligations under security lending agreements	43,136	3,322,221	121,254	35,446	3,522,057
Claims payable	2,928	15		21,616	24,559
Deposits payable	8,178	12,208		840,177	860,563
Compensated absences	383	915		1,298	
Other liabilities	414	9,855		10,269	
Total liabilities	95,957	14,220,959	122,171	2,044,970	16,484,057
NET POSITION					
Help in trust for pension benefits and other purposes	\$ 2,809,439	\$ 140,938,296	\$ 7,343,243	\$	\$ 151,090,978

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

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2013 STATE OF FLORIDA CAFR

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Totals 6/30/13
ADDITIONS				
Contributions and other deposits				
Pension fund employer contributions - state	\$	\$ 474,550	\$	\$ 474,550
Pension fund employer contributions - nonstate		1,543,078		1,543,078
Pension fund employee contributions		890,291		890,291
Other contributions		142,729		142,729
Purchase of time by employees		9,571		9,571
Fees	2,306	1,209		3,515
Grants and contributions	214,546			214,546
Flexible benefits contributions		239,872		239,872
Fines, forfeits, settlements and judgments	863	29,056		29,919
Unclaimed property remittances	470,348			470,348
Recoverability assets acquired	104,456			104,456
Transfers in from state funds	938	845,463	110,614	957,915
Total contributions and other deposits	793,457	4,175,819	110,614	5,079,890
INVESTMENT INCOME				
Interest income	5,370	1,515,768	21,129	1,542,267
Dividends	3,349	2,053,815		2,057,164
Other investment income	1,492	133,150		134,642
Net increase (decrease) in fair market value	18,096	13,993,726	45,023	14,056,845
Total investment income	28,307	17,696,459	66,152	17,790,918
Investment activity expense	(1,340)	(411,134)	(3,833)	(416,307)
Net income (loss) from investing activity	26,967	17,285,325	62,319	17,374,611
SECURITY LENDING ACTIVITY				
Security lending expense	35	56,229		56,264
Security lending expense	(5)	(7,791)		(7,796)
Net income from security lending	30	48,438		48,468
Total net investment income	26,997	17,333,763	62,319	17,423,079
Other additions	9,915	1		9,916
Total additions	830,369	21,509,583	172,933	22,512,885
DEDUCTIONS				
Benefit payments		9,509,236		9,509,236
Insurance claims expense	159,535			159,535
Supplemental insurance payments		69,811		69,811
Flexible reimbursement payments		23,039		23,039
Life insurance premium payments		30,644		30,644
Remittances to annuity companies		158,909		158,909
Interest expense	643	2		645
Student loan default payments	188,899			188,899
Payments to unclaimed property claimants	253,129			253,129
Distribution to State School Fund	150,499			150,499
Administrative expense	28,458	59,743	55	88,256
Property disposition gain (loss)		1		1
Transfers out to state funds	3,041	878,452	110,614	992,107
Other deductions	19,399	10,202		29,601
Total deductions	803,603	10,740,039	110,669	11,654,311
DEPOSITORY ACTIVITY				
Deposits	96,103			13,663,972
Withdrawals	(132,254)			(13,685,997)
Excess (deficiency) of deposits over withdrawals	(36,151)		(22,025)	(58,176)
Change in net position	(9,385)	10,769,544	40,239	10,800,398
Net position - beginning	2,818,824	130,168,752	7,303,004	140,290,580
Net position - ending	\$ 2,809,439	\$ 140,938,296	\$ 7,343,243	\$ 151,090,978

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

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2013 STATE OF FLORIDA CAFR

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 235.

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2013 STATE OF FLORIDA CAFR

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2013
(in thousands)

	Florida Housing Finance Corporation	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	
ASSETS					
Cash and cash equivalents	\$ 356,396	\$ 173,015	\$ 1,282,987	\$ 819,240	
Pooled investments with State Treasury	327,954	867,855	.....	1,423,760	
Other investments	2,044,807	615,470	13,764,422	4,394,346	
Receivables, net	301,614	502,884	376,310	956,816	
Due from component units/primary	.....	19,980	.....	298,345	
Inventories	.....	27,602	.....	40,281	
Restricted cash and cash equivalents	.....	29,941	11,112	365,605	
Restricted pooled investments with State Treasury	.....	101,357	.....	629,863	
Restricted investments	.....	1,940,040	.....	2,877,942	
Other loans and notes receivable, net	2,671,855	36,375	254,089	51,030	
Other assets	18,930	304,393	436,737	331,131	
Capital assets, net	.....	2,891,015	16,505	19,622,029	
Total assets	<u>5,721,556</u>	<u>7,509,927</u>	<u>16,142,162</u>	<u>31,810,388</u>	
DEFERRED OUTFLOWS OF RESOURCES					
Accum. decrease in fair value -Hedging derivatives	.....	39,425	.....	13,739	
Total deferred outflows of resources	.....	<u>39,425</u>	.....	<u>13,739</u>	
LIABILITIES					
Accounts payable and accrued liabilities	77,578	419,395	1,732,174	848,772	
Due to component units/primary	.....	.....	.....	113,341	
Deferred revenues	85,156	85,496	.....	319,904	
Long-term liabilities					
Due within one year	414,977	101,769	2,545,964	302,626	
Due in more than one year	3,210,614	1,398,594	5,106,099	5,005,147	
Total liabilities	<u>3,788,325</u>	<u>2,005,254</u>	<u>9,384,237</u>	<u>6,589,790</u>	
DEFERRED INFLOWS OF RESOURCES					
Deferred service concession arrangement receipts	.....	.....	.....	2,404	
Total deferred inflows of resources	.....	.....	.....	<u>2,404</u>	
NET POSITION					
Net investment in capital assets	.....	1,981,462	16,505	16,619,923	
Restricted for					
Debt service	.....	5,453	.....	78,642	
Other	1,819,915	999,101	.....	3,008,783	
Funds held for permanent endowment					
Expendable	.....	273,155	.....	367,699	
Nonexpendable	.....	1,163,736	.....	2,145,343	
Unrestricted	113,316	1,121,191	6,741,420	3,011,543	
Total net position	<u>\$ 1,933,231</u>	<u>\$ 5,544,098</u>	<u>\$ 6,757,925</u>	<u>\$ 25,231,933</u>	

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

2013 STATE OF FLORIDA CAFR

	Totals 6/30/13
\$ 2,631,638	
2,619,569	
20,819,045	
2,137,624	
318,325	
67,883	
406,658	
731,220	
4,817,982	
3,013,349	
1,091,191	
22,529,549	
<u>61,184,033</u>	
\$ 53,164	
<u>53,164</u>	
3,077,919	
113,341	
490,556	
3,365,336	
14,720,454	
<u>21,767,606</u>	
18,617,890	
84,095	
5,827,799	
640,854	
3,309,079	
10,987,470	
<u>\$ 39,467,187</u>	

2013 STATE OF FLORIDA CAFR

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Florida Housing Finance Corporation
Florida Housing Finance Corporation	\$ 188,544	\$ 216,633	\$	\$	\$ 28,089
University of Florida	4,322,636	2,864,447	788,569	21,070	.....
Citizens Property Insurance Corporation	1,859,118	2,296,975	.....	.....	.....
Nonmajor component units	<u>10,949,743</u>	<u>3,156,462</u>	<u>3,740,408</u>	<u>465,805</u>	<u>.....</u>
Total component units	<u>\$ 17,320,041</u>	<u>\$ 8,534,517</u>	<u>\$ 4,528,977</u>	<u>\$ 486,875</u>	<u>\$ 28,089</u>
General revenues					
Property taxes	.....	.....	.....	.....	479,888
Investment earnings (losses)	.....	.....	164,175	278,446	434,545
Gain (loss) on sale of capital assets	.....	.....	(2,698)	.....	877,166
Payments from the State of Florida	.....	.....	494,979	.....	(19,361)
Miscellaneous	.....	(108,977)	136,864	2,425,172	(22,059)
Contributions to permanent funds	.....	.....	6,830	531,621	2,920,151
Total general revenues and contributions	.....	(108,977)	40,184	41,005	566,338
Change in net position	.....	(80,888)	833,304	285,276	81,189
Net position - beginning	.....	2,014,119	184,954	723,133	4,902,675
Adjustments to increase (decrease) beginning net position	.....	.....	5,405,088	305,802	1,133,001
Net position - ending	<u>\$ 1,933,231</u>	<u>\$ 5,544,098</u>	<u>\$ 6,757,925</u>	<u>\$ 25,231,933</u>	<u>38,380,130</u>

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

2013 STATE OF FLORIDA CAFR

	Net (Expense) Revenue and Changes in Net Position			
	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/13
\$	\$	\$	\$	\$ 28,089
(648,550)	.....	.....	.....	(648,550)
.....	437,857	.....	.....	437,857
.....	.....	(3,587,068)	.....	(3,587,068)
(648,550)	437,857	(3,587,068)	.....	(3,769,672)
833,304	285,276	3,892,870	.....	4,902,675
184,954	723,133	305,802	.....	1,133,001
5,405,088	6,034,792	24,926,131	.....	38,380,130
(45,944)	.....	.....	.....	(45,944)
<u>\$ 5,544,098</u>	<u>\$ 6,757,925</u>	<u>\$ 25,231,933</u>	<u>\$ 39,467,187</u>	

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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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:

- Citrus Commission (Department of Citrus)
- Corrections Foundation, Inc.
- Florida Board of Governors
- Florida Clerks of Court Operations Corporation
- Florida Engineers Management Corporation
- 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 of Florida (SBA)
- State Board of Education (SBE)
- Volunteer Florida Foundation
- Wireless Emergency Telephone System
- Workforce Florida, Inc.

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 nonmajor 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 nonmajor. 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 this component unit. The assets of this component unit at June 30, 2013, are approximately \$69,000.

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 nonmajor 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, 2013. 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
Major:
• University of Florida
Nonmajor:
• 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

Nonmajor:
• Brevard Community College
• Broward Community College
• Chipola College
• College of Central Florida
• Daytona State College
• Edison State College
• Florida Gateway College
• Florida Keys Community College
• Florida State College at Jacksonville
• Gulf Coast State College
• Hillsborough Community College
• Indian River State College
• Lake-Sumter State College
• Miami Dade College
• North Florida Community College
• Northwest Florida State College
• Palm Beach State College
• Pasco-Hernando Community 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

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.

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:

- 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

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.

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:

- 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 Comprehensive Health Association
- Florida Development Finance Corporation*
- Florida Education Foundation, Inc.*
- Florida Education Fund, Inc.
- Florida Fund for Minority Teachers, Inc.*
- Florida Healthy Kids Corporation
- 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
- Technological Research and Development Authority*
- The Florida College System Foundation, Inc.*
- The Florida Endowment Foundation for Vocational Rehabilitation, 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 \$99 million and \$138 million, respectively. These amounts represent one percent or less 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.

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, and aviation authorities. The state is not financially accountable for any of these organizations and, 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 nonfiduciary 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 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 assets, liabilities, 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 nonmajor 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.

Environment, Recreation and Conservation – 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.

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. Grants and funding from the federal government 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 the Florida Turnpike.

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 investments for 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 – (formerly Unemployment Compensation) 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 School for Deaf and 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 defasance, are reported at cost. Investments of the Local Government Surplus Funds Trust Fund are reported based on amortized cost and disclosed in Note 2 at fair value. 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 alternative investments, where no readily ascertainable market value exists (including limited partnerships, hedge funds, and real estate pooled funds), management has determined fair values for the individual investments based on the net asset value (capital account balance) at the closest available reporting period, as communicated by the general partner, 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 the partnerships are audited by independent auditors.

All real estate direct-owned properties are required to be valued by independent, licensed appraisers selected by an appraisal management company retained by the SBA. Appraisals on debt associated with direct-owned properties are also required. The

external appraisals are generally spread evenly throughout the year depending upon property type. The annual appraised value is adjusted for subsequent events (capital calls and capital distributions; operating income and expenses; and realized gains and losses) to derive the monthly market value. Direct-owned properties are held within title holding companies whose financial statements are subject to annual audit by an auditing firm 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 nonspendable. 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 8 for information on bonds payable and certificates of participation, Note 9 for information on installment purchases, capital leases, advances from the Federal government, 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.

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, 2013, the government-wide statement of net position reported a restricted net position of \$18.7 billion, of which \$10.9 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/ net notes receivable 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 balances have 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.

Fund Balances Classifications and Special Revenue by Purpose – The Governmental Accounting Standards Board, in Statement No. 54, 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, 2013 (in thousands).

	General Fund	Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Fund balances:							
Nonspendable:							
Inventory and Prepaid Items	\$ 10,09	\$ 563	\$ 36	\$ 34,748	\$ 11,026	\$ 1,925	\$ 58,407
Long-term Receivables and Advances	17,409	41,826	—	—	—	11,170	70,405
Permanent Fund Principal	—	—	—	—	—	15,839	15,839
Total	27,518	42,389	36	34,748	11,026	28,934	144,651
Restricted:							
Grants, Contributions	150	14,324	—	11,058	32,316	29,317	87,165
Enabling Legislation	27,624	19,112	—	25,695	50	381,789	454,270
Constitutional Provision	—	15,115	284,403	—	—	5,308	304,826
Creditors	8,759	103,845	841,397	6,045	—	1,466,990	2,427,036
Federal Government	23,826	1,793,137	27,565	86,472	25,000	132,923	2,088,923
Total	60,359	1,945,533	1,153,365	129,270	77,366	2,016,327	3,562,220
Committed:							
	746,914	555,334	390,738	1,473,365	1,597,310	863,712	5,627,373
	5,322,056	—	(745,377)	—	—	—	4,578,279
Total Fund Balances	\$ 6,156,847	\$ 2,543,256	\$ 80,362	\$ 1,637,383	\$ 1,665,702	\$ 2,908,973	\$ 15,712,523

Section 215.32(2)(b)4a, 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 2013-14 General Appropriations Act as being unappropriated June 30, 2013, cash balances that are to be transferred to and from the funds indicated during the 2013-14 fiscal year.

Transfer to (from) Fund	\$ 125,800	(\$ 23,000)	\$ (95,000)	\$ (7,800)	\$ (7,800)	
Transfer from Non-Governmental Funds	227,630	—	—	—	227,630	
Totals	\$ 353,430	(\$ 23,000)	—	(\$ 95,000)	(\$ 7,800)	227,630

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 (EBT) 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 Nonoperating Revenues

Proprietary funds distinguish operating and nonoperating revenues. Operating revenues typically derive 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 nonoperating for reporting purposes.

I. Accounting and Reporting Changes**Accounting Changes**

The state implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement establishes guidance for accounting and financial reporting for service concession arrangements. These arrangements are often referred to as public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. As a result of implementing this Statement, presentation and terminology changes were made to the government-wide statements and fund financial statements.

The state implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement modifies existing requirements used for assessing potential component units in determining what should be included in the financial reporting entity, and the financial reporting entity display and disclosure requirements. Implementing this statement resulted in no changes to the financial reporting entity or display; however, the note disclosures were revised to reflect the new disclosure requirements.

The state implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance from other pronouncements that were issued on or before November 30, 1989.

The state implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for reporting transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods (deferred outflows of resources and deferred inflows of resources). As a result of implementing this Statement, presentation and terminology changes were made to the government-wide statements and fund financial statements.

Changes in Reporting Component Units

Florida Polytechnic University was determined to be a new component unit of the State of Florida for the fiscal year ended June 30, 2013.

Space Florida, a blended component unit previously reported as a governmental special revenue fund, was determined to be an enterprise fund. The following is a reconciliation of prior year ending equity balances to current year restated beginning balances (in thousands):

	6/30/2012, As Previously Reported	Fund and Other Reclassifications	6/30/2012, As Restated
GOVERNMENTAL FUNDS AND ACTIVITIES			
Government-wide Reconciling items	\$ 65,677	\$ (65,677)	\$
Special Revenue Funds			
Nonmajor Special Revenue Funds	16,824	(16,824)	....
TOTAL GOVERNMENTAL FUNDS AND ACTIVITIES	\$ 82,501	\$ (82,501)	\$
PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES			
Enterprise Funds			
Nonmajor Enterprise Funds	\$	\$ 82,501	\$ 82,501
TOTAL PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES	\$	\$ 82,501	\$ 82,501

J. Prior Period Adjustments

Fund balances and net position at July 1, 2013, have been adjusted as follows in relation to the activities of prior years (in thousands):

GOVERNMENTAL ACTIVITIES

Governmental Funds

Transportation

To increase beginning net position to report receivables for revenues earned in a prior period

Total Governmental Funds \$ 196,159

Government-wide Reconciling Items

Transportation

To decrease beginning net position to remove capitalized infrastructure relating to assets of another entity

Total Government-wide Reconciling Items **\$ (120,605)**

TOTAL GOVERNMENTAL ACTIVITIES

\$ 75,554

COMPONENT UNITS

Major Component Units

University of Florida

To decrease net position related to accounting changes and implementation of GASB standards

Total Major Component Units **\$ (45,944)**

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

At June 30, 2013, the state's deposits in financial institutions totaled approximately \$1.4 billion for primary government and \$3.0 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, 125, and 200 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 conduit 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, 2013, 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).

Custodial Credit Risk
As of June 30, 2013

Custodial Credit Risk	Bank Statement Balance (in U.S. \$)	
	Primary Government	Component Units
(1)	\$ 346,618	\$ 290,462
(2)	.....	427,189
(3)	.....	38,444
Total deposits subject to custodial credit risk	\$ 346,618	\$ 756,095

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. 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.

In prior fiscal years, the Florida Legislature authorized the transfer of funds from the Budget Stabilization Fund to the General Revenue Fund. These transfers are required to be repaid in accordance with Section 215.32, F.S. The Budget Stabilization Fund had \$708.8 million in cash at June 30, 2013. The planned repayment schedule is presented below. The first repayment was made in June 2013, resulting in a remaining balance of \$643,444,350. Both of these funds are included within the General Fund, therefore, pursuant to generally accepted governmental accounting principles, the Advances to other funds and Advances from other funds were eliminated.

Date	Authority	Borrowed	Repayment
9/1/2008	GAA 2008-2009 Section 77	\$ 672,407,250	\$
2/20/2009	Senate Bill 2-A Section 51	400,000,000	.....
7/1/11-6/30/12		.....	214,481,450
7/1/12-6/30/13		.....	214,481,450
7/1/13-6/30/14		.....	214,481,450
7/1/14-6/30/15		.....	214,481,450
7/1/15-6/30/16		.....	214,481,450
	Total	\$ 1,072,407,250	\$ 1,072,407,250

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 investments 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 Lawson Chiles Endowment Fund (LCEF) that set ranges on investments by asset class in each fund. Under the investment policy statements approved by SBA Trustees on February 9, 2012, 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 52% and 71%, respectively, with policy ranges from 44-60% for FRS and 61-81% for LCEF, but within these ranges there are no limits on the amount of foreign equity securities that are not denominated in U.S. dollars. In both cases, Florida law limits the exposure to foreign securities to 35% of the total fund. The FRS Pension Trust Fund and LCEF investment plans may be modified in the future if the SBA adopts changes. This investment activity in foreign investments resulted in deposits in foreign currency as of June 30, 2013, as illustrated in the following schedule (in thousands):

Foreign Currency Deposits Held
As of June 30, 2013

Currency	Bank Statement Balance (in U.S. \$)		
	FRS Pension Trust Fund	LCEF	Prepaid Program
Australian dollar	\$ 14,390	\$ 271	\$ 25
Brazilian real	2,333	35	.....
British pound sterling	31,719	37	25
Canadian dollar	4,371	12	.....
Chilean peso	120	.....	120
Columbian peso	194	.....	194
Egyptian pound	408	.....	408
Euro currency unit	77,865	324	103
Hong Kong dollar	10,629	20	31
Indian rupee	2,974	.....	2,974
Indonesian rupiah	1,253	9	.....
Israeli shekel	708	183	17
Japanese yen	32,109	185	253
Malaysian ringgit	622	8	.....
Mexican new peso	549	85	.....
New Zealand dollar	131	.....	159
Norwegian krone	2,080	78	5
Pakistani rupee	502	.....	502
Philippines peso	641	.....	641
Polish zloty	2,604	335	.....
Qatari riyal	887	.....	887
Singapore dollar	3,978	14	15
South African rand	827	.....	827
South Korean won	1,861	.....	1,861
Swedish krona	1,864	.....	1,878
Swiss franc	1,332	1	.....
Taiwan new dollar	16,849	.....	16,849
Thailand baht	1,260	345	.....
Turkish new lira	1,522	66	.....
UAE dirham	708	.....	708
Vietnam dong	2,317	.....	2,317
Other	281	12	.....
Total deposits subject to foreign currency risk	\$ 219,888	\$ 2,020	\$ 516
			\$ 222,424

B. Investments

At June 30, 2013, the state's investments in governmental and business-type activities and fiduciary funds totaled \$202.1 billion, consisting of pooled investments with the State Treasury in the amount of \$18.3 billion and other investments in the amount of \$183.8 billion. The State Treasury also had holdings at June 30, 2013, of \$3.6 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 totaled \$ 24.8 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 State Treasury is provided by the Treasury Investment Committee 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.

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, 2013, was \$16.7 billion or 76% of the pool.

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

Condensed Statement of Fiduciary Net Position**June 30, 2013**

ASSETS	
Current and Other Assets	\$ 23,356,838
Total Assets	<u>23,356,838</u>
LIABILITIES	
Other Liabilities	3,217,992
Total Liabilities	<u>3,217,992</u>
NET POSITION	
Net position held for Internal Pool Participants	18,727,568
Net position held for External Pool Participants	1,411,278
	<u>\$ 20,138,846</u>

Condensed Statement of Changes in Fiduciary Net Position**June 30, 2013**

ADDITIONS	
Net income (loss) from investing activity	\$ (23,671)
DEDUCTIONS	
Distributions paid and payable	<u>23,671</u>
DEPOSITOR ACTIVITY	
Deposits	131,092,943
Withdrawals	(129,327,133)
Excess (deficiency) of deposits over withdrawals	1,765,810
Change in net position	1,765,810
Net position, beginning	18,373,036
Net position, ending	<u>\$ 20,138,846</u>

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):

Summary of Investment Holdings

	Par	Fair Value	Range of Interest Rates *	Range of Maturity Dates
Commercial Paper	\$ 390,000	\$ 389,984	.05%-.11%	7/1/2013-8/1/2013
Repurchase Agreements	1,753,146	1,753,146	.01%-.15%	7/1/2013-7/3/2013
U.S. Guaranteed Obligations	4,622,772	4,580,501	.12%-.31.63%	8/31/2013-12/20/2062
Federal Agencies	5,064,127	5,028,418	.11%-.18.00%	7/12/2013-3/1/2041
Domestic Bonds & Notes	4,902,140	3,733,557	.08%-.10.35%	7/2/2013-7/1/2111
International Bonds & Notes	620,552	630,662	.09%-.9.63%	8/1/2013-12/20/2054
Federal Agencies Discounted Securities	3,777,816	3,776,539	.01%-.3.44%	7/1/2013-3/25/2042
U.S. Guaranteed Obligations Discounted Securities	1,335,305	1,326,830	.01%-.3.69%	7/5/2013-5/15/2030
Commingled STIF	634,981	634,981	N/A	N/A
Unemployment Compensation Funds	667,942	667,942	N/A	N/A
Totals		\$ 23,768,781	\$ 22,522,560	

* The coupon rate in effect at June 30, 2013, 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 903 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.

The schedule below discloses the detail of the State Treasury holdings at fair value at June 30, 2013, as well as reconciliation to the basic financial statements (in thousands):

Schedule of Pooled Investments with State Treasury**As of June 30, 2013**

Investment type	Fair Value
Commercial paper	\$ 389,984
Repurchase agreements	523,288
U.S. guaranteed obligations	5,907,331
Federal agencies	8,728,987
Bonds and notes - domestic	3,419,298
Bonds and notes - international	516,219
Commingled STIF	634,981
Unemployment compensation funds pooled with U. S. Treasury	667,942
Total investments excluding security lending collateral**	<u>20,788,030</u>
Lending collateral investments:	
Repurchase agreements	1,229,858
Federal Agencies	75,970
Bonds and notes - domestic	314,259
Bonds and notes - international	114,443
Total lending collateral investments	<u>1,753,530</u>
Total investments	<u>22,522,560</u>
Cash on deposit	834,278
Total State Treasury holdings	<u>23,356,838</u>
Adjustments:	
Outstanding warrants	(808,247)
Outstanding deposits	(39,999)
SPIA Revolving Account*	(7,761)
Unsettled securities liability	(627,454)
Reconciled balance, June 30, 2013	<u>\$ 21,873,577</u>
Reconciliation to the basic financial statements (in thousands):	
Pooled investments with State Treasury	
Governmental activities	\$ 13,120,139
Business-type activities	1,877,230
Fiduciary funds	3,216,815
Component units	2,619,569
Component units timing difference	241,184
Total pooled investments with State Treasury	<u>21,074,937</u>
Restricted pooled investments with State Treasury	
Business-type activities	67,220
Component units	731,220
Total restricted pooled investments with State Treasury	<u>798,440</u>
Total pooled investments with State Treasury	<u>\$ 21,873,577</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 (NICRA) participation in Treasury's Short Term Investment Fund.

NICRA's portion represents less than a tenth of a percent of the total investments held at Treasury.

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 77% of total other investments at June 30, 2013. Investments in the FRS Investment Plan Trust Fund (Defined Contribution Pension Fund) represents 4.3% of total other investment, while investments in the Florida Hurricane Catastrophe Fund and the Florida Prepaid College Trust Fund represented another 6.6% and 6.2%, 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 and their total carrying value at June 30, 2013, as well as reconciliation to the basic financial statements (in thousands):

Schedule of Other Investments**As of June 30, 2013**

Investment type	Fair value			
	FRS Pension Trust Fund	Managed by SBA	Not managed by SBA	
Certificates of deposit	\$ 2,051,388	\$ 3,511,958	\$ 2,280	\$ 5,565,626
Commercial paper	4,755,488	6,142,277	.....	10,897,765
Money market funds	302,990	2,777,286	12,072	3,092,348
Repurchase agreements	750,000	2,608,782	.....	3,350,782
U.S. guaranteed obligations	9,937,361	8,963,425	31,828	18,932,614
Federal agencies	7,792,894	5,237,267	9,240	13,039,401
Domestic bonds & notes	7,694,298	2,426,225	1,370,666	11,491,189
Domestic bonds & notes commingled funds	.....	2,511,094	.....	2,511,094
International bonds & notes	2,451,499	287,859	422	2,739,780
Domestic stocks	38,428,785	820,753	30,489	39,280,027
Domestic equity commingled funds	.....	3,086,070	.....	3,086,070
International stocks	33,946,698	368,274	4,303	34,319,275
International equity commingled funds	6,291,530	1,199,979	.....	7,491,509
Alternative investments	13,555,756	.....	.....	13,555,756
Real estate investments	9,040,776	.....	.....	9,040,776
Option contracts purchased	1,034	.....	.....	1,034
Swap contracts (debt related)	(1,638)	.....	.....	(1,638)
Mutual funds	.....	.....	1,537,443	1,537,443
Deferred compensation annuities	.....	.....	33,001	33,001
Investment agreements	.....	.....	2,447	2,447
Total investments excluding lending collateral	136,998,859	39,933,249	3,034,191	179,966,299
Lending collateral investments:				
Certificates of deposit	.....	423,721	.....	423,721
Commercial paper	.....	339,183	.....	339,183
Repurchase agreements	3,043,723	639,666	.....	3,683,389
Domestic bonds & notes	155,614	146,482	.....	302,096
Security lending - general pool	.....	94	.....	94
International bonds & notes	46,080	73,445	.....	119,525
Total lending collateral investments	3,245,417	1,622,591	.....	4,868,008
Total investments for all types - fair value	\$ 140,244,276	\$ 41,555,840	\$ 3,034,191	\$ 184,834,307
Total investments for all types - carrying value	\$ 140,244,276	\$ 41,548,110	\$ 3,033,277	\$ 184,825,663
% of total other investments	76%	22%	2%	

Reconciliation of carrying value to the basic financial statements (in thousands):

	Governmental activities	Business-type activities	Fiduciary funds	Component Units ¹	Total
Other investments	\$ 1,147,455	\$ 11,972,456	\$	\$ 786,064	\$ 13,905,975
Restricted investments	....	1,274,494	....	....	1,274,494
Long-term investments	235,299	11,340,490	154,597,517	....	166,173,306
Security lending collateral	....	....	3,245,417	....	3,245,417
² Timing Difference	....	....	....	226,471	226,471
Total other investments	\$ 1,382,754	\$ 24,587,440	\$ 157,842,934	\$ 1,012,535	\$ 184,825,663

¹The 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.

²Differences between participant balances posted and actual investments. Some Component Units have fiscal year ends other than June 30, 2013.

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

FRS Pension Trust Fund
Securities Pledged as Collateral for Futures Contracts
As of June 30, 2013

Investment Type	Fair Value
U.S. guaranteed obligations	\$ 17,539
Federal agencies	9,515
Domestic stocks	22,949
Total	\$ 50,003

The FRS Pension Trust Fund also held short positions in investments at June 30, 2013. Short investment positions are reported as liabilities on the Statement of Fiduciary Net Positions. The schedule below presents the short investment positions at fair value at June 30, 2013 (in thousands):

FRS Pension Trust Fund
Short Investment Positions
As of June 30, 2013

Investment Type	Fair Value
U.S. guaranteed obligations	\$ (1,833)
Federal agencies	(365,238)
Option contracts	(1,468)
Domestic stocks	(5)
Total	\$ (368,544)

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, 2013. 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 and total carrying value, as of June 30, 2013, 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, 2013, are excluded.

Schedule of Other Investments
For Discretely Presented Component Units
As of June 30, 2013

Investment type	Fair value
Certificates of deposit	\$ 156,645
Commercial paper	45,318
Repurchase agreements	192,817
Money market funds	372,040
U.S. guaranteed obligations	3,390,065
Federal agencies	3,772,685
Domestic bonds & notes	10,439,542
International bonds & notes	36,532
Domestic stocks	992,941
International stocks	330,904
Real estate investments	69,240
Mutual funds	2,198,942
Investment agreements	2,619,885
Total other investments for all types - fair value	\$ 24,617,556
Total other investments for all types - carrying value	\$ 24,850,963

Reconciliation of carrying value to the basic financial statements:
Other investments \$ 20,819,045
Restricted investments 4,817,982
Less SBA Investments* (786,064)
Total other investments for component units \$ 24,850,963

*Investment types for Component units with investments held by SBA are disclosed on the Schedule of Other Investments on page 73.

At June 30, 2013, 73.74% 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.

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, 2013, were rated by the nationally recognized statistical rating organizations (NRSRO), Standard and Poor's (S&P) and Moody's, and the ratings are presented below using the applicable rating scale (in thousands):

State Treasury
Credit Quality Ratings
As of June 30, 2013

S&P rating**	Moody's rating**	Total*	Commercial paper	Federal agencies	Domestic bonds & notes	International bonds & notes
AAA		\$ 680,031	\$	\$	\$ 656,208	\$ 23,823
AA		9,037,660	....	8,297,245	590,215	150,200
A		2,008,981	....	168	1,699,887	308,926
A-1		415,785	389,984	25,801	....	....
BBB		650,797	....	....	538,084	112,713
BB		7,510	....	....	7,510	....
B		381	....	....	381	....
Below B		15	....	....	15	....
AAA		224,457	....	....	224,457	....
AA		5,856	....	....	5,856	....
A		232	....	....	232	....
B		295	....	....	295	....
Below B		3,732	....	....	3,732	....
Not rated		523,428	....	481,743	6,685	35,000
		\$ 13,559,160	\$ 389,984	\$ 8,804,957	\$ 3,733,557	\$ 630,662
Not rated		\$ 5,907,331	U.S. guaranteed obligations	....	....	....
Not rated		634,981	Commingled STIF	....	....	....
Not rated		1,753,146	Repurchase agreements	....	....	....
		\$ 21,854,618				

*The remaining (\$667,942) (in thousands) reported for Pooled Investments with State Treasury is comprised primarily of investments with the U.S. Treasury Unemployment Compensation Funds Pool, and outstanding warrants as presented in the Schedule of Pooled Investments with the State Treasury

** Long-term ratings are presented except for "A-1," which is a short-term rating for S&P.

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, 2013, more than five percent of the State Treasury's investment pool is invested in Federal Home Loan Bank System (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), and the Federal Home Loan Mortgage Corporation (FHLMC). These investments are approximately 13 percent, 10 percent, 9 percent, and 7 percent 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 constitute 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 three NRSROs – S&P A-1, Moody's P-1, Fitch F1. For long-term investment ratings, this is defined as a minimum mid-single A rating from one of the three NRSROs – S&P A, Moody's A, Fitch A. Securities of a single issuer (excluding U.S. Treasuries and Agencies) should not represent more than 5% of portfolio amortized cost.

Mortgage Index Portfolio – Securities are generally limited to those issued by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC). No specific credit rating criteria are listed.

Aggregate Less MBS Portfolio – Securities should be rated investment grade by at least one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. This portfolio primarily contains U.S. Treasuries, Government Agencies, and Corporates.

Care portfolios – Securities should be rated investment grade by one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5% of the market value of the portfolio (excluding U.S. Treasuries and Agencies). The State may own notes secured by first mortgages on Florida real property, insured or guaranteed by the Federal Housing Administration or the U.S. Department of Veterans Affairs, but exposure is limited to 10% of portfolio market value.

Lending portfolios – Under investment policy guidelines in effect for the FRS Pension Trust Fund for the fiscal year ended June 30, 2013, eligible investments must be tri-party Qualified Repurchase Agreement transactions in which the subject securities there under will be repurchased by the seller thereof no later than one business day from the purchase date, and such repurchase obligations are collateralized by U.S. Government Securities having a market value of at least 100% of the market value of securities subject to being repurchased. "U.S. Government Securities" means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumental of the Government of the United States pursuant to authority granted by the Congress of the United States, or any certificate of deposit for any of the foregoing, including without limitation notes, bonds and other debt securities issued by the FNMA and the FHLMC. In addition to tri-party repurchase agreements, investments purchased prior to the effective date of the current investment policy guidelines are being held to maturity in existing lending portfolios. The previous investment policy guidelines contained short-term rating requirements that were similar to the current short-term portfolio rating requirements. Repurchase agreements were required to be fully collateralized. These portfolios were allowed to hold up to the greater of \$5 million or 5% of its assets in securities by a single issuer (excluding U.S. Government guaranteed investments, its agencies or instrumentalities). For all lending programs, up to an additional 5% of the book value of the portfolio was allowed to be invested in the obligations of any single issuer, guarantor, or rep counterparty that matured on the next business day, that were redeemable upon demand, or that contained an unconditional put feature.

For Florida Lottery and Lawton Chiles Endowment Fund lending programs, investments with an original maturity of 13 months or less, at the time of purchase must carry a program instrument rating of, or if unrated be issued or guaranteed as to principal and interest, by an issuer or guarantor whose existing comparable short-term debt obligations have received the highest applicable rating by at least one NRSRO (S&P A-1; Moody's P-1; Fitch F1). Other investments with remaining maturities greater than 13 months but less than or equal to two years, at the time of purchase must carry a program or instrument rating of, or if unrated be issued or guaranteed as to principal and interest, by an issuer or guarantor whose existing comparable long-term debt obligations have a rating of either A or higher by S&P, A2 or higher by Moody's, or A or higher by Fitch, except in the case of asset-backed securities which must have a rating of AAA by S&P, Moody's or Fitch. For investments with remaining maturity greater than two years, at the time of purchase must carry a program or instrument rating of, or if unrated be issued or guaranteed as to principal and interest, by an issuer or guarantor whose existing comparable long-term debt obligations have a rating of either AA- or higher by S&P, AA3 or higher by Moody's, or AA- or higher by Fitch, except in the case of asset-backed securities which must have a rating of AAA by S&P, Moody's or Fitch. Rating requirements do not apply to securities and instruments issued or guaranteed by the U.S. Government, its agencies or instrumentalities, repurchase agreements and shares of money market funds.

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, 2013. Investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department, included the following (in thousands):

Other Investments Custodial Credit Risk As of June 30, 2013		
	FRS Pension Trust Fund	Other funds
Invested security lending collateral:		
Certificates of deposit	\$	423,721
Commercial paper	1,471,237	339,183
Repurchase agreements	150,619	146,932
Domestic bonds and notes	20,086	73,445
Total	\$ 1,645,972	\$ 1,622,497

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, 2013		
Component unit / Investment type	Fair value	
University of Florida		
Mutual and/or Commingled Funds	\$ 51,626	
Bonds & notes	14,870	
Mutual funds	2,489	
Total	\$ 68,985	

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, per externally managed portfolio with various investments, is six years. In addition, the security lending portfolios manage exposure to interest rate risk by limiting the weighted average maturity. The maximum weighted average maturity for the security lending portfolio is 120 days.

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 security lending collateral portfolios are presented using weighted average maturity.

Debt Investments As of June 30, 2013		Effective weighted duration (in years)	Security Lending maturity	Weighted average maturity (in days)
Investment type	Fair value			
Certificates of Deposit	\$	N/A	\$	N/A
Commercial paper	389,984	0.04	.....	N/A
Repurchase Agreements	523,288	N/A	1,229,858	1.00
U.S. guaranteed obligations:				
U.S. Treasury bonds and notes	4,288,239	3.88	.....	N/A
U.S. Treasury strips	25,777	10.13	.....	N/A
U.S. Treasury bills	1,301,053	0.37	.....	N/A
GNMA mortgage-backed pass-through	206,370	3.77	.....	N/A
GNMA TBA pass-thru	39,322	5.45	.....	N/A
GNMA collateralized mortgage obligations (CM O's)	16,719	3.17	.....	N/A
GNMA CM O's - interest only	5,681	0.01	.....	N/A
SBA Asset Backed	14,283	2.09	.....	N/A
NCUA CM O's	9,888	0.67	.....	N/A
Federal agencies:				
Discount notes	3,076,547	0.29	75,970	10.79
Unsecured bonds & notes	3,544,175	1.22	.....	N/A
Mortgage-backed pass-through	1,294,996	3.97	.....	N/A
TBA Mortgage-backed pass-thru	481,700	4.98	.....	N/A
Mortgage-backed CM O's	313,713	3.51	.....	N/A
Mortgage-backed CM O's - principal only	285	3.92	.....	N/A
Mortgage-backed CM O's - interest only	17,570	2.13	.....	N/A
Domestic bonds & notes:				
Corporate	2,371,174	5.71	314,259	43.77
Corporate asset-backed	331,880	1.14	.....	N/A
Non-government backed CM O's & CM BS*	594,608	3.42	.....	N/A
Non-government backed CM O's & CMBS* - interest only	11,908	1.71	.....	N/A
Municipal/provincial	109,727	8.04	.....	N/A
International bonds & notes:				
Government & Agency	70,729	4.32	114,443	33.68
Corporate	445,491	5.04	.....	N/A
Commingled STIF	634,981	.....	.....	N/A
Total portfolio effective duration and weighted average maturity		2.64		11.33
Total debt investments	\$ 20,120,088		\$ 1,734,530	

* Commercial Mortgage-Backed Securities (CMBS)

** The remaining (\$667,942) (in thousands) reported for Pooled Investments with State Treasury is comprised primarily of investment with the U.S. Treasury Unemployment Compensation Funds Pool, and outstanding warrants as presented in the Schedule of Pooled Investments with the State Treasury.

Presented below is effective weighted duration for derivative investments in the State Treasury at June 30, 2013.

Derivative Investments As of June 30, 2013		
Investment type	Fair value	Effective weighted duration (in years)
Forwards	\$	14.57
Total derivative investments	\$	

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. In STIPFRS, no individual security shall have a final maturity date longer than one year 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 index duration. The index is the Barclays Capital U.S. MBS Index component of the Barclays Capital U.S. Aggregate Bond Index. Swaps and/or Agency debentures may contribute no more than 25% to duration.

Aggregate Less MBS Index portfolio – Portfolio duration should remain within plus or minus 0.25 years of the Barclays Capital U.S. Aggregate Bond Index less the MBS index component.

Core portfolios – Portfolio duration should remain within plus or minus 0.50–1.25 years of the Barclays Capital U.S. Aggregate Bond Index duration.

Security Lending portfolios – The investment policy guidelines in effect for the FRS Pension Trust Fund for the fiscal year ended June 30, 2013, allow investment only in overnight repurchase agreements that are fully collateralized by U.S. government and/or agency securities. Investments that were purchased under the previous investment policy guidelines are still held in the lending program, but are slowly paying down. Previous guidelines included a maximum WAM for a portfolio of 60 to 90 days, depending on the lending program. For investments that had floating interest rates, interest rate reset dates were used to calculate the WAM. For the LCEF or Florida Lottery lending programs, investment policy guidelines require a maximum WAM for a portfolio of 90 days (for separately managed investments), or that cash collateral be invested in one or more collective investment vehicles maintained and utilized by the lending agent for the investment of securities lending cash collateral. For the Florida Prepaid lending program, investment policy guidelines state that the maximum rate sensitivity is 60 days, for non-term loans. For cash collateral invested in connection with term loans, which are loans collateralized by cash where the agreed date of maturity of the loan or the date of renegotiation of the rebate rate for the loan is greater than one business day, the investment policy guidelines allow the rate of sensitivity to exceed 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).

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 the security lending collateral portfolios are presented using weighted average maturity.

FRS Pension Trust Fund Debt Investments As of June 30, 2013		Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Investment type	Fair value (duration)			
Certificates of deposit	\$	N/A	\$ 2,051,388	65
Commercial paper	4,755,488	47	.....
Money market funds	302,990	1	.....
Repurchase agreements	3,793,723	3	.....
U.S. guaranteed obligations:				
U.S. Treasury	3,110	0.25	.....	N/A
U.S. Treasury bonds and notes	7,591,004	5.30	.....	N/A
U.S. Treasury strips	15,067	31.10	.....	N/A
Index linked government bonds	419,169	7.50	.....	N/A
U.S. government guaranteed	40,707	6.34	.....	N/A
U.S. Treasury note forwards	141	2.02	.....	N/A
Corporate bond	842,406	10	.....	N/A
GNMA commitment to purchase (TBAs)	986,363	4.30	.....	N/A
GNMA CM O's	29,910	1.64	.....	N/A
GNMA interest-only CM O's	3,581	16.46	.....	N/A
GNMA interest-only inverse floating CM O's	5,904	7.90	.....	N/A
Federal agencies:				
Discount notes	38,550	0.02	.....	N/A
Unsecured bonds and notes	1,136,539	4.38	.....	N/A
Mortgage-backed (FNMAs, FHLMC)	14,170	3.96	.....	N/A
FNMAs, FHLMC commitments to purchase (TBAs)	3,697,977	37	.....	N/A
Mortgage-backed CM O's and CMBS	2,911,481	4.38	.....	N/A
Interest-only CM O's	295,177	3.38	.....	N/A
Interest-only inverse floating CM O's	6,482	7.12	.....	N/A
Inverse floating CM O's	18,073	9.29	.....	N/A
Principal-only CM O's	1,419	6.38	.....	N/A
Domestic bonds and notes:				
Corporate	5,590,470	6.45	.....	N/A
Non-government asset and mortgage backed	597,357	2.86	85,496	28
Non-government backed CM O's and CMBS	1,265,479	2.55	46,237	19
Municipal/provincial	257,093	10.62	.....	N/A
Real estate mortgage loans	7,779	6.31	.....	N/A
Investment bonds and notes:				
Government and regional	667,563	5.25	.....	N/A
Corporate	245,223	3.55	.....	N/A
Non-government asset and mortgage backed	1,487,181	5.61	.....	N/A
Non-government backed CM O's and CMBS	27,521	0.18	.....	N/A
Futures contracts - long ¹	24,011	0.14	46,080	31
Futures contracts - short ¹	.....	3.78	.....	N/A
Options purchased ²	1,034	6.44	.....	N/A
Swap contracts ¹	(1,638)	0.05	.....	N/A
Total debt investments	\$ 27,899,328		\$ 11,081,402	

¹ The futures and swap contracts effective weighted duration was calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. \$ value based on foreign exchange rates at June 30, 2013.

² Options effective weighted duration measures the rate of change of price with respect to yield.

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Interest rate risk information for debt investments sold short is presented below (in thousands).

FRS Pension Trust Fund
Sold Short Debt Investment Positions
As of June 30, 2013

Investment type	Fair value (duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	\$ (1,833)	2.76
FNMA, FHLMC commitments to sell (TBAs)	(365,238)	4.31
Options sold ¹	(1,468)	125.27
Total debt investments sold short ²	\$ (368,539)	

¹ Options effective weighted duration measures the rate of change of price with respect to yield.

² 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, 2013 (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, 2013

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. government obligations:								
U.S. Treasury bills	\$ 365,476	\$ 365,476	\$	\$	\$	\$	\$	\$
U.S. Treasury bonds, notes, and SLGS*	548,185	233,006	314,295	314	570	.....	.....	.....
U.S. Treasury strips	536,481	121,903	152,229	65,510	79,059	69,170	37,240	11,370
Federal agencies:								
Unsecured bonds and notes	39,406	19,008	20,398	.....	.....	.....	.....	.....
Agency strips	12,626	12,626	.....	.....	.....	.....	.....	.....
Total debt investments	\$ 1,502,174	\$ 752,019	\$ 486,922	\$ 65,824	\$ 79,629	\$ 69,170	\$ 37,240	\$ 11,370

* 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, 2013

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$ 7,016	1.13	\$ 3,928,663	49
Commercial paper	.....	N/A	6,481,460	45
Money market funds	1,161,954	0.12	1,615,332	1
Repurchase agreements	.....	N/A	3,240,448	1
U.S. guaranteed obligations:				
U.S. Treasury bills	224,841	0.56	216,000	5
U.S. Treasury bonds and notes	112,899	6.23	1,179,928	102
U.S. Treasury strips	5,354,236	9.91	.....	N/A
Index linked government bonds	202,049	6.99	.....	N/A
U.S. government guaranteed	67,797	6.70	.....	N/A
GNMA mortgage backed	92,798	5.08	.....	N/A
GNMA commitments to purchase (TBAs)	33,828	5.01	.....	N/A
GNMA CMO's	28,907	3.24	.....	N/A
Federal agencies:				
Discount notes	.....	N/A	1,177,857	62
Unsecured bonds and notes	183,706	7.48	2,334,023	255
Agency strips	642,322	8.94	.....	N/A
Mortgage backed (FNMA, FHLMC)	514,253	4.83	.....	N/A
FNMA, FHLMC commitments to purchase (TBAs)	322,943	5.33	.....	N/A
Mortgage backed CMO's	10,131	0.92	.....	N/A
Domestic bonds and notes:				
Corporate	1,038,571	7.29	869,237	85
Non-government asset and mortgage backed	203,518	3.70	51,488	16
Non-government backed CMO's and CMBS	305,646	2.84	.....	N/A
Municipal/provincial	4,797	8.70	99,450	8
Domestic bonds and notes commingled funds	2,511,094	5.37	.....	N/A
Security lending collateral pool	.....	N/A	94	1,199
International bonds and notes:				
Government and regional	468	3.93	.....	N/A
Government agency	29	3.60	49,937	331
Corporate	237,425	5.50	42,828	47
Non-government asset and mortgage backed	.....	N/A	17,044	15
Non-government backed CMO's and CMBS	NA	13,573	23
Total debt investments	\$ 13,261,228		\$ 21,317,362	

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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, 2013

Component unit / 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
University of Florida								
U.S. guaranteed obligations	\$ 2,757	\$	\$	\$ 2,757	\$ .....	.....	.....	.....
Federal agencies	.....	.....	.....	.....	.....	.....	.....	.....
Bonds & notes	14,870	.....	13,523	1,347	.....	.....	.....	.....
Mutual funds	166,961	6,549	104,996	55,416	.....	.....	.....	.....
Total debt investments	\$ 184,588	\$ 6,549	\$ 118,519	\$ 59,520	\$ .....	.....	.....	.....

Major Component Units

Debt Investments

That Use Duration or Weighted Average Maturity Method

As of June 30, 2013

Component unit / Investment type	Fair value (duration)	Modified duration (in years)	Fair value (WAM)	Weighted average maturity (in years)	.....	
				
Florida Housing Finance Corporation	\$ 51,331	2.14	\$	N/A	.....	.....	.....
U.S. guaranteed obligations	\$ 40,565	1.00	.....	N/A	.....	.....	.....
Federal agencies	152,456	0.91	.....	N/A	.....	.....	.....
Other	.....	.....	.....	.....	.....	.....	.....
Citizen's Energy Insurance Corporation	.....	.....	1,169,071	2.09	.....	.....	.....
U.S. guaranteed obligations	.....	.....	2,835,369	2.31	.....	.....	.....
Federal agencies	.....	.....	9,723,847	3.76	.....	.....	.....
Bonds & notes	.....	.....	.....	.....	.....	.....	.....
Total debt investments	\$ 244,352		\$ 13,728,287				

4. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates 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 Lawton Chiles Endowment Fund, and the Florida Prepaid College Program had exposure to foreign currency risk at June 30, 2013. These funds are managed primarily by the use of "asset classes".

The FRS Pension Trust Fund investment policy, approved on February 9, 2012, by the Trustees, limits the global equity asset class (including domestic and foreign equities) to a policy range of 44-60% and a target allocation of 52%. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. For the Lawton Chiles Endowment Fund, Trustees approved an investment policy on February 9, 2012, that set the global equity asset class with a policy range of 61-81% and a target allocation of 71%. During the fiscal year ended June 30, 2013, the LCEF policy range for global equities was largely inapplicable since the SBA was holding approximately \$250 million in cash in anticipation of a large LCEF withdrawal that was sent to the State's general revenue fund in June 2013. Other asset classes in the LCEF may hold non-U.S. securities as well, depending on portfolio guidelines. Florida Prepaid's comprehensive investment plan limits investment in foreign equities to 25% of total equities, with the target for total equities to be the lesser of 15% of the total fund, or the actuarial reserve. In all cases, Florida law limits the total exposure to foreign securities to 35% of the total fund. There is no requirement that this exposure to foreign currency be hedged through forward currency contracts, although the managers use them in many cases.

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Presented below in U.S. dollars are the FRS Pension Trust Fund, Lawton Chiles Endowment Fund, and Florida Prepaid College Fund investments exposed to foreign currency risk as of June 30, 2013, listed in total, by currency (in thousands).

FRS Pension Trust Fund, Lawton Chiles Endowment Fund, and Florida Prepaid College Program
Investments Exposed to Foreign Currency Risk (fair values in U.S.\$, in thousands)

As of June 30, 2013

Currency	FRS Pension Trust Fund Investment Type			Florida Prepaid and Savings Plan Investment type
	Alternative Investments ¹	Investments ²	Fixed Income	Equity
Australian dollar	\$ 1,505,305	\$ 1,505,305	\$	\$ 9,140
Brazilian real	4,461	.....	.....	\$ 14,547
British pound sterling	5,507,450	.....	.....	18,337
Canadian dollar	1,659,702	.....	.....	9,606
Chilean peso	25,749	.....	.....	.....
Danish krone	289,283	.....	.....	1,433
Egyptian pound	10,472	.....	.....	3,011
Euro currency unit ³	7,158,537	500,721	.....	40,013
Hong Kong dollar	1,954,811	.....	.....	8,653
Hungarian forint	17,440	.....	.....	615
Indian rupee	421,685	.....	.....	.....
Indonesian rupiah	207,021	.....	.....	1,652
Israeli shekel	76,184	.....	.....	65
Japanese yen	5,046,753	.....	.....	38,483
Kenyan shilling	24,010	.....	.....	.....
Malaysian ringgit	148,513	.....	1	2,000
Mexican peso	205,933	.....	.....	2,516
New Zealand dollar	30,345	.....	.....	241
Nigerian naira	75,970	.....	.....	.....
Norwegian krone	228,693	.....	.....	3,110
Other rial	13,045	.....	176	.....
Philippines peso	73,134	.....	.....	643
Polish zloty	56,149	.....	.....	1,681
Qatari riyal	40,890	.....	.....	.....
Singapore dollar	532,959	.....	.....	564
South African rand	395,537	.....	.....	7,080
South Korean won	752,282	.....	.....	7,905
Swedish krona	663,728	.....	.....	3,584
Swiss franc	2,765,995	.....	.....	3,556
Taiwan new dollar	474,527	.....	.....	4,544
Thailand baht	306,461	.....	.....	1,948
Turkish lira	267,084	.....	.....	1,198
Other	111,125	.....	.....	24
Equity linked notes (various currencies) ⁴	15,831	.....	.....	.....
International equity commingled funds ⁵	6,291,530	.....	.....	.....
Alternative investments ²	.....	12,891,904	.....	.....
Total investments subject to foreign currency risk	\$ 37,380,486	\$ 13,392,625	\$ 177	\$ 169,320
				\$ 164,807

¹ International equity commingled funds are commingled investments where the FRS Pension Trust Fund owns units in commingled funds with other investors and, therefore, only a portion of the investment in the funds. Equity linked notes are participatory notes that allow the holder to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The overall investments or notes themselves may be valued in U.S. dollars, but the underlying assets are exposed to foreign currency risk in various currencies.

² Alternative investments are commingled investments (primarily limited partnerships) where the FRS Pension Trust Fund owns an interest in commingled funds with other investors and, therefore, only a portion of the overall investment in the funds. The overall investment in the funds is denominated in U.S. dollars, but the underlying investments owned by the commingled funds may be exposed to foreign currency risk in various currencies. If the alternative investment manager provided financial statements in Euro currency units, it was reported above as having foreign currency risk in Euro currency units.

³ FRS Pension Trust Fund's equity exposure to Euro currency units includes one stock call option with a fair value at June 30, 2013, of \$621,588 or \$807,972 in Euro currency units.

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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 broker, in the SBA's name, in accordance with the initial margin requirements of the broker. 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 broker. The margin payments are exposed to foreign currency risk. The FRS Pension Trust Fund's futures contract positions at June 30, 2013, 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, 2013

Currency	In Local Currency			
	Number of Contracts ¹	Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss) ² (in U.S. \$)
Stock Index Futures:				
GBP FTSE 100 Index	British pound sterling	368	23,108	22,674 (434) \$ (658)
Canada S&P/TSE 60 Index	Canadian dollar	131	18,270	18,152 (118) \$ (112)
DJ Euro STOXX 50	Euro currency unit	1,107	29,764	28,760 (1,004) \$ (1,305)
TOPIX Index Future	Japanese yen	348	3,801,594	3,935,880 134,286 \$ 1,352

¹ Long positions are positive and short positions are negative.

² Margin receipts or payments are settled periodically in the respective local currency and are subject to foreign currency risk.

The FRS Pension Trust Fund also enters into foreign currency exchange contracts. Foreign currency exchange contracts 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 are generally used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. These contracts are recorded as receivables and payables on the Statement of Fiduciary Net Position. 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, 2013, is presented below, by currency (in thousands).

FRS Pension Trust Fund
Forward Foreign Currency Exchange Contracts
As of June 30, 2013

Currency to Buy (Local Currency)	Amount to Buy (Local Currency)	Currency to Sell (Local Currency)	Amount to Sell (Local Currency)	Receivable Fair Value (in U.S. \$)	Payable Fair Value (in U.S. \$)	Net Unrealized Gain/(Loss) (in U.S. \$)
Australian dollar	7,699 U.S. dollar	7,699 U.S. dollar	7,699 U.S. dollar	7,697 \$ 3,184	7,694 \$ (3,184)	(377) (65)
British pound	7,114 U.S. dollar	7,114 U.S. dollar	7,114 U.S. dollar	7,049 (102)	7,121 (132)	(1)
British pound sterling	86 Euro currency unit	86 Euro currency unit	86 Euro currency unit	85 (102)	85 (132)	(1)
Canadian dollar	22,724 U.S. dollar	22,724 U.S. dollar	22,724 U.S. dollar	35,195 (1,711)	34,456 (11,771)	(739) (56)
Chilean peso	104,646 U.S. dollar	104,646 U.S. dollar	104,646 U.S. dollar	104,646 (2,081)	104,646 (2,081)	(1)
Danish krone	11,478 U.S. dollar	11,478 U.S. dollar	11,478 U.S. dollar	11,478 (2,030)	11,478 (2,030)	(28)
Euro currency unit	5,455 U.S. dollar	5,455 U.S. dollar	5,455 U.S. dollar	7,104 (7,104)	7,104 (7,104)	(13)
Hong Kong dollar	22,443 U.S. dollars	22,443 U.S. dollars	22,443 U.S. dollars	28,941 (6,498)	28,940 (6,498)	364
Hong Kong dollar	358,434 U.S. dollar	358,434 U.S. dollar	358,434 U.S. dollar	46,234 (46,191)	46,392 (46,191)	32
India rupee	171,098 U.S. dollar	171,098 U.S. dollar	171,098 U.S. dollar	2,842 (1,639)	2,842 (1,639)	913
Indonesian rupiah	18,047,861 U.S. dollar	18,047,861 U.S. dollar	18,047,861 U.S. dollar	18,008 (1,808)	18,039 (1,808)	11
Japanese yen	12,951 Australian dollar	12,951 Australian dollar	12,951 Australian dollar	12,950 (142)	12,950 (130)	-
Japanese yen	6,251,227 U.S. dollar	6,251,227 U.S. dollar	6,251,227 U.S. dollar	63,419 (63,419)	62,947 (63,419)	(472)
Malaysian ringgit	13,839 U.S. dollar	13,839 U.S. dollar	13,839 U.S. dollar	4,374 (4,374)	4,379 (4,374)	5
Mexican peso	1,525 U.S. dollar	1,525 U.S. dollar	1,525 U.S. dollar	1,525 (117)	1,525 (117)	-
New Zealand dollar	423 U.S. dollar	423 U.S. dollar	423 U.S. dollar	3,399 (339)	3,322 (339)	(7)
Nigerian naira	126,657 U.S. dollar	126,657 U.S. dollar	126,657 U.S. dollar	1,760 (1,760)	1,760 (1,760)	-
Qatari riyal	5,147 U.S. dollar	5,147 U.S. dollar	5,147 U.S. dollar	5,146 (1,414)	5,146 (1,414)	(4)
S. African rand	26,988 U.S. dollar	26,988 U.S. dollar	26,988 U.S. dollar	2,667 (2,667)	2,708 (2,667)	41
Singapore dollar	14,915 U.S. dollar	14,915 U.S. dollar	14,915 U.S. dollar	11,846 (849)	11,846 (849)	(5)
South Korean won	962,920 U.S. dollar	962,920 U.S. dollar	962,920 U.S. dollar	1,304 (1,335)	1,304 (1,335)	(31)
Swedish krona	8,817 U.S. dollar	8,817 U.S. dollar	8,817 U.S. dollar	3,036 (3,215)	3,039 (3,215)	(6)
Swiss franc	1,868 U.S. dollar	1,868 U.S. dollar	1,868 U.S. dollar	1,868 (1,868)	1,868 (1,868)	-
Turkish lira	5,770 U.S. dollar	5,770 U.S. dollar	5,770 U.S. dollar	5,770 (5,770)	5,770 (5,770)	2,950
U.S. dollar	995 Australian dollar	995 Australian dollar	995 Australian dollar	995 (2,197)	995 (2,197)	-
U.S. dollar	16,692 British pound sterling	16,692 British pound sterling	16,692 British pound sterling	16,692 (10,055)	16,692 (16,651)	81
U.S. dollar	42,219 Canadian dollar	42,219 Canadian dollar	42,219 Canadian dollar	42,220 (43,388)	42,220 (41,036)	1,184
U.S. dollar	2 Chilean peso	2 Chilean peso	2 Chilean peso	2 (1,086)	2 (2)	-
U.S. dollar	193 Colombian peso	193 Colombian peso	193 Colombian peso	193 (371,541)	193 (192)	1
U.S. dollar	84,932 Euro currency unit	84,932 Euro currency unit	84,932 Euro currency unit	84,932 (64,550)	84,932 (83,923)	1,009
U.S. dollar	15 Ghanaian cedi	15 Ghanaian cedi	15 Ghanaian cedi	15 (30)	15 (15)	-
U.S. dollar	4,885 Hong Kong dollar	4,885 Hong Kong dollar	4,885 Hong Kong dollar	4,884 (37,891)	4,884 (4,885)	(1)
U.S. dollar	157 Indian rupee	157 Indian rupee	157 Indian rupee	157 (93,025)	157 (15,567)	-
U.S. dollar	10 Israeli shekel	10 Israeli shekel	10 Israeli shekel	10 (58)	10 (10)	-
U.S. dollar	56,593 Japanese yen	56,593 Japanese yen	56,593 Japanese yen	56,593 (5,627,705)	56,593 (56,699)	(76)
U.S. dollar	1 Kenyan shilling	1 Kenyan shilling	1 Kenyan shilling	1 (31)	1 (1)	-
U.S. dollar	4,957 New Zealand dollar	4,957 New Zealand dollar	4,957 New Zealand dollar	4,957 (5,867)	4,957 (4,522)	435
U.S. dollar	3,714 Norwegian krone	3,714 Norwegian krone	3,714 Norwegian krone	3,714 (21,925)	3,714 (3,586)	128
U.S. dollar	480 Pakistani rupee	480 Pakistani rupee	480 Pakistani rupee	480 (47,866)	480 (481)	(1)
U.S. dollar	21 Peruvian nuevo sol	21 Peruvian nuevo sol	21 Peruvian nuevo sol	21 (59)	21 (21)	-
U.S. dollar	274 Polish zlote	274 Polish zlote	274 Polish zlote	274 (11,871)	274 (272)	(1)
U.S. dollar	324 Polish zlote	324 Polish zlote	324 Polish zlote	324 (1,869)	324 (324)	-
U.S. dollar	347 S. African rand	347 S. African rand	347 S. African rand	347 (3,456)	347 (340)	(1)
U.S. dollar	1,138 Singapore dollar	1,138 Singapore dollar	1,138 Singapore dollar	1,138 (1,447)	1,138 (1,144)	(5)
U.S. dollar	3,805 South Korean won	3,805 South Korean won	3,805 South Korean won	3,805 (4,313,523)	3,805 (3,750)	55
U.S. dollar	210 Sri Lanka rupee	210 Sri Lanka rupee	210 Sri Lanka rupee	210 (27,459)	210 (211)	(1)
U.S. dollar	39 Swedish krona	39 Swedish krona	39 Swedish krona	39 (265)	39 (39)	-
U.S. dollar	9,577 Swiss franc	9,577 Swiss franc	9,577 Swiss franc	9,577 (8,993)	9,577 (9,509)	68
U.S. dollar	1,630 Thailand baht	1,630 Thailand baht	1,630 Thailand baht	1,630 (50,849)	1,630 (16,699)	(9)
U.S. dollar	506 Turkish lira	506 Turkish lira	506 Turkish lira	506 (975)	506 (505)	1
U.S. dollar	992 UAE dirham	992 UAE dirham	992 UAE dirham	992 (2,173)	992 (992)	-
			Total		\$ 532,042 \$ (526,766) \$ 5,276	

Component Units

Component unit information regarding foreign currency risk was not readily available.

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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, government securities, unconditional and irrevocable standby letters of credit, or other assets specifically agreed to in writing. Cash collateral is invested by the agent in investments required 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. Since the collateral under security lending agreements (including accrued interest) exceeded the fair value of the securities underlying those agreements (including accrued interest), the Treasury had no credit risk exposure at June 30, 2013. 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 \$1,734,487,509 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 \$1,692,813,770. There were no securities held with others under security lending agreements with non-cash collateral. 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, 2013, are as follows (fair value equals carrying value of investment on loan): Domestic bonds and notes of \$304,422,844, Federal agencies of \$167,150,049, International bonds and notes of \$37,307,478 and U.S. guaranteed obligations of \$1,183,933,400.

Other Investments

Through the SBA, various funds, including the FRS Pension Trust Fund, the Florida Lottery Trust Fund, the Lawton Chiles Endowment Fund, and the Florida Prepaid College Program participate in security lending programs. 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 \$5,024,716,275 in cash and \$1,755,929,281 in U.S. government securities as collateral for the lending programs as of June 30, 2013. At June 30, 2013, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest), except for loans with one broker in the Lawton Chiles Endowment Fund totaling \$964. However, all security lending programs have indemnity clauses requiring the lending agent to assume borrower's risk from default. 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 1% to 52% 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, 2013, the collateral re-investment portfolio for the FRS Pension Trust Fund was primarily reinvested in overnight repurchase agreements (repos) in order to maximize earnings and reduce risk. The portfolio contains some legacy non-repo securities that will remain until they are either sold or mature. All new lending in the FRS Pension Trust Fund is done using one-day repos of U.S. Government guaranteed securities as re-investment. At June 30, 2013, there were two lending agents, including the master custodian and one third-party agent.

The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2013 (in thousands):

Schedule of Other Investments on Loan Under Security Lending Agreements
As of June 30, 2013

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	\$ 588,363	\$ 1,326,627	\$ 1,914,990
Federal agencies	247,765	30,138	277,903
Domestic bonds and notes	105,054	153,092	258,146
International bonds and notes	114,212	47,920	162,132
Domestic stocks	790,286	96,466	886,752
International stocks	1,312,437	18,635	1,331,072
Total securities on loan for cash collateral	\$ 3,158,117	\$ 1,672,878	\$ 4,830,995
Securities on Loan for Non-Cash Collateral, by Security type			
U.S. guaranteed obligations	\$ 177,567	\$ 177,567	\$ 177,567
Domestic stocks	1,094,646 442,844	692	1,094,940 443,536
Total securities on loan for non-cash collateral	\$ 1,537,490	\$ 178,553	\$ 1,716,043
Total securities on loan	\$ 4,695,607	\$ 1,851,431	\$ 6,547,038

¹The fair value equals the carrying value of investments on loan. Fair value includes accrued interest on debt securities.

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 an 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, 2013. The State Treasury did not utilize derivatives for hedging activities during the fiscal year ending June 30, 2013. All of the State Treasury investment derivatives were reported at fair value in the accompanying financial statements as of June 30, 2013.

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A summary of investment derivatives traded in the State Treasury is presented below (in thousands).

State Treasury	Changes in Fair Value		Fair Value at June 30, 2013		Notional (in U.S. \$)
	Classification	Amount	Classification	Amount	
Investment derivative instruments:					
Futures	Investment Income	\$ 3,375	Receivable/Payable	\$ 2,097	\$ 24,600

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. Derivative instruments shall 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, as well as to cost effectively manage exposure to domestic and international equities and bond and real estate markets.

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. 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) 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 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 with a counterparty. Swaps are available in and between all active financial markets, including, but not limited to, interest rate swaps, credit default swaps, and total return swaps. An interest rate swap is an agreement between two parties (known as counterparties) 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. A credit default swap is 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. A total return swap is an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset which includes both the income it generates and any capital gains. In total return swaps, the underlying asset (reference asset) is usually an equity index, loans, or bonds.

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A summary of investment derivatives traded in the Lawton Chiles Endowment Fund and the FRS Pension Trust Fund is presented below (in thousands). As of June 30, 2013, all of the SBA investment derivatives were reported at fair value.

Governmental activities (Lawton Chiles Endowment Fund)	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2013	
	Classification	Amount	Classification	Amount
Investment derivative instruments:				
Futures ¹	Investment Income	\$ 20	Receivable/(Payable) ¹	\$ \$
Options ²	Investment Income	(1,132)	Investment/(Liability) ²	(1,055) (1,707,600)
Forward currency contracts ³	Investment Income	11,922	Receivable/(Payable) ³	4,535 4,535
Interest rate swaps	Investment Income	81	Investment	174 34,000
Credit default swaps	Investment Income	447	Investment	(1,813) 133,000

¹ The total unrealized gain/(loss) for open futures contracts at June 30, 2013, was \$(30,803,104) in the FRS Pension Trust Fund. However, the majority of this loss has been settled with cash paid to the futures clearing broker on or before June 30, 2013. Outstanding remaining net futures trade equity at June 30, 2013, totaled \$7,375,943 for FRS, which is reported gross on the Statement of Fiduciary Net Position as "Accounts receivable" and "Accounts payable and accrued liabilities". The total notional values on long and short futures positions in FRS were \$3,411,045,569 and \$(653,550,000), respectively. Futures contracts for the Lawton Chiles Endowment Fund were closed on or before June 30, 2013.

² Purchased options are reported as investments and short sales of options are reported as liabilities on the Statement of Fiduciary Net Position. This schedule nets both long and short positions.

³ The total receivable and payable notional and fair values (in U.S. \$) for forward currency contracts in the FRS Pension Trust Fund were \$394,655,258 and \$1390,120,198 as of June 30, 2013. These amounts are reported as "Foreign currency contracts receivable" and "Foreign currency contracts payable" on the Statement of Fiduciary Net Position.

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. The unfunded capital commitments that are not reported on the FRS Pension Trust Fund Statement of Fiduciary Net Position totaled \$10.0 billion as of June 30, 2013.

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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	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Accounts receivable	\$ 108,603	\$ 14,614	\$ 201	\$ 549,607	\$ 29,202
Contracts & grants receivable	.....	.....	.....	107	
Due from Federal government	3,492	12,710	14,442	1,467,935	32,316
Due from other governmental units	616	682	.....	3,242	80,317
Interest & dividends receivable	1,497	723	336	61	2,524
Loans & notes receivable	47,328	117,545	394	.....	9
Fees receivable	127,718	4	.....	.....
Taxes receivable	2,943,229	21,471	49,097	.....	198,450
Allowance for uncollectibles	(1,670,052)	(11,419)	(407)	(22,115)	(7,205)
Receivables, net	\$ 1,572,631	\$ 156,330	\$ 64,063	\$ 1,998,730	\$ 335,205

Loans & notes receivable	from other governments	.....	.....	.....	865,823
Long-term interest receivable	.....	.....	.....	.....	396
Other loans & notes receivable	23,970	.....	302,700	786	
Allowance for uncollectibles	(327)	.....	(261,644)	(7,883)	
Other loans & notes receivable, net	\$ 81,240	\$ 1,121,121	\$ 41,056	\$ 859,122	

(Continued below)

Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Government-wide Reconciling Balances	Total Governmental Activities
Accounts receivable	\$ 227,700	\$ 929,927	\$ 18,468	\$ 360,806
Contracts & grants receivable	90,659	90,659	3	90,659
Due from Federal government	60,659	1,600,534	.....	1,600,534
Due from other governmental units	5,348	96,205	5,460	95,665
Interest & dividends receivable	1,759	17,100	216	17,316
Loans & notes receivable	120,450	285,726	.....	285,726
Fees receivable	296	128,018	.....	128,018
Taxes receivable	14,531	3,226,778	.....	3,226,778
Allowance for uncollectibles	(120,771)	(1,831,969)	.....	(1,831,969)
Receivables, net	\$ 408,958	\$ 4,536,432	\$ 24,144	\$ 360,806
				\$ 4,921,382

Loans & notes receivable	from other governments	.....	.....	.....	2,898,920
Long-term interest receivable	.....	396	.....	.....	396
Other loans & notes receivable	162,378	489,834	.....	489,834	
Allowance for uncollectibles	(10,205)	(280,059)	(280,059)	
Other loans & notes receivable, net	\$ 1,006,552	\$ 3,109,091	\$	\$ 3,109,091	

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BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts receivable	\$ 9,163	\$ 49,190	\$ 155,249	\$ 28,528	\$ 255,070	
Due from Federal government	.....	.....	.....	.....	.....	39,885
Due from other governmental units	571	.....	.....	.....	.....	1,437
Interest & dividends receivable	1,120	538	2,524	23,578	.....	111,425
Loans & notes receivable	.....	.....	.....	324,747	.....
Fees receivable	5,686	.....	.....	.....	.....	2,884
Taxes receivable	.....	.....	.....	.....	.....	508,514
Allowance for uncollectibles	.....	(2,628)	(19,977)	(4)	(307,877)	
Receivables, net	\$ 16,540	\$ 47,100	\$ 157,796	\$ 376,849	\$ 611,338	

Loans & notes receivable

Allowance for uncollectibles

Other loans & notes receivable, net

(Continued below)

	Nonmajor Enterprise Funds	Total Enterprise Funds	Government-wide Reconciling Balances	Total Business-type Activities
Accounts receivable	\$ 15,103	\$ 512,303	\$ 14,590	\$ 526,893
Due from Federal government	.....	39,885	.....	39,885
Due from other governmental units	8,296	10,304	.....	10,304
Interest & dividends receivable	161	139,346	.....	139,346
Loans & notes receivable	4,101	328,848	.....	328,848
Fees receivable	89	8,659	.....	8,659
Taxes receivable	.....	508,514	.....	508,514
Allowance for uncollectibles	(6,650)	(337,136)	.....	(337,136)
Receivables, net	\$ 21,100	\$ 1,210,723	\$ 14,590	\$ 1,225,313

Loans & notes receivable

Allowance for uncollectibles

Other loans & notes receivable, net

(Continued below)

Accounts receivable

Contracts & grants receivable

Due from Federal government

Due from other governmental units

Interest & dividends receivable

Loans & notes receivable

Allowance for uncollectibles

Receivables, net

\$ 1,589,514

198,769

17,556

258,771

129,456

318,086

(374,528)

\$ 2,137,624

\$ 2,390,564

(277,215)

\$ 3,013,349

COMPONENT UNITS

Accounts receivable

Contracts & grants receivable

Due from Federal government

Due from other governmental units

Interest & dividends receivable

Loans & notes receivable

Allowance for uncollectibles

Other loans & notes receivable, net

\$ 1,589,514

198,769

17,556

258,771

129,456

318,086

(374,528)

\$ 2,137,624

\$ 2,390,564

(277,215)

\$ 3,013,349

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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	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	
Accounts payable	\$ 207,031	\$ 24,526	\$ 21,145	\$ 204,619	\$ 320,606	
Accrued salaries & wages	59,639	1,322	126	27,438	9,668	
Claims payable	.....	.....	.....	.....	.....
Construction contracts	221	.....	.....	.....	251,487	
Deposits payable	176	420	.....	8	5,172	
Due to Federal government				2,785		
Due to other governmental units	138,775	9,108	.....	4,848	7,458	
Other payables	.....	.....	.....	.....	.....
Vouchers payable	8,692	.....	.....	.....	10	
Accounts payable and accrued liabilities	\$ 414,534	\$ 35,376	\$ 21,271	\$ 239,698	\$ 594,401	

(Continued below)

	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Government-wide Reconciling Balances	Total Governmental Activities	
Accounts payable	\$ 179,086	\$ 957,013	\$ 26,740	\$ 158,214	\$ 1,141,967	
Accrued salaries & wages	9,219	107,412	2,442	.....	109,854	
Claims payable	.....	.....	116,898	.....	116,898	
Construction contracts	257	251,965	.....	.....	251,965	
Deposits payable	195	5,971	.....	.....	5,971	
Due to Federal government	1,435	4,220	.....	.....	4,220	
Due to other governmental units	22,348	182,537	.....	.....	182,537	
Other payables	3,692	3,692	5,259	.....	8,951	
Vouchers payable	116	8,818	.....	.....	8,818	
Accounts payable and accrued liabilities	\$ 216,348	\$ 1,521,628	\$ 151,339	\$ 158,214	\$ 1,831,181	

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BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts payable	\$ 21	\$ 7,107	\$ 200,754	\$ 404,187	\$ 73,600
Accrued interest payable	.....	.....	40,444	.....	.....
Accrued salaries & wages	.....	37	.....	.....	.....
Construction contracts	36,178	.....	.....	.....	.....
Deposits payable	200	2,143	.....	.....	.....
Accounts payable and accrued liabilities	\$ 36,399	\$ 9,287	\$ 241,198	\$ 404,187	\$ 73,600

(Continued below)

	Nonmajor Enterprise Funds	Total Enterprise Funds	Government-wide Reconciling Balances	Total Business-type Activities
Accounts payable	\$ 12,483	\$ 698,152	\$ 697	\$ 698,849
Accrued interest payable	.....	40,444	.....	40,444
Accrued salaries & wages	2,248	2,285	.....	2,285
Construction contracts	.....	36,178	.....	36,178
Deposits payable	74	2,417	.....	2,417
Accounts payable and accrued liabilities	\$ 14,805	\$ 779,476	\$ 697	\$ 780,173

COMPONENT UNITS

Accounts payable	\$ 697,148
Accrued interest payable	86,254
Accrued salaries & wages	227,507
Claims payable	1,719,988
Construction contracts	80,938
Deposits payable	235,429
Due to Federal government	5,989
Due to other governmental units	8,325
Vouchers payable	16,341
Accounts payable and accrued liabilities	\$ 3,077,919

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NOTE 4 – 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	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Sales and use tax	\$ 19,834,847	\$	\$	\$	\$	\$ 19,834,847	
Fuel taxes:							
Motor fuel tax	.....	.....	.....	2,298,904	.....	2,298,904	
Pollutant tax	.....	230,117	.....	.....	.....	230,117	
Aviation fuel tax	.....	.....	.....	3,223	.....	3,223	
Solid minerals severance tax	.....	37,313	.....	.....	.....	37,313	
Oil and gas production tax	11,286	.....	.....	.....	.....	11,286	
Total fuel taxes	11,286	267,430	.....	2,302,127	.....	2,580,843	
Corporate income tax	2,055,440	.....	.....	.....	.....	2,055,440	
Documentary stamp tax	1,662,044	.....	.....	.....	.....	1,662,044	
Intangible personal property tax	279,047	.....	.....	.....	.....	279,047	
Communications service tax	1,002,752	.....	420,023	.....	.....	1,422,775	
Estate tax	432	.....	.....	.....	.....	432	
Gross receipts utilities tax	.....	6,561	582,204	.....	.....	588,765	
Beverage and tobacco taxes:							
Alcoholic beverage tax	476,553	.....	.....	.....	9,732	486,285	
Cigarette tax	1,185,436	.....	.....	.....	.....	1,185,436	
Smokable tobacco tax	28,374	.....	.....	.....	.....	28,374	
Total beverage and tobacco taxes	1,690,363	.....	.....	.....	9,732	1,700,095	
Other taxes:							
Insurance premium tax	899,195	.....	.....	.....	7,809	907,004	
Hospital public assistance tax	.....	.....	928,214	.....	.....	928,214	
Citrus excise tax	.....	.....	.....	.....	38,711	38,711	
Pari-mutuel wagering tax	6,644	.....	1	.....	168,371	175,016	
Total other taxes	905,839	.....	1	928,214	.....	214,891	2,048,945
Total	\$ 27,442,050	\$ 273,991	\$ 1,002,228	\$ 928,214	\$ 2,302,127	\$ 224,623	\$ 32,173,233

	Sales and Use Tax
Governmental fund statements	\$ 19,834,848
Government-wide accruals	79,743
Government-wide statements	\$ 19,914,591

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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 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, 2013, is as follows (in thousands):

General Government	\$ 65,872
Education	9,756
Human Services	30,007
Criminal Justice & Correction	97,756
Natural Resources & Environment	56,803
Transportation	39,829
State Courts	3,145
Total depreciation expense (governmental activities)	\$ 303,168

Primary government capital asset activities for the fiscal year ended June 30, 2013, are as follows (in thousands):

GOVERNMENTAL ACTIVITIES						
	Balance July 1, 2012	Restatement	Increases	Decreases	Balance June 30, 2013	
Capital assets, not being depreciated:						
Land and other nondepreciable assets	\$ 17,193,914	\$ 325,497	\$ 44,572	\$ 17,474,839		
Infrastructure and infrastructure improvements	36,217,618	1,573,381	128,047	37,662,552		
Leasehold improvements	7,540,108	(1,286)	825,977	595,363	7,759,436	
Construction work in progress						
Total capital assets, not being depreciated	60,951,640	(1,286)	2,725,355	768,882	62,896,827	
Capital assets, being depreciated:						
Buildings and building improvements	4,834,124	(70,760)	158,524	23,471	4,898,417	
Infrastructure and infrastructure improvements	665,480	..... 35,806	1,149	700,137		
Leasehold improvements	1,055	..... 9	.....	1,064		
Property under capital lease	17,119	.....	171	17,098		
Furniture and equipment	1,768,400	(1,505)	3,569	189,863	1,776,601	
Works of art and historical treasures	1,873	..... 24	.....	1,897		
Library resources	30,167	..... 3,710	3,879	29,998		
Other	76,488	..... 586	1,492	75,582		
Total capital assets, being depreciated	7,554,756	(72,265)	398,228	220,025	7,660,694	
Less accumulated depreciation for:						
Buildings and building improvements	2,216,079	(13,252)	135,206	12,626	2,325,407	
Infrastructure and infrastructure improvements	333,052	..... 28,837	536	361,253		
Leasehold improvements	244	..... 305	.....	549		
Property under capital lease	57,263	..... 9,505	165	66,603		
Furniture and equipment	1,337,486	(450)	121,382	98,850	1,359,568	
Works of art and historical treasures	755	..... 72	.....	827		
Library resources	14,522	..... 1,722	1,246	14,998		
Other	43,851	..... 6,139	150	49,840		
Total accumulated depreciation	4,003,252	(13,702)	303,168	113,573	4,179,145	
Total capital assets, being depreciated, net	64,503,144	(69,849)	\$ 280,415	\$ 875,334	\$ 66,378,376	
BUSINESS-TYPE ACTIVITIES						
	Balance July 1, 2012	Restatement	Increases	Decreases	Balance June 30, 2013	
Capital assets, not being depreciated:						
Land and other nondepreciable assets	\$ 882,664	..... \$ 3,515	\$ 489	\$ 885,690		
Infrastructure and infrastructure improvements	6,780,931	..... 122,333	.....	6,903,264		
Leasehold improvements	413,667	11,286	225,129	2,551	647,531	
Construction work in progress						
Total capital assets, not being depreciated	8,077,262	11,286	350,977	3,040	8,436,485	
Capital assets, being depreciated:						
Buildings and building improvements	281,306	70,760	49,130	15,133	386,063	
Infrastructure and infrastructure improvements	1,102	..... 68	67	.....	1,169	
Leasehold improvements	69	..... 10	.....	79		
Furniture and equipment	194,661	1,505	36,527	33,397	199,296	
Library resources	4	.....	.....	4		
Other	49,444	..... 1,999	.....	51,443		
Total capital assets, being depreciated	526,586	72,265	87,733	48,530	638,054	
Less accumulated depreciation for:						
Buildings and building improvements	128,220	13,252	12,616	13,998	140,090	
Infrastructure and infrastructure improvements	170	..... 68	.....	238		
Leasehold improvements	36	..... 11	.....	47		
Furniture and equipment	127,000	450	18,649	30,917	115,182	
Library resources	.....	.....	1	.....	1	
Other	20,510	..... 10,381	.....	31,301		
Total accumulated depreciation	275,936	13,702	42,226	44,915	286,949	
Total capital assets, being depreciated, net	250,650	58,563	45,507	3,615	351,105	
Business-type activities capital assets, net	\$ 8,327,912	\$ 69,849	\$ 396,484	\$ 6,655	\$ 8,787,590	

Component units' capital asset activities for the fiscal year ended June 30, 2013, are as follows (in thousands):

COMPONENT UNITS						
	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013		
Capital assets, not being depreciated:						
Land and other non-depreciable assets	\$ 6,437,832	\$ 113,462	\$ 39,061	\$ 6,322,234		
Construction work in progress	1,818,611	913,408	1,091,140	1,640,879		
Total capital assets, not being depreciated	8,066,434	1,026,870	1,130,201	7,963,103		
Capital assets, being depreciated:						
Buildings and building improvements	16,076,398	938,422	68,818	16,946,002		
Infrastructure and infrastructure improvements	2,189	111,485	5,490	2,397,984		
Leasehold improvements	303,414	18,029	4,227	317,216		
Property under capital lease	122,573	27,770	3,197	147,146		
Furniture and equipment	3,076,548	244,589	155,887	3,165,250		
Works of art and historical treasures	3,344	274	99	3,519		
Library resources	884,582	27,122	19,604	892,100		
Other	259,926	53,343	8,093	305,176		
Total capital assets, being depreciated	23,018,774	1,421,034	265,415	24,174,393		
Less accumulated depreciation for:						
Buildings and building improvements	4,981,347	445,730	32,964	5,394,113		
Infrastructure and infrastructure improvements	857,664	76,629	1,493	932,800		
Leasehold improvements	91,482	14,260	3,025	102,717		
Property under capital lease	56,720	10,661	6,247	62,473		
Furniture and equipment	2,10,123	223,043	124,988	2,199,775		
Works of art and historical treasures	1,233	333	180	1,386		
Library resources	677,551	41,380	19,725	699,206		
Other	188,870	30,880	4,240	215,510		
Total accumulated depreciation	8,956,084	839,319	187,456	9,607,947		
Total capital assets, being depreciated, net	14,062,690	581,715	77,959	14,566,446		
Component units capital assets, net	\$ 22,129,124	\$ 1,608,585	\$ 1,208,160	\$ 22,529,549		

NOTE 6 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

A. Pensions

1. The Florida Retirement System

The Florida Retirement System (FRS) 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 (Section 121.046, 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 under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution plan is the FRS Investment Plan. 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 Florida Retirement System defined benefit 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, and faculty and specified employees in the state university system and state community colleges. Provisions relating to the FRS are also contained in Chapter 112, F.S.

FRS membership is compulsory for all employees filling a regularly established position in a state agency, county agency, state university, state community college, or district school board. 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.

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** (SMSC) - 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 Elected Officers' Class may elect to withdraw from the FRS or participate in the SMSC in lieu of the Elected Officers' Class.
- **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, 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 (EOC)** - Members who are elected state and county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

Since July 1, 2001, the FRS Pension Plan has provided for vesting of benefits after six years of creditable service. Members not actively working in a position covered by the FRS on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2001, through June 30, 2011, vest after six years of service. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the 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 before July 1, 2001, 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 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 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.

Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and actuarial value by membership class. Members are also eligible for in-line-of-duty or regular disability and survivors' benefits. Pension benefits of retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 1, 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.

The Deferred Retirement Option Program (DROP) became effective July 1, 1998, subject to provisions of Section 121.091(13), F.S. Defined benefit 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. As of June 30, 2013, the FRS Trust Fund projected \$3,209,149,119 in accumulated benefits and interest for 38,724 current and prior participants in the DROP.

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

The State Board of Administration administers the defined contribution plan officially titled the FRS Investment Plan. Service 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 for Investment Plan contributions 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, six years of service (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. The 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 contribution of

0.03% 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 Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

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 unused 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 all defined benefit pension plans at June 30, 2013, was \$129,852,527,785. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

FRS Retirement Contribution Rates:

Membership Class	Uniform Employer Rates		July 1, 2012 Statutory Rates* (Ch. 121, F.S.)
	Recommended by Actuarial Valuation as of July 1, 2011 for Fiscal Year 2012-2013*	5.99%	
Regular		4.04%	
Senior Management Service	16.90%	5.16%	
Special Risk	19.03%	13.76%	
Special Risk Administrative Support	31.88%	4.77%	
Elected Officers - Judges	26.85%	10.79%	
Elected Officers - Legislators/Attorneys/Cabinet	34.77%	7.39%	
Elected Officers - County	32.78%	9.09%	
Deferred Retirement Option Program - applicable to members from all of the above classes or plans	10.54%	4.33%	

* Rates indicated are uniform rates for all FRS members created by blending the FRS Investment Plan and FRS Pension Plan rates and including UAL contribution rates. These rates do not include a 0.03% contribution for the FRS Investment Plan administration and educational program fee. In addition, the July 1, 2012, statutory employer rates do not include 3.00% mandatory employee contribution required for all membership classes except for members in the Deferred Retirement Option Program.

FRS Participating Employers:

State Agencies	55
County Agencies	396
District School Boards	67
Community Colleges	28
Cities*	185
Special Districts*	259
Hospitals*	6
Other	12
Total Participating Employers	1,008

* This total includes 26 cities, 5 independent hospitals, and 12 independent special districts that are closed to new FRS members as of January 1, 1996.

systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. For the fiscal year ended June 30, 2013, 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. For the fiscal year ended June 30, 2013, the contribution rate was 1.11% 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 Other Required Supplementary Information section of this report includes actuarial and other information regarding this HIS Program. The HIS Program disclosures are also included in the FRS Annual Report prepared by the Division of Retirement. For a copy of that report or other information regarding this benefit, please contact the Division of Retirement by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877) 377-1737 or (850) 488-5706; or by email at rep@dms.myflorida.com. The table below provides additional information for the HIS as of June 30 (in thousands where amounts are dollars):

	Fiscal Year Ended June 30,		
	2013	2012	2011
Recipients	310,139	297,303	283,479
Contributions	\$ 327,574	\$ 322,610	\$ 334,449
Benefits paid	\$ 390,973	\$ 374,444	\$ 356,150
Trust Fund net position	\$ 157,928	\$ 220,346	\$ 271,348

FRS Membership:

Member Types	Regular Class	SMSC	Special Risk	Special Risk Admin Supp	EOC	Total
Active:						
Non-vested	125,762	1,470	16,621	2	458	144,313
Vested	417,248	6,190	52,179	56	1,788	477,461
DROP Participants	33,735	668	4,068	9	244	38,724
Current Retirees and Beneficiaries	311,644	3,237	29,781	170	2,315	347,147
Vested Terminated	100,931	1,314	6,183	15	405	108,848
Total Members	989,320	12,879	108,832	252	5,210	1,116,493

The above counts for "Current Retirees and Beneficiaries" do not reflect the FRS Investment Plan members who retired.

Additional information about the FRS Pension Plan can be obtained from the Research and Education Section, Division of Retirement by mail at 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).

FRS Participation by the State of Florida

The State of Florida contributes to the FRS as a participating employer. State participation for the following disclosure includes the employees of state agencies and the State University System that elect to participate in the FRS. The state contributes to both the defined benefit and defined contribution plans within the FRS. For the fiscal year ended June 30, 2013, the state's total covered payroll includes 126,403 active members and 8,901 DROP participants. The total contribution amounts were equal to the required contributions for each year. Covered payroll refers to FRS-eligible compensation paid by the state to active FRS-participating employees on which contributions are owed. The state's contributions represented 21.19% of the total contributions required of all participating employers. The table below provides information on contributions for the fiscal year ended June 30, 2013 and the two preceding years:

State Share	Fiscal Year Ended June 30,		
	2013	2012	2011
FRS Defined Benefit Plan:			
Employer Contributions	\$ 273,078,027	\$ 238,711,455	\$ 647,472,867
Employee Contributions	127,395,166	113,221,250	**
FRS Defined Contribution Plan:			
Employer Contributions	53,146,281	94,289,195	117,977,967
Employee Contributions	33,007,209	29,118,663	**
Total Contributions	\$ 486,626,683	\$ 475,340,563	\$ 765,450,834
Covered Payroll (State share)	\$ 5,435,607,912	\$ 5,555,137,141	\$ 5,891,229,072
State Percent of Covered Payroll	8.95%	8.56%	12.99%

** Employee contributions were not required until the 2011-2012 fiscal year.

Employee eligibility, benefits, and contributions by class are as previously described. Employees not filling regular established positions and working under the other personal services (OPS) status are not covered by the FRS.

2. 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 benefit is a monthly payment to assist retirees of state-administered retirement

3. Funded Status for Defined Benefit Pension Plans

The following table provides funding information for the most recent actuarial valuation dates (amounts expressed in thousands):

Pension Plan	Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Annualized Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
FRS	July 1, 2012	\$ 127,891,781	\$ 148,049,596	\$ 20,157,815	86.38%	\$ 24,491,371 ⁽¹⁾	82.31%
HIS	July 1, 2012	\$ 220,346	\$ 9,018,467	\$ 8,798,121	2.44%	\$ 31,345,990 ⁽²⁾	28.07%

Additional information as of the latest actuarial valuation follows:

	FRS	HIS
Valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage of Pay, Open	Level Percentage of Pay, Open
Equivalent single amortization period	30 Years ⁽³⁾	30 Years ⁽³⁾
Asset valuation method	5-Year Smoothed Method	Market Value
Actuarial assumptions:		
Investment rate of return	7.75% ⁽⁴⁾	4.00% ⁽⁴⁾
Projected salary increases	5.85% ^(4, 5)	5.85% ^(4, 5)
Cost-of-living adjustments	3.00%	0.00%

(1) Includes Deferred Retirement Option Program (DROP) payroll.

(2) Includes Deferred Retirement Option Program (DROP) and Investment Plan payroll.

(3) Used for GASB Statement No. 27 reporting purposes.

(4) Includes inflation at 3.00%.

(5) Includes individual salary growth of 4.00% plus an age- and service-graded merit scale defined by gender and employment class.

The FRS schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to actuarial accrued liability for benefits. The Retiree HIS schedule of funding progress presents information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits as of July 1, 2012, the most recent actuarial valuation available.

4. Other Defined Contribution Programs (Optional Retirement Programs)**State University System Optional Retirement Program (SUSORP)**

Section 121.35, F.S., created the SUSORP for eligible State University System faculty, administrators, and administrative and professional staff. 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 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 2012 through June 2013. When applicable, a portion of the total contribution is transferred to the FRS Trust Fund to help amortize any unfunded actuarial liability (UAL). There was also a UAL payment required of 0.49% for fiscal year 2012-13. 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. Effective July 1, 2011, there is a mandatory employee contribution of 3%. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the university. Additional information pertaining to the SUSORP is as follows:

Members	17,780
Payroll	\$ 1,490,241,941
Contributions:	
Employee	\$ 81,744,087 5.49% of payroll
Employer	\$ 83,915,913 5.63% of payroll

Senior Management Service Optional Annuity Program (SMSOAP)

Section 121.055, F.S., created the SMSOAP as an optional retirement program for state members of the Senior Management Service Class. The SMSOAP is a defined contribution plan that provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to invest as directed to provide retirement and death benefits. Employees in eligible state positions may have an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Service Class. Employers were required to contribute 6.27% of covered payroll from July 2012 through June 2013. When applicable, a portion of the total contribution is transferred to the FRS Trust Fund to help amortize the unfunded actuarial liability (UAL). There was a UAL payment of 0.32% required for fiscal year 2012-13. 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 an amount not to exceed the percentage contributed by the employer. Additional information pertaining to the SMSOAP is as follows:

Members	31
Payroll	\$ 3,422,273
Contributions:	
Employee	\$ 123,256 3.60% of payroll
Employer	\$ 232,683 6.80% of payroll

B. Other Postemployment Benefits (OPEB)

The following is based on the October 16, 2013, actuarial valuation of the State Employees' Health Insurance Program Retiree healthcare benefits as of July 1, 2013.

Plan Description

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 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. 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 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 to Medicare Parts A and B. 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 agency multiple-employer plan. The Division of State Group Insurance within the Department of Management Services 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.

There are twenty-one participating employers including the primary government of the state, the twelve state universities, and other governmental entities. There was an average enrollment of 172,190 contracts including 36,485 retirees and 135,705 employees and COBRA participants for fiscal year 2012-2013. Employees must make an election to participate in the plan within 31 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 Health Investor PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a Health Investor 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.

The asset and liability balances relating to retiree participation in the state group health insurance program are reported in an Agency Fund on the accrual basis of accounting. Premium payments from retirees are recognized as revenue in the period in which the payments are collected. Costs for providing benefits, which include premiums and direct healthcare services, are recognized as an expense when incurred.

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 no advance-funded OPEB costs or the net OPEB obligation. The Self-Insurance Estimating Conference develops official information for determining the benefit 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. Monthly premiums, through June 2013 coverage, for active employees and retirees under the age of 65 for the standard plan were \$587.74 and \$1,329.14 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2013 coverage, for the standard Preferred Provider Organization Plan were \$326.92 for a single contract, \$653.84 for two Medicare eligible members, and \$942.64 for a family contract when at least one member is Medicare eligible. The following schedules regarding OPEB cost, net OPEB obligation and OPEB funded status disclose only the State of Florida's share of the OPEB. Refer to Other Required Supplementary Information for information on the OPEB plan as a whole.

Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2013 and the two preceding fiscal years (dollars in thousands):

	2013	2012	2011
Annual required contribution (ARC)	\$ 327,829	\$ 330,167	\$ 237,028
Interest on the net OPEB obligation	28,412	19,093	12,790
Adjustments to the ARC	(24,624)	(16,547)	(10,658)
Annual OPEB Cost	331,617	332,713	239,160
Employer contribution	(103,428)	(99,734)	(81,580)
Increase/Decrease in net OPEB obligation	228,189	232,979	157,580
Net OPEB obligation - July 1	710,309	477,330	319,750
Net OPEB obligation - June 30	\$ 938,498	\$ 710,309	\$ 477,330
Percent of annual OPEB cost contributed	31.19%	29.98%	34.11%

Funded Status – State Share

The funded status of the plan as of June 30, 2013, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2012
Actuarial accrued liability (AAL)	\$ 4,878,629
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	\$ 4,878,629
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll – State share	\$ 4,248,022
UAAL (State) as a percentage of covered payroll	114.84%

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. The schedule of funding progress, immediately following the notes to the financial statements, presents information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in 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 entry age actuarial cost method was used for the actuarial valuation as of July 1, 2013. This method allocates the value of a member's benefit as a level percentage of pay between entry age and retirement age. Allocating costs as a level percentage of pay, even though the benefits are not pay-related, helps with budgeting for these employee benefits costs as a percentage of payroll. Actuarial assumptions included a 3% inflation rate, a 4% return on invested assets, and a 4% payroll growth rate. Initial healthcare cost trend rates used for the Preferred Provider Organization (PPO) Plans are 7.4%, 7.0%, and 8.2% for the first three years followed by 7.6% in the fourth year grading to 5.0% over the course of 70 years. For the Health Maintenance Organization (HMO) Plans, initial healthcare cost trend rates of 3.9%, 7.8%, and 8.3% for the first three years followed by 8.2% in the fourth year and grading to 5.0% over the course of 70 years. The unfunded actuarial accrued liability is being amortized as a level percentage of pay - on an open basis, over a 30 year period.

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, 2013, the Department had available approximately \$74 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, 2013, totaled \$281 million. Refer to Note 5 for additional disclosures relating to construction in progress. Construction commitments for component units totaled \$1.5 billion.

B. Florida Ports Financing Commission Revenue Bonds

The state has enacted legislation obligating it 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 \$486,638,768 for the fiscal year ended June 30, 2013. The table below represents the Florida Ports Financing Commission revenue bonds outstanding at June 30, 2013. The bonds noted below were issued in May 2011 with proceeds used to defease the Commission's Series 1996 and Series 1999 bonds:

Series	Amount
2011A	\$ 10,400,000
2011B	134,380,000
2011A (Intermodal)	66,300,000
2011B (Intermodal)	47,000,000
Total	\$ 258,080,000

C. Operating Leases

Operating leases are not recorded on the balance sheets or statements of net position; 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 \$129.3 million, \$13.8 million, and \$74.7 million, respectively, for the year ended June 30, 2013. The following is a schedule of future non-cancelable operating lease payments for the primary government and component units at June 30, 2013 (in thousands):

	Primary Government	Component Units
	Governmental Activities	Business-type Activities
2014	\$ 119,369	\$ 9,186
2015	111,621	8,762
2016	103,806	7,900
2017	95,678	6,854
2018	94,429	6,157
2019-2023	148,059	8,151
2024-2028	19,808	787
2029-2033	3,528	634
2034-2038	3,558	.....
2039-2043	2,348	8,913
2044-2048	534	2,765
2049-2053	.....	2,765
2054-2058	.....	2,578
2059-2063	.....	2,298
2064-2068	.....	2,298
2069-2073	.....	2,298
Total	\$ 702,738	\$ 48,431
		\$ 354,556

D. Encumbrances

As of June 30, 2013, encumbrances for major and nonmajor governmental funds were (in thousands):

General Fund	Environment, Recreation and Public Conservation Education		Health and Family Services		Nonmajor Governmental Funds		Total
	\$ 149,292	\$ 3,843	\$ 171,057	\$ 29,060	\$ 31,591	\$ 181,014	
Encumbrances:							\$ 565,857

NOTE 8 - BONDS PAYABLE AND CERTIFICATES OF PARTICIPATION**A. Bonds Payable****1. Outstanding Bonds**

Bonds payable at June 30, 2013, are as follows (in thousands):

Bond Type	Original Amount	Amount Outstanding	Interest Rates	Annual Maturity To
Governmental Activities:				
Road and Bridge Bonds	\$ 2,179,965	\$ 1,948,285	3.000%-6.375%	2041
SBE Capital Outlay Bonds	762,790	456,675	3.000%-5.000%	2030
Lottery Education Bonds	2,987,690	2,429,122	3.000%-6.584%	2032
Public Education Bonds	11,822,185	10,251,190	2.000%-6.000%	2041
State University System Bonds	218,015	178,385	3.000%-6.500%	2033
University Auxiliary Bonds	1,068,500	857,192	2.000%-7.500%	2042
Inland Protection Bonds	967,730	79,165	4.260%-5.400%	2024
Florida Forever Bonds	1,679,225	1,359,050	3.000%-7.045%	2029
Water Pollution Control Bonds	614,775	467,720	2.625%-5.500%	2031
Florida Facilities Pool Bonds	479,060	332,590	3.500%-5.750%	2039
State Infrastructure Bank Bonds	123,615	70,620	4.250%-5.000%	2027
Everglades Restoration Bonds	288,550	240,465	0.220%-6.450%	2032
	22,321,100	18,670,459		
Unamortized premiums (discounts) on bonds payable	.....	871,855		
Less amount deferred on refunding	.....	(129,709)		
Total Bonds Payable	\$ 22,321,100	\$ 19,412,605		
Business-type Activities:				
Toll Facilities Bonds	\$ 3,312,185	\$ 2,806,440	2.875%-6.800%	2042
Florida Hurricane Catastrophe Fund Bonds	3,300,920	3,300,920	1.298%-5.000%	2021
	6,613,105	6,107,360		
Unamortized premiums (discounts) on bonds payable	.....	125,879		
Less amount deferred on refunding	.....	(40,755)		
Total Bonds Payable	\$ 6,613,105	\$ 6,192,484		

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.

State Board of Education (SBE) Capital Outlay Bonds are issued to finance capital outlay projects of school districts and community colleges. The bonds, serial and term, 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 Education Bonds are issued to finance all or a portion of the costs of various local school district educational facilities. The bonds, serial and term, are secured by a pledge of a portion of the lottery revenues transferred to the Educational Enhancement Trust Fund.

Public Education 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, serial and term, are secured by a system pledge of Capital Improvement Fee and net Student Building Fee revenues.

University Auxiliary Bonds are issued to construct university facilities, including parking and housing. The bonds, serial and term, are secured by university pledges of certain housing system revenues, parking system revenues, and student fee assessments.

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, serial and term, are secured by a pledge of a portion of the documentary stamp tax.

Water Pollution Control Bonds are issued by the 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 mature serially and are secured by a pledge of the loan payments from local governments.

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 on primarily on petroleum products.

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.

Florida Facilities Pool Bonds are issued to provide funds for the acquisition and construction of facilities to be leased to state agencies. The bonds, serial and term, are secured by a pledge of the revenues derived from the leasing and operations of these facilities.

Everglades Restoration Bonds are revenue bonds issued to finance or refinance 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 a portion of the documentary stamp tax.

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 Florida Hurricane Catastrophe Fund Finance Corporation 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 notes 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.

3. Pledged Revenues (in thousands):

The table below contains information regarding revenues pledged to repay debt obligations. 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	Debt Service								Revenue Ratio ³
	Revenue ¹	Less Operating Expenses	Net Available for Debt Service	Principal	Interest ²	Total Debt Service	Coverage Ratio	Final Maturity	
Florida Turnpike (Toll Facility)	\$ 767,985	\$ 157,388	\$ 610,597	\$ 111,680	\$ 133,549	\$ 245,229	2.49	2042	4,388,888 79.51%
Florida Forever/P2000 Everglades ⁴	950,700	—	950,700	345,485	88,253	433,758	2.19	2023	2,213,512 100.0%
Lottery Education ⁵	1,424,307	—	1,424,307	185,661	125,883	311,544	4.57	2023	3,254,531 100.0%
Alligator Alley (Toll Facility)	25,115	7,469	17,706	1,600	1,790	3,490	5.13	2027	48,382 70.50%
State Infrastructure Bank	64,358	—	64,358	9,955	3,988	13,943	4.63	2027	86,398 100.0%
Florida Hurricane Catastrophe ⁶	1,746,135	17,071	1,729,064	3,796,795	80,087	3,877,482	0.43	2021	3,721,612 99.02%
State University System Bonds	51,730	—	51,730	17,335	9,614	26,949	1.92	2033	260,197 100.0%
University Auxiliary Bonds ⁷									
Parking System Revenue Bonds	12,663	4,062	8,601	2,815	2,151	4,966	1.73	2039	81,922 67.92%
Florida International University	13,871	7,799	5,388	2,205	1,354	3,599	1.51	2028	37,745 40.86%
University of South Florida	2,422	1,538	884	170	61	231	3.82	2018	1,164 36.50%
Florida Agricultural & Mechanical University	11,988	7,545	4,443	2,165	965	3,310	1.42	2028	28,309 37.06%
University of Florida	7,234	2,821	4,503	835	544	1,379	3.27	2023	28,260 61.48%
Florida Atlantic University	19,199	3,545	15,654	3,065	1,674	4,739	3.30	2032	54,913 81.54%
University of Central Florida	11,879	2,660	9,219	3,515	2,112	5,627	1.64	2031	64,141 77.61%
Housing System Revenue Bonds	11,600	6,856	4,744	1,216	3,145	4,363	1.09	2032	100,342 40.90%
Florida Agricultural & Mechanical University	25,991	14,149	11,842	3,975	4,691	8,666	1.37	2041	168,402 45.50%
University of Florida	48,964	32,770	16,194	3,680	3,125	6,805	2.38	2031	96,736 33.07%
Florida Atlantic University	16,498	7,481	9,017	2,690	3,077	5,767	1.56	2030	101,916 54.66%
University of Central Florida	25,577	14,208	11,369	3,125	5,117	8,342	1.38	2042	166,241 44.45%
Florida State University	39,011	15,963	23,048	4,140	5,652	9,792	2.35	2040	194,963 59.08%
Student Health and Wellness Center Revenue Bonds	13,243	—	13,243	360	256	616	21.50	2024	6,778 100.0%
Florida State University	14,322	—	14,322	1110	1,272	2,382	5.97	2030	40,465 100.0%
University of North Florida	3,985	—	3,985	410	618	1,023	3.88	2036	28,296 100.0%
Bookstore Revenue Bonds									
University of Central Florida	1,880	401	1,479	230	65	295	5.02	2017	1,171 78.67%
Student Services Center Revenue Bonds									
Florida Agricultural & Mechanical University	2,197	1,395	802	405	120	525	1.53	2017	2,105 36.50%
Water Pollution Control Bonds	87,796	—	87,796	34,155	23,514	57,699	1.52	2031	650,997 100.0%
Inland Protection Bonds	188,346	—	188,346	5,605	3,181	8,786	21.44	2024	104,262 100.0%

¹ Operating Expenses are not listed for the Lottery Program and the Environmental Programs e.g. Florida Forever/Everglades Restoration 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 Source Department of Lottery, Audited Financial Statements.

³ Refer to Note 8A.2, for information on the sources of pledged revenues.

⁴ Revenue Ratio is calculated as Net Available for Debt Service divided by Revenue.

⁵ Debt service interest is shown net of interest subsidy payments received from the Federal Government for Build America Bonds.

⁶ In the 2007-2008 fiscal year, Florida Hurricane Catastrophe Fund executed a \$3.5 billion liquidity bond issue. The proceeds of the issue were used to redeem the bonds at maturity in the fiscal year 2013. The coverage ratio shown is based only on net revenue and does not include the bond proceeds used to redeem the bonds. Including the bond proceeds, the coverage ratio is 1.35.

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 2012-13, the ratio improved to below 7% but exceeded 6%, primarily because of the increase in tax revenues. Chapter 2012-119, Section 47, Laws of Florida, provided the legislature's determination that the authorization and issuance of debt for the 2012-13 fiscal year was in the best interest of the state and necessary to address a critical state emergency.

5. Debt Service Requirements

Annual debt service requirements to amortize bonds at June 30, 2013, are as follows (in thousands):

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 991,276	\$ 893,982	\$ 1,885,258	\$ 418,960	\$ 224,016	\$ 642,976
2015	1,018,794	846,851	1,865,645	447,320	217,999	665,319
2016	1,045,760	794,141	1,839,901	470,800	195,779	666,579
2017	1,073,938	746,436	1,820,334	966,150	169,600	1,137,757
2018	1,095,486	696,855	1,790,341	142,485	151,497	293,992
2019-2023	5,427,587	2,685,421	8,113,008	2,170,895	531,476	2,702,371
2024-2028	4,054,950	1,471,664	5,526,614	584,075	300,576	884,651
2029-2033	2,401,049	701,843	3,102,892	464,365	182,317	646,682
2034-2038	1,378,640	227,259	1,605,899	350,030	70,702	420,732
2039-2043	171,170	12,418	183,588	90,280	7,462	97,742
Bonds Payable and Interest	18,670,459	9,078,040	27,748,499	6,107,360	2,051,431	\$ 158,791
Unamortized premiums (discounts)	871,855	.....	871,855	125,879	.....	125,879
Amount deferred or refunded	(129,709)	.....	(129,709)	(40,755)	.....	(40,755)
Total bonds payable and interest	<u>\$ 19,412,605</u>	<u>\$ 9,078,040</u>	<u>\$ 28,490,645</u>	<u>\$ 6,192,484</u>	<u>\$ 2,051,431</u>	<u>\$ 8243,915</u>

Year Ending June 30	Component Units		
	Principal	Interest	Total
2014	\$ 1,374,932	\$ 768,276	\$ 2,143,208
2015	1,748,829	368,893	2,117,722
2016	1,194,543	314,008	1,508,551
2017	1,282,145	251,646	1,533,791
2018	388,731	217,238	605,969
2019-2023	1,754,686	806,594	2,561,282
2024-2028	904,891	564,688	1,469,579
2029-2033	974,818	378,393	1,353,211
2034-2038	916,664	204,050	1,120,714
2039-2043	513,423	71,620	585,043
2044-2048	130,535	4,570	135,105
2049-2053	6,594	189	6,783
Bonds payable and interest	11,190,791	3,950,167	15,140,958
Unamortized premiums (discounts)	213,790	.....	213,790
Amount deferred or refunded	11,357	.....	11,357
Total bonds payable and interest	<u>\$ 11,415,938</u>	<u>\$ 3,950,167</u>	<u>\$ 15,366,105</u>

Annual debt service requirements for university capital improvement debt payable at June 30, 2013, are as follows (in thousands):

Year Ending June 30	Universities		
	Principal	Interest	Total
2014	\$ 43,600	\$ 31,610	\$ 81,310
2015	43,556	31,633	80,599
2016	46,369	34,249	80,618
2017	43,654	32,287	75,941
2018	44,658	30,412	75,070
2019-2023	228,813	122,028	350,841
2024-2028	199,481	73,709	273,190
2029-2033	130,958	31,667	162,225
2034-2038	51,899	11,226	63,125
2039-2043	21,466	1,796	23,262
Total capital improvement debt payable and interest	<u>859,864</u>	<u>412,717</u>	<u>1,272,581</u>
Unamortized premiums (discounts)	8,784	.....	8,784
Amounts deferred or refunded	(1,326)	.....	(1,326)
Total capital improvement debt payable and interest	<u>\$ 867,322</u>	<u>\$ 412,717</u>	<u>\$ 1,280,039</u>

6. Advance Refundings and Current Refundings

During the fiscal year ended June 30, 2013, 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 are used to call the refunded bonds within 90 days of issuance of the refunding bonds. The proceeds of the advance refundings are deposited into irrevocable trusts and invested in direct obligations of the Federal government and/or obligations guaranteed by the Federal government. 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.

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, State Board of Education Lottery Revenue Refunding Bonds, Series 2011A in the amount of \$242,240,000 along with additional funds of \$3,232,245 were used to refund \$138,445,000 of the State of Florida State Board of Education Lottery Revenue Bonds, Series 2002C maturing in the years 2014 through 2022 and \$123,645,000 of State of Florida State Board of Education Lottery Revenue Bonds, Series 2003A maturing in the years 2014 through 2023. The refunding resulted in debt savings of \$26,861,154, an economic gain of \$23,300,649, and a deferred gain on refunding of \$174,295.

State of Florida, Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2012A in the amount of \$156,620,000 were used to refund \$85,730,000 of the State of Florida, Department of Environmental Protection Florida Forever Revenue Bonds, Series 2003A maturing in the years 2014 through 2023 and \$89,080,000 of the State of Florida Department of Environmental Protection Florida Forever Revenue Bonds, Series 2003C maturing in the years 2014 through 2023. The refunding resulted in debt savings of \$810,471.

State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2011 Series A in the amount of \$52,785,000 were used, in part, to refund \$29,320,000 of the State of Florida Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2003 Series A maturing in the years 2014 through 2023. The refunding resulted in debt savings of \$3,625,448, an economic gain of \$3,239,822 and a deferred loss on refunding of \$275,206.

State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2012A in the amount of \$267,390,000, in part, were used along with additional funds of \$4,509,436 to refund \$243,895,000 of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2003A maturing in the years 2014 through 2033. The refunding resulted in debt savings of \$46,235,389, an economic gain of \$33,941,156, and a deferred loss on refunding of \$1,261,105.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2012 Series C in the amount of \$301,865,000 along with additional funds of \$4,038,260 were used to refund \$162,660,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2002 Series D maturing in the years 2014 through 2033 and \$162,825,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2003 Series B maturing in the years 2014 through 2033. The refunding resulted in debt savings of \$84,432,501, an economic gain of \$64,155,579 and a deferred loss on refunding of \$3,061,838.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2012 Series D in the amount of \$299,930,000 along with additional funds of \$4,001,685 were used to refund \$90,740,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2001 Series I maturing in the years 2014 through 2033 and \$162,600,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2001 Series J maturing in the years 2014 through 2033. The refunding resulted in debt savings of \$55,145,991, an economic gain of \$41,637,248 and a deferred loss on refunding of \$348,653.

Business-type Activities

State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2011A in the amount of \$150,165,000, were used, in part, to refund \$47,580,000 of the State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2003C maturing in the years 2014 through 2021. The refunding resulted in debt savings of \$3,932,726, an economic gain of \$3,422,868, and a deferred loss on refunding of \$2,605,435.

State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2012A in the amount of \$306,065,000 were used, in part, along with additional funds of \$45,392 to refund \$114,910,000 of State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2003C maturing in the years 2022 through 2033. The refunding resulted in debt savings of \$29,979,870, an economic gain of \$20,818,606, and a deferred loss on refunding of \$4,378,440.

Current Refundings

Governmental Activities

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2013 Series B in the amount of \$324,625,000 along with additional funds of \$5,009,065 were used to refund \$382,985,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2003 Series A maturing in the years 2014 through 2023. The refunding resulted in debt savings of \$75,698,649, an economic gain of \$68,683,316, and a deferred loss on refunding of \$2,805,406.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2013 Series B in the amount of \$263,525,000 along with additional funds of \$4,587,817 were used to refund \$46,570,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 1996 Series B maturing in the years 2024 through 2027, \$66,515,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 1997 Series B maturing in 2028, \$40,790,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2001 Series H maturing in the years 2027 through 2032, and \$143,950,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2001 Series I maturing in the years 2014 through 2025. The refunding resulted in debt savings of \$64,980,892, an economic gain of \$50,991,523, and a deferred loss on refunding of \$898,846.

State of Florida, Board of Governors, Florida Atlantic University Parking Facility Revenue Bonds, Series 2013A in the amount of \$21,490,000, in part, along with additional funds of \$82,557 were used to refund \$3,990,000 of the State of Florida, Florida Board of Education, Florida Atlantic University Parking Facility Revenue Bonds, Series 2001 maturing in the years 2014 through 2021 and \$5,250,000 of the State of Florida, Florida Board of Education, Florida Atlantic University Parking Facility Revenue Bonds, Series 2002 maturing in the years 2014 through 2023. The refunding resulted in debt savings of \$1,231,206, an economic gain of \$1,115,025, and a deferred loss on refunding of \$74,249.

State of Florida, Board of Governors, Florida State University Research Foundation Inc. Revenue Refunding Bonds, Series 2012 in the amount of \$11,920,000 along with additional funds of \$5,085,000 were used to refund \$18,000,000 of the State of Florida, Florida Board of Education, Florida State University Research Foundation, Incorporated Revenue Bonds, Series 2001 maturing in the years 2013 through 2031. The refunding resulted in a debt savings of \$6,053,435 and an economic gain of \$3,792,528 and a deferred loss on refunding of \$0.

Business-type Activities

State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2012A in the amount of \$306,065,000 were used, in part, along with additional funds of \$310,050 to refund \$57,395,000 of State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 1998A maturing in the years 2024 through 2027 and \$25,285,000 of the State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 1999A maturing in the years 2025 through 2028. The refunding resulted in debt savings of \$19,442,496, an economic gain of \$14,363,239, and a deferred loss on refunding of \$6,097,815.

State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2013A in the amount of \$183,140,000 were used along with additional funds of \$3,587,158 to refund \$216,995,000 of the State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2003B maturing in the years 2014 through 2025. The refunding resulted in debt savings of \$46,049,233, an economic gain of \$40,590,086, and a deferred loss on refunding of \$8,231,313.

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 6/30/2013
Governmental Activities		
University Auxiliary Bonds	\$ 1,514	
Public Education Capital Outlay Bonds	6,625	
Total	<u>8,139</u>	
Business-type Activities		
Toll Facilities	\$ 34,500	

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Governmental Activities	Interest
SBF Capital Outlay Bonds	\$ 20,053
Lottery Education Bonds	109,254
Public Education Bonds	467,885
State University System Bonds	8,311
University Auxiliary Bonds	36,988
Total Education	<u>642,491</u>
Natural Resources and Environment:	
Inland Protection Bonds	3,462
Everglades Restoration Bonds	6,357
Water Pollution Control Bonds	18,135
Florida Forever Bonds	70,660
Preservation 2000 Bonds	4,512
Total Natural Resources and Environment	<u>103,126</u>
Transportation:	
Road and Bridge Bonds (Right of Way)	87,137
State Infrastructure Bonds	3,468
Total Transportation	90,605
Total Direct Interest	<u>\$ 836,222</u>

Governmental Activities	Interest
Road and Bridge Bonds (Right of Way)	87,137
State Infrastructure Bonds	3,468
Total Transportation	90,605
Total Direct Interest	<u>\$ 836,222</u>

10. Governmental Activities – Unrestricted Net Position Deficit

Governmental activities reflect a negative unrestricted net position balance of \$10.8 billion at June 30, 2013. 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 SBF Capital Outlay Bonds; PECO Bonds; State University System Improvement Bonds; and Lottery Education Bonds, which have a total ending balance at June 30, 2013, of \$13.8 billion. The state has an additional \$1.0 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 \$4.0 billion.

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B. Certificates of Participation

1. Primary Government

The state has issued certificates of participation (original amount of \$945,800,000) to finance privately operated detention and mental health facilities. The certificates of participation's interest rates range from 3.250% - 6.85% and the last maturity date is August 1, 2029. The following is a schedule of future minimum principal and interest payments for certificates of participation for governmental activities at June 30, 2013 (in thousands):

Year Ending June 30	Principal	Interest	Total
2014	\$ 43,450	\$ 37,162	\$ 80,612
2015	44,585	35,022	79,607
2016	44,005	32,867	76,872
2017	43,390	30,777	74,167
2018	42,930	28,722	71,652
2019-2023	201,510	113,454	314,964
2024-2028	222,155	54,057	276,212
2029-2033	71,855	4,590	76,445
Total	<u>713,880</u>	<u>336,651</u>	<u>1,050,531</u>
Unamortized premiums (discounts)	8,044	.....	8,044
Amount deferred upon refunding	915	.....	915
Total certificates of participation payable	<u>\$ 722,839</u>	<u>\$ 336,651</u>	<u>\$ 1,059,490</u>

2. Component Units

Component units (universities and a water management district) have issued certificates of participation (original amount of \$1,229,795,000) 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 6.000% and the last maturity date is July 1, 2040. The following is a schedule of future minimum principal and interest payments for certificates of participation for component units at June 30, 2013 (in thousands):

Year Ending June 30	Principal	Interest	Total
2014	\$ 26,340	\$ 51,615	\$ 77,955
2015	27,500	50,463	77,963
2016	28,710	49,198	77,908
2017	30,025	47,854	77,879
2018	31,435	46,442	77,877
2019-2023	180,360	208,369	388,729
2024-2028	220,760	161,472	382,232
2029-2033	275,445	102,324	377,769
2034-2038	284,120	32,231	316,351
2039-2043	3,420	292	3,712
Total	<u>1,108,115</u>	<u>750,260</u>	<u>1,858,375</u>
Unamortized premiums (discounts)	21,603	21,603
Total certificates of participation payable	<u>\$ 1,129,718</u>	<u>\$ 750,260</u>	<u>\$ 1,879,978</u>

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NOTE 9 - INSTALLMENT PURCHASES, CAPITAL LEASES, ADVANCES FROM FEDERAL GOVERNMENT, 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, 2013, 74% of the state's installment purchase contracts for governmental activities were for buildings, and the remaining 26% for furniture and equipment. 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, 2013 (in thousands):

Year Ending June 30	Primary Government Activities	Business-type Activities	Component Units
2014	\$ 7,480	\$ 1,092	\$ 3,409
2015	7,292	1,092	2,783
2016	6,218	1,092	1,271
2017	5,529	1,090	652
2018	4,904	.....	53
2019-2023	16,267	.....	.....
2024-2028	6,504	.....	.....
Total	<u>54,194</u>	<u>4,366</u>	<u>8,168</u>
Less: Interest	(9,959)	(268)	(269)
Present value of future minimum payments	<u>\$ 44,235</u>	<u>\$ 4,098</u>	<u>\$ 7,899</u>

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, 2013, 64% of the state's capital leases for governmental activities were for buildings, and the remaining 36% were for furniture and equipment. Capital leases for component units consisted of 50% for furniture and equipment, 45% for buildings, and the remaining 5% for land. The following is a schedule of future minimum capital lease payments for the primary government and component units at June 30, 2013 (in thousands):

Year Ending June 30	Primary Government Activities	Component Units
2014	\$ 8,169	\$ 10,857
2015	5,981	11,828
2016	2,532	9,197
2017	2,524	6,863
2018	2,492	3,681
2019-2023	5,328	11,040
2024-2028	1,370	8,682
2029-2033	.....	1,663
2034-2038	.....	99
Total	<u>28,396</u>	<u>64,802</u>
Less: Interest	(4,009)	(6,013)
Present value of future minimum payments	<u>\$ 24,387</u>	<u>\$ 58,789</u>

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C. Advances from Federal Government

Continuing high levels of unemployment benefit claims payments resulted in the depletion of available fund balances in the State of Florida account in the Unemployment Compensation Trust Fund during August 2009. Section 1201 of the Social Security Act provides for Title XII advances from the Federal Unemployment Fund to those states whose trust funds are depleted to ensure the continuation of benefit payments to eligible claimants. Advances are repayable from future employer contributions. Interest accruing on outstanding balances is payable each September 30. Interest cannot be paid from state unemployment compensation fees. The American Recovery and Reinvestment Act of 2009 temporarily suspended interest on these advances through December 31, 2010. Borrowing was expected to be necessary through state fiscal year 2012-13. As of June 30, 2013, all advances have been repaid to the federal government.

(in thousands):

Federal Advance Balances at June 30,
2012 \$ 672,583
2013 \$ 0

Interest Payable on September 30,
2012 \$ 43,343
2013 \$ 0

Final interest assessment of \$9,267 was paid in May 2013.

D. Public-Private Partnerships

Pursuant to Section 334.30, F.S., the Department of Transportation 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 95 Corridor and the Port of 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. Annual availability payments are all inclusive payments consisting of unpaid portions of construction costs, annual operations costs, and maintenance expenses. The payment schedule below 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, 2013. The annual availability payments 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. The projects are expected to be completed in 2014. The Department has six other public-private partnership agreements for the design, build, and finance; and two other agreements for the build and finance of various transportation projects. The remaining unpaid construction costs for these eight agreements represent 33%, 22%, and 18%, respectively, of payments due in 2014, 2015, and 2016. The following is a schedule of future maximum payments for the primary government at June 30, 2013 (in thousands):

Year Ending June 30	Primary Government	
	Governmental Activities	.....
2014	\$ 327,507	.....
2015	519,967	.....
2016	182,452	.....
2017	175,142	.....
2018	255,322	.....
2019-2023	413,686	.....
2024-2028	474,090	.....
2029-2033	550,251	.....
2034-2038	631,690	.....
2039-2043	730,110	.....
2044-2045	91,013	.....
Total	4,351,230	.....
Less: Interest	(2,071,495)
Present value of future maximum payments	\$ 2,279,735

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NOTE 10 - CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities during the fiscal year ended June 30, 2013, are as follows (in thousands):

	Balance July 1, 2012	Restatements and Adjustments	.....	Deletions	Balance June 30, 2013	Due Within One Year (Current)
Governmental Activities						
Bonds payable:						
State Capital Outlay Bonds	\$ 2,026,110	\$	\$ 234,715	\$ 506,540	\$ 1,686,385	\$ 66,005
Lottery Education Bonds	588,925	.....	.....	102,250	486,675	76,185
Public Education Bonds	2,787,038	.....	89,835	447,731	2,289,122	194,105
State University System Bonds	10,825,600	.....	1,119,945	1,694,435	10,251,190	427,045
University Auxiliary Bonds	838,852	.....	84,120	65,780	857,192	43,226
State of Florida Bonds	84,770	.....	.....	5,605	79,165	5,885
Preservation 2000 Bonds	69,885	.....	.....	.....	.....	.....
Florida Forever Bonds	1,642,355	.....	156,620	439,925	1,359,050	85,345
Water Pollution Control Bonds	501,875	.....	.....	34,155	467,720	34,840
State Infrastructure Bank Bonds	80,575	.....	.....	9,955	70,620	10,710
Everglades Restoration Bonds	204,505	.....	46,445	10,485	240,465	12,615
Florida Facilities Pool Bonds	354,025	.....	.....	2,435	332,590	22,480
	20,164,235	.....	1,731,680	3,223,456	18,670,459	991,276
Unamortized bond premiums discounts	808,740	.....	257,052	193,937	871,855	.....
Amounts deferred on refunding	(141,754)	.....	(7,771)	(19,816)	(19,709)	.....
Total bonds payable	20,831,221	.....	1,980,961	3,399,577	19,412,605	991,276
Certificates of participation payable	766,222	.....	.....	43,383	722,839	43,450
Deposits	618,448	.....	1,124,764	1,083,486	659,728	495,714
Compensated absences	793,654	(70)	329,812	359,666	763,727	198,649
Claims payable	3,874,962	.....	2,141,891	1,847,163	4,169,690	2,269,675
Installment purchases/capital leases	309,359	.....	17,166	8,733	302,422	12,792
Public-private partnership agreements	1,649,098	.....	730,215	108,578	2,279,735	232,166
Advances - Due to Unclaimed Prop. TIF	755,925	.....	.....	55,698	811,623	.....
Other Postemployment Benefits	687,820	.....	221,184	.....	909,004	.....
Other liabilities	236,154	(4,099)	.....	196,982	35,073	.....
Total Governmental Activities	\$ 30,273,043	\$ (4,169)	\$ 6,611,341	\$ 7,047,569	\$ 29,832,646	\$ 4,243,722

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 where such monies are earned. The governmental and internal service 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 applicable special revenue funds and internal service funds, as well as the debt service fund, will liquidate obligations to other governments. The nonmajor special revenue funds will generally liquidate other liabilities. Other Postemployment Benefits (OPEB) related to all governmental funds are reported above. The state does not currently fund the OPEB liability so it is non-liquidating. Refer to Note 6 for additional information on OPEB. The Transportation-Governmental Fund will liquidate the public-private partnership agreements liability from annual appropriations. Refer to Note 9 for additional information on the public-private partnership agreements. Space Florida, a blended component unit was previously reported as a governmental, special revenue fund. It was subsequently determined to be an enterprise fund. The restatements and adjustments column in the Governmental and Business-Type Changes in Long-Term Liabilities reflects the change in reporting long-term liabilities for this entity.

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Changes in long-term liabilities for business-type activities and component units during the fiscal year ended June 30, 2013, are as follows (in thousands):

	Balance July 1, 2012	Restatements and Adjustments	.....	Deletions	Balance June 30, 2013	Due Within One Year (Current)
Business-type Activities						
Bonds payable:						
Toll Facility Bonds	\$ 2,892,740	\$	\$ 489,205	\$ 575,505	\$ 2,806,440	\$ 118,960
Florida Hurricane Catastrophe Fund Bonds	5,097,715	.....	2,000,000	3,796,795	3,300,920	300,000
	7,990,455	.....	2,489,205	4,372,300	6,107,360	418,960
Unamortized bond premiums discounts	93,960	.....	52,575	20,656	125,879	.....
Amounts deferred on refunding	(28,706)	.....	(21,314)	(9,265)	(40,755)	.....
Total bonds payable	8,055,709	.....	2,520,466	4,383,691	6,192,484	418,960
Accrued prize liability	649,508	.....	2,856,065	2,945,101	560,472	217,030
Deposits	31,514	.....	8,176	617	30,073	15,329
Compensated absences	20,504	70	11,473	10,677	21,370	5,090
Claims payable	.....	.....	206,945	.....	206,945	206,945
Tuition and housing benefits payable	11,554,966	.....	.....	532,917	11,022,049	677,233
Advances from Federal Government	672,583	.....	.....	672,583	.....	.....
Installment purchases	.....	.....	4,098	.....	4,098	977
Other Postemployment Benefits	11,981	.....	4,281	.....	16,262	.....
Other liabilities	3,761	4,099	1,121	4,687	4,294	.....
Total Business-type Activities	\$ 21,000,526	\$ 4,169	\$ 5,612,625	\$ 8,550,273	\$ 18,067,047	\$ 1,541,564

	Balance July 1, 2012	Restatements and Adjustments	.....	Deletions	Balance June 30, 2013	Due Within One Year (Current)
Component Units						
Bonds payable:						
General	\$ 10,591,481	\$	\$ 2,113,064	\$ 1,288,607	\$ 11,415,938	\$ 1,374,932
Deposits	1,665,071	.....	15,258	18,802	1,661,527	1,594,213
Compensated absences	588,731	.....	344,627	321,555	612,003	84,487
Installment purchases/capital leases	69,784	.....	12,435	15,531	66,688	12,871
Claims payable	131,136	.....	38,803	73,873	96,068	32,868
Certificates of participation payable	1,156,587	.....	158,103	184,972	1,129,718	26,340
Due to other governments/primary	843,880	.....	91,951	66,509	869,322	43,600
Other liabilities	2,231,076	1,319,123	1,315,673	2,234,526	196,025
Total Component Units	\$ 17,277,746	\$ 4,093,366	\$ 3,285,322	\$ 18,085,790	\$ 3,365,336

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NOTE 11 - INTERFUND BALANCES AND TRANSFERS

At June 30, 2013, 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, 2013, consist of the following (in thousands):

	Due from Other Funds (in thousands)				
	Governmental Activities				
	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Due to Other Funds (in thousands)					
Governmental Activities					
General Fund	\$ 9,347	\$ 3,272	.....	\$ 104,461	\$ 8,769
Environment, Recreation and Conservation	64	.....	.....	1,907	.....
Public Education	11,434	1	.....	.....	1,490
Health and Family Services	13,257	3,175	.....	217	.....
Transportation	57,671	2,164	12,744	1,867	27,674
Internal Service Funds	733	52	.....	262	307
Business-type Activities					
Transportation	106	.....	.....	.....	112,467
Lottery	26	.....	76,111	.....	.....
Hurricane Catastrophe Fund	.....	.....	.....	.....	.....
Prepaid College Program	.....	.....	.....	.....	.....
Reemployment Assistance	311	.....	.....	.....	.....
Nominal	5,539	.....	.....	618	.....
Fiduciary Funds					
Private-purpose Trust Funds	31	.....	1,059	.....	.....
Pension and Other Employee Benefits Trust Funds	7	.....	4	.....	.....
Agency Funds	96,315	2	2,429	1,386	3,579
Investment Trust Funds	.....	.....	.....	.....	.....
Total	\$ 194,841	\$ 8,666	\$ 92,343	\$ 111,504	\$ 168,249

(Continued Below)

	Due from Other Funds (in thousands)				
	Governmental Activities				
	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Due to Other Funds (in thousands)					
Governmental Activities					
General Fund	\$ 13,436	\$ 5,558	.....	.....	.....
Environment, Recreation and Conservation	304	433	.....	.....	.....
Public Education	160	298	.....	.....	.....
Health and Family Services	6,972	22,277	.....	.....	.....
Transportation	21,268	2,387	.....	.....	.....
Internal Service Funds	6,286	2,838	.....	.....	.....
Business-type Activities	81	615	.....	.....	.....
Transportation	.....	.....	.....	.....	.....
Lottery	8	48	.....	.....	.....
Hurricane Catastrophe Fund	.....	.....	.....	.....	.....
Prepaid College Program	.....	.....	.....	.....	.....
Reemployment Assistance	1,460	.....	.....	.....	.....
Nominal	1,884	181	.....	.....	.....
Fiduciary Funds					
Private-purpose Trust Funds	750	.....	.....	.....	.....
Pension and Other Employee Benefits Trust Funds	.....	.....	9	.....	.....
Agency Funds	5	.....	.....	.....	.....
Investment Trust Funds	.....	.....	.....	.....	.....
Total	\$ 52,614	\$ 34,646	.....	.....</

Due from Other Funds (in thousands)						
Business-type Activities						
Due to Other Funds (in thousands)	Transportation	Lottery	Prepaid College Program	Reemployment Assistance	Nonmajor	
Governmental Activities						
General Fund	\$ \$	1 \$	\$ 1,378	\$ 687		
Environment, Recreation and Conservation	.....	.....	.....	88	.....
Public Education	.....	37	.....	3	.....
Health and Family Services	.....	.....	.....	470	116	
Transportation	181	.....	.....	55	.....
Nonmajor	.....	.....	.....	343	15	
Internal Service Funds	.....	.....	.....	16	.....
Business-type Activities						
Transportation	.....	.....	.....	.....	.....
Lottery	.....	.....	.....	12	4	
Hurricane Catastrophe Fund	.....	.....	.....	.....	198	
Prepaid College Program	.....	.....	.....	.....	.....
Reemployment Assistance	.....	.....	.....	.....	.....
Nonmajor	.....	.....	.....	.....	52	.....
Fiduciary Funds						
Private-purpose Trust Funds	.....	.....	7,834	.....	1	
Pension and Other Employee Benefits Trust Funds	.....	.....	.....	2	5,828	
Agency Funds	640	.....	.....	215	20	
Investment Trust Funds	.....	.....	.....	.....	51	
Total	\$ 821	\$ 1	\$ 7,834	\$ 2,636	\$ 6,920	

(Continued below)

Due from Other Funds (in thousands)						
Fiduciary Funds						
Due to Other Funds (in thousands)	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds	Total		
Governmental Activities						
General Fund	\$ ..... \$	..... \$	60,037	\$ 197,599		
Environment, Recreation and Conservation	.....	.....	.....	249,17		
Public Education	.....	.....	.....	2,432		
Health and Family Services	.....	.....	260	43,020		
Transportation	.....	.....	8,262	48,802		
Nonmajor	.....	11	66	111,681		
Internal Service Funds	850	.....	30,906	33,822		
Business-type Activities						
Transportation	.....	.....	2	112,575		
Lottery	.....	.....	.....	76,299		
Hurricane Catastrophe Fund	.....	.....	.....	198		
Prepaid College Program	1	.....	.....	3		
Reemployment Assistance	.....	.....	694	2,465		
Nonmajor	.....	.....	.....	8,274		
Fiduciary Funds						
Private-purpose Trust Funds	.....	.....	.....	9,675		
Pension and Other Employee Benefits Trust Funds	.....	17,784	.....	23,634		
Agency Funds	.....	.....	.....	104,591		
Investment Trust Funds	.....	.....	.....	51		
Total	\$ 1	\$ 18,645	\$ 100,227	\$ 799,948		

Advances to Other Funds (in thousands)						
Business-type Activities						
Advances from Other Funds (in thousands)	General Fund	Transportation	Health & Family Services	Transportation		
Governmental Activities						
General Fund	\$ \$	100	\$ ..... \$	.....	
Public Education	.....	625	.....	.....
Nonmajor	1,978	800	.....	.....
Internal Service Funds	.....	.....	.....	.....
Business-type Activities						
Transportation	.....	206,420	.....	.....
Total	\$ 2,603	\$ 207,320	\$ 100	\$ 206,420		

(Continued below)

Advances to Other Funds (in thousands)						
Fiduciary Funds						
Advances from Other Funds (in thousands)	Private-purpose Trust Funds	Total				
Governmental Activities						
General Fund	\$ \$	100				
Public Education	811,623	811,623				
Nonmajor	.....	625				
Internal Service Funds	.....	2,778				
Business-type Activities						
Transportation	.....	206,420				
Total	\$ 811,623	\$ 1,021,546				

During the course of operations, there are numerous transactions between funds within the State. Interfund transfers during the year are as follows (in thousands):

Transfers from Other Funds (in thousands)						
Governmental Activities						
Transfers to Other Funds (in thousands)	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	
Governmental Activities						
General Fund	\$ \$	680,710	\$ \$	1,734,555	\$ 184,090	
Environment, Recreation and Conservation	141,202	.....	.....	2,747	.....
Public Education	591	37	10,459	.....	.....
Health and Family Services	37,112	.....	210,357	.....	33,693	
Transportation	255,141	24,314	.....	525	.....
Nonmajor	209,292	50,414	285,101	38,882	1,040,373	
Internal Service Funds	5,804	709	4	32	793	
Business-type Activities						
Transportation	.....	.....	.....	22,103		
Lottery	8	.....	1,424,307	.....	.....
Hurricane Catastrophe Fund	.....	.....	.....	.....	.....
Prepaid College Program	.....	.....	.....	.....	.....
Reemployment Assistance	2	.....	.....	.....	.....
Nonmajor	77,858	.....	203	3,888	.....
Fiduciary Funds						
Private-purpose Trust Funds	22	.....	56	195	.....
Pension and Other Employee Benefits Trust Funds	2,337	.....	.....	.....	.....
Investment Trust Funds	.....	.....	.....	.....	.....
Total	\$ 729,369	\$ 756,184	\$ 1,920,028	\$ 1,791,283	\$ 1,281,052	

(Continued below)

Transfers from Other Funds (in thousands)						
Governmental Activities						
Transfers to Other Funds (in thousands)	Nonmajor	Internal Service Funds				
Governmental Activities						
General Fund	\$ 341,313	\$ ..... \$	.....	.....	.....
Environment, Recreation and Conservation	460,103	.....	.....	.....	.....
Public Education	1,473,003	.....	.....	.....	.....
Health and Family Services	168,307	.....	.....	.....	.....
Transportation	491,342	.....	.....	.....	.....
Nonmajor	184,306	2,726	.....	.....	.....
Internal Service Funds	7,132	.....	.....	.....	.....
Business-type Activities						
Transportation	.....	.....	.....	.....	.....
Lottery	147	.....	.....	.....	.....
Hurricane Catastrophe Fund	10,000	.....	.....	.....	.....
Prepaid College Program	.....	.....	.....	.....	.....
Reemployment Assistance	17,201	.....	.....	.....	.....
Nonmajor	15,297	.....	.....	.....	.....
Fiduciary Funds						
Private-purpose Trust Funds	2,768	.....	.....	.....	.....
Pension and Other Employee Benefits Trust Funds	75	22,650	.....	.....	.....
Investment Trust Funds	.....	.....	.....	.....	.....
Total	\$ 3,170,994	\$ 25,376				

(Continued next page)

Transfers from Other Funds (in thousands)						
Business-type Activities						
Transfers to Other Funds (in thousands)	Transportation	Lottery	Reemployment Assistance	Nonmajor		
Governmental Activities						
General Fund	\$ \$	5,742	\$ \$	1,732		
Environment, Recreation and Conservation	.....	312	.....	.....
Public Education	.....	31	.....	.....
Health and Family Services	.....	2,268	2,582	.....	
Transportation	16,275	249	.....	.....
Nonmajor	.....	1,529	5,553	.....	
Internal Service Funds	.....	90	1	.....	
Business-type Activities						
Transportation	.....	.....	.....	.....	22,103	
Lottery	.....	.....	.....	.....	1,424,482	
Hurricane Catastrophe Fund	.....	.....	.....	.....	10,000	
Prepaid College Program	938	.....	.....	.....	938	
Reemployment Assistance	.....	.....	.....	.....	17,203	
Nonmajor	.....	.....	.....	.....	97,506	
Fiduciary Funds						
Private-purpose Trust Funds	.....	.....	.....	.....	3,041	
Pension and Other Employee Benefits Trust Funds	.....	845,463	878,452	.....	
Investment Trust Funds	.....	.....	110,614	110,614		
Total	\$ 938	\$ 845,463	\$ 110,614	\$ 10,676,154		

NOTE 12 - RISK MANAGEMENT

A. State Risk Management Trust Fund

The State Risk Management Trust 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 and loss from the removal of personal property from such properties when endangered by covered perils. The property insurance program self-insures the first \$2 million per occurrence deductible which applies to all perils named above except named windstorm and flood. The property insurance program also self-insures the first \$2 million per occurrence deductible for named windstorm and flood but with an additional annual aggregate retention of \$40 million. Commercial excess insurance is purchased for losses over the self-insured retention up to \$50 million per occurrence for named windstorm and flood losses through February 15, 2014, and \$200 million per occurrence for named 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 of claims paid for property claims did not exceed insurance coverage for each of the last three years. Changes in the Fund's property insurance claims liability amount for the fiscal years ended June 30, 2012, and June 30, 2013, were as follows (in thousands):

Fiscal Year Ended	Current Year				Balance at Fiscal Year-end
	Beginning of Fiscal Year Liability	Claims and Changes in Estimate	Claim Payments	Fiscal Year-end	
June 30, 2012	\$ 189	\$ 1,777	\$ (511)	\$ 1,455	
June 30, 2013	\$ 1,455	\$ (315)	\$ (848)	\$ 292	

The State Risk Management Trust 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 workers' compensation coverage.

The estimated liability for unpaid casualty and property insurance claims at June 30, 2013, 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 \$287.2 million, discounted using a 4 percent annual percentage rate per Section 625.091, Florida Statutes. The undiscounted workers' compensation indemnity claims liability is \$386.4 million.

Changes in the Fund's casualty insurance claims liability for the fiscal years ended June 30, 2012, and June 30, 2013, were as follows (in thousands):

Fiscal Year Ended	Current Year				Balance at Fiscal Year-end
	Beginning of Fiscal Year Liability	Claims and Changes in Estimate	Claim Payments	Fiscal Year-end	
June 30, 2012	\$ 1,219,581	\$ 111,997	\$ (130,441)	\$ 1,201,137	
June 30, 2013	\$ 1,201,137	\$ 76,257	\$ (130,012)	\$ 1,147,382	

Actual current year claims and changes in estimate for casualty lines of coverage for the fiscal year ended June 30, 2013, decreased by \$35.7 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 risk of loss related to medical and prescription drug claims,

NOTE 13 – FLORIDA PREPAID COLLEGE PROGRAM

The Stanley G. Tate Florida Prepaid College 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 Program is administered by the Florida Prepaid College Board 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 decrease in the actuarial present value of future contract benefits from the prior year is primarily due to the increase in the updated yield curve. Additional information as of June 30, 2013, is as follows:

Actuarial present value of future contract benefits and expenses payable	\$ 11,022,049,154
Net position available	\$ 11,856,498,570
Net position as a percentage of future contract benefits and expenses obligation	107.6%

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 mandatory reimbursement coverage with the FHCF. Chapter 2007-1, Laws of Florida, amended, in part, the FHCF statutes to require the FHCF to provide optional additional coverage with the Temporary Increase in Coverage Limit Options (TICL) coverage which expands an insurer's coverage above its mandatory coverage and the \$10 million coverage for certain statutorily designated companies.

The mandatory 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 ending May 31, 2013, the industry retention for determining each insurer's retention was \$7.389 billion per hurricane for the two hurricanes with the largest losses and \$2.463 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 mandatory coverage.

The optional TICL coverage covers a portion of hurricane losses in excess of the mandatory coverage, up to the lesser of either \$12 billion or the actual claims-paying capacity of the FHCF. In 2009, the statute was amended to phase out the entire \$12 billion in TICL coverage at a rate of \$2 billion per year for 6 years, to completely phase out TICL coverage by 2014. The TICL coverage capacity for the contract year ending May 31, 2013, was \$4 billion.

The maximum reimbursable claims for the optional coverage and the mandatory coverage (in the contract year ending May 31, 2013) were \$25 billion.

The SBA contracts with each insurer writing covered policies in the state to reimburse the insurer for a percentage of losses incurred from covered events. The obligation of the SBA with respect to all contracts covering a particular contract year shall not exceed the actual claims-paying capacity (as determined by the FHCF's bond underwriters and financial adviser). The FHCF has a fiscal year end of June 30 and its reimbursement contracts expire on May 31. As of June 30, 2013, the FHCF had net position of \$8.30 billion, including net position of the State Board of Administration Finance Corporation formerly known as the FHCF 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 (OIR) and the Florida Surplus Lines Service Office 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%. As of June 30, 2013, the FHCF is levying assessments of 1.3%. 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 Guarantee Association (FIGA).

To build up cash resources and reduce the reliance on post-event bonding, legislation was passed in 2009 that allows for a "cash build up" factor of 5% to be included in rates for the mandatory coverage. This factor increases each year by 5% until it ultimately reaches 25% in year five and thereafter. This provision was designed to address the liquidity needs of the FHCF over the long run by allowing it to accelerate the build-up of its cash balance for paying claims.

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. The State of Florida was not hit by any hurricanes during the 2012 season. As a result of ongoing loss development and actuarial analysis, estimates for prior years' hurricane losses were reduced by \$178.5 million, which resulted in a decrease in expenses (and reserves) for the change in actuarial value of the unreported losses for the year ended June 30, 2013. In May, 2010, the Corporation issued post-event Series 2010A Revenue Bonds in the amount of \$675.9 million. These bond proceeds and their investment earnings will enhance the Fund's ability to make payments to participating insurers for losses resulting from the 2005 hurricane season. The funding for these bonds will come from emergency assessments on the direct written premium for all property and casualty lines of business in Florida including property and casualty business of surplus lines insurers, but not including workers' compensation or medical malpractice premiums. An Order was issued by OIR concurrently with the issuance of the 2010A Bonds to supersede the existing 1% emergency assessment with a 1.3% emergency assessment. The increased assessment is effective on all policies issued or renewed on or after January 1, 2011. These bonds will mature, without prior right of redemption, on July 1 of the following years and bear interest at rates ranging from 3.5% to 5.0% as follows (in thousands):

2015	\$ 15,775	3.5%
2015	5,765	4.0
2015	320,915	5.0
2016	17,990	3.75
2016	315,475	5.0
	\$ 675,920	

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. The original intent of the legislation was 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 Office of Insurance Regulation (the Office). 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. In 2007, the Act was amended to recognize Citizens' status as a governmental entity and the necessity of Citizens to provide insurance that was affordable.

Citizens operates pursuant to a Plan of Operation (the Plan) 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. Prior to October 1, 2006, the Plan was subject to the approval of the Office.

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 High-Risk Account. 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), Florida Statutes (F.S.), to provide certain residential property insurance coverage to qualified risks in the State of Florida (on a statewide basis) to 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 exclude windstorm coverage on property within eligible areas. This portion of the FRPCJUA's activities became the Personal Lines Account under Citizens.

malpractice insurance, and also excluding insurance under the National Flood and Federal Crop insurance programs. The Regular Assessment base excludes Citizens policies (while the Emergency Assessment base includes Citizens policies). Prior to the enactment of the 2007 Legislation, the Regular Assessment base for each Account included only property lines of business.

C. FLORIDA INSURANCE GUARANTY ASSOCIATION, INC.

The Florida Insurance Guaranty Association, Inc. (the Association), a not-for-profit corporation, was established by the Florida Legislature through the Florida Insurance Guaranty Act of 1970 (the Act). The Association 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. The Association operates under the supervision and approval of a board of directors, comprised of eight persons, recommended by member insurers pursuant to Section 631.56, F.S., and subsequently appointed by the Florida Department of Financial Services.

The members of the Association are all insurers that hold a certificate of authority to provide property and casualty coverage in the State of Florida.

The funding of the Association'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. The Association 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 the Association 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, the Association 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, 2013, the Association has not needed to utilize this bonding authority and no tax-exempt bonds have been issued.

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. These policies excluded windstorm coverage on properties within eligible areas. This portion of the FRPCJUA's activities became the Commercial Lines Account 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 Commercial Lines Account.

Coastal Account history - The FWUA, which was a residual market mechanism for windstorm and hail coverage in selected areas of the State, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), F.S. 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. 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.

Citizens' enabling legislation and Plan of Operations established a process by which Citizens may levy assessments to recover any deficits incurred in a given year. Citizens' determination of the amount of assessment is subject to the verification of the mathematical calculation by the Office of Insurance Regulation. Citizens' ability to assess provides some assurance of its financial stability.

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 accordingly levied separately, for each of the three accounts. The Plan provides for deficits to be determined in accordance with accounting principles generally accepted in the United States adjusted for certain items.

In the event of a Plan Year Deficit in an 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 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 the deficit in an Account, Citizens would then levy a Regular Assessment on Assessable Insurers and Assessable Insureds, each as defined herein. The Regular Assessment is applied as a uniform percentage of the premium of the policy up to 2% of such premium of the Coastal Account only. Effective July 1, 2012, the Regular Assessment was eliminated for the Personal Lines Account and the Commercial Lines Account and was reduced from 6% to 2% for the Coastal Account.

Regular Assessments are levied on Assessable Insurers, as defined in Section 627.351(6), F.S., 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. Regular Assessments on Assessable Insureds, collectively, are based on the ratio of the amount being assessed for the Coastal Account to the aggregate statewide direct written premiums for the subject lines of business for the preceding year.

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.

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

NOTE 15 – CONTINGENCIES

A. Federal Family Education Loans Program

The Florida Department of Education (FDOE) administers the Federal Family Education Loans Program (Program). Loans made from this Program (Program loans) were made directly by financial institutions to eligible students and their parents. FDOE is the guarantor for Program loans. The United States Department of Education (USDE) is the Program's reinsurer and, as such, reimburses FDOE for Program activities. Reimbursement amounts are made at various rates based on the date the loan was guaranteed.

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 continues other administrative activities as required under the Program. At June 30, 2013, approximately \$2 billion of Program loans were still outstanding from loans that had been made prior to the Program ending on June 30, 2010. As guarantor, FDOE is still potentially liable for any defaulted Program loan amounts in-excess of USDE reimbursement amounts. The specific amount of this potential liability is indeterminable.

B. Federally Assisted Grant Programs

Florida participates in a number of federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. Any disallowance as a result of these audits may become a liability of the state. The amounts of any foreseeable disallowances were not subject to reasonable estimation.

Component units - The United States Department of Health and Human Services' and National Science Foundation's Offices of Inspector General, with the United States Department of Justice (civil division), are investigating the University of Florida's (University) practices relating to Federal awards finances and accounting. University management is unable to make a determination of the outcome or estimate costs that the University may incur as a result of this audit

Medicaid Program - In response to Florida Auditor General Report No. 2012-021, Finding No. FA-12-064, Finding No. 3, the United States Department of Health and Human Services (USDHHS) requested, on August 28, 2013, that the Florida Agency for Health Care Administration (FAHCA) refund \$74.5 million for alleged excess Medicare crossover claim payments made during the 2007-2010 State Fiscal Years. On October 15, 2013, the FAHCA challenged the request and as of January 9, 2014, had not received a response from the USDHHS. If the FAHCA is unsuccessful in their challenge, it will be required to return all or a portion of the requested refund.

C. Peak Oil/Bay Drum Superfund Site Remediation

The United States Environmental Protection Agency identified the Florida Department of Transportation (FDOT) as a responsible party for past and future response costs at the Peak Oil/Bay Drum Superfund Site. The FDOT made payments under consent decrees in 1998 and 2011, as entered in the case of *United States of America v. Akzo Nobel Coating, et al.*, Case No. 8-97-cv-0156-RAL (consolidated), United States District Court, Middle District of Florida, and Tampa Division. Implementation of remedial design is in process and the evaluation of the need for remedy in wetlands and deep aquifer is ongoing. The EPA agreed to amend the Record of Decision to provide for monitoring and natural attenuation as the remedy for the deep Floridian Aquifer. Based on the remediation performed to date pursuant to the consent decrees, FDOT has determined that its share of the potential future cost of remediation is not expected to exceed \$25 million.

D. Other

State Enterprise Email System Breach of Contract Claim - On June 27 and 28th, 2013, the Southwood Shared Resource Center and Xerox State and Local Solutions, Inc. fully executed a settlement agreement and release which included \$5 million. The Florida Legislature appropriated funds in the amount of \$5 million to support the agreed upon settlement and a warrant was issued to Xerox.

Taxpayer Asserted Refund Claim - This claim involves a taxpayer, from one of the industries that Department of Business and Professional Regulation (DBPR) regulates, who has contested the legality of a tax that the legislature imposed and DBPR has been collecting from it and others. The taxpayer has paid the disputed tax and now seeks a refund for the immediate past payment, as well as for the tax payments it made during the prior three years. If the taxpayer prevails, then the amount that it and others similarly situated may request by way of refund will exceed \$25 million. Moreover, the state will cease collecting the tax revenues it is accustomed to collecting in the future.

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. **DirectTV, EchoStar Satellite LLC n/k/a Dish Network, LLC and Ogborn v. Department of Revenue (Consolidated Case No. 05-CA-1037); DirectTV, EchoStar Satellite LLC n/k/a Marcus and Patricia Ogborn vs. Jim Zingale, acting in his official etc. et al., Case No. 1D13-5455 (Fla. 1st DCA)**

Consolidated Case No. 05-CA-1037 challenged the statutory distinction made in the application of the Communication Services Tax of Chapter 202, Florida Statutes, to cable and satellite TV providers. DirectTV challenged the statute as a provider, while Ogborn challenged on behalf of a class of subscribers. Plaintiffs argued that applying a different statutory rate of tax on the sale of these competing services violated the Commerce Clause and the Equal Protection Clause. The amount of tax refund at issue was \$40 million annually.

On October 9, 2013, the trial court entered a Final Summary Judgment for the Defendant (the Department of Revenue) for Consolidated Case No. 05-CA-1037 by determining that the different statutory rate of tax was facially constitutional and, consequently, does not violate the Commerce Clause or Equal Protection Clause.

In response, the Plaintiffs have appealed the trial court's Final Summary Judgment to the First District Court of Appeal (DCA) as Case No. 1D13-5455. The parties have not yet submitted briefs and no hearing is scheduled.

B. **General Motors LLC, L.T. v. Florida Department of Revenue, Case No. 04-CA-2739 (2nd Cir.), Case No. 1D12-0784 (Fla. 1st DCA).**

General Motors repairs vehicles that fall outside the contractual terms and conditions of the new vehicle warranty or extended warranty period under a discrepancy program known as "Case-by-Case Adjustments" or "Goodwill Policy Adjustments." General Motors alleged that it illegally imposed such a program on its repair facilities and required repair facilities to participate in these programs. On January 6, 2012, the court held for the Plaintiff, concluding that the right to participate in the "Case-by-Case Adjustments" program is part of the consideration received by the customer in exchange for the purchase price of the vehicle. The Department appealed and the First DCA affirmed the lower court's decision on December 5, 2012. The Department subsequently moved for rehearing, clarification and certification, which the Court denied. As a consequence, the Department has withdrawn the assessments of tax, penalty and interest at stake in this consolidated case, which exceeded \$60 million, closing this case.

C. **Florida Gas Transmission Company, v. Florida Department of Transportation, Case No. CACE07001922 (17th Cir.); 4D11-2567 (Fla. 4th DCA)**

Plaintiff alleged breach of easement and sought injunctive relief and reimbursement of natural gas pipeline relocation costs in excess of \$90 million. The Florida Department of Transportation (FDOT) counterclaimed. On January 27, 2011, the jury returned a verdict in favor of Plaintiff for \$82,697,567 in pipeline relocation costs. Both parties appealed the Final Judgment entered by the court. On April 6, 2012, the Fourth DCA affirmed the trial court's verdict. The FDOT filed for monetary judgment after trial court entered the amended Final Judgment on November 9, 2012. The Florida Supreme Court denied a petition for discretionary review of the Fourth DCA's opinion on December 28, 2012. On August 21, 2013, the FDOT agreed to pay Plaintiff \$596,340 in settlement of Plaintiff's motion to tax costs in the amount of \$1,192,681.78. All amounts have been paid and there are no pending claims or controversies.

D. **In re Citrus Canker Litigation, Case No. 00-18394 (17th Cir. Broward County); Mendez v. Florida Department of Agriculture and Consumer Services, Case No. 02-13717 (15th Cir. Palm Beach County); Ayers v. Florida Department of Agriculture and Consumer Services, Case No. 05-CA-4120 (9th Cir. Orange County); Dellasalva v. Florida Department of Agriculture and Consumer Services, Case No. 03-CA-4147 (20th Cir. Lee County); In re Citrus Canker Litigation, Case No. 03-8255 (11th Cir. Miami-Dade County); and Martinez v. Florida Department of Agriculture and Consumer Services, Case No. 03-30110 (11th Cir. Miami-Dade County).**

In re Citrus Canker Litigation, Case No. 00-18394, concerns a class of Broward County homeowners who sued for compensation for their citrus trees that had been exposed to citrus canker and removed by the Florida Department of Agriculture and Consumer Services (FDACS) after January 1, 2000. In bifurcated trials on liability and damages, plaintiffs were awarded \$8,043,450, including prejudgment interest. The Fourth DCA affirmed the Final Judgment, and the Florida Supreme Court and United States Supreme Court declined review. Plaintiffs were also awarded attorneys' fees and costs in the amount of \$4,584,147 which were affirmed in part and reversed in part by the Fourth DCA.

In related cases, similar classes have been certified in Palm Beach, Lee, Orange, and Miami-Dade Counties. In Palm Beach County, the circuit judge held the FDACS liable for removal of the class' canker-exposed citrus, and, after a trial on compensation, awarded \$19,222,491, including prejudgment interest. This judgment was reversed by the Fourth DCA, which ordered a new compensation trial. Plaintiffs have requested the Fourth DCA reconsider its ruling, or certify the case to the Florida Supreme

Court. The Fourth DCA also held in both the Broward County and Palm Beach County lawsuits that Plaintiffs are required to proceed to collect on judgments by way of a claims bill in the Legislature.

In Lee County, liability was found against FDACS and a compensation trial is scheduled for June 2014. In Orange County, liability was found against FDACS, and a compensation trial is scheduled for September 2014. In a related Miami-Dade County class action, *In re Citrus Canker Litigation*, Case No. 03-8255, the trial court certified a class, and the Third DCA affirmed in a *split en banc* decision. FDACS has requested the Florida Supreme Court review the Third DCA's decision. In an unrelated Miami-Dade County case, *Martinez*, Case No. 03-30110, the trial court denied certification of a class of residential and commercial citrus owners, and the decision was affirmed by the Third DCA. The trial court permitted the Plaintiffs a final opportunity to certify a class, which resulted in a second denial of certification. Plaintiffs have asked the Supreme Court to take discretionary jurisdiction over the second denial.

E. **Angelitch Swim School, et. al. v. Detzner, Case No. 2003-13413-CA-01 (11th Cir.); 3D10-1611 (Fla. 3rd DCA); SC12-2643 (Fla.).**

Plaintiffs in this class action allege the late charge for late corporate filing imposed by Section 607.193(2)(b), Florida Statutes, and fee for reinstatement of corporation after administrative dissolution imposed by Section 607.0122(13), Florida Statutes, are excessive fines in violation of the Florida Constitution. The trial court certified the class. The Florida Department of State appealed the Class Certification Order to the Third DCA. Potential liability was an estimated \$150 million plus prejudgment interest. On April 6, 2011, the Third DCA reversed the class certification. Plaintiffs' motion for clarification, rehearing, rehearing *en banc*, and certification as a question of great public importance was denied on November 29, 2012. On December 26, 2012, Plaintiffs petitioned for review by the Florida Supreme Court concerning the Third DCA's April 6, 2011, and November 29, 2012, holdings. On June 19, 2013, the Florida Supreme Court declined to accept jurisdiction and denied the petition.

F. **Florida Gas Transmission Company, v. Florida Department of Transportation, I-595 Express, LLC, and Dragados USA, Inc., Case No. 11-00877907 (17th Cir.).**

Plaintiff alleged that Defendant's construction of an express lane system in the I-595 median materially interferes with its easement rights. Plaintiff asserted breach of easement and inverse condemnation claims against the FDOT and sought \$36,155,315 in damages in an action initiated on April 14, 2011. On August 21, 2013, FDOT agreed to pay the Plaintiff \$18.5 million in settlement of all claims.

G. **Blairstone Delaware, LLC v. Florida Department of Corrections, Case No. 2012 CA 004007 (2nd Cir.).**

This is a breach of contract case filed by the lessor of property leased by the Florida Department of Corrections (FDOC). Lessor alleges that the FDOC breached its lease by failing to relocate all of its state employees to state owned buildings, failing to act in good faith with the lessor by seeking to modify or terminate the lease, failing to state why the proposed relocation was in the best interest of the State, and failing to make a reasonable effort to place another state agency on the premises. The FDOC was served with the complaint on January 2, 2013, and response to the complaint was filed on February 11, 2013. The Florida Department of Management Services (FDMS) was added as a co-defendant on July 31, 2013. FDOC's Motion for Summary Judgment and FDMS's Motion to Dismiss was conducted on February 11, 2014, and the decision on the hearing is pending. Plaintiff alleges damages exceed \$27 million.

H. **United States of America v. State of Florida, Case No. 12-60460 (United States District Court for the Southern District of Florida)**

The United States' Department of Justice (DOJ) alleges that the State of Florida's Agency for Health Care Administration, Department of Health, Department of Children and Families, Agency for Persons with Disabilities and the Department of Elder Affairs violated Title II of the Americans with Disabilities Act by unnecessarily institutionalizing Medicaid eligible medically complex persons under the age of 21 in nursing facilities. On November 21, 2013, the State filed a Motion for Judgment on the Pleadings alleging DOJ lacks authority to bring the suit. A decision on the motion is pending. The United States seeks compensatory damages for the Plaintiffs pain and suffering, plus injunctive relief, which could exceed \$25 million.

NOTE 17 – DEFICIT FUND EQUITY

A. **Governmental Funds**

The *State School Trust Fund* has a deficit fund balance of approximately \$744 million. The deficit is primarily the result of establishing an advance (long-term liability) for potential future claims on a portion of the cash advanced by the Unclaimed Property Trust Fund. Due to the long-term nature of the liability, the Department of Education pays claims as they are made rather than funding the full amounts, which may ultimately be payable.

B. **Proprietary Funds**

The *Beachline East Expressway Toll Trust Fund* has a net asset deficit of approximately \$20.9 million. The deficit is a result of committing Beachline toll revenues to pay a portion of the construction costs of SR 520, an adjoining non-tolled road. Expenses incurred to date are greater than toll revenues. The Department of Transportation has agreed to fund certain costs in advance thereby creating a liability for Beachline to repay. Future toll revenues continue to be used to pay additional SR 520 costs and the associated liability.

The *Legal Services Trust Fund* has a net asset deficit of approximately \$3.3 million. The deficit is a result of revenues being insufficient to cover long-term obligations, consisting mainly of a compensated absences liability and an accrual of Other Postemployment Benefits (OPEB) liability in accordance with Governmental Accounting Standards Board (GASB) Codification Section P50, *Postemployment Benefits Other Than Pension Benefits – Employer Reporting*. Due to the long-term nature of the liability, the Department of Legal Affairs plans to continue providing legal services and liquidate the liabilities on a pay-as-you-go basis.

C. **Fiduciary Funds**

The *Operating Trust Fund – Administration Retirement Division* has a net asset deficit of approximately \$1.3 million. The deficit is a result of an accrual of Other Postemployment Benefits (OPEB) in accordance with the Governmental Accounting Standards Board (GASB) Codification Section P50, *Postemployment Benefits Other Than Pension Benefits – Employer Reporting*.

The *Life and Other Benefits Fund* has a net asset deficit of approximately \$7.8 million. The deficit is a result of an accrual of Other Postemployment Benefits (OPEB) in accordance with the Governmental Accounting Standards Board (GASB) Codification Section P50, *Postemployment Benefits Other Than Pension Benefits – Employer Reporting*.

NOTE 18 – SUBSEQUENT EVENTS

A. **Bonds**

The following bonds for governmental and business-type activities of the primary government were issued subsequent to June 30, 2013:

Agency/Bond	Series	Amount	Matures	Interest Rate
Governmental Activities:				
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds	2013 Series C	\$ 297,965,000	06/01/2015-06/01/2034	4.000% - 5.000%
Board of Governors, Florida State University Dormitory Revenue Bonds	2013A	\$ 42,495,000	05/01/2016-05/01/2033	4.000% - 5.000%
Board of Governors, University of Florida Student Activity Revenue Bonds	2013	\$ 41,540,000	07/01/2014-07/01/2033	4.000% - 5.000%
Board of Governors, Florida International University Parking Facility Revenue Bonds	2013A	\$ 48,365,000	07/01/2014-07/01/2043	3.000% - 5.250%
Board of Governors, University of Florida Dormitory Revenue Bonds	2013A	\$ 24,805,000	07/01/2014-07/01/2033	3.000% - 5.000%
Department of Transportation, Seaport Improvement Program Revenue Bonds	2013	\$ 138,145,000	07/01/2014-07/01/2043	2.000% - 5.000%
Business-Type Activities:				
Department of Transportation, Turnpike Revenue Refunding Bonds	2013B	\$ 206,035,000	07/01/2014-07/01/2022	2.000% - 5.000%
Department of Transportation, Turnpike Revenue Bonds	2013C	\$ 267,405,000	07/01/2014-07/01/2043	4.000% - 5.000%

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

2013 STATE OF FLORIDA CAFR

BUDGETARY COMPARISON SCHEDULES GENERAL AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 (in thousands)

General Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2012	\$ 2,030,912	\$ 2,030,912	\$ 2,030,912	\$
Reversions	373,994	373,994	373,994	..........
Fund Balances, July 1, 2012, restated	2,404,906	2,404,906	2,404,906	..........
REVENUES				
Fees and charges	1,201,241	1,393,641	1,587,526	193,885
Licenses	1,328,726	1,121,226	497,904	(623,322)
Taxes	26,807,255	27,181,255	27,370,301	189,046
Miscellaneous	5,619	5,619	5,645	26
Interest	113,525	111,425	111,471	46
Grants	28,495	28,495	20,138	(8,357)
Refunds	11,423	11,423	343,233	331,810
Transfers and distributions	2,817,776	2,934,576	2,656,686	(277,890)
Other	360,114	615,114	986,240	371,126
Total Revenues	32,674,174	33,402,774	33,579,144	176,370
Total Available Resources	35,079,080	35,807,680	35,984,050	176,370
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	3,289,494	3,410,570	3,365,978	44,592
Other personal services	60,624	75,907	58,516	17,391
Expenses	334,967	393,770	379,120	14,650
Grants and aids	11,899,201	11,894,973	11,893,108	1,865
Operating capital outlay	13,058	15,449	13,825	1,624
Food products	54,423	55,620	54,999	621
Fixed capital outlay	32,453	32,453	32,453	.....
Lump sum	320,210	20,084	20,084	.....
Special categories	9,062,319	9,162,022	9,026,050	135,972
Financial assistance payments	220,258	237,751	237,668	83
Continuing Appropriations	.....	128,263	128,263	.....
Grants/aid to local governments	38,536	38,536	38,536	.....
Data processing services	47,872	54,710	48,967	5,743
Pensions and benefits	18,288	18,288	15,251	3,037
Claim bills and relief acts	.....	1,298	1,298	.....
Total Operating Expenditures	25,391,703	25,539,694	25,314,116	225,578
Nonoperating expenditures:				
Transfers	4,594,470	4,594,470	4,594,470	.....
Qualified expenditures	53,497	.....	.....	.....
Refunds	722,810	295,825	295,825	.....
Other	1,830,115	1,830,115	1,830,115	.....
Total Nonoperating Expenditures	7,200,892	6,720,410	6,720,410	..........
Total Expenditures	32,592,595	32,260,104	32,034,526	225,578
Fund Balances, June 30, 2013	\$ 2,486,485	\$ 3,547,576	\$ 3,949,524	\$ 401,948

The notes to required supplementary information are an integral part of this schedule.

2013 STATE OF FLORIDA CAFR

BUDGETARY COMPARISON SCHEDULES GENERAL AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 (in thousands)

Environment, Recreation and Conservation				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2012	\$ 1,118,499	\$ 1,118,499	\$ 1,118,499	\$
Reversions	1,447	1,447	1,447	..........
Fund Balances, July 1, 2012, restated	1,119,946	1,119,946	1,119,946	..........
REVENUES				
Fees and charges	120,775	150,263	153,230	2,967
Licenses	35,525	42,825	46,599	3,774
Taxes	72,954	275,490	273,624	(1,866)
Miscellaneous	1,196	400	429	29
Interest	22,036	42,682	21,152	(21,530)
Grants	222,532	150,262	188,229	37,967
Refunds	4,682	20,485	20,836	351
Bond proceeds	50,143	49,900	49,899	(1)
Transfers and distributions	1,036,793	1,091,826	1,154,640	62,814
Other	108,460	6,517	145,874	139,357
Total Revenues	1,675,096	1,830,650	2,054,512	223,862
Total Available Resources	2,795,042	2,950,596	3,174,458	223,862
EXPENDITURES				
Operating expenditure:				
Salaries and benefits	228,360	224,061	217,628	6,433
Other personal services	21,784	20,214	17,744	2,470
Expenses	47,687	46,981	43,127	3,854
Grants and aids	3,761	3,748	2,675	1,073
Operating capital outlay	1,637	1,995	1,842	153
Fixed capital outlay	621,191	621,191	621,191	.....
Special categories	273,487	272,930	216,681	56,249
Grants/aid to local governments	250,673	250,673	250,673	.....
Data processing services	133	133	123	10
Total Operating Expenditures	1,448,713	1,441,926	1,371,684	70,242
Nonoperating expenditures:				
Transfers	196,156	196,156	196,156	.....
Refunds	56,946	15,077	15,077	.....
Other	319,778	319,778	319,778	.....
Total Nonoperating Expenditures	572,880	531,011	531,011	..........
Total Expenditures	2,021,593	1,972,937	1,902,695	70,242
Fund Balances, June 30, 2013	\$ 773,449	\$ 977,659	\$ 1,271,763	\$ 294,104

The notes to required supplementary information are an integral part of this schedule.

2013 STATE OF FLORIDA CAFR

BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

Public Education				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2012	\$ 452,381	\$ 452,381	\$ 452,381	\$
Reversions	46,988	46,988	46,988	.....
Fund Balances, July 1, 2012, restated	499,369	499,369	499,369	.....
REVENUES				
Fees and charges	1,794,355	32,496	56,290	23,794
Licenses	3,673	149	674	525
Taxes	618,520	609,365	584,779	(24,586)
Miscellaneous	33,903	3,942	3	(3,939)
Interest	19,463	22,145	32,427	10,282
Grants	2,607,518	2,656,994	2,301,130	(355,864)
Refunds	1,612	1,882	2,146	264
Bond proceeds	226,065	175,307	99,401	(75,906)
Transfers and distributions	2,409,575	2,613,867	2,613,867	.....
Other	166,168	304,445	253,690	(50,755)
Total Revenues	7,880,852	6,420,592	5,944,407	(476,185)
Total Available Resources	8,380,221	6,919,961	6,443,776	(476,185)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	36,174	36,329	32,761	3,568
Other personal services	1,787	1,784	426	1,358
Expenses	11,283	11,143	5,824	5,319
Grants and aids	4,434,634	2,710,223	2,674,074	36,149
Operating capital outlay	1,478	1,548	595	953
Fixed capital outlay	1,788,920	1,762,652	1,762,652	.....
Special categories	1,477,806	1,118,744	1,118,744	.....
Financial assistance payments	49,111	49,111	48,645	466
Grants/aids to local governments	582	582	582	.....
Payments to U.S. Treasury	2,060	100	100	.....
Data processing services	7,347	7,716	6,873	843
Total Operating Expenditures	7,810,600	5,699,932	5,651,276	48,656
Nonoperating expenditures:				
Transfers	226,918	338,483	338,483	.....
Qualified Expenditures	8,083	.....	.....	.....
Refunds	9,614	136	136	.....
Other	171,980	6,983	6,983	.....
Total Nonoperating Expenditures	416,595	345,602	345,602	.....
Total Expenditures	8,227,195	6,045,534	5,996,878	48,656
Fund Balances, June 30, 2013	\$ 153,026	\$ 874,427	\$ 446,898	\$ (427,529)

The notes to required supplementary information are an integral part of this schedule.

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2013 STATE OF FLORIDA CAFR

BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

Health and Family Services				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2012	\$ 1,338,950	\$ 1,338,950	\$ 1,338,950	\$
Reversions	1,762,798	1,762,798	1,762,798	.....
Fund Balances, July 1, 2012, restated	3,101,748	3,101,748	3,101,748	.....
REVENUES				
Fees and charges	1,700,736	1,477,655	1,447,010	(30,645)
Licenses	23,468	21,327	21,685	358
Taxes	299,901	317,071	289,486	(27,585)
Miscellaneous	30	6	34	28
Interest	9,528	27,806	6,798	(21,008)
Grants	16,116,454	15,484,696	14,567,754	(916,942)
Refunds	1,320,749	1,632,212	1,581,230	(50,982)
Transfers and distributions	1,704,571	2,071,119	2,149,958	78,839
Other	38,074	43,402	43,892	490
Total Revenues	21,213,411	21,075,294	20,107,847	(967,447)
Total Available Resources	24,315,159	24,177,042	23,209,595	(967,447)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	1,292,051	1,290,594	1,163,509	127,085
Other personal services	110,644	122,364	111,618	10,746
Expenses	265,323	255,853	233,241	22,612
Grants and aids	54,607	54,850	35,555	19,295
Operating capital outlay	14,941	15,252	9,349	5,903
Food products	1,301	1,301	1,188	113
Fixed capital outlay	12,822	12,822	12,822	.....
Lump sum	10,246	.....	.....	.....
Special categories	19,881,221	20,109,671	19,089,195	1,020,476
Financial assistance payments	58,084	63,648	61,228	2,420
Grants/aids to local governments	4,713	4,713	4,713	.....
Data processing services	37,562	56,822	56,420	402
Claim bills and relief acts	2,650	2,650	2,650	.....
Total Operating Expenditures	21,746,165	21,990,540	20,781,488	1,209,052
Nonoperating expenditures:				
Continuing Appropriations	.....	34,744	34,744	.....
Transfers	853,180	1,042,253	1,042,253	.....
Qualified expenditures	90,771	.....	.....	.....
Refunds	14,226	13,712	13,712	.....
Other	12,478	29,396	29,396	.....
Total Nonoperating Expenditures	970,655	1,120,105	1,120,105	.....
Total Expenditures	22,716,820	23,110,645	21,901,593	1,209,052
Fund Balances, June 30, 2013	\$ 1,598,339	\$ 1,066,397	\$ 1,308,002	\$ 241,605

The notes to required supplementary information are an integral part of this schedule.

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2013 STATE OF FLORIDA CAFR

BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

Transportation				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2012	\$ 272,452	\$ 272,452	\$ 272,452	\$
Reversions	455	455	455	.....
Fund Balances, July 1, 2012, restated	272,907	272,907	272,907	.....
REVENUES				
Fees and charges	145,637	159,572	145,637	(13,935)
Licenses	1	.....	.....	.....
Taxes	2,340,086	2,295,648	2,340,086	44,438
Interest	582	2,001	2,486	485
Refunds	13,206	823	13,460	12,637
Transfers and distributions	101,729	358,615	364,848	6,233
Other	22,285	34,157	18,589	(15,568)
Total Revenues	2,625,526	2,850,816	2,885,106	34,290
Total Available Resources	2,896,433	3,123,723	3,158,013	34,290
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	3,945	3,967	3,153	814
Other personal services	38	51	35	16
Expenses	913	900	645	255
Operating capital outlay	15	15	6	9
Fixed capital outlay	216,384	216,384	216,384	.....
Special categories	104,272	104,278	103,633	645
Continuing Appropriations	(26,891)	.....	.....	.....
Total Operating Expenditures	298,676	325,595	323,856	1,739
Nonoperating expenditures:				
Transfers	41,027	41,027	41,027	.....
Refunds	43,482	43,482	43,482	.....
Other	2,442,644	2,442,644	2,442,644	.....
Total Nonoperating Expenditures	2,527,153	2,527,153	2,527,153	.....
Total Expenditures	2,825,829	2,852,748	2,851,009	1,739
Fund Balances, June 30, 2013	\$ 70,604	\$ 270,975	\$ 307,004	\$ 36,029

The notes to required supplementary information are an integral part of this schedule.

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2013 STATE OF FLORIDA CAFR

BUDGET TO GAAP RECONCILIATION
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(in thousands)

General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
\$3,949,524	\$ 1,271,763	\$446,898	\$ 1,308,002	\$ 307,004
Items not included in budgetary basis fund balances:				
Seal holding inventories within the State Treasury	1,051,125	104,470	53,645	10,716
Fair value adjustments to inventories within the State Treasury	(21,790)	(3,048)	(1,565)	(3,318)
Special investments within the State Treasury	23,954	.....	9,348	.....
Non-State Treasury cash and investments	739,194	1,796	57,999	683,929
Other GAAP basis fund balances not included in budgetary basis fund balances	.....	.....	.....	669,832
Adjusted budgetary basis fund balances	5,742,007	1,374,981	498,978	1,385,352
Adjustments (basis differences):				
Net receivables (payables) not carried forward	255,439	1,163,869	130,291	188,223
Inventories, prepaid items and deferred charges	10,109	563	36	34,748
Encumbrances	149,292	3,843	171,057	29,060
GAAP basis fund balances	\$16,156,847	\$ 2,543,256	\$800,362	\$ 1,637,383

The notes to required supplementary information are an integral part of this schedule

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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.

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.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

FLORIDA RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAAL) (B-A)	Funded Ratio (A/B)	Annualized Covered Payroll (C)	UAAL as a Percentage of (B-A/C)
July 1, 2006	\$ 117,159,615	\$ 110,977,831	\$ (6,181,784)	105.57%	\$ 25,327,922	(24.41%)
July 1, 2007	125,584,704	118,870,513	(6,714,191)	105.65%	26,385,768	(25.45%)
July 1, 2008	130,720,547	124,087,214	(6,633,333)	105.35%	26,891,340	(24.67%)
July 1, 2009	118,764,692	136,375,597	17,610,905	87.09%	26,573,196	66.27%
July 1, 2010	120,929,666	139,652,377	18,722,711	86.59%	25,765,362	72.67%
July 1, 2011	126,078,053	145,034,475	18,956,422	86.93%	25,686,138	73.80%
July 1, 2012	127,891,781	148,049,596	20,157,815	86.38%	24,491,371	82.31%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(in thousands)

Year Ended 6/30	Annual Required Contributions	Percent Contributed
2006	\$ 2,193,928	96%
2007	2,455,255	111%
2008	2,612,672	107%
2009	2,535,854	111%
2010	2,447,374	111%
2011	3,689,042	85%
2012	1,962,816	60%

⁽¹⁾ Includes Deferred Retirement Option Program (DROP) Payroll.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM SCHEDULE OF FUNDING PROGRESS
(in thousands)

Actuarial Valuation Date ⁽¹⁾	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAAL) (B-A)	Funded Ratio (A/B)	Annualized Covered Payroll (C)	UAAL as a Percentage of (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	51,09,683	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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(in thousands)

Year Ended 6/30	Annual Required Contribution	Percent Contributed
2006	\$ N/A	0%
2007	\$ 363,175	90%
2008	391,847	85%
2009	395,256	86%
2010	409,546	81%
2011	563,907	59%
2012	584,600	55%

⁽¹⁾ Actuarial valuations for the Retiree Health Insurance Subsidy Program are prepared biannually.

⁽²⁾ First valuation completed July 1, 2006, which determined ARC for the 2006-2007 fiscal year.

OTHER POSTEMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS*
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAAL) (B-A)	Funded Ratio (A/B)	Annualized Covered Payroll (C)	UAAL as a Percentage of (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	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	6,782,210	6,782,210	0.00%	7,188,525	94.35%

SCHEDULE OF EMPLOYER CONTRIBUTIONS*
(in thousands)

Year Ended 6/30	Annual Required Contribution	Percent Contributed
2008	\$ 200,973	43.70%
2009	186,644	54.36%
2010	336,419	30.87%
2011	313,415	32.87%
2012	455,584	27.07%
2013	452,658	28.50%

* This information relates to the cost-sharing plan as a whole, of which the State of Florida is one participating employer. The State of Florida's participation in both the actuarial accrued liability and the annual required contribution is approximately 76%.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Pursuant to GASB Statement 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 12,086 centerline miles of roads and 6,724 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 (NBI) 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: highway

repair, roadside upkeep, emergency response, maintaining signs, roadway striping, 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 1 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

2013	2012	2011
92%	91%	89%

Percentage of bridges meeting FDOT standards

2013	2012	2011
96%	95%	95%

Maintenance Rating

2013	2012	2011
86	87	87

Comparison of Needed-to-Actual Maintenance/Preservation (in millions)

Resurfacing Program

	2013	2012	2011	2010	2009
Needed	\$514.4	\$628.4	\$751.5	\$727.2	\$871.5
Actual	521.8	521.4	543.9	422.0	575.3

Bridge Repair/Replacement Program

	2013	2012	2011	2010	2009
Needed	\$332.8	\$319.0	\$315.7	\$231.0	\$230.4
Actual	323.5	340.5	328.8	134.8	207.3

Routine Maintenance Program

	2013	2012	2011	2010	2009
Needed	\$592.2	\$574.0	\$580.5	\$572.4	\$508.2
Actual	636.4	627.3	676.1	655.8	571.5

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.

Set forth below are definitions of certain defined terms contained in the underlying documents and which have been used in this Offering Statement. Also contained below are brief summaries of certain provisions of certain documents relating to the financing which are not intended to be definitive. Reference is made to such documents which are available from the Trustee during the period of the offering for the complete text thereof.

DEFINITIONS

"Acquisition Account" shall mean the Acquisition Account of the Project Fund created by Section 5.01 of the Trust Indenture.

"Act" shall mean Chapters 20, 255, 287, 944 and 957, Florida Statutes, as amended, and the Constitution of the State of Florida, as amended.

"Assignment" shall mean the respective Assignment of Leases, Rents and Profits by the Lessor to the Trustee assigning all of the Lessor's rights under the Master Lease Agreement to the Trustee for the benefit of the Owners of the Certificates.

"Assignment Agreement" shall mean the Series 2015A Assignment of Leases, Rents and Profits between the Lessor and U.S. Bank, N.A., as Trustee.

"Authorized Denominations" shall mean, with respect to the Series 2015A Certificates, \$1,000, or any integral multiple of \$1,000 in excess thereof.

"Basic Rent" or "Basic Rent Payment" shall mean the Basic Rent Payments set forth in the applicable Schedule to the Master Lease Agreement.

"Basic Rent Payment Date" shall mean each Basic Rent Payment Date set forth in the applicable Schedule to the Master Lease Agreement.

"Budget" shall mean the Budget for a Project as set forth in the applicable schedule to the Master Lease Agreement.

"Building" or "Buildings" shall mean the physical structures described in a Schedule to the Master Lease Agreement properly equipped as a correctional facility constructed or to be constructed on the Land.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banks located in the U.S. city in which the Principal Office of the Trustee is located are required or authorized by law to remain closed or on which the New York Stock Exchange is closed.

"Capitalized Interest Account" shall mean the Capitalized Interest Account created and established within the Project Fund by the Trustee pursuant to Section 5.01(a) of the Trust Indenture with respect to the Certificates and the Proceeds.

"Certificate Documents" shall mean, at any time, each of the following as in effect or as outstanding, as the case may be at such time: (i) the Certificates, (ii) the Trust Indenture, (iii) the Certificate Purchase Contract, (iv) the Master Lease Agreement and the respective Schedules and any sub-leases thereunder, (v) the Assignment, (vi) where applicable, the Ground Lease, the Ground Sublease, the Collateral Assignment and the Underlying Lease, and (vii) where applicable, the Mortgage.

"Certificate Interest Payment" shall mean the Certificate Payments representing undivided interests in the Interest Portion of the Basic Rent Payments under the Master Lease Agreement.

"Certificate Interest Payment Date" shall mean a Basic Rent Payment Date upon which an Interest Portion of Basic Rent Payment is due.

"Certificate Owners" or "Owners" shall mean the registered owners of the Certificates of Participation in accordance with the Trust Indenture.

"Certificate Payment Date" shall mean each semi-annual Certificate Payment Date set forth in the applicable Schedule.

"Certificate Payments" shall mean the Certificate Principal Payments and the Certificate Interest Payments.

"Certificate Principal Payment" shall mean the Certificate Payments representing undivided interests in the Principal Portion of a Basic Rent Payment under the Master Lease Agreement.

"Certificate Purchase Contract" shall mean the Certificate Purchase Contract relating to each Series of Certificates among the Lessor, the Department and the Underwriter as set forth in the Supplemental Indenture related to such Series of Certificates.

"Certificate Register" or "Register" shall mean the register provided for by Section 2.10 of the Trust Indenture and kept for such purpose by the Trustee with respect to the Certificates.

"Certificate Year" shall mean each twelve (12) month period beginning July 1 and ending on June 30.

"Certificates" or "Certificates of Participation" shall mean the Certificates of Participation, executed, authenticated and delivered by the Trustee pursuant to the Trust Indenture.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Commencement Date" for the Series 2015A Lease shall mean the date of delivery of the Series 2015A Certificates.

"Commission" shall mean the State of Florida Correctional Privatization Commission, created as a commission within the State of Florida Department of Management Services pursuant to Chapter 957, Florida Statutes.

"Completion Certificates" shall mean any Completion Certificates issued pursuant to Section 2.18 of the Indenture on a parity with a Series of Certificates to expand a Project.

"Concluding Payment" shall mean, as of any Basic Rent Payment Date, that amount which (assuming the Basic Rent Payment due on that date has been made) is necessary to prepay all of the Certificate Principal Payments evidenced by the Outstanding Certificates, including the Premium Portion, if any, as set forth in a respective Schedule to the Master Lease Agreement and interest accrued thereon to such Basic Rent Payment Date plus all other amounts due under the Master Lease Agreement.

"Corporation" shall mean the Florida Correctional Finance Corporation.

"Costs" shall mean the costs (other than Costs of Issuance) identified in the Budget which shall include all costs of acquisition of the Land and of construction and equipping of a Project and may include, but are not limited to, interest under the Master Lease Agreement, but only during the period prior to placing a Project in service and the two months immediately thereafter, and may also include items such as site preparation, architectural and engineering fees, design fees, development fees and other fees for professional services related to the design or construction of such Project, the Department's administrative expenses related to a Project and may also include the cost of functionally related equipment and construction management fees and any similar fees or costs; provided however, that in the case of the refinancing of a Project through the issuance of a Series of Certificates, Costs shall mean the cost of such refinancing (other than Cost of Issuance) as certified by the Lessor.

"Costs of Issuance" shall mean the expenses incurred in issuing the Certificates, including without limitation, advertising and printing costs, financial advisors and counsel fees (which may include fees for counsel to the Department and the Department's administrative expenses related to the financing of a Project), underwriting and placement fees and expenses (including counsel fees and expenses) and commissions, fees of rating agencies, municipal bond insurance premiums, initial fees and expenses (including counsel fees and expenses) of the Trustee, paying agents and certifying or authenticating agents.

"Costs of Issuance Account" shall mean the Costs of Issuance Account created and established within the Project Fund by the Trustee pursuant to Section 5.01(a) of the Trust Indenture with respect to the Certificates and the Proceeds.

"Counties" shall mean collectively, each County.

"County" shall mean any county within the State in which a Project is located.

"Dated Date" shall mean the Dated Date of a Series of Certificates set forth in the respective Supplemental Trust Indenture.

"Department" shall mean the Florida Department of Management Services, the statutory successor to the Commission.

"Directive" shall mean an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Trustee pursuant to the respective Supplemental Trust Indenture, or their lawful attorneys-in-fact, representing no less than fifty-one percent (51%) of the aggregate Certificate Principal Payments of a Series represented by the then Outstanding Certificates of the Series or by the respective Bond Insurer if a Municipal Bond Insurance Policy relating to a Series of Certificates is in effect.

"Equipment" shall mean, collectively, the items of personal property included in a Project.

"Event of Default" shall mean the occurrence of an Event of Default under Section 10.01 of the Trust Indenture.

"Event of Lease Default" shall mean the occurrence of an Event of Default under Section 11 of the Master Lease Agreement.

"Event of Mandatory Prepayment" shall mean the occurrence of an event described in Section 16.2 of the Master Lease Agreement.

"Event of Non-Appropriation" shall have the meaning set forth in Section 2.6.1 of the Master Lease Agreement.

"Extraordinary Prepayment Fund" shall mean the Extraordinary Prepayment Fund so designated and established pursuant to Section 5.01(d) of the Trust Indenture.

"FDOC" shall mean the Florida Department of Corrections.

"Fiscal Year" shall mean each twelve-month period beginning July 1 and ending on the next succeeding June 30.

"Fitch" shall mean Fitch Ratings, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency.

"Governmental Approval" shall mean an authorization, permit, consent, approval, license or exemption from, registration or filing with, or report to, any governmental or regulatory unit.

"Ground Lease" shall mean where applicable, the lease vesting in the Lessor a leasehold interest pursuant to which the Lesser enters into the Ground Sublease with the Lessee.

"Ground Sublease" shall mean a ground sub-sublease between the Lessee and the Lessor, pursuant to which the Lessor shall sublease the Land to the Lessee.

"Initial Lease Term" and "Renewal Lease Terms" shall mean, respectively, the Initial Lease Term and the Renewal Lease Terms set forth in a Schedule to the Master Lease Agreement.

"Interest Portion" shall mean the portion of each Basic Rent Payment constituting interest as evidenced by the Certificates.

"Issue Date" shall mean the date so designated in the applicable Schedule to the Master Lease Agreement for the respective Series of Certificates.

"Land" shall mean the real property on which a Project is, or is to be, located, as described in a schedule to the Master Lease Agreement.

"Master Lease Agreement" shall mean, collectively, the amended and restated Master Lease Agreement with Option to Purchase dated as of February 1, 2009, amending and restating a Master Lease Agreement with Option to Purchase, dated as of November 1, 2001, and the Schedules attached thereto and a "Series Master Lease Agreement" or "Lease" shall mean the Amended and Restated Master Lease Agreement with Option to Purchase dated as of February 1, 2009, amending and restating a Master Lease Agreement with Option to Purchase, dated as of November 1, 2001 and the particular Schedule relating to a Series of Certificates.

"Lease Purchase Revenues" shall mean all amounts paid and collected pursuant to or with respect to the Master Lease Agreement, including, without limiting the generality of the foregoing, all payments of Rent Payments, prepayments, Net Proceeds of insurance, or condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in the Lessee's Funds established pursuant to the Trust Indenture.

"Lease Term" shall mean, collectively, the Initial Lease Term and all exercised Renewal Lease Terms for each respective Series of Certificates.

"Lessee" shall mean the Department.

"Lessee's Funds" shall mean, collectively, the Project Fund, the Rent Payment Fund, the Optional Prepayment Fund, the Extraordinary Prepayment Fund, the Special Prepayment Fund and the Reserve Fund and, as relates to a Series of Certificates, the applicable Accounts and Subaccounts therein.

"Lessor" shall mean Florida Correctional Finance Corporation, a Florida not-for-profit corporation, as lessor under the Master Lease Agreement.

"Lien", as applied to the property of any Person, shall mean (in each case, whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise): (a) any mortgage, lien, pledge, attachment, charge, finance, lease, conditional sale or other title retention agreement, or other security interest or encumbrance of any kind in respect of any property of such Person, or upon the income or profits therefrom; and (b) any arrangement, express or implied, under which any property of such Person is transferred, sequestered or otherwise identified for the purpose of securing indebtedness or performance of any other obligation in priority to the payment of the general unsecured creditors of such Person.

"Master Trust Indenture" or "Trust Indenture" shall mean the Amended and Restated Master Trust Indenture dated as of February 1, 2009, amending and restating a Master Trust Indenture dated as of November 1, 2001, between the Trustee and the Lessor, together with each Supplemental Indenture.

"Maximum Interest Rate" shall mean as of any date of determination the maximum rate of interest allowed pursuant to Section 215.422, Florida Statutes.

"Maximum Lease Term" shall mean the Maximum Lease Term set forth in the respective Schedule to the Master Lease Agreement for each Project.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency.

"Mortgage" or "Mortgage and Security Agreement" shall mean a Mortgage and Security Agreement executed by the Corporation in favor of the Trustee securing certain Certificates.

"Net Proceeds" shall mean proceeds from any insurance, condemnation award, performance bond, or any other financial guaranty (except that Net Proceeds shall not include any proceeds of the Municipal Bond Insurance Policy) or sale proceeds paid with respect to or for a Project remaining after payment therefrom of all expenses including attorney's fees incurred in the collection thereof; and, with respect to insurance, to the extent that the Department selects to self-insure under section 9(e) of the Master Lease Agreement, any moneys payable from any appropriation to the Department in connection with such self-insurance.

"Obligations" shall mean the obligations existing or arising under the Mortgage by reason of (1) a Series Master Lease Agreement, a Series Trust Indenture, or any of the Certificate Documents, including any renewals, extensions, modifications or substitutions thereof; (2) all amounts due to a Bond Insurer; (3) any expenditures made by the Mortgagee, including, without limitation, sums expended for professional fees and costs, abstracting or title work; (4) any sums expended by the Mortgagee to cure any defaults of the Mortgagor or the Commission under a Series Trust Indenture, a Series Master Lease Agreement, or any of the other Certificate Documents; or (5) any other cost or expense which, by the terms of the Certificate Documents, may be the subject of reimbursement to the Mortgagee by the Mortgagor or the Commission and, in addition thereto, all interest and premium thereon.

"Offering Statement" shall mean the Offering Statement relating to a Series of Certificates and any documents incorporated therein by reference.

"Operator" shall mean the non governmental entity operating a Project on behalf of the Lessee pursuant to a Management Agreement.

"Option" shall mean the purchase option in favor of the Department set forth in Section 17.2 of the Master Lease Agreement.

"Option Price" shall have the meaning set forth in Section 17.2(a) of the Master Lease Agreement.

"Option Notice" shall have the meaning set forth in Section 17.2(c) of the Master Lease Agreement.

"Optional Prepayment" shall mean an Optional Prepayment of the Principal Portion of Certificate Principal Payments representing an undivided interest in the Principal Portion of Basic Rent Payment pursuant to Section 4.02 of the Trust Indenture.

"Optional Prepayment Fund" shall mean the Optional Prepayment Fund so designated and established pursuant to Section 5.01(c) of the Trust Indenture.

"Outstanding" shall mean, as of the date of determination all Certificates theretofore issued, authenticated and delivered pursuant to the Trust Indenture except (i) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other certificates shall have been authenticated and delivered by the Trustee pursuant to the Trust Indenture, (iii) Certificates which have been deemed surrendered for prepayment or mandatory purchase and for which the Trustee holds in trust for the Owners the Prepayment Price or the purchase price of such Certificates, and (iv) Certificates paid or deemed to be paid pursuant to Article XII of the Trust Indenture.

"Owner" or "Certificate Owner" shall mean the owner of a Certificate as shown on the Certificate Register kept pursuant to Section 2.10 of the Trust Indenture.

"Paying Agent" shall mean the Trustee.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof or any other entity.

"Premium Portion" shall mean the Premium Portion, if any, of Basic Rent Payment due under the Master Lease Agreement upon an Optional Prepayment.

"Prepayment Date" shall mean with respect to a Series of Certificates, its Prepayment Date as set in accordance with Article IV of the Trust Indenture.

"Prepayment Option" shall mean the right of the Department to prepay the amounts due under the Master Lease Agreement with respect to one or more Series of Certificates pursuant to Section 17.1 thereof.

"Prepayment Price" shall mean, with respect to any Certificate (or portion thereof) the Certificate Principal Payments represented by such Certificate (or portion thereof) including the Premium Portion, if any, plus the Certificate Interest Payments accrued thereon, if any, to the Prepayment Date payable upon presentation thereof pursuant to Article IV of the Trust Indenture.

"Principal and Interest Payments" shall mean the payments of principal and interest to be made by the Department pursuant to the schedule of Basic Rent Payments set forth in the respective Schedules to the Master Lease Agreement.

"Principal Office" of the Trustee or the Paying Agent shall mean the designated corporate trust office of the Trustee initially located in Jacksonville, Florida.

"Principal Portion" shall mean the portion of each Basic Rent Payment constituting principal, if any, as evidenced by the Certificates.

"Private Correctional Facility" shall mean any facility, which is not operated by the State of Florida Department of Corrections, for the incarceration of adults or juvenile who have been sentenced by a court and committed to the custody of the State of Florida Department of Corrections and shall include any facility defined as a private correctional facility in Section 944.710, Florida Statutes, as amended.

"Proceeds" shall mean the aggregate moneys paid by the Underwriter for a Series of Certificates to the Trustee.

"Project" shall mean a Project as set forth on a Schedule to the Master Lease Agreement which could be a Private Correctional Facility or a State Correctional Institution.

"Project Fund" shall mean the Project Fund created and established with the Trustee pursuant to Section 5.01(a) of the Trust Indenture with respect to the Proceeds and a Project which consists of the Acquisition Account, the Capitalized Interest Account and the Costs of Issuance Account, including any subaccounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Qualified Investments" shall include any of the securities set forth in the definition of Qualified Investments in the respective Supplemental Trust Indenture, if and to the extent the same are at the time legal under State law for investment of the Lessee's Funds.

"Rebate Account" shall mean the Rebate Account created and established with the Trustee pursuant to Article VIII of the Trust Indenture with respect to the Master Lease Agreement, including any subaccounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Record Date" shall mean fifteen (15) days prior to each Certificate Payment Date.

"Refinanced Projects" shall mean the Series 1995B Project, the Series 1995C Project, the Series 2004 Project, and the Series 2006A Project.

"Refunded Certificates" shall mean the Series 1995B Certificates, the Series 1995C Certificates, the Series 2004 Certificates, and the Series 2006A Certificates.

"Registrar" shall mean the Trustee, or its successor as Registrar.

"Rent" or "Rent Payments" shall mean, collectively, Basic Rent, Supplemental Rent and all other amounts due under the Master Lease Agreement.

"Rent Payment Fund" shall mean the fund by that name established pursuant to Section 5.01(b) of the Trust Indenture.

"Reserve Fund" shall mean the Reserve Fund created pursuant to Section 5.01(e) of the Trust Indenture, including any Accounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Reserve Fund Surety" shall mean a letter of credit, surety bond, debt service reserve fund insurance policy or similar financial instrument acceptable to the Bond Insurer for each Series of Certificates which is designed to satisfy all or any portion of the Reserve Requirement.

"Reserve Requirement" shall mean a Reserve Fund Surety providing coverage equal to, and/ or funds in an amount equal to the lesser of (i) ten percent (10%) of the proceeds of a Series of Certificates, (ii) maximum annual debt service on such Series of Certificates, or (iii) one hundred twenty-five percent (125%) of the average annual debt service on such Series of Certificates, which shall be deposited to the Reserve Fund on the Issue Date from Proceeds or such other amount as shall be designated in a Supplemental Indenture with respect to a specific Series of Certificates.

"Schedule" shall mean a Schedule to the Master Lease Agreement relating to a specific Project.

"Series" or "Series of Certificates" shall mean and refer to a separate series of Certificates issued pursuant to the Master Indenture and pursuant to a Supplemental Trust Indenture relating to a specific Project under the Master Lease Agreement. Series Certificates include the Series 2001 Certificates, the Series 2004 Certificates, the Series 2006A Certificates, the Series 2008A Certificates, the Series 2009A Certificates, and the Series 2009B and 2009C Certificates.

"Series 1995B Certificates" shall mean the Series of Certificates that financed the Series 1995B Project.

"Series 1995B Project" shall mean the acquisition, construction and equipping of the Esmor Polk County Project, a 350 bed, medium security youthful offender correctional facility, consisting of a 5 building complex located on approximately 66.242 acres in unincorporated Polk County, Florida.

"Series 1995C Certificates" shall mean the Series of Certificates that financed the Series 1995C Project.

"Series 1995C Project" shall mean the acquisition, construction and equipping of the Esmor Palm Beach County Project, a 350 bed, medium security youthful offender correctional facility, consisting of a 5 building complex located on approximately 39.921 acres in the City of Pahokee, Palm Beach County, Florida.

"Series 2001 Certificates" shall mean the Series of Certificates that financed the Series 2001 Project.

"Series 2001 Project" shall mean the acquisition and refinancing of the Glades County Facility, the Bay County Facility and the Gadsden County Facility.

"Series 2004 Certificates" shall mean the Series of Certificates that financed the Series 2004 Project, including specifically, the Series 2004A and 2004B Certificates.

"Series 2004 Project" shall mean the acquisition, refinancing and expansion of the Lake City Facility and South Bay Facility.

"Series 2006A Certificates" shall mean the Series of Certificates that financed the Series 2006A Project.

"Series 2006A Project" shall mean the expansion of the Bay County Facility, the Glades County Facility and the Gadsden County Facility and the acquisition and construction of the Graceville Facility.

"Series 2008A Certificates" shall mean the Series of Certificates that financed the Series 2008A Project.

"Series 2008A Project" shall mean the construction and equipping of the correctional facilities and the additional beds at the existing correctional facilities as described in Schedule No. 2008A to the Master Lease Agreement to include at a minimum the 384-bed expansion of the Graceville Facility.

"Series 2009A Certificates" shall mean the Series of Certificates that financed the Series 2009A Project.

"Series 2009A Project" shall mean the acquisition, construction and equipping of a new 2000-bed adult male medium/close security Private Correctional Facility in Santa Rosa County, Florida, including land and equipment relating thereto. The Series 2009A Project may be referred to as the "Blackwater River Correctional Facility" or the "Blackwater Facility."

"Series 2009B&C Certificates" shall mean the Series of Certificates that financed the Series 2009B&C Project, including specifically, the Series 2009B Certificates and the Series 2009C Certificates.

"Series 2009B&C Project" shall mean the construction and equipping of State Correctional Institutions in various Florida counties.

"Series 2015A Lease" shall mean the Master Lease Agreement as supplemented by Schedule No. 2015A.

"Series 2015A Rent Payment Account" shall mean the Series 2015A Rent Payment Account established in Section 301 of the Series 2015A Supplemental Trust Indenture.

"Series 2015A Reserve Account" shall mean the Series 2015A Reserve Account established in Section 301 of the Series 2015A Supplemental Trust Indenture.

"Series 2015A Reserve Requirement" shall mean initially \$11,613,561, which amount may not exceed the lesser of (i) the maximum principal portion and interest portion of Basic Rent Payments represented by the Series 2015A Certificates in the current or any subsequent Fiscal Year; (ii) one hundred twenty-five percent (125%) of the average principal portion and interest portion of Basic Rent Payments represented by the Series 2015A Certificates in the current or any subsequent Fiscal Year; and (iii) the maximum amount permitted by the Code, but in all events, subject to the release of funds as provided in the Trust Indenture.

"Series 2015A Supplemental Trust Indenture" shall mean the Series 2015A Supplemental Trust Indenture dated as of January 1, 2015.

"Series 2015A Certificates" shall mean the \$99,625,000 Certificates of Participation, Series 2015A Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made by the Florida Department of Management Services, as Lessee, pursuant to a Master Lease Agreement with Option to Purchase with Florida Correctional Finance Corporation, as Lessor.

"Special Counsel" shall mean Bryant Miller Olive P.A., Tallahassee, Florida, or any other law firm of nationally recognized bond counsel familiar with the transactions contemplated under the Certificate Documents.

"Special Prepayment Fund" shall mean the Special Prepayment Fund created pursuant to Section 5.01(f) of the Trust Indenture, including any Accounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Standard & Poor's" or "S&P" shall mean Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency.

"State" shall mean the State of Florida.

"State Correctional Institution" shall mean any prison, road camp, prison industry, prison forestry camp or any prison camp or prison farm or other correctional facility, temporary or permanent, in which prisoners are housed, worked, or maintained, under the custody and jurisdiction of the State of Florida Department of Corrections and shall include any facility defined as a state correctional institution in Section 944.02, Florida Statutes, as amended.

"Supplemental Indenture" shall mean, with respect to any Series of Certificates, any Supplemental Indenture executed and delivered in accordance with the provisions of the Trust Indenture setting forth the particular provisions relating to the Series of Certificates.

"Supplemental Rent" shall have the meaning set forth in Section 2.4 of the Master Lease Agreement.

"Term Certificates" shall mean Certificates so designated in a Supplemental Indenture.

"Trust Estate" shall mean, collectively, the moneys, funds and rights set forth in the granting clause of the Trust Indenture.

"Trustee" shall mean U.S. Bank National Association, Jacksonville, Florida, as successor to Wachovia Bank, National Association, as Trustee under the Trust Indenture and its successors thereunder.

"Underwriter" shall mean the investment banking firm or firms set forth in the Schedule relating to a Series of Certificates.

APPENDIX C-2

**AMENDED AND RESTATED
MASTER TRUST INDENTURE**

by

**FLORIDA CORRECTIONAL FINANCE CORPORATION,
as Lessor**

to

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

and

accepted by

**STATE OF FLORIDA
DEPARTMENT OF MANAGEMENT SERVICES**

Dated as of February 1, 2009
Amending and Restating a
Master Trust Indenture
Dated as of November 1, 2001

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EXHIBIT A - FORM OF CERTIFICATES

MASTER TRUST INDENTURE

THIS MASTER TRUST INDENTURE (as supplemented, this "Trust Indenture") is entered into by and among U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States as successor in interest to FIRST UNION NATIONAL BANK, (the "Trustee"), and FLORIDA CORRECTIONAL FINANCE CORPORATION (the "Lessor"), as accepted by the STATE OF FLORIDA DEPARTMENT OF MANAGEMENT SERVICES (the "Department"), as successor agency to the CORRECTIONAL PRIVATIZATION COMMISSION (the "Commission"). This Trust Indenture is made and entered into as of February 1, 2009 and amends and restates a Master Trust Indenture dated as of November 1, 2001.

W I T N E S S E T H:

WHEREAS, pursuant to Ch. 93-406, Laws of Florida, the Commission was created for the purpose of entering into contracts for the designing, financing, leasing, acquiring, constructing and operating of private correctional facilities; and

WHEREAS, pursuant to the Act then in effect and the laws and Constitution of the State of Florida, the Commission was authorized to and did enter into a Master Lease Agreement with Option to Purchase with Lessor, dated as of November 1, 2001 (the "Original Lease Purchase Agreement") relating to the acquisition, construction and equipping of correctional facilities to be located in the State of Florida (collectively, the "Projects"); and

WHEREAS, in order to accomplish the financing or refinancing of the Projects, the Lessor agreed to, among other things, acquire the Projects for and on behalf of the Commission; and

WHEREAS, by resolutions duly adopted by the Lessor, the Lessor authorized (i) the execution and delivery by the Lessor of the Original Lease Purchase Agreement, as Lessor and (ii) the assignment of the Original Lease Purchase Agreement and all Schedules thereto to the Trustee for the purpose of financing the Projects; and

WHEREAS, the Commission (i) previously acknowledged and accepted a Master Trust Indenture entered into by the Trustee and Lessor, dated as of November 1, 2001 (the "Original Trust Indenture") and (ii) simultaneously therewith, agreed, pursuant to the terms of the Original Lease Purchase Agreement, to lease a Project from the Lessor and make rent payments sufficient in amounts and payable at times so as to provide for the payment when due of the Certificate Principal Payments and the Certificate Interest Payments, and any premium on the Certificates, and for the making of the other payments provided for in the Original Trust Indenture and in the Original Lease Purchase Agreement; and

WHEREAS, the Lessor, the Commission and the Trustee, as applicable, have entered into Schedules to the Original Lease Purchase Agreement. Supplements to the Original Trust Indenture and certain Assignments relating thereto; and

WHEREAS, the Lessor, by the terms of the Original Trust Indenture and the Assignments, has previously assigned all of its Lease Rights (including without limitation its right in and to the Basic Rent Payments required by the terms of the Original Lease Purchase Agreement to be paid to the Lessor by the Commission) to the Trustee in trust for the benefit of the Owners from time to time of the Certificates; and

WHEREAS, pursuant to Ch. 2008-248, Laws of Florida, the Commission was abolished and the Department was designated as the successor agency for all contracts previously entered into by the Commission, including the Original Lease Purchase Agreement and all Schedules thereto and the Original Trust Indenture and all Supplements thereto; and

WHEREAS, pursuant to Section 255.25(1)(c), Florida Statutes, the Department has the independent authority to approve a lease-purchase, sale-leaseback or tax-exempt leveraged lease contract or other financing technique for the acquisition, renovation or construction of a state fixed capital outlay project; and

WHEREAS, the Legislature has requested the Department lease-purchase finance State Correctional Institutions (as hereinafter defined) on behalf of the Florida Department of Corrections under this Master Trust Indenture; and

WHEREAS, the Department, the Lessor and the Trustee desire to amend and restate the Original Lease Purchase Agreement and simultaneously therewith the Original Master Trust Indenture for, among other purposes, to clarify that State Correctional Institutions, including equipment, fixtures and furnishings thereto, may be financed, acquired, leased, lease-purchased, constructed, operated, equipped pursuant to such Amended and Restated Lease Purchase Agreement (the "Lease Purchase Agreement"); and

WHEREAS, the Certificates shall be secured solely as provided herein, it being expressly agreed that neither the Certificates nor the interest thereon shall be or constitute a general obligation of the Department, a pledge of the faith and credit of the Department, a lien upon any property of the Department including any of the Projects, but shall constitute a lien only upon the rentals or proceeds thereof as provided in this Trust Indenture and the Assignment; and

WHEREAS, the Department has (1) approved of the Lessor's undertaking the acquisition, construction and equipping of Projects; (2) approved the issuance of the Certificates to finance Projects; (3) agreed to the terms of the Lease Purchase Agreement and of this Amended and Restated Master Trust Indenture (the "Trust Indenture") and authorized the execution of the Lease Purchase Agreement and acceptance of this Trust Indenture on its behalf by the Authorized Representative of the Department; and (4) agreed to accept title to a Project upon termination of the Lease Purchase Agreement relating to such Project and the payment of all the related Certificates of a Series and all amounts due the respective Bond Insurer, if any, free and clear of all encumbrances except the Permitted Encumbrances; and

WHEREAS, the Department and the Lessor have, by resolutions duly passed and adopted, approved of the terms of this Trust Indenture and of the Lease Purchase Agreement, and have authorized the acceptance or execution, as the case may be, of this Trust Indenture by the respective Authorized Representative; and

WHEREAS, the Lessor has represented and does hereby represent that it has full power and authority to execute this Trust Indenture, to acquire either a leasehold interest in the Land under a Ground Lease or to acquire the fee title to the Land, and to lease the Projects, and to pledge its rights under the Lease Purchase Agreement in and to the leases and other receipts thereunder as security for a Series of Certificates, and that the Board of Directors of the Lessor has taken all action required by law to authorize its officers to execute, acknowledge and deliver this Trust Indenture and the Assignment; and

WHEREAS, all things necessary to make the Certificates, when executed and authenticated by the Trustee and issued as provided in this Trust Indenture, the valid, binding and legal evidence of an undivided interest in the Rent Payments to be made by the Department under the Lease Purchase Agreement according to the import thereof, and to make this Trust Indenture a valid agreement of the Lessor, in accordance with its terms, and a valid pledge of the rights of the Lessor under the Lease Purchase Agreement in and to the leases, revenues and receipts thereunder as security for the Certificates have been done and performed, and the execution and delivery of this Trust Indenture, and the execution and issuance of the Certificates, subject to the terms hereof, have in all respects been duly authorized; and

WHEREAS, the Trustee has duly accepted the trusts created by this Trust Indenture and as evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

For and in consideration of the premises, the mutual covenants of the Lessor and the Trustee, and the purchase of the Certificates by Owners thereof and in order to secure the payment of the principal portion of and premium portion, if any, and interest portion on the Certificates according to their tenor and effect and the performance and observance by the Lessor of all the covenants expressed or implied herein and in the Certificates, the Lessor does hereby grant, bargain, sell, convey, assign, grant a security interest in and pledge unto the Trustee and unto its successors in trust, and to it and its assigns forever to secure the Certificates and the payments of the Basic Rent Payments to be made in accordance therewith, the following described rights and properties (collectively, with the rights of the Trustee under the Assignment and the Mortgage, the "Trust Estate"):

1. The Lease Purchase Agreement and the Lease Rights thereunder (including without limitation the rights to receive the Rent Payments and Net Proceeds and to enforce the covenants thereunder); and

2. Moneys in the Project Fund, the Rent Payment Fund, the Optional Prepayment Fund, Extraordinary Prepayment Fund, Special Prepayment Fund and the Reserve Fund but excluding any moneys in the Rebate Account; and

3. An interest in any and all items of personal property acquired with the proceeds of the Certificates as part of a Project (the "Equipment"), provided, however, that the Trust Estate with respect to any Series of Certificates shall only include the respective Series Lease Purchase Agreement, the respective Accounts or Subaccounts relating to the Series of Certificates held in the Funds listed in paragraph 2 above, and the items of Equipment acquired with the proceeds of a Series of Certificates.

In addition to the foregoing, the Lessor has simultaneously herewith, executed and delivered the Assignment to the Trustee to secure the obligations of the Lessor under the Certificates and hereunder, all in the manner and to the extent provided therein.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby and hereafter conveyed and assigned, or agreed to or intended so to be, to the Trustee and its respective successors and assigns in said trust forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all Owners of the Certificates issued under and secured by this Trust Indenture without privilege, priority or distinction as to the lien created by this Trust Indenture or otherwise of any of the Certificates over any of the others of the Certificates, except as expressly provided herein;

PROVIDED, HOWEVER, that if the Department, its successors or assigns, shall well and truly pay, or cause to be paid, the principal portion and premium portion, if any, of each Series of Certificates and the interest portion due or to become due thereon, at the time and in the manner mentioned in such Series of Certificates, according to the true intent and meaning thereof, and shall cause the payments to be made into the respective Accounts and Subaccounts of the various Funds as required hereunder, or shall provide, as permitted hereby, for the payment thereof as provided in Article XII of this Trust Indenture, and shall well and truly keep, perform and observe all the covenants and conditions of this Trust Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then, upon such final payments or provision for such payments by the Department, this Trust Indenture and the rights hereby granted shall cease, terminate and be void and all rights and interests in a Project shall vest in the Department; otherwise this Trust Indenture to be and remain in full force and effect.

The terms and conditions upon which the Certificates are to be issued, authenticated, delivered, secured and accepted by all persons who from time to time shall be or become the holders thereof, and the trusts and conditions upon which the revenues pledged are to be held and disposed of, which said trusts and conditions the Trustee hereby accepts, and the respective parties hereto covenant and agree, are as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. Unless the context otherwise requires, as used in this Trust Indenture the defined terms shall each have the respective meanings set forth in this Section 1.01. Use of the masculine, feminine or neuter gender herein and therein is for convenience of reference only and each shall be deemed to mean and include the other genders whenever and wherever appropriate. The singular of each word defined includes the plural and the plural includes the singular whenever and wherever appropriate. Reference to any Certificate Document or any other document or agreement shall mean such document or agreement as same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

"Act" shall mean Chapters 20, 255, 287, 944 and 957, Florida Statutes and the Constitution of the State of Florida, as amended.

"Additional Interest" shall mean interest at the Maximum Interest Rate accrued as Supplemental Rent under the Lease Purchase Agreement.

"Applicable Law" shall mean all applicable provisions of all constitutions, statutes, ordinances, rules, regulations and orders of all governmental and quasi-governmental bodies, all Governmental Approvals and all orders, judgments and decrees of all courts and arbitrators.

"Acquisition Account" shall mean the Acquisition Account of the Project Fund created by Section 5.01 hereof.

"Assignment" shall mean the respective Assignment of Leases, Rents and Profits by the Lessor to the Trustee assigning all of the Lessor's rights under the Lease Purchase Agreement to the Trustee for the benefit of the Owners of the Certificates.

"Attorneys' Fees" shall mean reasonable attorneys' and paralegals' fees, reasonable expenses and court costs through all trial and appellate levels and post-judgment proceedings and bankruptcy proceedings.

"Authorized Denominations" shall mean \$5,000, or any integral multiple of \$5,000 in excess thereof, or such other amount as may be set forth in a Supplemental Indenture with respect to a specific Series of Certificates.

"Authorized Representative" shall mean (1) with respect to the Lessee, the Secretary of the Department or any other person designated by the Secretary of the Department as an Authorized Representative of the Department in a certificate filed with the Trustee and (2) with respect to the Lessor, any person or persons designated as Authorized Representative by the Lessor to the Trustee in writing.

"Balance Due Lessor" shall mean the applicable amount as described in Section 2.8 of the Lease Purchase Agreement.

"Basic Rent" or "Basic Rent Payment" shall mean the Basic Rent Payments set forth in the applicable Schedule to the Lease Purchase Agreement.

"Basic Rent Payment Date" shall mean each Basic Rent Payment Date set forth in the applicable Schedule to the Lease Purchase Agreement.

"Bond Insurer" shall mean, with respect to a Series, any issuer of municipal bond or certificate of insurance which is authorized to conduct business in the State and on the basis of such insurance the debt obligations so insured are rated in the highest debt category by at least one of Moody's, Fitch or S&P's and the successors thereof at the time of issuance of such Series of Certificates.

"Budget" shall mean the Budget for a Project set forth in an applicable Schedule to the Lease Purchase Agreement.

"Building" or "Buildings" shall mean the physical structures described in a Schedule to the Lease Purchase Agreement properly equipped as a correctional facility constructed or to be constructed on the Land.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banks located in the U.S. city in which the Principal Office of the Trustee is located are required or authorized by law to remain closed or on which the New York Stock Exchange is closed.

"Capitalized Interest Account" means the Capitalized Interest Account created and established within the Project Fund by the Trustee pursuant to Section 5.01(a) of the Trust Indenture with respect to the Certificates and the Proceeds.

"Certificate Documents" shall mean, at any time, each of the following as in effect or as outstanding, as the case may be at such time: (i) the Certificates, (ii) the Trust Indenture, (iii) the Certificate Purchase Contract, (iv) the Lease Purchase Agreement and the respective Schedules, and any sub-leases thereunder (v) the Assignment, and (vi) where applicable, the Ground Lease, the Ground Sublease, and the Underlying Lease.

"Certificate Interest Payment" shall mean the Certificate Payments representing undivided interests in the Interest Portion of the Basic Rent Payments under the Lease Purchase Agreement.

"Certificate Interest Payment Date" shall mean a Basic Rent Payment Date upon which an Interest Portion of Basic Rent Payment is due.

"Certificate Maturity Date" shall mean the date upon which the Certificate Principal Payment represented by such Certificate matures.

"Certificate Owners" or "Owners" shall mean the registered owners of the Certificates of Participation in accordance with the Trust Indenture.

"Certificate Payment Date" shall mean each semi-annual Certificate Payment Date set forth in the applicable Schedule.

"Certificate Payments" shall mean the Certificate Principal Payments and the Certificate Interest Payments.

"Certificate Principal Payment" shall mean the Certificate Payments representing undivided interests in the Principal Portion of a Basic Rent Payment under the Lease Purchase Agreement.

"Certificate Principal Payment Date" shall mean a Basic Rent Payment Date upon which a Principal Portion of Basic Rent Payment is due.

"Certificate Purchase Contract" shall mean the Certificate Purchase Contract relating to each Series of Certificates among the Lessor, the Department and the Underwriter as set forth in the Supplemental Indenture related to such Series of Certificates.

"Certificate Register" or "Register" shall mean the register provided for by Section 2.10 of the Trust Indenture and kept for such purpose by the Trustee with respect to the Certificates.

"Certificate Year" shall mean each twelve (12) month period beginning July 1 and ending on June 30.

"Certificates" or "Certificates of Participation" shall mean the Certificates of Participation, executed, authenticated and delivered by the Trustee pursuant to the Trust Indenture.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Completion Certificates" shall mean any Completion Certificates issued pursuant to Section 2.18 hereof on a parity with a Series of Certificates to expand a Project.

"Completion Date" shall mean the actual date of final completion of the acquisition, construction and equipping of all portions of a Project.

"Concluding Payment" shall mean, as of any Basic Rent Payment Date, that amount which (assuming the Basic Rent Payment due on that date has been made) is necessary to prepay all of the Certificate Principal Payments evidenced by the Outstanding Certificates, including the Premium Portion, if any, as set forth in a respective Schedule to the Lease Purchase Agreement and interest accrued thereon to such Basic Rent Payment Date plus all other amounts due under the Lease Purchase Agreement.

"Contractor" shall mean the Person providing general contractor or similar construction services to the Department with respect to a Project, as identified on a Schedule relating to such Project.

"Costs" shall mean the costs (other than Costs of Issuance) identified in the Budget which shall include all costs of acquisition of the Land and of construction and equipping of a Project and may include, but are not limited to, interest under the Lease Purchase Agreement, but only during the period prior to placing a Project in service and the two months immediately thereafter, and may also include items such as site preparation, architectural and engineering fees, design fees, development fees and other fees for professional services related to the design or construction of such Project, the Department's administrative expenses related to a Project and may also include the cost of functionally related equipment and construction management fees

and any similar fees or costs; provided however, that in the case of the refinancing of a Project through the issuance of a Series of Certificates, Costs shall mean the cost of such refinancing (other than Cost of Issuance) as certified by the Lessor.

"Costs of Issuance" shall mean the expenses incurred in issuing the Certificates, including without limitation, advertising and printing costs, financial advisors and counsel fees (which may include fees for Counsel to the Department and the Department's administrative expenses related to the financing of a Project), underwriting and placement fees and expenses (including counsel fees and expenses) and commissions, fees of rating agencies, municipal bond insurance premiums, initial fees and expenses (including counsel fees and expenses) of the Trustee, paying agents and certifying or authenticating agents.

"Costs of Issuance Account" shall mean the Costs of Issuance Account created and established within the Project Fund by the Trustee pursuant to Section 5.01(a) of the Trust Indenture with respect to the Certificates and the Proceeds.

"Counties" shall mean collectively, each County.

"County" shall mean any county within the State in which a Project is located.

"Dated Date" shall mean the Dated Date of a Series of Certificates set forth in the respective Supplemental Trust Indenture.

"Department" shall mean the State of Florida Department of Management Services.

"Directive" shall mean an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Trustee pursuant to the respective Supplemental Trust Indenture, or their lawful attorneys-in-fact, representing no less than fifty-one percent (51%) of the aggregate Certificate Principal Payments of a Series represented by the then Outstanding Certificates of the Series or by the respective Bond Insurer if a Municipal Bond Insurance Policy relating to a Series of Certificates is in effect and the Bond Insurer is not in default of its obligations thereunder.

"Equipment" shall mean, collectively, the items of personal property included in a Project.

"Event of Default" shall mean the occurrence of an Event of Default under Section 10.01 of the Trust Indenture.

"Event of Extraordinary Prepayment in Part" shall have the meaning set forth in Section 4.03.1 of the Trust Indenture.

"Event of Extraordinary Prepayment in Whole" shall have the meaning set forth in Section 4.03.1 of the Trust Indenture.

"Event of Lease Default" shall mean the occurrence of an Event of Default under Section 11 of the Lease Purchase Agreement.

"Event of Mandatory Prepayment" shall mean the occurrence of an event described in Section 16.2 of the Lease Purchase Agreement.

"Event of Non-Appropriation" shall have the meaning set forth in Section 2.6.1 of the Lease Purchase Agreement.

"Event of Optional Prepayment" shall mean a prepayment described in Section 4.02 of the Trust Indenture.

"Event of Special Mandatory Prepayment" shall mean a prepayment described in Section 4.03.2 of the Trust Indenture.

"Extraordinary Prepayment Fund" shall mean the Extraordinary Prepayment Fund so designated and established pursuant to Section 5.01(d) of the Trust Indenture.

"Financial Newspaper or Journal" shall mean The Wall Street Journal or The Bond Buyer or, in the absence of its publication, any other newspaper or journal containing financial news, printed in the English language, customarily published on each business day with a national circulation and customarily relied upon by the financial community, and selected by the Trustee, whose decision shall be final and conclusive.

"First Optional Prepayment Date" shall mean the First Optional Prepayment Date set forth in a Schedule to the Lease Purchase Agreement.

"Fiscal Year" shall mean each twelve-month period beginning July 1 and ending on the next succeeding June 30.

"Fitch" shall mean Fitch, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency.

"Governmental Approval" shall mean an authorization, permit, consent, approval, license or exemption from, registration or filing with, or report to, any governmental or regulatory unit.

"Governmental Obligations" shall mean securities which are direct full faith and credit obligations of the United States and securities which are unconditionally guaranteed by the United States as to payment of principal and interest and such additional securities as may be permitted with respect to the defeasance of a Series of Certificates in the Supplemental Indenture applicable to such Series of Certificates..

"Ground Lease" shall mean a ground sublease between the Lessor and the Lessee, pursuant to which the Lessee shall sublease the Land to the Lessor.

"Ground Sublease" shall mean a ground sub-sublease between the Lessee and the Lessor, pursuant to which the Lessor shall sublease the Land to the Lessee.

"Initial Lease Term" and "Renewal Lease Terms" shall mean, respectively, the Initial Lease Term and the Renewal Lease Terms set forth in a Schedule to the Lease Purchase Agreement.

"Initial Lease Termination Date" shall mean the termination date of the Initial Lease Term set forth in a Schedule to the Lease Purchase Agreement.

"Interest Portion" shall mean the portion of each Basic Rent Payment constituting interest as evidenced by the Certificates.

"Interest Rates" shall mean the Interest Rates set forth in a Schedule to the Lease Purchase Agreement.

"Investment Property" shall mean "investment property" as such term is used in Sections 103 and 148 of the Code.

"Issue Date" shall mean the date so designated in the applicable Schedule to the Lease Purchase Agreement for the respective Series of Certificates.

"Item Purchase Price" shall mean the portion of the total invoice cost to be financed under the Lease Purchase Agreement (which may include charges for installation, delivery or preparation, on-site testing, or similar charges) for an item of Equipment, as identified in the Requisition submitted to the Trustee for payment for such item of Equipment.

"Land" shall mean the real property on which a Project is, or is to be, located, as described in Exhibit B to the Lease Purchase Agreement or any real property added to Exhibit B in conjunction with the delivery of a Schedule.

"Lease Commencement Date" shall mean the Lease Commencement Date set forth in a Schedule to the Lease Purchase Agreement.

"Lease Purchase Agreement" shall mean, collectively, the Master Lease Agreement with Option to Purchase dated as of November 1, 2001, as amended and restated as of February 1, 2009, between the Department and the Lessor and the Schedules attached thereto and a "Series 2009A Lease Purchase Agreement" shall mean the Master Lease Agreement with Option to Purchase dated as of November 1, 2001 and amended and restated as of February 1, 2009, and the particular Schedule relating to a Series of Certificates.

"Lease Purchase Rent" shall mean, collectively, Basic Rent, Supplemental Rent and all other amounts due under such Lease Purchase Agreement.

"Lease Purchase Revenues" shall mean all amounts paid and collected pursuant to or with respect to the Lease Purchase Agreement, including, without limiting the generality of the foregoing, all payments of Rent Payments, prepayments, Net Proceeds of insurance, or condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in the Lessee's Funds established pursuant to the Trust Indenture.

"Lease Rights" shall have the meaning set forth in Section 16.1 of the Lease Purchase Agreement.

"Lease Term" shall mean, collectively, the Initial Lease Term and all exercised Renewal Lease Terms for each respective Series of Certificates.

"Lease Termination Date" shall have the meaning set forth in the applicable Schedule to the Lease Purchase Agreement relating to a respective Series of Certificates.

"Lessee" shall mean the State of Florida Department of Management Services, its successors and assigns.

"Lessee's Funds" shall mean, collectively, the Project Fund, the Rent Payment Fund, the Optional Prepayment Fund, the Extraordinary Prepayment Fund, the Special Prepayment Fund and the Reserve Fund and, as relates to a Series of Certificates, the applicable Accounts and Subaccounts therein.

"Lessor" shall mean Florida Correctional Finance Corporation, a Florida not-for-profit corporation, as lessor under the Lease Purchase Agreement.

"Lien", as applied to the property of any Person, shall mean (in each case, whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise): (a) any mortgage, lien, pledge, attachment, charge, finance, lease, conditional sale or other title retention agreement, or other security interest or encumbrance of any kind in respect of any property of such Person, or upon the income or profits therefrom; and (b) any arrangement, express or implied, under which any property of such Person is transferred, sequestered or otherwise identified for the purpose of securing indebtedness or performance of any other obligation in priority to the payment of the general unsecured creditors of such Person.

"Management Agreement" shall mean an Operation and Management Services Contract between the Lessee and an Operator with respect to a Project pursuant to which the Operator will operate and manage a Project on behalf of the Lessee, as such may be extended, renewed, amended or replaced from time to time.

"Materially Adverse Effect" shall mean, (a) with respect to any Person, a materially adverse effect upon such Person's business, assets, liabilities, financial condition, results of operations or business prospects and (b) with respect to any agreement or obligation, a materially adverse effect upon the binding nature, validity or enforceability of such agreement or obligation.

"Maximum Cost" shall mean the Maximum Cost set forth in the respective Schedule to the Lease Purchase Agreement for each Project.

"Maximum Interest Rate" shall mean as of any date of determination the maximum rate of interest allowed pursuant to Section 215.422, Florida Statutes.

"Maximum Lease Term" shall mean the Maximum Lease Term set forth in the respective Schedule to the Lease Purchase Agreement for each Project.

"Memorandum of Lease" shall mean a Memorandum of Lease substantially in the form set forth in Exhibit C to the Lease Purchase Agreement.

"Minimum Optional Prepayment Amount" shall mean the amount so designated and set forth in the respective Schedule to the Lease Purchase Agreement for each Project.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency.

"Municipal Bond Insurance Policy" shall mean a financial guaranty insurance policy issued by a Bond Insurer simultaneously with the delivery of a Series of Certificates, insuring the payment of the Certificate Principal Payments and the Certificate Interest Payments with respect to such Series of Certificates.

"Net Proceeds" shall mean proceeds from any insurance, condemnation award, performance bond, or any other financial guaranty (except that Net Proceeds shall not include any proceeds of the Municipal Bond Insurance Policy) or sale proceeds paid with respect to or for a Project remaining after payment therefrom of all expenses including attorney's fees incurred in the collection thereof; and, with respect to insurance, to the extent that the Department or any permitted sub-lessee selects to self-insure as provided under section 9 of the Lease Purchase Agreement, any moneys payable from any appropriation to the Department in connection with such self-insurance.

"Notice by Mail" or "notice" of any action or condition "by Mail" shall mean a written notice meeting the requirements of the Trust Indenture mailed by first-class mail to the Owners of specified Certificates, at the addresses shown on the Certificate Register maintained pursuant to Section 2.10 of the Trust Indenture.

"Notice of Commencement" shall mean a Notice of Commencement duly executed in recordable form and meeting the requirements of Chapter 713, Florida Statutes.

"Offering Statement" shall mean the Offering Statement relating to a Series of Certificates and any documents incorporated therein by reference.

"Operator" shall mean the entity operating a Project on behalf of the Lessee pursuant to a Management Agreement.

"Option" shall mean the purchase option in favor of the Department set forth in Section 17.2 of the Lease Purchase Agreement.

"Option Price" shall have the meaning set forth in Section 17.2(a) of the Lease Purchase Agreement.

"Option Notice" shall have the meaning set forth in Section 17.2(c) of the Lease Purchase Agreement.

"Optional Prepayment" shall mean an Optional Prepayment of the Principal Portion of Certificate Principal Payments representing an undivided interest in the Principal Portion of Basic Rent Payment pursuant to Section 4.02 of the Trust Indenture.

"Optional Prepayment Fund" shall mean the Optional Prepayment Fund so designated and established pursuant to Section 5.01(c) of the Trust Indenture.

"Outstanding" shall mean, as of the date of determination all Certificates theretofore issued, authenticated and delivered pursuant to the Trust Indenture except (i) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other certificates shall have been authenticated and delivered by the Trustee pursuant to the Trust Indenture, (iii) Certificates which have been deemed surrendered for prepayment or mandatory purchase and for which the Trustee holds in trust for the Owners the Prepayment Price or the purchase price of such Certificates, and (iv) Certificates paid or deemed to be paid pursuant to Article XII of the Trust Indenture.

"Owner" or "Certificate Owner" shall mean the owner of a Certificate as shown on the Certificate Register kept pursuant to Section 2.10 of the Trust Indenture.

"Paying Agent" shall mean the Trustee.

"Permitted Encumbrances" shall mean those encumbrances described in a Schedule to the Lease Purchase Agreement that have been approved by the Bond Insurer.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof or any other entity.

"Premium Portion" shall mean the Premium Portion, if any, of Basic Rent Payment due under the Lease Purchase Agreement upon an Optional Prepayment.

"Prepayment Date" shall mean with respect to a Series of Certificates, its Prepayment Date as set in accordance with Article IV of the Trust Indenture.

"Prepayment Option" shall mean the right of the Department to prepay the amounts due under the Lease Purchase Agreement with respect to one or more Series of Certificates pursuant to Section 17.1 thereof.

"Prepayment Price" shall mean, with respect to any Certificate (or portion thereof) the Certificate Principal Payments represented by such Certificate (or portion thereof) including the Premium Portion, if any, plus the Certificate Interest Payments accrued thereon, if any, to the Prepayment Date payable upon presentment thereof pursuant to Article IV of the Trust Indenture.

"Principal and Interest Payments" shall mean the payments of principal and interest to be made by the Department pursuant to the schedule of Basic Rent Payments set forth in the respective Schedules to the Lease Purchase Agreement.

"Principal Office" of the Trustee or the Paying Agent shall mean the designated corporate trust offices of the Trustee initially located in Jacksonville, Florida, and St. Paul, Minnesota.

"Principal Portion" shall mean the portion of each Basic Rent Payment constituting principal, if any, as evidenced by the Certificates.

"Private Correctional Facility" shall mean any facility, which is not operated by the State of Florida Department of Corrections, for the incarceration of adults or juveniles who have been sentenced by a court and committed to the custody of the State Department of Corrections and shall include any facility defined as a private correctional facility in Section 944.710, Florida Statutes, as amended.

"Proceeds" shall mean the aggregate moneys paid by the Underwriter for a Series of Certificates to the Trustee.

"Project" shall mean a Project as set forth on a Schedule to the Lease Purchase Agreement which may be a Private Correctional Facility or a State Correctional Institution.

"Project Fund" shall mean the Project Fund created and established with the Trustee pursuant to Section 5.01(a) of the Trust Indenture with respect to the Proceeds and a Project which consists of the Acquisition Account, the Capitalized Interest Account, the Costs of Issuance Account and the Earnings Account, including any subaccounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Project Site" shall mean the real property on which a Project is located, as more fully set forth on a Schedule applicable to the Lease Purchase Agreement financing all or any portion of such Project.

"Qualified Investments" shall include any of the securities set forth in the definition of Qualified Investments in the respective Supplemental Trust Indenture, if and to the extent the same are at the time legal under State law for investment of the Lessee's Funds.

"Real Estate Taxes" shall mean all real estate taxes, public and governmental charges and assessments, including all extraordinary or special assessments, or assessments against any personal property included in a Project, all costs, expenses and attorneys' fees incurred in contesting or negotiating with public authorities as to any of same and all water, sewer, capital assessments and other similar taxes and charges.

"Rebate Account" shall mean the Rebate Account created and established with the Trustee pursuant to Article VIII of the Trust Indenture with respect to the Lease Purchase Agreement, including any subaccounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Record Date" shall mean fifteen (15) days prior to each Certificate Payment Date.

"Registrar" shall mean the Trustee, or its successor as Registrar.

"Renewal Term Termination Date" shall mean the termination date for such Renewal Lease Term set forth in Exhibit C to the Lease Purchase Agreement.

"Rent" or "Rent Payments" shall mean, collectively, Basic Rent, Supplemental Rent and all other amounts due under the Lease Purchase Agreement.

"Rent Payment Fund" shall mean the fund by that name established pursuant to Section 5.01(b) of the Trust Indenture.

"Requisition" shall mean a completed Requisition in the form of Exhibit A to the Lease Purchase Agreement fully executed by the Department.

"Reserve Deficiency" shall mean the amount by which the balance in the Reserve Fund, from time to time, is less than the Reserve Requirement.

"Reserve Fund" shall mean the Reserve Fund created pursuant to Section 5.01(e) of the Trust Indenture, including any Accounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Reserve Fund Surety" shall mean a letter of credit, surety bond, debt service reserve fund insurance policy or similar financial instrument acceptable to the Bond Insurer for each Series of Certificates which is designed to satisfy all or any portion of the Reserve Requirement.

"Reserve Requirement" shall mean a Reserve Fund Surety providing coverage equal to, and/ or funds in an amount equal to the lesser of (i) ten percent (10%) of the proceeds of a Series of Certificates, (ii) maximum annual debt service on such Series of Certificates, or (iii) one hundred twenty-five percent (125%) of the average annual debt service on such Series of Certificates, which shall be deposited to the Reserve Fund on the Issue Date from Proceeds or such other amount as shall be designated in a Supplemental Indenture with respect to a specific Series of Certificates.

"Retainage Account" shall mean the Retainage Account created by Section 5.01(a) hereof.

"Schedule" shall mean a Schedule to the Lease Purchase Agreement relating to a specific Project.

"Series" or "Series of Certificates" shall mean and refer to a separate series of Certificates issued pursuant hereto and pursuant to a Supplemental Trust Indenture relating to a specific Project under the Lease Purchase Agreement.

"Special Counsel" shall mean a law firm of nationally recognized bond counsel familiar with the transactions contemplated under the Certificate Documents.

"Special Prepayment Fund" shall mean the Special Prepayment Fund created pursuant to Section 5.01(f) of the Trust Indenture, including any Accounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Standard & Poor's" or "S&P" shall mean Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency.

"State" shall mean the State of Florida.

"State Correctional Institution" shall mean any prison, road camp, prison industry, prison forestry camp, or any prison camp or prison farm or other correctional facility, temporary or permanent, in which prisoners are housed, worked, or maintained, under the custody and jurisdiction of the State of Florida Department of Corrections and shall include any facility defined as a state correctional institution in Section 944.02, Florida Statutes, as amended.

"Stipulated Loss Value" shall mean the Stipulated Loss Value computed pursuant to Section 15 of the Lease Purchase Agreement.

"Supplemental Indenture" shall mean, with respect to any Series of Certificates, any Supplemental Indenture executed and delivered in accordance with the provisions of the Trust Indenture setting forth the particular provisions relating to the Series of Certificates.

"Supplemental Rent" shall have the meaning set forth in Section 2.4 of the Lease Purchase Agreement.

"Term Certificates" shall mean Certificates so designated in a Supplemental indenture.

"Third Party Assignment" shall mean, with respect to any Vendor Contract, the assignment of the Lessor's right to acquire the Equipment described in the Vendor Contract for the purchase price set forth therein.

"Trust Indenture" or "Certificate Trust Indenture" shall mean the Master Trust Indenture dated as of November 1, 2001, and amended and restated as of February 1, 2009 between the Trustee and the Lessor as accepted by the Department, together with each Supplemental Indenture.

"Trust Estate" shall mean, collectively, the moneys, funds and rights set forth in the granting clause of the Trust Indenture.

"Trustee's Expenses" shall mean, collectively, all out-of-pocket expenses, disbursements and advances (including reasonable attorneys' fees and expenses) incurred by the Trustee under the Trust Indenture in connection with the Certificates and the Trust Estate.

"Trustee" shall mean U.S. Bank National Association, as Trustee under the Trust Indenture and its successors thereunder.

"Underlying Lease" shall mean with respect to the Gadsden County Facility, the lease between the Board of Trustees of the State of Florida Internal Improvement Fund (the "Board") and the State of Florida Correctional Privatization Department (the "Department") pursuant to which the Board leased the Land for the Gadsden County Project to the Department, and with respect to future Projects to be constructed on lands owned by the State, similar leases to the Department, in each case, permitting the Department to sublease or ground Lease the Land to the Lessor.

"Underwriter" shall mean the investment banking firm or firms set forth in the Schedule relating to a Series of Certificates.

"Vendor" shall mean, with respect to an item of Equipment, the seller thereof to the Lessee or the Trustee as assignee of the Lessee's rights under the Vendor Contract.

"Vendor Contract" shall mean, with respect to an item of Equipment, the contract for purchase thereof.

Section 1.02 Reference to this Trust Indenture. The term this "Trust Indenture" means the Master Trust Indenture as originally executed, as it may from time to time be amended pursuant to the provisions hereof.

The term "Series 2009A Trust Indenture" means this Trust Indenture as supplemented by a Supplemental Trust Indenture relating to a Series of Certificates.

ARTICLE II

DESCRIPTION, AUTHORIZATION, MANNER OF EXECUTION, AUTHENTICATION, REGISTRATION AND TRANSFER OF CERTIFICATES

Section 2.01 Authorization of Certificates, Limitation on Amount of Certificates and Purposes. This Trust Indenture secures one or more Series of Certificates to be issued as hereinafter provided, and creates a continuing pledge as provided by this Trust Indenture to secure the full and final payment of the principal of and prepayment premium, if any, and interest on all of the Certificates in the manner provided herein as the same shall become due and payable.

The Certificates shall be prepared in the respective aggregate principal amounts and designated as set forth in a Supplemental Indenture in one or more series designated as "Certificates of Participation, Series 2009A, Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made By the State of Florida Department of Management Services Pursuant to an Amended and Restated Master Lease Agreement with Option to Purchase with Florida Correctional Finance Corporation, as Lessor." The Certificates may, if and when authorized by this Trust Indenture, be designated with such further appropriate particular designations added to or incorporated in such title for the Certificates of any particular Series as the Department may determine and as may be necessary to distinguish such Certificates from the Certificates of any other Series.

The Proceeds of a Series of Certificates shall be deposited as set forth in Section 5.02 hereof and in the Supplemental Indenture related to such Series of Certificates. The Trustee may at any time, as provided in Sections 2.08, 2.09, 2.11, 2.12 and 2.18 hereof, execute additional Certificates secured by this Trust Indenture.

Each Series of Certificates shall be authorized by the Corporation at the request of the Department and executed and delivered by the Trustee for the purpose of financing the Cost of any Project or portion thereof. Certificates may be also executed and delivered hereunder to refund all or a portion of a Series of Certificates previously executed and delivered hereunder and to pay Costs of Issuance of such Certificates.

Section 2.02 General Provisions Concerning the Certificates.

(a) Each of the Certificates shall contain, except as otherwise provided herein or in the related Supplemental Indenture, the same terms and provisions as each of the other Certificates. Each Series of Certificates shall be granted the pledge of and lien on the portion of the Trust Estate relating to such Series of Certificates, and as may otherwise be provided in a Supplemental Trust Indenture.

(b) The Certificates each shall be dated as of the Dated Date, and the Certificate Principal Payment thereunder shall mature, subject to prior prepayment, upon the terms and conditions set forth in the related Supplemental Indenture, on its respective Certificate Maturity Date. The Certificates shall be issuable only as fully registered Certificates, without coupons, in Authorized Denominations.

(c) The Certificates of each Series shall be numbered from R-1 upward. The Certificate Interest Payments shall be payable from the Certificate Interest Payment Date next preceding the date of registration thereof unless they are registered as of a Certificate Payment Date, in which event such Certificate Interest Payment shall be payable from such Certificate Payment Date, or unless the date of registration thereof is prior to the first Certificate Interest Payment Date, in which event such Certificate Interest Payment shall be payable from the Dated Date; provided, however, that if, as shown by the records of the Trustee, payment of such Certificate Interest Payment shall be in default, such Certificate Interest Payment represented by Certificates issued in exchange for such Certificates (surrendered for transfer or exchange) shall be paid from the last date to which such Certificate Interest Payment has been paid in full or duly provided for, or, if no such Certificate Interest Payment has been paid or duly provided for, from the Issue Date. Certificate Interest Payments shall be paid on each Certificate Payment Date, provided that if any Certificate Payment Date is not a Business Day, the interest represented by such Certificate Interest Payment shall cease to accrue on the date scheduled for payment but shall be paid on the next succeeding Business Day. Payment of such Certificate Interest Payment shall be made to the person appearing on the Certificate Register as the Owner thereof on the Record Date, such Certificate Interest Payment to be paid to such Owner, by check or draft mailed on the Certificate Payment Date to such Owner's address as it appears on the Certificate Register on the Record Date or at such other

address as has been furnished to the Registrar in writing by such Owner five Business Days prior to the Record Date, except that payment of interest to any Owner of at least \$1,000,000 aggregate principal amount of the Certificates shall be made, at the expense of such Owner and upon written request by such Owner filed with the Trustee at least ten Business Days in advance of the Certificate Payment Date, by wire transfer to a domestic bank account of such Owner together with CUSIP number identification with appropriate dollar amounts for each CUSIP number, provided that such instructions shall remain in effect unless revoked in written notice to the Trustee at least ten (10) days prior to relevant Certificate Payment Date; except, in each case, that, if and to the extent that there shall be a default in the payment of such Certificate Interest Payment, if any, due on such Certificate Payment Date, such defaulted Certificate Interest Payment shall be paid to the Owners in whose name any such Certificates are registered at the close of business on the Business Day next preceding the date of payment of such defaulted Certificate Interest Payment.

(d) The Certificate Interest Payments shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

(e) The Certificate Principal Payments (whether at maturity or upon prepayment or acceleration), shall be payable to the Owners of such Certificates, upon presentation and surrender of such Certificates at the Principal Office of the Trustee.

(f) Payment of Certificate Principal Payments, Certificate Interest Payments and of the Prepayment Price of Certificates shall be made in such coin or currency of the United States of America as, at the respective time of payment, shall be legal tender for public and private debts.

(g) The Certificate Principal Payments shall be subject to prepayment as provided in Article IV hereof and in the related Supplemental Indenture. Prepayment of Certificates, other than mandatory sinking fund prepayment and other than pursuant to the application of refunding certificate proceeds, shall be made only from and to the extent of funds on deposit with the Trustee hereunder and available for such purpose on the date notice for prepayment is mailed.

(h) Notwithstanding any provision contained herein, the Certificate Interest Payments shall never exceed the payment that would be derived from multiplying the Principal Portion of the Certificates times the Maximum Interest Rate.

Section 2.03 Interest Rates. The rate of interest applicable to each Certificate will be as set forth in a Supplemental Indenture.

Section 2.04 Serial Certificates. The Trustee shall execute, authenticate and deliver Serial Certificates as provided in a Supplemental Indenture and an Order to Authenticate and Deliver; provided, however, the Serial Certificates may be subject to extraordinary prepayment in part as set forth in a Supplemental Indenture.

Section 2.05 Term Certificates. The Trustee shall execute, authenticate and deliver Term Certificates as provided in a Supplemental Indenture and an Order to Authenticate and Deliver, and such Term Certificates shall be subject to mandatory sinking fund prepayment as set forth in a Supplemental Indenture and may be subject to extraordinary or other mandatory prepayment provisions, in whole or in part, as is set forth in a Supplemental Indenture relating to such Term Certificates.

Section 2.06 Form of Certificates. The Certificates and the form of assignment to appear thereon shall be in substantially the form set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions as permitted or required hereby.

Section 2.07 Execution of Certificates. All the Certificates shall, from time to time, be executed by, or bear the manual or facsimile signatures of, the Trustee, but not in its individual capacity but solely as Trustee under this Trust Indenture.

Section 2.08 Transfer of Certificates. Any Certificates may be transferred upon the Certificate Register required to be kept pursuant to the provisions of Section 2.10, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificates for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Section 2.09 Exchange of Certificates. Certificates may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Certificates of the same Series, maturity, interest rate and tenor and in any Authorized Denominations, in an aggregate principal amount equal to the unpaid principal amount of the Certificate presented for exchange. The Trustee shall also require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchange of any Certificate shall be required of the Trustee after such Certificate has been called for optional prepayment, and no transfer of any Certificate shall be required between any Record Date and the relevant Certificate Payment Date.

Section 2.10 Registration Books. The Registrar will keep or cause to be kept at its Principal Office, sufficient books for the registration and transfer of the Certificates, which shall at all reasonable times be open to inspection by the Lessor and the Department, and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

The person in whose name any Certificate shall be registered on the applicable Record Date shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the Certificate Principal Payments or Certificate Interest Payments represented by such Certificates shall be made only to or upon the order in writing of such registered Owner.

Section 2.11 Temporary Certificates. The Certificates may be initially issued in temporary form exchangeable for definitive Certificates when ready for delivery. The temporary Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in registered form without coupons and may contain such reference to any of the provisions of this Trust Indenture as may be appropriate. Every temporary Certificate shall be executed by the Trustee upon the same conditions and in substantially the same manner as the definitive fully registered Certificates. If the Trustee issues temporary Certificates it will execute and furnish definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered, for cancellation, in exchange therefor at the Trustee's Principal Office and the Trustee shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of the same maturity or maturities. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under this Trust Indenture as definitive Certificates executed and delivered hereunder.

Section 2.12 Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor, maturity, interest rate and number in exchange and substitution for the Certificate so mutilated (except that such number may be preceded by a distinguishing prefix), but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner of the Certificate, shall execute and deliver a new Certificate of like tenor, maturity, interest rate and number as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate issued under this Section 2.12 and of the expenses which may be incurred by the Trustee under this Section 2.12. Any Certificate issued under the provisions of this Section 2.12 in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Indenture with all other Certificates, secured by this Trust Indenture. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be issued hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section 2.12, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may make payment of such Certificate.

Section 2.13 Qualification for Depository Trust Company. The Trustee and Paying Agent are hereby authorized if so provided in the Certificate Purchase Contract to take such actions as may be necessary from time to time to qualify the Certificates for registration in the name of Cede & Co., as nominee for The Depository Trust Company. No such arrangements with The Depository Trust Company may adversely affect the interests of any of the Owners of the Certificates; provided, however, that the Trustee and the Paying Agent shall not be liable with respect to any such arrangements it may make pursuant to this Section 2.13.

Section 2.14 Insurance. The Trustee shall maintain such insurance, including postal insurance (by master or blanket cover or otherwise), to cover a Certificate transmitted by mail, as it shall deem appropriate in order to protect against loss.

Section 2.15 Transfer Fees. There shall not be any charge by the Trustee for the transfer of any Certificate except as provided in Section 2.09 hereof.

Section 2.16 Certificates Secured. This Trust Indenture creates and shall be and constitute a continuing, irrevocable and exclusive lien upon and pledge of all of the Lessor's right, title and interest in and to the payments to be received under the Lease Purchase Agreement, the Proceeds received by the Lessor from the sale of the Certificates and Net Proceeds until applied as provided herein, and the income earned by the investment of funds under this Trust Indenture to the extent provided in this Trust Indenture for the security of the Certificates. All Certificates issued and to be issued hereunder are, and are to be, to the extent provided in Section 2.19 of this Trust Indenture, equally and ratably secured by this Trust Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery of the Certificates or any of them, so that, except as is or may hereafter be provided in this Trust Indenture or as may be limited by law, all Certificates at any time outstanding hereunder shall have the same right, lien and preference under and by virtue of this Trust Indenture and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether they or any of them shall actually be issued on such date, shall be issued on some future date, shall have been authorized to be authenticated and delivered under Section 2.17 or may be authorized to be authenticated and delivered hereafter pursuant to Sections 2.08, 2.09, 2.11, 2.12 and 2.18 of this Trust Indenture.

Section 2.17 Authentication and Delivery of Certificates. The Certificates of a Series shall be delivered to the Trustee for authentication, authenticated by the Trustee, and delivered to or upon the written order of the Authorized Representative of the Lessor, but only upon the receipt by the Trustee of the Proceeds of the sale of the respective Series of Certificates and an Order to Authenticate and Deliver. Prior to authentication and delivery of any Certificates, the Trustee shall also have received the following:

(a) a copy of the resolution or resolutions adopted by the Lessor authorizing the execution and delivery of the Lease Purchase Agreement, the other Certificate Documents to which it is a party and this Trust Indenture, certified by the Secretary/Treasurer or any Assistant Secretary/Treasurer of the Lessor to have been duly adopted by the Lessor and to be in full force and effect on the date of such certification;

(b) a copy of the legislation pertaining to the Department authorizing the execution and delivery of the Lease Purchase Agreement, the other Certificate Documents to which it is a party and this Trust Indenture and of the issuance of the Certificates, certified by the Authorized Representative of the Department to be in full force and effect on the date of such certification;

(c) a copy of the Articles of Incorporation together with any amendments thereto, of the Lessor, certified by the Secretary of State of the State of Florida to be true and correct copies of the Articles of Incorporation on file therewith, together with evidence that the Lessor is a corporation in good standing in the State;

(d) a certificate signed on behalf of the Department by the Authorized Representative of the Department stating that to the best of his or her knowledge there is no litigation pending or threatened to restrain or enjoin the leasing of a Project pursuant to the Lease Purchase Agreement or the collection and application of Lease Purchase Rent in accordance with the provisions thereof;

(e) an opinion of counsel to the Lessor addressed to the Trustee, the Department and the Underwriter, stating that the Lessor is duly organized and validly existing as not-for-profit corporation under the laws of the State, with full legal right, power and authority to perform all of its obligations under the Certificate Documents, to consummate the transactions relating to the Lessor contemplated by such instruments; the Lessor has duly executed the Certificate Documents; the execution of the Certificate Documents by the Lessor, and compliance with the provisions thereof by the Lessor, under the circumstances contemplated thereby, do not and will not conflict with Florida law, and do not and will not in any material respect constitute on the part of the Lessor a breach of or default under any indenture, contract, agreement or other instrument of which such counsel has knowledge and to which the Lessor is a party, or, to such counsel's knowledge, does not materially conflict with, violate or result in a breach of any existing law, public order or consent decree to which the Lessor is subject; and other than as described in the Offering Statement, there is no action, suit, proceeding or governmental investigation at law or in equity before

or by any court, public board or body, pending or, to such counsel's knowledge, threatened against the Lessor, which questions the right of the Lessor to enter into or approve the Certificate Documents;

(f) an opinion of Special Counsel addressed to the Department and the Trustee to the effect that the Certificates evidence an undivided fractional interest in the Interest Portion and Principal Portion of Basic Rent Payments made by the Lessee under the Lease Purchase Agreement, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors rights or the exercise of judicial discretion in accordance with general principles of equity; and that the Interest Portion of the Certificates (including any original issue discount properly allocable to a holder thereof) paid prior to an Event of Default or an Event of Non-Appropriation thereunder, as received by the Owners of the Certificates is excluded from gross income for federal income tax purposes of such Owners and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (or a reliance letter to the Trustee in lieu of the opinion);

(g) a written order by the Authorized Representative of the Lessor requesting and authorizing the Trustee on behalf of the Lessor to execute, authenticate and deliver the Certificates upon payment to the Trustee of the sum specified therein as the purchase price for the Certificates;

(h) an original executed Municipal Bond Insurance Policy, if any, for such Series of Certificates; and

(i) such other instruments as the Trustee, Special Counsel or the Bond Insurer may reasonably request.

(j) one or more Opinions of Counsel in form and substance satisfactory to each Bond Insurer to the effect that the issuance of such Series of Certificates for the purposes set forth in Section 201 is authorized by law, and the execution and delivery thereof and of the other documents described in this Section have been duly authorized by the Department and the Corporation, all conditions precedent to the delivery thereof have been fulfilled and to the further effect that the execution of the Supplemental Trust Indenture is authorized or permitted hereunder; and

(k) in the case of Certificates issued to refund Certificates previously issued hereunder, a report of a certified public accountant or firm of certified accountants verifying the mathematical accuracy of calculations supplied by the Department 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 portion of, the prepayment premium, if any, and the accrued interest portion of the Certificates to be refunded.

The proceeds of such Series of Certificates shall be held and disbursed as provided in the Supplemental Trust Indenture providing for such Series of Certificates. The proceeds of Series of Certificates secured on a pari passu basis shall be deposited in the applicable funds and accounts that shall secure all parity Certificates. The Trustee shall execute and deliver such Series of Certificates to the purchaser or purchasers thereof as directed and authorized in writing by an Authorized Corporation Representative.

Simultaneously with the issuance and delivery of a Series of Certificates to finance the Costs of a Project to be located on a Project Site acquired with proceeds of another Series of Certificates and be secured on a pari passu basis with one or more Series of Certificates, as required hereby, the Trustee and the Department will enter into an amendment to the Schedule related to the Facility Site to: (a) describe the new Project to be financed, which will be deemed part of the Project reflected on the Schedule; (b) set forth the Lease Payments relating to the Certificates to be issued; and (c) set forth the composite Lease Payments that must be made for all Certificates relating to the Schedule, as amended.

Notwithstanding anything herein to the contrary, no Series of Certificates shall be issued pursuant to this Section unless the Trustee shall have received a certificate signed by an Authorized Corporation Representative to the effect that the Lease Purchase Agreement is in effect and to its knowledge there are no defaults at the time of issuance under any Lease, Ground Lease or this Trust Agreement.

Section 2.18. Completion Certificates. Completion Certificates may be executed and delivered at any time and from time to time in one or more Series, upon such terms and conditions as may then be permitted by law and as shall be provided in the related Supplemental Trust Indenture under which such Series of Completion Certificates are authorized. Any Series of Completion Certificates issued to finance the Costs of a Project to be located on a Project Site which was acquired with

proceeds of another Outstanding Series of Certificates or upon which Project Site is located another Project financed by an Outstanding Series of Certificates issued hereunder, shall rank pari passu and be equally and ratably secured under this Trust Indenture with such Outstanding Certificates and any other Outstanding Certificates on a parity therewith.

Section 2.19 Payments from Trust Estate Only; Distribution of Trust Estate.

(a) Unless otherwise set forth in the Supplemental Trust Indenture authorizing the execution and delivery of one or more Series of Certificates, each Certificate within a Series of Certificates executed and delivered pursuant hereto shall rank pari passu and be equally and ratably secured under this Trust Indenture with each other Certificate of such Series, without preference, priority or distinction of any such Certificate over any other such Certificate. Except with respect to Certificates which rank pari passu pursuant to Section 2.18 hereof, each Series of Certificates shall be secured independently from each other Series of Certificates, except as otherwise provided in any Supplemental Trust Indenture.

(b) To the extent that on any Lease Payment Date, the aggregate amount of the Basic Lease Payments made by the Department for such Lease Payment Date with respect to all Certificates secured on a pari passu basis is insufficient to satisfy the aggregate Lease Payments due on such date for such Certificates (after taking into account any credits to the benefit of the Department but without taking into account any transfers to be made from any related Reserve Account), then the amount of such aggregate amount of the Basic Lease Payments actually made by the Department shall be applied on a pro-rata basis to Certificate Holders of such Series secured on a pari passu basis having a payment due on such Lease Payment Date in accordance with the ratio that the Basic Lease Payment payable on such Series of Certificates bears to the total Basic Lease Payments payable on all outstanding Certificates secured on a pari passu basis having a payment due on such Lease Payment Date.

(c) Except as otherwise expressly provided in the immediately preceding paragraph and elsewhere herein, all amounts payable by the Trustee with respect to a Series of Certificates or to any Bond Insurer who shall have issued a Municipal Bond Insurance Policy, if any, securing such Series pursuant to this Trust Indenture shall be paid only from the portion of the Trust Estate derived from Basic Lease Payments made pursuant to the Lease corresponding to such Series and only to the extent that the Trustee shall have actually received sufficient income or proceeds from such portion of the Trust Estate to make such payments. Each Certificate Holder agrees, and each such Bond Insurer, by its execution and delivery of a Municipal Bond Insurance Policy shall be deemed to have agreed, except as otherwise expressly provided herein, to look solely to the income of and the proceeds from such portion of the Trust Estate to the extent available for distribution to such holder and each such Bond Insurer as herein provided that the Trustee is not personally liable to any Certificate Holder or any such Bond Insurer for any amounts payable under this Trust Indenture or subject to any liability under this Trust Indenture except liability under this Trust Indenture as a result of negligence or willful misconduct by the Trustee.

(d) So long as the Lease Purchase Agreement or related Ground Leases shall be in effect, all amounts of Lease Payments, insurance proceeds, indemnity payments and other payments of any kind constituting a part of the Trust Estate payable to the Trustee under this Trust Indenture or the Lease and related Ground Lease corresponding to such Series shall be paid directly to the Trustee for distribution to or for the Certificate Holders of the related Bond Insurer, as the case may be.

ARTICLE III

[RESERVED]

ARTICLE IV

PREPAYMENT

Section 4.01 Prepayment of Certificates; General. The Certificates are subject to prepayment pursuant to the provisions of this Article IV to the extent that the Department is entitled or required to make and does make a prepayment of the Basic Rent under the Lease Purchase Agreement, together with premiums, if any, and accrued interest thereon.

Section 4.02 Optional Prepayment. The Certificate Principal Payments are subject to Optional Prepayment at the direction of the Department as provided in the respective Supplemental Indenture.

Section 4.03 Prepayment.

Section 4.03.1 Events of Extraordinary Prepayment. (a)(i) If an Event of Default has occurred hereunder and direction to accelerate and prepay Certificates has been received from the Bond Insurer or (ii) if all of a Project is lost, destroyed or damaged in its entirety due to casualty or condemnation and the Department elects not to repair, replace or restore same as provided in Section 15(b) of the Lease Purchase Agreement, then an "Event of Extraordinary Prepayment in Whole" shall be deemed to have occurred and the Outstanding Certificates shall be prepaid in whole, without premium or penalty; or

(b) if (i) a portion of a Project is lost, destroyed or damaged due to casualty or condemnation and the Department elects not to repair, replace or restore same as provided in Section 15(b) of the Lease Purchase Agreement; or (ii) moneys on deposit in the Project Fund are required to be used for prepayment of Certificate Principal Payments pursuant to Section 6.03(i) hereof and Section 16.2 of the Lease Purchase Agreement, then an "Event of Extraordinary Prepayment in Part" shall be deemed to have occurred.

Upon the occurrence of (x) an Event of Extraordinary Prepayment in Whole, all Outstanding Certificates or (y) an Event of Extraordinary Prepayment in Part, a portion of the Outstanding Certificates, the portion thereof being determined in accordance with paragraph (c) of this Section 4.03.1 hereof, shall be subject to mandatory prepayment without premium or penalty on any date following notice given promptly by the Trustee and as provided in Section 4.06 hereof. The Prepayment Date with respect to such a prepayment shall be within thirty (30) days after issuing such notice.

(c) With respect to an Event of Extraordinary Prepayment in Part, Certificates representing aggregate Certificate Principal Payments equal in amount to the aggregate outstanding Principal Portion being prepaid under the Lease Purchase Agreement shall be paid. The amount of Certificate Principal Payments represented by Outstanding Certificates of each Certificate Principal Payment Date to be so prepaid shall equal the amount of aggregate Principal Portion due under the Lease Purchase Agreement with respect to such Certificate Principal Payment Date. If less than all of the Outstanding Certificates due on a Certificate Principal Payment Date are to be mandatorily prepaid, the Trustee shall select the Certificates or any portion thereof to be prepaid pursuant to Section 4.04.1 hereof.

4.03.2 Event of Special Mandatory Prepayment. In the event that following an Event of Default hereunder, the Bond Insurer directs the Trustee to liquidate a Project or any portion thereof pursuant to Section 10.03 hereof, the Net Proceeds of such liquidation plus all other amounts legally available (together with the moneys then held by the Trustee in the Funds hereunder) shall be applied by the Trustee to pay the Certificate Principal Payments, together with accrued interest thereon through the date of such prepayment, on the Outstanding Certificates. Following such direction to liquidate a Project or any portion thereof, and the receipt of the Net Proceeds, the Trustee shall give prompt written notice, effective immediately, to Certificate Owners of an "Event of Special Mandatory Prepayment" pursuant to Section 4.06 (a)(ii) hereof and the Outstanding Certificates shall be prepaid in whole, without premium or penalty.

4.03.3 Mandatory Sinking Fund Prepayment. The Term Certificates may be subject to mandatory prepayment as provided in the respective Supplemental Indenture.

Section 4.04 Selection of Certificates for Prepayment.

4.04.1 Selection by Lot. If less than all of the Certificates with the same Certificate Maturity Date are to be called for prepayment (other than as a result of an Event of Special Optional Prepayment), the Trustee shall select the portion thereof to be prepaid, from Outstanding Certificates of such maturity not theretofore designated for such prepayment, by lot per minimum Authorized Denomination within each Certificate Maturity Date. The Trustee shall promptly notify the Department in writing of the numbers of the Certificates or portions thereof so selected for prepayment.

4.04.2 Reserved.

Section 4.05 Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, (i) a new Certificate or Certificates of Authorized Denominations, and of the same Certificate Maturity Date equal in an aggregate principal amount to the unprepaid portion of the Certificate surrendered, or (ii) in accordance with Article II of this Trust Indenture, shall authenticate and deliver an exchange Certificate or Certificates in an aggregate principal amount equal to the unprepaid portion of the Certificate so surrendered.

Section 4.06 Notice of Prepayment. (a) Unless otherwise provided herein or in a Supplemental Trust Indenture, notice of prepayment shall be given by the Trustee, (i) not more than forty-five (45) days and not less than thirty (30) days prior to the Prepayment Date with respect to Optional Prepayment, or (ii) upon being notified of the basis for same, the Trustee shall give written notice of prepayment fifteen (15) days prior to the Prepayment Date with respect to Events of Extraordinary Prepayment or an Event of Special Mandatory Prepayment pursuant to Section 4.03.2 hereof, to the Department and the Owner of each Certificate affected at the address shown on the Certificate Register maintained by the Registrar on the Record Date for such notice established by the Trustee. Each notice of prepayment shall state the Prepayment Date, the place of prepayment, the Prepayment Price and, if less than all, the distinctive numbers of the Certificates to be prepaid, and shall also state that the Certificate Interest Payments represented by such Certificates designated for prepayment shall cease to accrue from and after such Prepayment Date and that on said date there will become due and payable for each of said Certificates the Prepayment Price.

(b) In addition to the mailing of the notice described above, each notice of prepayment and payment of the Prepayment Price shall meet the following requirements; provided, however, that failure of such 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 above.

(i) Each notice of prepayment shall also contain the following: (A) the CUSIP numbers of all Certificates being prepaid; (B) the date of issue of the Certificates as originally issued; (C) the rate of interest borne by each Certificate being prepaid; (D) the Certificate Maturity Date of each Certificate being prepaid; (E) the date of the notice of prepayment; (F) the name and address of the Registrar/Paying Agent; and (G) any other descriptive information needed to identify accurately the Certificates being prepaid.

(ii) Each notice of prepayment shall be sent at least thirty-five (35) days (eighteen (18) days with respect to a prepayment described in Section 4.06 (a)(ii) hereof) before the Prepayment Date 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 to one or more national information services which disseminate notices of prepayment of obligations such as the Certificates.

(iii) Each notice of prepayment shall be published one time in a Financial Newspaper or Journal, or, if such publication is impractical or unlikely to reach a substantial number of the Certificate Owners, in some other financial newspaper or journal which regularly carries notices of prepayment of other obligations similar to the Certificates, such publication to be made at least thirty (30) days (fifteen (15) days with respect to a prepayment described in Section 4.06 (a)(ii) hereof) prior to the date fixed for prepayment.

(iv) Upon the payment of the Prepayment Price of Certificates being prepaid each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Certificates prepaid with the proceeds of such check or other transfer.

Section 4.07 Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and moneys for payment of the Prepayment Price of such Certificates (or portions thereof) being held by the Trustee, on the Prepayment Date designated in such notice, the Certificates (or portions thereof) so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and the Certificate Interest Payments represented by such Certificates so called for prepayment shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under this Trust Indenture, and the Owners of said Certificates shall have no rights in respect thereof except to receive payment of said Prepayment Price.

All Certificates prepaid pursuant to the provisions of this Article IV shall be canceled upon surrender thereof and destroyed by the Trustee.

ARTICLE V

THE FUNDS; APPLICATION OF PROCEEDS AND LEASE PURCHASE REVENUES

Section 5.01 Creation of Funds. On the Issue Date and simultaneously with the initial execution, authentication and delivery of Certificates hereunder the Trustee shall create the following funds and accounts:

(a) A special fund shall be created and established with the Trustee, to be designated the "State of Florida Department of Management Services Project Fund" which shall be the Project Fund. The Trustee shall create four accounts within the Project Fund: "Acquisition Account," "Costs of Issuance Account," "Capitalized Interest Account" and "Earnings Account." Series Accounts or Subaccounts relating to a particular Series of Certificates shall be created in Supplemental Trust Indentures.

(b) A special fund shall be created and established with the Trustee, to be designated the "State of Florida Department of Management Services Rent Payment Fund" which shall be the Rent Payment Fund.

(c) A special fund shall be created and established with the Trustee, to be designated the "State of Florida Department of Management Services Optional Prepayment Fund" which shall be the Optional Prepayment Fund.

(d) A special fund shall be created and established with the Trustee to be designated the "State of Florida Department of Management Services Extraordinary Prepayment Fund" which shall be the Extraordinary Prepayment Fund.

(e) A special fund shall be created and established with the Trustee, to be designated the "State of Florida Department of Management Services Reserve Fund" which shall be the Reserve Fund.

(f) A special fund shall be created and established with the Trustee, to be designated the "State of Florida Department of Management Services Special Prepayment Fund" which shall be the Special Prepayment Fund.

All funds and accounts established pursuant to this Article V shall be held by the Trustee in accordance with Article II hereof and applied as hereinafter provided.

The Trustee shall establish and maintain Accounts and subaccounts, as the case may be, for each Series of Certificates issued hereunder, which may be designated in a Supplemental Indenture.

Section 5.02 Application of Proceeds of Certificates. The Proceeds received from the sale of a Series of Certificates shall be deposited in trust with the Trustee who shall forthwith deposit such Proceeds as provided in the Supplemental Indenture related to such Series of Certificates.

Section 5.03 Deposits to Funds.

Section 5.03.1 Deposit of Lease Purchase Revenues. Basic Rent Payments under the Lease Purchase Agreement and other Lease Purchase Revenues shall be deposited as received, by the Trustee as follows:

(a) The Basic Rent Payments under the Lease Purchase Agreement shall be deposited to the respective Series account in the Rent Payment Fund.

(b) Prepayments of Basic Rent pursuant to Section 16.3 of the Lease Purchase Agreement shall be deposited to the respective Series account in the Rent Payment Fund.

(c) Optional prepayments of Basic Rent Payments pursuant to Section 17.1 of the Lease Purchase Agreement (including payment of the Option Price) shall be deposited to the respective Series account in the Optional Prepayment Fund.

(d) The Premium Portion, if any, of the optional prepayments of the Basic Rent Payments under the Lease Purchase Agreement (including payment of the Option Price) shall be deposited to the respective Series account in the Optional Prepayment Fund.

(e) The prepayments of Basic Rent Payments under Section 16.2 of the Lease Purchase Agreement shall be deposited to the respective Series account in the Extraordinary Prepayment Fund.

(f) In the event that:

(i) a deposit of additional funds by the Department is required pursuant to Section 3.2 of the Lease Purchase Agreement, upon receipt of such moneys, the Trustee shall deposit same to the credit of the Acquisition Account in the Project Fund; or

(ii) a deposit of Net Proceeds of insurance or a condemnation award is required pursuant to Section 15(a) of the Lease Purchase Agreement, same (together with any additional moneys thereby required to be deposited hereunder) shall be deposited by the Trustee, upon receipt, to the credit of the Acquisition Account in the Project Fund and disbursed pursuant to Section 6.02.2.

(g) In the event that a deposit of funds is required by the Department due to a deficiency in the Reserve Fund, upon receipt of such moneys the Trustee shall deposit same to the credit of the Reserve Fund.

(h) In the event that any moneys are paid by the Department to the Trustee for reimbursement to the Bond Insurer under Article III, hereof, upon receipt of such moneys, the Trustee shall remit same to the Bond Insurer.

(i) In the event that a deposit of funds is required by the Department in the Rebate Account, upon receipt of such moneys the Trustee shall deposit same to the credit of the Rebate Account.

(j) Any other Supplemental Rent received by the Trustee shall be deposited into a special temporary account identified to the Department and created by the Trustee for such purpose and shall be held in trust hereunder for the benefit of the Person entitled to receive same pending application thereof for the purpose for which same were made.

(k) The Net Proceeds of sale of a Project, upon a disposition thereof pursuant to Section 10.03 hereof, and, upon receipt of such moneys, all other moneys held in the funds by the Trustee hereunder, shall be deposited to the Special Prepayment Fund.

Section 5.03.2 Deposits to Rent Payment Fund; Payments Under the Municipal Bond Insurance Policy. So long as the Municipal Bond Insurance Policy shall be in full force and effect, the Trustee hereby agrees to comply with the following provisions:

(a) the gross amount required to be on deposit in the Rent Payment Fund in respect of any Certificate Payment shall be on deposit at least five (5) Business Days prior to such Certificate Payment Date;

(b) if, on the second Business Day and again on the Business Day prior to a Certificate Payment Date the Trustee determines that there will be insufficient funds in the funds and accounts available to pay the Certificate Principal Payment and/or Certificate Interest Payment represented by the Certificates (including the Reserve Fund) on such Certificate Payment Date, the Trustee shall immediately notify the Bond Insurer on the same Business Day. Such notice shall be by telephone, telecopy or

telegraph, promptly confirmed in writing, and shall specify the amount of the anticipated deficiency, the Certificates to which such deficiency will be applicable and whether payment due on such Certificates will be deficient as to principal or interest, or both; and

(c) the Trustee shall, after giving notice to the Bond Insurer as provided in clause (b) of this Section 5.03.2, make available to the Bond Insurer the Certificate Register maintained by the Trustee, and all records relating to the funds and accounts established under this Trust Indenture.

(d) if the deficiency is made up in whole or in part prior to or on the Certificate Payment Date, the Trustee shall so notify the Bond Insurer or its designee.

Section 5.04 Rent Payment Fund.

Section 5.04.1 Application of Rent Payment Fund. All amounts in the Rent Payment Fund shall be used and withdrawn by the Trustee solely (i) to pay the Certificate Payments represented by the Certificates when due and payable (including accrued interest with respect to any Certificates prepaid prior to maturity pursuant to this Trust Indenture to the extent not paid from the Optional, Extraordinary or Special Prepayment Fund) and (ii) to reimburse the Bond Insurer for any payment made pursuant to the Municipal Bond Insurance Policy. On each Certificate Principal Payment Date and each Certificate Interest Payment Date, an amount equal to the Basic Rent Payments due under the Lease Purchase Agreement shall be disbursed from the Rent Payment Fund for such purpose. In the event there are insufficient funds in the Rent Payment Fund to make such payment, the Trustee shall transfer an amount equal to such deficiency from the Reserve Fund (to the extent of the moneys therein) and, if such moneys are insufficient, then (to the extent on deposit in the Acquisition Account) from the Acquisition Account to the Rent Payment Fund and apply same as set forth in the preceding sentence.

Section 5.04.2 Deposits to Rebate Account. Deposits to the Rebate Account from earnings on moneys on deposit in the Rent Payment Fund shall be made when required in accordance with Article VIII hereof.

Section 5.04.3 Credit to Department. So long as no Event of Lease Default has occurred under the Lease Purchase Agreement and no event has occurred which with the giving of notice or the lapse of time or both would constitute an Event of Lease Default thereunder, not less than ten (10) Business Days prior to each Basic Rent Payment Date, the Trustee shall notify the Department of the balance, if any, in the Rent Payment Fund and the Department may treat such amount as a credit against its next ensuing Basic Rent Payment and reduce the amount thereof accordingly.

Section 5.04.4 Closing of Rent Payment Fund. Upon payment of all the Outstanding Certificates or upon transfer of all the funds in the Rent Payment Fund to the Extraordinary Prepayment Fund upon an acceleration of all the Certificates in accordance with Section 10.02 hereof, THE RENT PAYMENT FUND SHALL BE CLOSED AND, AFTER PAYMENT OF ALL AMOUNTS DUE OR ACCRUED HEREUNDER ON THE OUTSTANDING CERTIFICATES ALL AMOUNTS DUE TO THE BOND INSURER AND THE TRUSTEE, THE BALANCE, IF ANY, IN THE RENT PAYMENT FUND SHALL BE DISBURSED TO THE DEPARTMENT AND MAY BE SPENT FOR ANY LAWFUL PURPOSE.

Section 5.05 Application of Optional Prepayment Fund. Any amounts received by the Trustee with respect to a prepayment of Basic Rent under the Lease Purchase Agreement shall be deposited to the Optional Prepayment Fund in accordance with Section 5.03.1(c) and (d) hereof. All amounts deposited in such Optional Prepayment Fund shall be used and withdrawn by the Trustee solely:

(i) to prepay the Certificate Principal Payments and to pay the Certificate Interest Payments represented by the Prepayment Price of the Certificates paid to the Owners of Certificates pursuant to Article IV hereof; and

(ii) to pay the Premium Portion, if any, of the Prepayment Price in conjunction with such an Optional Prepayment to the Owners of the Certificates being prepaid.

On each such Optional Prepayment Date an amount equal to the Basic Rent Payments being prepaid under the Lease Purchase Agreement shall be disbursed for such purpose by the Trustee from the Optional Prepayment Fund.

Section 5.06 Application of Extraordinary Prepayment Fund. Any amounts received by the Trustee with respect to an Event of Mandatory Prepayment under the Lease Purchase Agreement or with respect to an Event of Extraordinary Prepayment in Whole or an Event of Extraordinary Prepayment in Part hereunder, shall be deposited to the Extraordinary Prepayment Fund in accordance with Section 5.03.1(e) hereof. All amounts deposited in the Extraordinary Prepayment Fund shall be used and withdrawn by the Trustee solely to prepay the Certificate Principal Payment and the Certificate Interest Payment represented by the Prepayment Price of the Certificates paid to the Owners of Certificates pursuant to Article IV hereof.

On each such Mandatory Prepayment Date an amount equal to such Prepayment Price shall be disbursed for such purpose by the Trustee from the Extraordinary Prepayment Fund.

Section 5.07 Reserve Fund. (a) On the Issue Date, the Trustee shall deposit the Reserve Fund Surety or an amount equal to the Reserve Requirement to the Reserve Fund in accordance with Section 5.02 hereof.

(b) The moneys or Reserve Fund Surety on deposit in the Reserve Fund shall be applied pursuant to Section 5.04.1 hereof.

(c) In the event that at any time during the Lease Term there is a deficiency in the Reserve Fund, the Department shall replenish such Reserve Fund in accordance with Section 2.7.2 of the Lease Purchase Agreement or upon the subsequent receipt of a sublease rental or sale proceeds of a Project, or a portion thereof as a result of an Event of Non-Appropriation or an Event of Lease Default thereunder.

Section 5.08 Application of Special Prepayment Fund. All Net Proceeds of renting of a Project upon a disposition thereof pursuant to Section 10.02 hereof and, upon receipt thereof, all moneys held in the Funds by the Trustee hereunder, shall be deposited to the Special Prepayment Fund in accordance with Section 5.03.1(k) hereof. All amounts deposited in the Special Prepayment Fund shall be used and withdrawn by the Trustee solely to prepay the Certificate Principal Payments and interest accrued thereon to the Prepayment Date in accordance with either Section 4.02.1 or 4.03.2 hereof, as applicable.

Section 5.09 No Commingling. The moneys credited to any Fund or any Account therein shall not be commingled with any other moneys held by the Trustee under this Trust Indenture or any other moneys held by the Trustee in any other capacity.

ARTICLE VI

THE PROJECT FUND

The Project Fund shall be held by and distributed by the Trustee in accordance with the terms of this Trust Indenture. The earnings on moneys on deposit in any account within the Project Fund shall remain in such account in such Project Fund until such account is closed and when the last account within such Project Fund is to be closed, any such earnings remaining therein shall be disbursed pursuant to Section 6.03 hereof. With respect to each of the accounts in such Project Fund, the Trustee shall account for the original amount deposited and for the earnings on such account.

Section 6.01 Payment of Item Purchase Price and of the Costs of Issuance.

(a) Upon receipt of the Proceeds, the Trustee shall make payment from the Costs of Issuance Account of the Costs of Issuance in accordance with written instructions from the Department. Any moneys remaining in the Costs of Issuance Account one hundred eighty (180) days after the Issue Date shall be transferred to the Earnings Account.

(b) The Trustee shall make payment for Costs of a Project in the amount of the Item Purchase Price therefor from the Acquisition Account of the Project Fund by issuance to the party to be paid of a draft payable to said party, but only upon receipt of a completed Requisition in the form of Exhibit A to the Lease Purchase Agreement, or as may be otherwise provided in a Supplemental Trust Indenture.

The Trustee may rely upon the certification of the Department in a Requisition or in any documents, certificates or instruments submitted in connection therewith as to the factual conditions precedent to any disbursements hereunder and shall

have no responsibility or duty to review the attachments to such Requisition (but must determine that all required attachments are in fact attached) or investigate the basis for such certifications or representations.

Section 6.02 Payment of Costs. Payments shall be made by the Trustee for Costs in accordance with the following:

(a) Budget and Disbursement Schedule. The Budget, consisting of a detailed cost breakdown for the costs of constructing a Project and an estimated disbursement schedule acceptable in all respects to the Department, a copy of which Budget is attached to the Lease Purchase Agreement on the respective Schedule.

(b) Utilities. Certification that adequate water, sanitary sewer and storm sewer facilities, electric power, telephone, and other utilities are available to the Land or the costs of connecting and making same available is included in the Budget.

Section 6.02.2 Payment of Costs. So long as, to the Trustee's knowledge, the Department is not in default under the Lease Purchase Agreement and the conditions set forth in Sections 6.02.1 and 6.02.2(b) hereof have been satisfied, the Trustee, subject to Section 6.02.1 hereof, shall make disbursements of Costs for a Project from the Acquisition Account to persons designated in a Requisition up to the remaining amount in the applicable Acquisition Account by check or wire transfer upon the request of the Department in accordance with the following provisions:

(a) Requisitions. To request a disbursement for Costs, subject to the provisions of this Trust Indenture, the Department shall cause the completion, execution and delivery to the Trustee of a Requisition substantially in the form attached as Exhibit A to the Lease Purchase Agreement. The Requisition must include the amount of funds requested, the date requested and funding instructions. The parties acknowledge that the Trustee, pursuant to a Directive, shall waive any noncompliance by the Department with the requirements of the Lease Purchase Agreement for the disbursement of Acquisition Account moneys. The Lessor and the Department agree to indemnify and hold harmless the Trustee for any loss costs or expenses suffered by the Trustee as a result of such waiver. Also, the Trustee is authorized to rely upon the Department's written approval of the Requisition, as evidenced solely by the execution of any such Requisition by the Authorized Representative of the Department, without independently confirming compliance with or satisfaction of such requirements or the requirements set forth in this Trust Indenture or compliance with the Budget. The Trustee may also rely upon the certification of the Department in the Requisition or in any documents, certificates or instruments submitted in connection therewith as to the factual conditions precedent to any disbursements hereunder and shall have no responsibility or duty to review the attachments to such Requisition (but must determine that all required attachments are present) or investigate the basis for such certifications or representations.

(b) Notice Frequency. Completed Requisitions shall be submitted to the Trustee not less than five Business Days before the date the disbursement is required. The Trustee shall be obligated to make Acquisition Account disbursements no more frequently than twice monthly.

(c) Advances Do Not Constitute a Waiver. The making of any Acquisition Account disbursement shall not constitute a waiver of any of the provisions of this Trust Indenture or the Lease Purchase Agreement.

Section 6.02.3 Payment of Costs of Refinancing. The Costs of a refinancing shall be the costs certified by the Lessor and such Costs shall be paid as set forth in the applicable Supplemental Indenture.

Section 6.03 Remaining Funds. If any moneys remain in the Acquisition Account in the Project Fund on the Completion Date which are not otherwise earmarked to pay certain Costs, then (i) if such balance is equal to or in excess of an amount equal to one year's Certificate Payments, an Event of Extraordinary Prepayment shall be deemed to have occurred and such amount shall be transferred to the Extraordinary Prepayment Fund or (ii) if such balance is less than an amount equal to one year's Certificate Payments, such amount shall be transferred to the Rent Payment Fund to be used solely for making payment in part of the Certificates, and, in either case, the Project Fund (exclusive of the Capitalized Interest Account) shall be closed pursuant to Section 6.07 hereof, upon the final payment for any Costs earmarked and designated to be paid after the Completion Date.

Section 6.04 Effect of Event of Mandatory Prepayment. In the event of an Event of Mandatory Prepayment under Section 16.2 of the Lease Purchase Agreement, the Department shall be obligated to continue making the remaining Basic Rent Payments under the Lease Purchase Agreement.

Section 6.05 Acceleration or Prepayment of Certificates. In the event of an acceleration of all the Certificates pursuant to Section 10.02 hereof or the occurrence of an Event of Extraordinary Prepayment in Whole under Section 4.03.1(a)(i) hereof, any moneys remaining in the Project Fund shall be transferred and deposited to the credit of the Rent Payment Fund and the Project Fund shall be closed pursuant to Section 6.07 hereof.

Section 6.06 Capitalized Interest Account. (a) The amounts deposited to the Capitalized Interest Account, if any, shall be used to make all or a portion of the Certificate Interest Payments during the period set forth in the respective Supplemental Indenture.

(b) The Trustee shall draw from the Capitalized Interest Account the amount needed, together with funds otherwise on deposit in the Rent Payment Fund, on the Certificate Payment Dates occurring during the capitalized interest period set forth in a Supplemental Indenture relating to the applicable Series of Certificates in order to make the interest payment on the respective Series of Certificates due on such dates and shall deposit same in the Rent Payment Fund.

Section 6.07 Closing of Project Fund. Immediately after the disbursement or transfer of the moneys in the Accounts in the Project Fund relating to a particular Series of Certificates pursuant to Sections 6.03 or 6.05 hereof, all such Accounts in the Project Fund shall be closed; provided, however, that the Trustee shall reopen such Accounts in the Project Fund whenever it receives Lease Purchase Revenues under Section 5.03.1(f)(ii) hereof.

Section 6.08 Default under Lease Purchase Agreement. When required pursuant to Section 5.04.1 hereof, the Trustee shall transfer the amount required by such Section from the Acquisition Account to the Rent Payment Fund.

Section 6.09 Earnings Account. All interest and other income earned from the investment of moneys on any fund or account created hereunder shall, to the extent required by Section 7.03 hereof, be credited to the Earnings Account as and when received. Promptly after receiving the written direction from the Department required by the Arbitrage Letter of Instructions, in accordance with Article VIII hereof, the Trustee shall transfer from the Earnings Account to the Rebate Account the amount, if any, required to be transferred to the Rebate Account under Article VIII hereof first from earnings derived from investing amounts in the Reserve Fund and second from other earnings. After making such required transfer to the Rebate Account (or after receipt of such notification if no amount is required to be transferred), the Trustee shall retain any funds then on deposit in the Earnings Account and use such funds first to cure any Reserve Deficiency in the Reserve Fund, and assuming no such deficiency exists, shall retain such earnings on behalf of the Department, and disburse such funds as directed in writing by an Authorized Representative of the Department for any lawful purpose, including, but not limited to, capital improvements at any prison facility owned or operated by or on behalf of the Department.

ARTICLE VII

ACCEPTANCE OF DUTIES; INVESTMENT

Section 7.01 Acceptance of Duties. The Trustee agrees to act as trustee for the benefit of the Owners of the Certificates, to receive, hold, invest and disburse the moneys to be paid to the Trustee pursuant to this Trust Indenture for credit to the various funds established by this Trust Indenture, to prepare, authenticate and deliver the Certificates, to apply and disburse the payments received from the Department to the Owners of Certificates and to perform certain other functions, all as hereinafter provided. The Trustee hereby agrees to receive and disburse the funds deposited into each of the Funds and the Rebate Account with respect to the Certificates and to prepare, authenticate and deliver the Certificates, all in accordance with the terms and conditions set forth herein. All moneys held by the Trustee hereunder shall be held in bona fide trust accounts and shall not be commingled with any other moneys held by the Trustee in any other capacity.

Section 7.02 Investments. All moneys held as a part of the Funds shall be invested and reinvested by the Trustee only as directed pursuant to written instructions from the Department in Qualified Investments. The Trustee shall not have any liability whatsoever for the making of any such investments. Moneys held in the Rebate Account shall be invested pursuant to Section 8.07(c) hereof. Investments with respect to the amounts on deposit in the Project Fund shall be scheduled to mature at or before the time when the moneys will be needed to pay disbursements against the Requisitions for costs of acquisition of a Project in accordance with the Draw Schedule. Investments with respect to the amounts on deposit in the Rent Payment Fund shall be scheduled to mature at or before the next Certificate Payment Date. In the event that the Department at any time or from

time to time hereunder is of the opinion that it is necessary to restrict or limit the yield on the investment of any moneys paid to or held by the Trustee hereunder in order to avoid the Certificates being considered "arbitrage bonds" within the meaning of Sections 103 and 148 of the Code, the Department may issue to the Trustee a written certificate to such effect (along with appropriate written instructions), in which event the Trustee immediately will take the action directed in such certificate to restrict or limit the yield on such investment in accordance with such certificate and instructions of the Department. The Department covenants that it shall take no action nor direct Trustee to make any investment or use of the moneys held hereunder which would cause the Certificates to be considered "arbitrage bonds" within the meaning of Sections 103 and 148 of the Code.

Section 7.03 Earnings. Subject to the provisions of Article VIII hereof, interest or income earned from the investment of moneys in the Acquisition Account, Capitalized Interest Account and Earnings Account in the Project Fund, shall be deposited to the credit of the respective accounts in the Project Fund. Interest or income earned from the investment of moneys in the Rent Payment Funds, the Optional Prepayment Fund, the Extraordinary Prepayment Funds, the Special Prepayment Funds and the Reserve Fund shall be deposited to the Earnings Account in the Project Fund unless there is a Reserve Deficiency, in which case such interest or income shall be deposited first to the Reserve Fund but only up to the amount of such Reserve Deficiency. Interest or income earnings from the investment of moneys in the Rebate Account shall be retained in such account and disbursed in accordance with Article VIII hereof.

Section 7.04 Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account, Qualified Investments shall be valued at the market price, exclusive of accrued interest. With respect to all funds and accounts, except the Reserve Fund, valuation shall occur annually. The Reserve Fund shall be valued annually, except in the event of a withdrawal from the Reserve Fund, whereupon it shall be valued immediately after such withdrawal. No Qualified Investments in the Reserve Fund may have a maturity exceeding final maturity date of the respective Series of Certificates unless approved by Bond Insurer. If amounts on deposit in the Reserve Fund shall, at any time, be less than the applicable Reserve Requirement as a result of a failure by the Lessee to make any Basic Rent Payments, Bond Insurer shall be notified immediately of such Reserve Deficiency, and such deficiency shall be made up immediately from first available moneys after required deposits to the Rent Payment Fund. If amounts on deposit in the Reserve Fund shall, at any time, be less than the applicable Reserve Requirement despite the timely making of Basic Rent Payments by the Lessee, the Bond Insurer shall be notified immediately of such Reserve Deficiency, and such deficiency shall be made up from Supplemental Rent after required deposits to the Rent Payment Fund.

Section 7.05 Investment of Amounts Representing Accrued Interest and Capitalized Interest. All amounts representing accrued and capitalized interest shall be held by the Trustee, pledged solely to the payment of interest on the Certificates and invested pursuant to the written instructions from the Department only in Qualified Investments maturing at such time and in such amounts as are necessary to match the interest payments to which they are pledged.

ARTICLE VIII

REBATE ACCOUNT

Section 8.01 Creation of Rebate Account. On the Issue Date, the Trustee shall establish a special escrow account designated as the "State of Florida Correctional Privatization Department Rebate Account" (the "Rebate Account").

Section 8.02 Determination of Rebate. Unless the gross proceeds (as defined in Section 148(f) of the Code) of the Certificates are spent for a Project before the six month anniversary of the Issue Date and such expenditure is confirmed to the Trustee by the Department in a written certificate to such effect or unless the Department receives an opinion of Special Counsel that the Certificates are otherwise excepted from the provisions of Section 148(f) of the Code, then the Department and the Trustee shall comply with the Arbitrage Letter of Instructions delivered to the Department, the Lessor and the Trustee by Special Counsel in conjunction with the issuance of the Certificates.

Section 8.03 Trustee Not Liable. Notwithstanding anything to the contrary, the Trustee is under no independent obligation to, and is not responsible for determining any amount to be rebated to the U.S. Treasury which is required by Section 148(f) of the Code. However, the Trustee will be authorized to retain, at the request of and on behalf of, and at the Department's expense, counsel, accountants or experts which the Trustee, in its sole discretion, determines advisable to determine the amount, due dates and any other requirements of the rebate. The Trustee may rely on and will not be liable for any loss occasioned by

its reliance on the instructions of such experts or on instructions from the Department as to the amounts to be placed in the Rebate Account and amounts to be rebated hereunder.

Section 8.04 Liens on Moneys in Rebate Account. Moneys of the Department in the Rebate Account shall be deemed subject to the following liens, in the following order of priority:

(i) First, in favor of the United States to the extent of all amounts which must be paid to the United States through the period ending thirty days after the applicable final payment of rebate able arbitrage in order to preserve the exclusion from gross income of the Certificate Interest Payments on the Certificates;

(ii) Second, in favor of the Trustee, to the extent of its reasonable fees and expenses payable hereunder; and

(iii) Third, in favor of the Certificate Owners, to the extent of any moneys owed them.

ARTICLE IX

COVENANTS OF THE LESSOR, THE COMMISSION AND THE TRUSTEE

Section 9.01 Reserved.

Section 9.02 Payment of Principal, Interest and Prepayment Premium. Solely from the funds pledged hereunder the Trustee will promptly pay the principal of, premium, if any, and interest on the Certificates at the places, on the dates and in the manner specified in this Trust Indenture, and in the Certificates, according to the true intent and meaning thereof.

Section 9.03 No Extension of Time of Payment of Interest. The Department will not directly or indirectly extend or consent to the extension of the time for payment of any interest on any Certificate and will not directly or indirectly be a party to or approve any arrangement for the indirect accomplishment of any such extension, by purchasing or funding any claim for interest or in any other manner. In case any claim for interest shall be extended or funded in violation of this Section 9.03, such claim for interest shall not be entitled, in case of any default under this Trust Indenture, to the benefit or security of this Trust Indenture except subject to the prior payment in full of the Certificate Principal Payment and Premium Portion (if any) on all Certificates and of all claims for interest which shall not have been so extended or funded.

Section 9.04 Enforcement and Modification of Lease Purchase Agreement. So long as any of the Certificates are Outstanding, the Lessor will require the Department to pay, or cause to be paid, all the Lease Purchase Rent and other costs and charges payable by the Department under the Lease Purchase Agreement. The Lease Purchase Agreement may not be amended, changed, modified, altered or terminated so as to adversely affect (a) the interest of the Trustee without the prior written consent of the Trustee, or (b) the interest of the Owners of Outstanding Certificates without the prior written consent of (x) the Bond Insurer if it is not in default under its Municipal Bond Insurance Policy, or (y) (i) the Owners of at least fifty-one percent (51%) in aggregate principal amount of the Certificates then Outstanding, and (ii) in case less than all of the Certificates then Outstanding are affected by the modifications or amendments, the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Certificates so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any specified Certificates remain outstanding, the consent of the Owners of such specified Certificates shall not be required and such Certificates shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Certificates under this Section 9.04; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Certificates required to consent to any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made under the Lease Purchase Agreement or extend the time of payment thereof. No amendment of the Lease Purchase Agreement shall be made except in accordance with Article XI hereof.

The Lessor will require the Department to observe faithfully all of its covenants and agreements under the Lease Purchase Agreement; and, in case the Department shall fail to make such payments or observe said covenants and agreements, the Trustee as assignee of the Lessor and subject to the provisions of Section 13.01(a) hereof, will, upon the Department's failure

to make a payment of Basic Rent or upon receipt of written notice of the Department's failure to make a payment other than Basic Rent or to observe such covenants and agreements, the Trustee shall provide the Department with written notice that the failure to cure such failure can give rise to an Event of Lease Default, and if such failure is not so cured and an Event of Default or Event of Lease Default occurs, then the Trustee shall institute and prosecute all such legal proceedings as may be appropriate and permitted under the Lease Purchase Agreement for the protection of the Owners of the Certificates.

Section 9.05 Taxes; Assessments; Liens. The Department will: (a) pay or make provisions for payment of, as the same shall become due, all lawful taxes and assessments, including income, profits, property or excise taxes or any interest and penalties relating thereto, if any, or Real Estate Taxes or other municipal or governmental charges lawfully levied or assessed by the federal, state or municipal government upon the Department with respect to a Project or any part thereof or upon any payments in respect thereof under the Lease Purchase Agreement or in respect of this Trust Indenture, the Lease Purchase Agreement or any other deed, agreement, instrument or document made or to be made in connection herewith or therewith; (b) not allow to be created any lien or charge upon the payments pursuant to the Lease Purchase Agreement, except the lien of this Trust Indenture; and (c) pay or discharge or make adequate provisions to satisfy and discharge within sixty (60) days after the same shall come into force, any lien or charge upon the payments pursuant to the Lease Purchase Agreement and all lawful claims or demand for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon the payments pursuant to the Lease Purchase Agreement, except the lien of this Trust Indenture; provided, however, that nothing contained in this Section 9.05 shall require the Department to pay any such charge, as long as the validity thereof shall be contested in accordance with (and such contest is permitted by) Section 8.1 of the Lease Purchase Agreement.

Section 9.06 Documentary Stamps and Intangible Tax. To the extent that any State taxes, fees or other charges, including (but not limited to) any documentary stamp taxes, intangible personal property taxes, franchise taxes or recording fees or charges, are payable in connection with the execution and delivery of this Trust Indenture, the Certificates or any other Certificate Documents, or in connection with any of the transactions contemplated hereby or thereby, including the original issuance hereof or thereof and transfers and exchanges in accordance with the terms hereof or thereof, whether any such taxes are due and payable by any Owner of a Certificate or may be imposed upon the Trust Estate, the Department covenants and agrees to pay all such taxes promptly when due (provided payment of which may be made as part of the Cost of Issuance of the Certificates), except that the Department is not obligated pursuant to this 9.06 to pay any such taxes imposed by the State or any local government or taxing authority of the State based on or measured by the net income of any owner of a Certificate.

If at any time any applicable agency of the State shall determine that the documentary stamps affixed to this Trust Indenture are insufficient or if no documentary stamps have been affixed and that such stamps should thereafter be affixed, the Department shall pay for the same, together with any interest or penalties imposed in connection with such determination and the amount of money needed to pay for such stamps and penalties shall, until such stamps are purchased and affixed, be a portion of the indebtedness hereunder and bear interest from the date of such determination at the rate set forth in this Trust Indenture applicable to a period when default exists thereunder.

If at any time applicable law shall require Internal Revenue Stamps to be affixed to this Trust Indenture, the Department shall pay for the same, together with any interest or penalties imposed in connection therewith.

Section 9.07 Insurance on Project. The Department shall be responsible for the maintenance of insurance on a Project, and the Department shall carry, or cause to be carried, insurance on a Project in accordance with the provisions of the Lease Purchase Agreement.

Section 9.08 No Other Sale or Disposition of Project. The Lessor will not sell, lease or otherwise dispose of or encumber a Project; except for Permitted Encumbrances, and as otherwise permitted in this Trust Indenture or the Lease Purchase Agreement. In the event of any involuntary conversion of a Project through the exercise of powers of condemnation by the State or other governing authority, the proceeds of any such condemnation shall be applied first to defeasance of the Certificates as provided in Article XII hereof. In the event that following an Event of Lease Default or an Event of Non-Appropriation, a Project is not foreclosed upon by the Trustee, the Lessor and the Trustee each covenants that (i) any re-let or lease of a Project must be for fair market rental value; (ii) priority must be given to governmental users; and (iii) the excess of rentals collected over the Certificate Payments (or an amount equal thereto after no Certificates are Outstanding) shall be remitted to the Department.

Section 9.09 Take Further Necessary Actions. The Lessor covenants that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of this Trust Indenture.

Section 9.10 Maintenance of Existence. Except upon the occurrence of an Event of Default or an Event of Non-Appropriation, the Lessor will not take any action or omit taking any action affecting its existence, without the prior written consent of the Department and the Bond Insurer; and it will comply, but solely from amounts of legally available funds provided by the Department, with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to a Project.

Section 9.11 Fair Market Value of Project. The Department reasonably estimates that the fair market value of a Project on the latest Certificate Maturity Date will be equal to at least 20 percent of the Costs financed by the Certificates, with the estimated fair market value of such property determined without including in the value any addition to the property or any decrease or increase for deflation or inflation during the term of the Certificates. Further, the Department reasonably estimates that the remaining useful life of a Project on the latest Certificate Maturity Date is the longer of one year or 20 percent of the originally estimated useful life of a Project financed by the Certificates.

If at any time during the term of this Trust Indenture it becomes apparent that a Project does not meet the above estimates, the Department covenants to replace or repair the portion of a Project financed by the Certificates to the extent necessary to meet the above estimates. In no event shall the Trustee have any liability or be responsible for monitoring or ensuring compliance with this covenant.

Section 9.12 Option to Purchase. (a) The Lessor has granted to the Department an Option to purchase all right, title and interest of the Lessor in and to a Project at any time during the term of this Trust Indenture for an amount which, together with moneys then on deposit in the Reserve Fund and the Rent Payment Fund shall be sufficient to pay when due the Certificate Principal Payments, Optional Redemption Premium, if any, and Certificate Interest Payments on the Outstanding Certificates, in accordance with the provisions of Section 12.01 hereof and Sections 17.2 and 19 of the Lease Purchase Agreement, to pay reasonable costs incident thereto and to pay all other amounts then due and payable hereunder. Such payment, to the extent applicable, shall be deposited by the Trustee to the credit of the Rent Payment Fund and applied to the payment of the Certificates, and the Department shall thereupon obtain unencumbered fee title and exclusive possession of a Project and any additions thereto, subject only to the Permitted Encumbrances.

(b) The Lessor shall not enter into any lease of a Project (except the Lease Purchase Agreement and any sub-leases of Projects permitted therein) without the prior written consent of the Trustee and the Bond Insurer, nor shall the Lessor place any encumbrance on a Project (other than the lien of this Trust Indenture) and any such lease shall provide that the user or lessee shall vacate a Project within a reasonable time, not to exceed ninety (90) days after the Department exercised the Option and such lease contract shall thereupon be deemed canceled. This covenant shall continue in effect so long as the Certificates are Outstanding notwithstanding the occurrence of an Event of Default or an Event of Non-Appropriation.

ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND OWNERS OF CERTIFICATES

Section 10.01 Defaults. The occurrence of any of the following events, subject to the provisions of Section 10.10 hereof, is hereby defined as and declared to be and to constitute an Event of Default:

(a) Default in the due and punctual payment to an Owner of a Certificate of any portion of a Certificate Interest Payment represented by a Certificate; or

(b) Default in the due and punctual payment to an Owner of a Certificate of any portion of a Certificate Principal Payment represented by any Certificates whether at a Certificate Payment Date, the stated maturity thereof, or the prepayment date set therefor in accordance with the terms hereof; or

(c) The occurrence of an Event of Default pursuant to the Lease Purchase Agreement, the Ground Lease, or the Ground Sublease.

(d) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Department included in this Trust Indenture (except a default set forth in Section 10.01(a), (b) or (c) above), and the continuance thereof for a period of 30 days (or such greater time as agreed to by the Trustee or the Bond Insurer) after receipt of written notice to the non-observing or non-performing party from the Trustee.

Section 10.02 Remedies. Upon the occurrence of an Event of Default hereunder, the Trustee may, and upon the receipt of a Directive shall, liquidate the Trust Estate (which shall be only upon the prior written direction from the Bond Insurer to do so, so long as the Bond Insurer is not in default) and pursue any other remedy available to it at law, under the Lease Purchase Agreement, the Assignment by statute or hereunder.

The Trustee may sublet, re-let, rent or lease a Project or any portion thereof, foreclose on any Mortgage encumbering a Project, and pursue any other remedy available at law and the excess of rentals collected over the Certificate Payments (or an amount equal thereto after no Certificates are Outstanding) shall after payment of all amounts due to the Bond Insurer and other amounts due hereunder be remitted to the Department at the termination of the Ground Lease.

No remedy by the terms of this Trust Indenture conferred upon or reserved to the Trustee or the Bond Insurer or to the Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Owners hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder whether by the Trustee or the Bond Insurer or by the Certificate Owners shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon.

Section 10.03 Rights of Certificate Owners. If an Event of Default shall have occurred and be continuing and if requested to do so by a Directive (which, in the case of an Event of Default under Section 10.01 hereof, shall be with the consent of the Bond Insurer, assuming the Bond Insurer is not in default) and indemnified as provided in Section 10.07 hereof, the Trustee shall be obligated to exercise or to refrain from exercising such one or more of the rights and the remedies conferred by this Article X as specified in such Directive, which may without limitation, include the time, method and place of exercising the same, or if none is specified therein as the Trustee, upon the advice of counsel, shall deem to be in the interests of the Certificate Owners.

Section 10.04 Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article X shall, after payment of the costs, fees and expenses including reasonable attorney fees of the Trustee and of the proceedings (including bankruptcy proceedings) resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited into the Rent Payment Fund and all such moneys in the Rent Payment Fund shall be applied as follows:

(a) Unless the Certificate Principal Payments represented by all the Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of the Certificate Interest Payments in the order of the maturity of the installments of interest and, to the payment ratably, according to the amount due on such installments, to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons entitled thereto of the unpaid Certificate Principal Payments that shall have become due whether by maturity or declared prepayment date (other than the portions of such Certificate Principal Payments represented by Certificates with respect to the payment of which moneys are held pursuant to the provisions of this Trust

Indenture) in the order of such due dates, with interest from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full such Certificate Principal Payments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment of any additional amounts owed to the Bond Insurer hereunder which have not been paid pursuant to FIRST and SECOND of this Section 10.05(a).

(b) If Certificate Principal Payments evidenced by all the Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of such Certificate Principal Payments represented by Certificates due and unpaid upon the Certificates without preference or priority of principal over the interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege and then to the payment of any additional amounts owed to the Bond Insurer hereunder which have not been paid pursuant to FIRST and SECOND of Section 10.05(a) hereof.

(c) If Certificate Principal Payments represented by all the Certificates shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article X, then, subject to the provisions of paragraph (b) of this Section 10.05, in the event that the Certificate Principal Payments represented by all the Certificates shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section 10.05.

Whenever moneys are to be applied pursuant to the provisions of this Section 10.05 (i) if the Event of Default has occurred under Section 10.01(a) or (b) hereof, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for the application and the likelihood of additional moneys becoming available for such application in the future, or (ii) if the Event of Default has occurred under Section 10.01(c) hereof, such moneys shall be applied at such times and from time to time as directed by the Bond Insurer. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be a Certificate Payment Date unless it 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 dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Owner of any Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

Whenever the Certificate Principal Payments or the Certificate Interest Payments represented by all Certificates have been paid under the provisions of this Section 10.05, all expenses and charges of the Trustee have been paid, and all amounts due and owing to the Bond Insurer, any balance remaining in the Rent Payment Fund shall be paid to the Department.

Section 10.05 Remedies Vested in Trustee. All remedies and rights of action (including the right to file proof of claims) under this Trust Indenture or under any of the Certificates may be enforced by the Trustee without the possession of any of the Certificates or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owners of the Certificates and any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Certificates. Notwithstanding anything to the contrary contained herein, upon the occurrence and continuance of an Event of Default, the Bond Insurer (so long as Bond Insurer is not in default) shall have the right to control and direct the enforcement of any rights or remedies of the Trustee.

Section 10.06 Rights and Remedies of Certificate Owners. No Owner of any Certificates shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Trust Indenture for the execution of any trust hereof, for the appointment of a receiver or to enforce any other remedy hereunder, unless (1) an Event of Default has occurred; (2) the Owners of not less than a majority in aggregate principal amount of Certificates Outstanding shall have made written request to the Trustee (which, in the case of Event of Default under Section 10.01(c) hereof, shall be only with the prior written consent of the Bond Insurer (so long as Bond Insurer is not in default)) and have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) such Owners have provided to the Trustee indemnification satisfactory to the Trustee; and (4) the Trustee shall thereafter fail or shall refuse to exercise the powers hereinbefore granted or to institute such action, suit or proceedings in its, his, her or their name

or names. Such notification, request and indemnity are hereby declared in every case at the option of the Trustee to be condition precedent to the execution of the powers and the trusts of this Trust Indenture and to any action or cause of action for the enforcement of this Trust Indenture or for the appointment of a receiver or for any other right or remedy hereunder. No one or more Owners of the Certificates shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of this Trust Indenture by its, his, her or their action or to enforce any right or remedy hereunder except in the manner herein provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of all Certificates then Outstanding. Nothing in this Trust Indenture contained shall, however, affect or impair the right of any Certificate Owner to enforce the payment or prepayment of the Certificate Principal Payment or the Certificate Interest Payment represented by any Certificate at and after the maturity or earlier declared prepayment date thereof.

Section 10.07 Termination of Proceedings. If the Trustee shall have proceeded to enforce any right or remedy under this Trust Indenture by the appointment of a receiver, by entry or otherwise and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case, the Lessor, the Department and the Trustee shall be restored to their former respective positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceeding had been taken.

Section 10.08 Waivers of Events of Default. The Trustee may waive, with the written consent of the Bond Insurer or at the direction of the Bond Insurer, any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal upon the written request of the Owners of a majority in aggregate principal amount of all Certificates then Outstanding; provided, however, that there shall not be waived (a) any Event of Default respecting the payment of Certificate Principal Payments or declared prepayment date prior thereto, or (b) any Event of Default respecting the payment of an Certificate Interest Payment represented by any Certificate, unless prior to such waiver or rescission, all arrears of principal and interest when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for and, in case any such waiver or rescission or in case any proceeding(s) taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Trustee and the Certificate Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Section 10.09 Enforcement of Lease Purchase Agreement. The Trustee shall enforce each of the terms and provisions of the Lease Purchase Agreement in accordance with the terms of a Directive and all rights of the Trustee and all obligations of the Department under and pursuant thereto in accordance with the terms and provisions thereof and of this Trust Indenture. Upon the occurrence of an Event of Lease Default, the Trustee shall exercise any one or more of the remedies set forth therein in accordance with the terms of the Directive.

Section 10.10 Consent to Dismiss. The Trustee and the Department acknowledge that the Lessor is a third party lease purchase financing source with respect to a Project and the Trustee hereby agrees to consent to (and to refrain from objection to), a motion made by the Lessor to be dismissed from any lawsuit not involving the validity of the Lessor's title to a Project brought by a party other than the Trustee or the Department, arising out or in any way relating to the Lease Purchase Agreement with respect to a Project or the construction, equipping, furnishing, ownership, rental, possession, operation, condition, sale or return of a Project or any portion thereof. This covenant by the Trustee to consent to and refrain from objection to such a motion to dismiss shall include the Lessor's assigns and their respective agents, employees, officers and directors (except for the Trustee in its capacity as Trustee under the Trust Indenture). It is understood by and between the Trustee and the Lessor that this covenant is not intended to be and is not an indemnity. Notwithstanding the foregoing, if it is necessary for Lessor to remain a party in order to maintain the action, Lessor shall not be, and is hereby prohibited from seeking to be, dismissed from such action and Lessee shall indemnify Lessor therefor to the fullest extent permitted by law.

ARTICLE XI
MODIFICATION OR AMENDMENT OF
THIS TRUST INDENTURE

Section 11.01 Amendments Permitted. (a) This Trust Indenture and the rights and obligations of the Department under the Lease Purchase Agreement and of the Owners of the Certificates and of the Trustee and of the Lessor or the Department may be modified or amended from time to time and at any time by an amendment or supplement hereto, which the Lessor, the Department and the Trustee may enter into with the written consent of the Bond Insurer, assuming the Bond Insurer is not in default, or, in the event the Bond Insurer is in default under the Municipal Bond Insurance Policy, then the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, which shall have been filed with the Trustee. No such modification or amendment shall (1) extend the stated maturity or change any declared prepayment date of any Certificate Principal Payment, or reduce the amount of principal represented by any Certificate, or extend the time of payment or reduce any Prepayment Price provided in this Trust Indenture for the payment of any Certificate, or reduce the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto, or change the time or conditions of any declared prepayment with respect thereto without the consent of the Owner of each Certificate so affected, or (2) reduce the aforesaid percentage of Certificates the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Lease Rights and other assets declared subject to this Trust Indenture in the Trust Estate or deprive the Owners of the Certificates of the lien created by this Trust Indenture on such Lease Rights and other assets in the Trust Estate (except as expressly provided in this Trust Indenture) without the consent of the Owners of all of the Certificates then Outstanding. Promptly after the execution by the Lessor, the Department and the Trustee of any amendment pursuant to this subsection (a), the Trustee shall give Notice by Mail, setting forth in general terms the substance of such amendment to the Owners at the addresses listed on the Certificate Register. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

(b) Notwithstanding subsection (a) above, this Trust Indenture and the respective Lease Purchase Agreement and the rights and obligations of the Department thereunder, of the Lessor, of the Trustee and of the Owners of the Certificates may also be modified or amended from time to time and at any time by an agreement which the Lessor, the Department and the Trustee may enter into, with notice to the Bond Insurer, but without the consent of any Certificate Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Trustee or the Lessor or the Department in this Trust Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof) or to surrender any right or power herein reserved to or conferred upon the Trustee, the Department or the Lessor; provided, however, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Owners of the Certificates;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Trust Indenture, or Lease Purchase Agreement, or other Certificate Documents or in regard to matters or questions arising under this Trust Indenture or Lease Purchase Agreement as the Trustee, the Department or the Lessor may deem necessary or desirable and not inconsistent with said agreements, or as may be requested by the Department, the Lessor or the Trustee, and which shall not, in any such case materially adversely effect the interests of the Owners of the Certificates or to facilitate the obtaining of a rating on the Certificates by Moody's or Standard and Poor's;

(3) to modify, amend or supplement this Trust Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statutes and which shall not materially adversely affect the interests of the Owners of the Certificates;

(4) to provide for any additional procedures, covenants or agreements necessary to maintain the exclusion from gross income for federal income tax purposes of the Certificate Interest Payments on the Certificates; or

(5) to provide for the issuance of Completion Certificates pursuant to Section 2.18 hereof.

Section 11.02 Effect of Amendments. Upon the execution of any amendments hereto, pursuant to this Article XI, this Trust Indenture shall be deemed to be modified and amended in accordance therewith but only with respect to the Trust Estate and the Certificates, and the respective rights, duties and obligations under this Trust Indenture of the Department, the Trustee, the Lessor and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such amendment shall be deemed to be part of the terms and conditions of this Trust Indenture, for any and all purposes with respect to the Trust Estate and the Certificates.

Section 11.03 Endorsement of Certificates; Preparation of New Certificates. Certificates delivered after the execution of any amendment pursuant to this Article XI may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Lessor, the Department, the Bond Insurer and the Trustee as to any modification or amendment provided for in such amendment, and in that case, upon demand of the Owner of any Outstanding Certificate at the time of such execution and presentation of his for such purpose at the Principal Office of the Trustee, a suitable notation shall be made on such Certificate. If the amendment shall so provide, new Certificates so modified to conform, in the opinion of the Lessor, the Department and the Trustee, to any modification or amendment contained in such amendment, shall be prepared and executed by the Trustee, and upon demand of the Owners of any Certificates then Outstanding shall be exchanged at the Principal Office of the Trustee without cost to any Owner of a Certificate, for Certificates then Outstanding, upon surrender for cancellation of such Certificates in equal aggregate principal amounts of the same maturity and tenor.

Section 11.04 Amendment of Particular Certificates. The provisions of this Article XI shall not prevent any Owner of a Certificate from accepting any amendment as to the particular Certificates held by him; provided, however, that due notation thereof is made on such Certificates.

Section 11.05 Reliance on Opinions. The Trustee shall be entitled to obtain, prior to deciding whether to enter into any proposed amendment and whether such amendment is authorized by Section 11.01 hereof, and conclusively rely on an opinion of counsel, at the Department's expense, as to whether any such amendment is permitted or authorized by this Trust Indenture and whether such amendment will have a materially adverse effect on the exclusion of the Interest Portion of the Certificates from gross income for federal income tax purposes, and such other matters as may be opined on by such counsel.

ARTICLE XII

DEFEASANCE OR DISCHARGE

Section 12.01 Discharge of Trust Indenture as to Trust Estate. (a)(i) When the obligations of the Department under the Lease Purchase Agreement shall cease pursuant to Section 19 thereof (except for the right of the Trustee and the obligation of the Lessor and the Department to have the money and Governmental Obligations mentioned therein applied to the payment of Certificate Payments as therein set forth), and (ii) the Department shall have delivered to the Trustee and the Bond Insurer (x) an opinion of Special Counsel to the effect that the conditions for such discharge contained herein and in Section 12.01(b) have been satisfied and (y) an accountant's certificate with respect to the sufficiency of Governmental Obligations so deposited and (iii) if the Department shall have deposited sufficient moneys to pay the fees, compensation and expenses of the Trustee to be reimbursed and paid hereunder and under the Lease Purchase Agreement, then the obligations created by this Trust Indenture with respect to the Certificates shall thereupon cease and become void except for those concerning the Rebate Account and the rights of the Owners and the obligation of the Trustee to apply such moneys and Governmental Obligations to the payment of the Certificates as herein set forth.

In the event that the Certificate Principal Payments or Certificate Interest Payments represented by the Certificates shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Department to the Certificate Owners shall continue to exist, such Certificates shall be deemed "Outstanding" and the Bond Insurer shall be fully subrogated to the rights of such Owners.

(b) After the Certificates and all amounts payable to the Bond Insurer have been paid, the Trustee shall turn over to the Department any surplus in the Funds other than (x) moneys and Governmental Obligations held for the payment of the Certificates at maturity or upon prepayment, which moneys and Governmental Obligations shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the Certificate

Payments or Prepayment Price under the Certificates, and (y) moneys in the Rebate Account which shall continue to be held and applied by the Trustee in accordance with Article VIII hereof. After such payment, this Trust Indenture shall become void with respect to the Certificates.

Section 12.02 Deposit of Money or Securities with Trustee. If moneys or non-callable Governmental Obligations, are deposited with and held by the Trustee with respect to the Certificates, as hereinabove provided, the Trustee shall, within thirty (30) days after such moneys or Governmental Obligations shall have been deposited with it, give Notice by Mail to the Owners of the Certificates at the addresses listed on the Certificate Register, setting forth (i) the Certificate Maturity Date, (ii) a description of the Governmental Obligations, if any, so held by it, and (iii) that this Trust Indenture has been released in accordance with the provisions of this Section 12.02 with respect to the Certificates and the Trust Estate. Whenever in this Trust Indenture or the Lease Purchase Agreement, it is provided or permitted that there be deposited with or held in trust by the Trustee moneys or securities in the necessary amount to pay or prepay any Certificates, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Trust Indenture (exclusive of a Project Fund and the Rebate Account) and shall be,

(a) lawful money of the United States of America in an amount equal to the principal amount of such Certificates and all unpaid interest evidenced thereby to maturity, except that, in the case of Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment shall have been given as provided in Article IV or irrevocable provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the Prepayment Prices (to the date of prepayment) with respect to such Certificates; or

(b) non-callable Governmental Obligations, the principal of and interest on which when due together with any moneys held by the Trustee for such purpose will provide money sufficient to pay the Certificate Payments under the Certificates to be paid and, as to those Certificates to be prepaid, the Prepayment Price thereof to such date of prepayment, provided that, in the case of Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as provided in Article IV or irrevocable provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Trust Indenture and the Lease Purchase Agreement) to apply such money to the payment of such principal or Prepayment Price and interest with respect to such Certificates.

Section 12.03 Payment of Certificates After Discharge of Trust Indenture. Notwithstanding any provisions of this Trust Indenture, any moneys held by the Trustee in trust for the payment of the principal or Prepayment Price, with respect to any Certificates and remaining unclaimed for five years after the principal represented by all of the Certificates has become due and payable (whether at maturity or upon call for prepayment or by acceleration as provided in this Trust Indenture), if such moneys were so held at such date, or three years after the date of deposit of such moneys if deposited after said date when all of the Certificates became due and payable, shall, upon request of the Department, be repaid to the Department and all liability of the Trustee with respect to such moneys shall thereupon cease. In the event of the repayment of any such moneys to the Department aforesaid, the Owners of the Certificates with respect to which such moneys were deposited shall thereafter have a claim against the Department for amounts represented by such Certificates and so repaid to the Department (without interest thereon), subject to any applicable statute of limitations.

Section 12.04 Special Requirements With Respect to the Bond Insurer. Notwithstanding anything to the contrary contained herein, prior to any defeasance becoming effective under this Trust Indenture, (i) the amounts required to be deposited in the escrow fund pursuant to this Trust Indenture and the escrow deposit agreement shall be invested only in Governmental Obligations which Governmental Obligations shall not contain provisions permitting the prepayment thereof other than at the option of the holder, and (ii) the Bond Insurer shall have received (a) the final official statement delivered in connection with the refunding obligations, if any, (b) an executed copy of the accountants' verification report, (c) a copy of the escrow deposit agreement in form and substance acceptable to the Bond Insurer, and (d) a copy of an opinion of Special Counsel, dated the date of closing and addressed to the Bond Insurer, to the effect that such Certificates have been paid within the meaning and with the effect expressed in this Trust Indenture, and that the covenants, agreements and other obligations of the Lessor and the Department to the Owners of such Certificates and the obligations of the Department under the Certificates and Lease Purchase Agreement have been discharged and satisfied. Any of the foregoing may be waived by the Bond Insurer in its sole and absolute discretion at the time of such defeasance.

THE TRUSTEE

Section 13.01 Duties, Immunities and Liabilities of Trustee. (a) The Trustee by execution hereof accepts and agrees to fulfill the trusts imposed upon it by this Trust Indenture, but only upon the terms and conditions set forth in this Article and subject to the provisions of this Trust Indenture. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Trust Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Trust Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The Trustee shall be under no obligation to institute any suit or take any remedial proceeding in the Event of a Default under this Trust Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant, to take any steps in the execution of any of the trusts hereby created or in the enforcement of any rights and powers hereunder, including, without limitation, its acceptance or possession of a Project or any component thereof, until it shall be indemnified to its satisfaction against any and all reasonable costs, expenses, outlays, including, without limitation, reasonable counsel fees and expenses, and other reasonable disbursements, and against all liability. 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 Indenture (except for any funds held as part of the Rebate Fund) and shall be entitled to a preference therefor over any Certificates Outstanding hereunder.

(b) The Lessor may, upon the request of the Department and with the written consent of the Bond Insurer, and shall at the request of the Bond Insurer and consent of the Department, remove the Trustee at any time, but only for cause, upon thirty (30) days prior written notice to the Trustee with respect to the Certificates and the Trust Estate unless an Event of Default shall have occurred and then be continuing, and at any time requested to do so by a Directive of the Owners of the Certificates then Outstanding (or their attorneys duly authorized in writing) for any reason with or without cause, by giving written notice of such removal to the Trustee and thereupon the successor Trustee shall be appointed by Department with the written consent of the Bond Insurer.

(c) The Trustee may at any time resign with respect to the Certificates and the Trust Estate by giving written notice of such resignation to the Lessor, the Department and the Bond Insurer and by giving the Certificate Owners Notice by Mail of such resignation at the addresses listed on the Certificate Register. Upon receiving such notice of resignation, the Department, with the written consent of the Bond Insurer, shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall only become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within sixty (60) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Certificate Owner (on behalf of himself and all other Certificate Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Indenture shall signify its acceptance of such appointment by executing and delivering to the Lessor, the Department and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee with respect to the Trust Estate, with like effect as if originally named Trustee herein; but, nevertheless, at the request of the Department or the request of the Lessor and the successor Trustee, such predecessor Trustee, at the Department's expense, shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to the Trust Estate and any property held by it under this Trust Indenture with respect to the Trust Estate and shall pay over, transfer, assign and deliver to the successor Trustee the Trust Estate and any money or other property subject to the trusts and conditions herein set forth. Upon request of the Department or the successor Trustee, the Lessor shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations with respect to the Trust Estate. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall cause notice of such acceptance to be mailed, first class postage prepaid, to the Owners of the Certificates at the addresses listed on the Certificate Register.

(e) Any Trustee appointed under the provisions of this Section 13.01 in succession to the Trustee shall be a state or national trust company or bank having the powers of a trust company under Florida law, having a combined capital and surplus of at least two hundred fifty million dollars (\$250,000,000), and subject to supervision and examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section 13.01.

(f) Any Trustee hereunder shall not be liable for anything done or not done after the effective date of the appointment of a successor Trustee to it hereunder; provided, however, that such removal or substitution shall not affect such Trustee's liability hereunder for the period during which it served as Trustee hereunder.

(g) At any time that the Trustee reasonably deems it necessary to do so in order to enforce any rights hereunder, the Trustee shall have the right to appoint a co-trustee.

(h) In the event that the Trustee resigns or is replaced with respect to some of the Certificates hereunder but not as to others, the successor Trustee, as a condition to such succession, must execute an instrument of assumption incorporating the terms hereof as to such series of Certificates and the Trust Estate in recordable form and otherwise acceptable to the Department, any rating agency which has issued a rating on such Certificates and, if applicable, each of their respective counsel.

(i) The duties and obligations of the Trustee shall be determined solely by the express provisions of this Trust Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Indenture. No implied covenants or obligations shall be read into this Trust Indenture against the Trustee.

(j) None of the provisions contained in this Trust Indenture, the Lease Purchase Agreement, or the Assignment 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.

(k) 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 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. The Trustee shall be under no obligation to see that any duties herein imposed upon the Lessor, the Department, any depositary other than the 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.

(l) The Trustee shall not be liable or responsible because of the failure of the Lessor 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 Lessor 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 be deposited under the provisions of this Trust Indenture. 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 Indenture. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

(m) In case the Lessor 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 Lessor or the Department relating to the Lease Purchase Agreement to the extent, if any, that the Lessor or the Department may be deemed by the Trustee liable for the same, the Trustee, subject to Section 13.01(j) hereof, may pay such tax, assessment or governmental charge, 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 to the Trustee by the Department, but the Trustee shall be under no obligation to make any such payment from sources provided in the Trust Indenture unless it shall have available or be provided with adequate funds for the purpose of such

payment.

(n) The Trustee shall not be deemed to have notice of any default other than a payment default under this Trust Indenture or a notification by the Bond Insurer of a default under its Municipal Bond Insurance Policy, unless notified in writing of such default by the Owners of at least 25% in aggregate principal amount of the Outstanding Certificates. The Trustee may, however, at any time require of the Department full information as to the performance of any covenant hereunder or under the Lease Purchase Agreement or the Assignment, and if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Department, an investigation into the affairs of the Lessor or the Department.

Section 13.02 Merger or Consolidation. Any entity into which the Trustee may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 13.01 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 13.03 Liability of Trustee. (a) The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. 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 X 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 Indenture, or the Lease Purchase Agreement. (b) The Trustee may become the owner of Certificates with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Certificates then Outstanding.

Section 13.04 Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, Directive or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Lessor and the Department with regard to legal questions, and the opinion of such 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 accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Certificate unless and until such Certificate is submitted for inspection, if required, and his or her title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Trust Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement of the Lessor and the Department, and such statement shall be full warrant to the Trustee or any action taken or suffered in good faith under the provisions of this Trust Indenture in reliance upon such statement, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 13.05 Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Lessor and the Department, the Bond Insurer and any Certificate Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 13.06 Responsibility. The Trustee shall not be responsible for the authenticity or accuracy of any certifications or documents, the application of amounts disbursed pursuant to any certifications or documents, or the sufficiency of the funds credited to the Funds and the Rebate Account to make disbursements herein required.

Section 13.07 Records; Originals of Documents. The Trustee shall keep complete and accurate records of all moneys received, invested, and disbursed under this Trust Indenture, which records shall be available for inspection by such of the

Lessor, the Department, the Bond Insurer and the Owners of the Certificates or their agents, at any time during regular business hours. The Trustee may also keep a duplicate original of the Certificate Documents for the benefit of and for inspection by the Lessor, the Department, the Bond Insurer or the Owners of the Certificates and by execution hereof the Trustee acknowledges a receipt of such a duplicate original of each of such documents.

Section 13.08 Compensation of the Trustee. The Department shall (a) pay to the Trustee the Trustee's reasonable compensation for its services in the manner and amount agreed to at the inception hereof and (b) shall from time to time reimburse the Trustee for extraordinary expenses, including but not limited to the Trustee's advances and expenditures, such as advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, trustees and attorneys or other experts employed by it in the exercise and performance of its powers and duties hereunder.

ARTICLE XIV

MISCELLANEOUS

Section 14.01 Trust Indenture Binding Upon Parties and Successors. This Trust Indenture shall inure to the benefit of and shall be binding upon the Trustee, the Department and the Lessor and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 14.02 [RESERVED].

Section 14.03 Agreement in Several Counterparts. This Trust Indenture may be simultaneously executed in several counterparts, each of which, together with a counterpart executed by each of the other parties hereto, shall be an original and all of which shall constitute but one and the same instrument.

Section 14.04 Applicable Law. This Trust Indenture shall be construed and enforced according to the laws of the State. In the event of the filing of legal or administrative action with regard to this Trust Indenture or any Certificate Document, venue shall be in Leon County, Florida.

Section 14.05 Severability of Provisions. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof.

Section 14.06 No Usury. Notwithstanding anything herein, or in the Lease Purchase Agreement or the Certificates or otherwise, the Lessor and the Department shall have no obligation to pay, and neither the Owners of Certificates nor the Bond Insurer shall charge interest or charges in the nature of interest that would violate any legally binding limitation on interest rates. The Trustee shall not be responsible for determining usury and must disburse according to this Trust Indenture absent a final court order to the contrary from a court having jurisdiction over this Trust Indenture.

Section 14.07 Survival Provisions. The obligations of the Trustee with respect to matters arising before the termination of this Trust Indenture (including any indemnification obligations and any obligation to pay additional interest) shall survive the termination of this Trust Indenture.

Section 14.08 Limited Third Party Beneficiaries. No persons other than the Trustee, the Lessor, the Department, the Bond Insurer and the Owners of Certificates, and the successors and assigns of such persons, shall have any rights whatsoever under this Trust Indenture.

Section 14.09 Notices. Any notices to be given or to be served upon any party hereto, in connection with this Trust Indenture, must be in writing and may be delivered personally or by certified or registered mail, return receipt requested and, if so mailed shall be deemed to have been given and received ninety-six (96) hours after a registered or certified letter containing such notice, postage prepaid, is deposited in the United States mail, or by facsimile transmission or overnight delivery service

and if given otherwise, shall be deemed to have been given when delivered to and received by the party to whom it is addressed, such notice shall be given to the parties at their respective addresses set forth in a Schedule to the Lease Purchase Agreement or at such other address as such party may hereafter designate to the other parties in writing.

Section 14.10. Reference Date. This Trust Indenture is dated as of the date set forth above for convenience of reference only. The actual date of execution hereof by each party hereto is set forth below the respective signatures for each party below.

Section 14.11 Limitations on Security. Anything herein to the contrary notwithstanding, (a) neither the State nor any of its political subdivisions, including the Department, shall ever be compelled to (i) levy any ad valorem taxes on any property within its territorial limits to pay the Certificate Principal Payments, or Premium Portion, if any, or Certificate Interest Payments on the Certificates or to make any other payments provided for under the Lease Purchase Agreement or this Trust Indenture, or (ii) pay the same from any funds of the Department other than funds appropriated by the State Legislature for such purposes or those provided in Article XIV or as otherwise provided in the Lease Purchase Agreement; and (b) neither the Lease Purchase Agreement nor the Certificates shall be or constitute general obligations of the Department or a lien upon any property owned by the Department or the State.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties hereto have caused this Trust Indenture to be executed by their duly authorized officers or agents, all as of the day and year indicated above and effective the Issue Date.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:
Title:

FLORIDA CORRECTIONAL FINANCE CORPORATION, as
Lessor

By:

ATTEST:

By:

ACCEPTANCE BY DEPARTMENT

The State of Florida Department of Management Services hereby accepts the terms of this Trust Indenture and does hereby agree to be bound by the same.

STATE OF FLORIDA DEPARTMENT OF MANAGEMENT
SERVICES, as Lessee

(SEAL)

ATTEST:
By:
Its: Secretary

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

R - ____

STATE OF FLORIDA DEPARTMENT OF MANAGEMENT SERVICES
CERTIFICATES OF PARTICIPATION, SERIES 200_____
EVIDENCING FRACTIONAL UNDIVIDED INTERESTS OF THE OWNERS
THEREOF IN BASIC RENT PAYMENTS TO BE MADE BY
THE STATE OF FLORIDA DEPARTMENT OF MANAGEMENT SERVICES PURSUANT TO AN AMENDED AND
RESTATEDED MASTER LEASE AGREEMENT WITH OPTION TO PURCHASE WITH FLORIDA CORRECTIONAL
FINANCE CORPORATION, AS LESSOR

<u>INTEREST RATE:</u>	<u>PAYMENT DATE:</u>	<u>DATED DATE:</u>	<u>CUSIP</u>
%	August 1, 20		

Registered Owner:

Principal Sum:	DOLLARS
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THIS IS TO CERTIFY THAT the Registered Owner (named above) (the "Owner") of this Certificate of Participation (the "Certificate") is entitled to receive on the Payment Date set forth above (the "Certificate Principal Payment Date"), the principal sum stated above. This Certificate and the "Certificate Principal Payments" and "Certificate Interest Payments" hereunder (as each is defined below) represent an undivided fractional interest in the right to receive the Principal Portion and Interest Portion of Basic Rent Payments payable under the "Master Lease Agreement" (as defined below) by and between the State of Florida Department of Management Services (the "Lessee") and the Florida Correctional Finance Corporation (the "Corporation"), dated as of November 1, 2001 and amended and restated as of (the "Master Lease Agreement") having been issued by the Lessee, as lessee, and assigned by the Corporation to U.S. Bank National Association, not in its individual capacity but solely as trustee ("Trustee") under the Master Trust Indenture, dated as of November 1, 2001 and amended and restated as of February 1, 2009 (the "Indenture") by and between the Trustee and the Corporation, as lessor. The Basic Rent Payments under the Lease Master Lease Agreement are payable solely from the Lessee's legally available revenues appropriated for such purpose. The designated office of the Trustee for payments to be made hereunder is located in Jacksonville, Florida (said designated office being herein referred to as the "Principal Office"). The aforesaid principal payment (the "Certificate Principal Payment") represents an undivided fractional interest in the Principal Portion of each of the Basic Rent Payments under the Master Lease Agreement coming due on the Certificate Principal Payment Date. The Owner is also entitled to receive on February 1, 20____ and August 1, 20____, and semiannually thereafter on the first day of February and the first day of August of each year (the "Certificate Payment Dates") to and including the Certificate Principal Payment Date or the date of prepayment, whichever is earlier, the Owner's undivided fractional interest in the Interest Portion of each of the Basic Rent Payments (the "Certificate Interest Payments") coming due with respect to each of the Certificate Payment Dates. The Owner's undivided fractional interest in the Interest Portion of the Basic Rent Payments due on any Basic Rent Payment Date shall be computed by multiplying the Certificate Interest Payment coming due on such date by a fraction the numerator of which is the Principal Sum stated above and the denominator of which is the total Principal Sum outstanding under the Indenture.

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 Certificate Principal Payments are payable at the Principal Office of the Trustee

and the Certificate Interest Payments are payable by check or draft of the Trustee mailed on each Certificate Payment Date to the Owner of record.

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Indenture.

The Basic Rent Payments are payable solely from the legally available revenues of the Lessee annually appointed by the Florida Legislature for such purpose. THE FLORIDA LEGISLATURE IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO ENABLE THE LESSEE TO MAKE BASIC RENT PAYMENTS. THIS CERTIFICATE AND THE PAYMENTS DUE FROM THE LESSEE UNDER THE LEASE PURCHASE AGREEMENT DO NOT CONSTITUTE A GENERAL OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE LESSEE, THE CORPORATION, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION, AGENCY, OR INSTRUMENTALITY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AND THE ISSUANCE OF THE CERTIFICATES WILL NOT DIRECTLY OR INDIRECTLY OBLIGATE THE LESSEE, THE CORPORATION, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION, AGENCY, OR INSTRUMENTALITY THEREOF, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR AND THE HOLDERS OF THE CERTIFICATES WILL HAVE NO RECOURSE TO THE POWER OF TAXATION OF THE LESSEE, THE CORPORATION, OR ANY OTHER GOVERNMENTAL ENTITY.

THE CONTRACTUAL OBLIGATION OF THE LESSEE TO REQUEST AN APPROPRIATION TO PAY RENT DOES NOT CONSTITUTE AN INDEBTEDNESS OF SUCH LESSEE, OR 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 Certificate Owners to make the Certificate Principal Payments or the Certificate Interest Payments represented by the Certificates from any source other than as provided herein and in the Indenture. The Trustee's sole obligation is to administer, for the benefit of the Certificate Owners, the various funds and accounts established under the Indenture.

Pursuant to the Act, Florida Statutes, and a Resolution adopted by the Lessee, the Lessee is authorized to enter into the Master Lease Agreement.

This Certificate has been executed by the Trustee pursuant to the terms of the Master Trust Indenture. Copies of the Master Lease Agreement and the Master Trust Indenture are on file at the Principal Office of the Trustee, and reference to the Master Lease Agreement and the Master Trust Indenture and any and all amendments to said agreements is made for a description of the covenants of the Lessee and the Corporation, the nature, extent and in the manner of enforcement of such covenants, and the rights 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 Master Trust Indenture and the Master Lease Agreement may be amended by an amendment or supplement entered into by the Trustee and the Corporation with the written consent of the Owners of a majority in principal amount of the Certificates then outstanding (but not if such change affects payments to be made to a non-consenting Certificate Owner) or without such consent of the Owners with respect to certain amendments not adversely affecting the interest of the Owners of the Certificates, as described in Section 11.01(b) of the Master Trust Indenture.

This Certificate may be transferred only by recording the transfer on the register maintained by the Trustee for that purpose at the Principal Office of the Trustee. 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-in-fact. 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 of any Certificates shall be required of the Trustee after such Certificate has been called for prepayment and no transfer of any Certificate shall be required between any Record Date and the relevant Certificate Payment Date. Payment of the Certificate Interest Payments represented by this Certificate shall be made to the Owner in whose name this Certificate is registered on the register maintained by the Trustee at the close of business on the fifteenth day of the month (whether or not a Business Day) next preceding the relevant Certificate Payment Date (the "Record Date") irrespective of any transfer or purported transfer subsequent to such Record Date and prior to such Certificate Payment Date. The Certificate Interest Payments shall be payable from the Certificate Payment Date next preceding the date of registration hereof unless this

Certificate is registered as of a Certificate Payment Date, in which event such Certificate Interest Payment shall be payable from such Certificate Payment Date, or unless the date of registration thereof is prior to the first Certificate Payment Date, in which event such Certificate Interest Payment shall be payable from the Dated Date; provided however, that if, as shown by the records of the Trustee, payment of such Certificate Interest Payment shall be in default, such Certificate Interest Payment represented by this Certificate shall be paid from the last date to which such Certificate Interest Payment has been paid in full or duly provided for, or, if no such Certificate Interest Payment has been paid or duly provided for from the Dated Date. The Certificate Interest Payments shall be paid on each Certificate Payment Date, provided that if any Certificate Payment Date is not a Business Day, the interest represented by such Certificate Interest Payment shall cease to accrue on the date scheduled for payment but shall be paid on the next succeeding Business Day. If and to the extent that there shall be a default in the payment of a Certificate Interest Payment, such defaulted Certificate Interest Payment shall be paid Owner in whose name this Certificate is registered at the of business on the Business Day next preceding the date of such defaulted Certificate Interest Payment. Certificate Interest Payments 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 integral multiple of \$5,000 in excess thereof, except that one Certificate Principal Payment Date may be issued in the amount necessary for the aggregate principal amount of Certificates issued with the same Certificate Principal Payment Date to equal to the aggregate of the Principal Portion of all Basic Rent Payments under the Master Lease Agreement due on such date. Certificate may be exchanged, upon surrender thereof for cancellation at the Principal Office of the Trustee, for a like aggregate amount of Certificates of other authorized denominations and of the same maturity and tenor. Any Certificate surrendered in an exchange shall be canceled. The Owner requesting such exchange must be at the request of the Trustee pay the Trustee any tax, fee or other governmental charge required to be paid with respect to such exchange.

<u>Optional Prepayment Date</u>	<u>Prepayment Price</u>
August 1, 20__ through July 31, 20__	101%
August 1, 20__ and thereafter	100%

Mandatory Prepayment. Certificates shall be subject to prepayment in whole or in part at any time and if in part, in such order of maturity of Certificates corresponding to the due dates of the principal portion of Basic Rent Payments due under the Series 2009A Lease as shall be designated by the Department to be prepaid, and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Rent Payments prepaid under the Series 2009A Lease, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if (A) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Rent Payments relating to the Series 2009A Project as a result of damage, destruction or condemnation of any portion of the Series 2009A Project and an election is made by the Department under Section 5.4(b) of the Master Lease to apply the amount to the prepayment in part of the principal portions of Basic Rent Payments relating to the Series 2009A Project and represented by the Certificates, or (B) there shall remain in the Series 2009A Acquisition Account an aggregate amount greater than the amount of Basic Rent Payments coming due in the immediately following twelve month period under the Series 2009A Lease, upon delivery by the Department of a Certificate of Acceptance in the form of Exhibit C to the Master Lease indicating completion of the acquisition, construction, installation and payment of all costs of the Facilities included in the Series 2009A Project and after any reimbursement to the Department from the Series 2009A Acquisition Account as permitted by the Trust Indenture.

Upon Surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the owner thereof, a new Certificate or Certificates of Authorized Denominations, and of the same maturity equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered.

Notice of redemption shall be given by the Trustee, not more than forty-five (45) days and not less than (30) days prior to the Redemption Date with respect to the Optional Redemption and not less than fifteen (15) days prior to the Redemption Date with respect to all other events of redemption, in each case, to the Owner of each Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of redemption shall state the Redemption Date, the place or redemption, the Redemption Price and, if less than all, the distinctive numbers of the Certificates to be redeemed, and shall also state that the Certificate Interest Payment represented by such Certificates designated for redemption shall cease to accrue from and after such Redemption Date and that on said date there will become due and

payable for each of said Certificates the Redemption Price. No defect in the giving of any notice pursuant to this paragraph shall affect of invalidate the proceedings for such redemption.

Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of such Certificates (or portions thereof) being held by the Trustee, on the Redemption Date designated in such notice, the Certificates (or portions thereof) so called for redemption shall become due payable at the Redemption Price specified in such notice and the Certificate Interest Payments represented by such Certificates so called for redemption shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Certificates shall have no rights in respect thereof except to receive payment of said Redemption Price.

THE CONTRACTUAL OBLIGATION OF THE LESSEE TO REQUEST AN APPROPRIATION TO PAY THE RENT DOES NOT CONSTITUTE AN INDEBTEDNESS OF SUCH LESSEE, OR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION LIMITATION.

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,
under the Trust Indenture dated as of
November 1, 2001 and amended and
restated as of _____, 20____

By: _____
Authorized Signatory

(SEAL)

CERTIFICATE OF AUTHENTICATION

This Certificate is one of the Certificates designated as State of Florida Correctional Privatization, Series 200__, Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made by the State of Florida Correctional Privatization Commission under a Master Lease Agreement with Option to Purchase with Florida Correctional Finance Corporation as Lessor in the within-mentioned Indenture.

U.S. Bank National Association, not in
its individual capacity but solely as Trustee,
under the Trust Indenture dated as of
November 1, 2001 and amended and restated as of
_____, 20__

By: _____
Authorized Signatory

Date of Authentication:

ASSIGNMENT

For value received _____ The undersigned does hereby sell, assign and transfer unto _____ The within-mentioned 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:

Registered Owner: _____

Signature Guaranteed: _____

NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within-mentioned Certificate in every particular without alteration or enlargement or any change whatsoever.

**SERIES 2015A SUPPLEMENTAL
TRUST INDENTURE**

Between

**FLORIDA CORRECTIONAL FINANCE CORPORATION,
as Lessor**

AND

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

Accepted by State of Florida Department of Management Services

Dated as of January 1, 2015

SERIES 2015A
SUPPLEMENTAL TRUST INDENTURE

This **SERIES 2015A SUPPLEMENTAL TRUST INDENTURE**, dated as of January 1, 2015 (the “Series 2015A Supplemental Trust Indenture”), supplementing the Amended and Restated Master Trust Indenture, dated as of February 1, 2009 (the “Trust Indenture”) by and between FLORIDA CORRECTIONAL FINANCE CORPORATION (the “Corporation”), as Lessor, and U.S. BANK NATIONAL ASSOCIATION, as successor to Wachovia Bank, National Association, as successor by merger to First Union National Bank, a national banking association with corporate trust powers qualified to accept trusts of the type set forth in the Trust Indenture, with a designated corporate trust office in Jacksonville, Florida (the “Trustee”) and accepted by the State of Florida Department of Management Services (the “Department”).

W I T N E S S E T H:

WHEREAS, as of July 1, 2004, the Department succeeded to all of the rights, benefits and obligations of the Florida Correctional Privatization Commission, which Commission was subsequently dissolved into the Department; and

WHEREAS, the Department has deemed it to be in its best interest to lease-purchase certain real and personal property from time to time and has entered into an Amended and Restated Master Lease Agreement with Option to Purchase (the “Master Lease”) between the Corporation, as lessor, and the Department, as lessee; and

WHEREAS, pursuant to the Master Lease, the Department may from time to time, by execution of a Schedule to the Master Lease, direct the Corporation to acquire, construct, lease-purchase and re-finance to the Department the items of real or personal property described in such Schedule (which items of property are collectively referred to herein as the “Projects”); and

WHEREAS, provision for the payment of the costs of such Projects may be made by the issuance and sale from time to time of one or more Series of Certificates issued under the Trust Indenture, which shall be secured by and be payable from Basic Rent Payments to be made by the Department pursuant to the Master Lease and related Schedules; and

WHEREAS, each Series of Certificates shall be secured independently from each other Series of Certificates, except as otherwise provided in the Trust Indenture; and

WHEREAS, the Department and the Lessor have executed Schedule No. 2015A as of the date hereof, providing for the lease-purchase refinancing of the Refinanced Projects (herein defined) and the Trustee, at the request of the Lessor, has agreed to execute and deliver the Series 2015A Refunding Certificates to provide funds for the lease-purchase refinancing of the Refinanced Projects; and

WHEREAS, the Lessor has assigned to the Trustee all of its right, title and interest in and to the Series 2015A Lease (consisting of Schedule No. 2015A and the Master Lease) and the related Rent Payments, other than its rights to indemnification and to receive notices and to give consents and approvals thereunder, pursuant to the Series 2015A Assignment Agreement; and

WHEREAS, the Trustee has received an order from an Authorized Representative of the Lessor relating to the execution and delivery of the Series 2015A Refunding Certificates; and

WHEREAS, the proceeds of the Series 2015A Refunding Certificates shall be issued pursuant to the Trust Indenture and this Series 2015A Supplemental Trust Indenture to refinance the cost of the Refinanced Projects, to pay Costs of Issuance of the Series 2015A Refunding Certificates and to fund the Series 2015A Reserve Requirement; and

WHEREAS, the Series 2015A Refunding Certificates shall be secured in the manner provided in the Trust Indenture and shall have the terms and provisions contained in this Series 2015A Supplemental Trust Indenture; and

WHEREAS, all things necessary to make the Series 2015A Refunding Certificates, when executed by the Trustee and delivered as provided herein and in the Trust Indenture, 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 2015A Supplemental Trust Indenture, and the creation, execution and delivery of the Series 2015A Refunding Certificates subject to the terms thereof, have in all respects been duly authorized.

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I **DEFINITIONS**

SECTION 101. Definitions. Words and terms that are defined in the Trust Indenture or Master Lease shall have the same meanings ascribed to therein when used herein, unless the context or use indicates a different meaning or intent. In addition to the words and terms elsewhere defined in this Series 2015A Supplemental Indenture, the following words and terms as used in this Series 2015A Supplemental Trust Indenture shall have the following meaning unless the context or use indicates another or different meaning or intent:

“Authorized Denominations” shall mean, with respect to the Series 2015A Refunding Certificates, \$1,000, or any integral multiple of \$1,000 in excess thereof.

“Escrow Agent” shall mean U.S. Bank National Association, Jacksonville, Florida, and its successors serving as Escrow Agent under the Series 2015A Escrow Deposit Agreement.

“Refinanced Projects” shall mean, collectively, the Series 1995B Project, the Series 1995C Project, the Series 2004A Project, the Series 2004B Project, and the Series 2006A Project.

“Refinanced Project Sites” shall mean collectively, each parcel of the real property described on Exhibit A to the Series 2015A Lease.

“Refunded Certificates” shall mean the Series 1995B Certificates, the Series 1995C Certificates, the Series 2004A Certificates, the Series 2004B Certificates and the Series 2006A Certificates.

“Series 1995B Certificates” shall mean the \$17,665,000 Certificates of Participation, Series 1995B (350 Bed Youthful Offender Correctional Facility Polk County Project) Evidencing Fractional Undivided Interests of Owners thereof in Basic Rent Payments to be made under a Lease Agreement with Option to Purchase issued by the State of Florida Correctional Privatization Commission.

“Series 1995B Project” shall mean the acquisition, construction and equipping of the Esmor Polk County Project, a 350 bed, medium security youthful offender correctional facility, consisting of a 5 building complex located on approximately 66.242 acres in unincorporated Polk County, Florida.

“Series 1995C Certificates” shall mean the \$18,755,000 Certificates of Participation, Series 1995C (350 Bed Youthful Offender Correctional Facility Palm Beach County Project) Evidencing Fractional Undivided Interests of Owners thereof in Basic Rent Payments to be made under a Lease Agreement with Option to Purchase issued by the State of Florida Correctional Privatization Commission.

“Series 1995C Project” shall mean the acquisition, construction and equipping of the Esmor Palm Beach County Project, a 350 bed, medium security youthful offender correctional facility, consisting of a 5 building complex located on approximately 39.921 acres in the City of Pahokee, Palm Beach County, Florida.

“Series 2004A Certificates” shall mean the \$40,045,000 Certificates of Participation, Series 2004A, Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the

Correctional Privatization Commission (State of Florida), as Lessee, Pursuant to a Master Lease Agreement with Option to Purchase with Florida Correctional Finance Corporation, as Lessor.

“Series 2004A Project” shall mean the refunding and defeasance of 1995A Certificates of Participation in the original principal amount of \$11,900,000 and the 1995 Certificates of Participation in the original principal amount of \$41,160,000, related to the Lake City Correctional Facility and the South Bay Correctional Facility, respectively.

“Series 2004B Certificates” shall mean the \$47,395,000 Certificates of Participation, Series 2004B, Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the Correctional Privatization Commission (State of Florida), as Lessee, Pursuant to a Master Lease Agreement with Option to Purchase with Florida Correctional Finance Corporation, as Lessor.

“Series 2004B Project” shall mean the lease purchase financing of the acquisition, construction and equipping of additional beds at two existing Correctional Facilities, the Expanded Lake City Correctional Facility and the Expanded South Bay Correctional Facility.

“Series 2006A Certificates” shall mean the \$120,510,000 Certificates of Participation, Series 2006A, Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the Florida Department of Management Services as Lessee, Pursuant to a Master Lease Agreement with Option to Purchase with the Florida Correctional Finance Corporation, as Lessor.

“Series 2006A Project” shall mean (i) the acquisition, construction and equipping of Graceville Correctional Facility, a new 1,500 correctional facility located on approximately 50 acres in Jackson County, Florida and (ii) the expansion involving the acquisition, construction and equipping of additional beds at the Bay County Correctional Facility, the Glades County Correctional Facility and the Gadsden County Correctional Facility.

“Series 2015A Acquisition Account” shall mean the Series 2015A Acquisition Account established in Section 301 hereof.

“Series 2015A Assignment Agreement” shall mean the Series 2015A Assignment of Leases, Rents and Profits dated as of January 1, 2015 pursuant to which the Lessor has assigned to the Trustee all its rights, title and interest in and to the Series 2015A Lease, except as otherwise provided therein.

“Series 2015A Certificate Year” shall mean January 29, 2015 through **July 31, 20[15]** and each 12 month period beginning on August 1 through July 31 of the next calendar year.

“Series 2015A Cost of Issuance Subaccount” shall mean the Series 2015A Cost of Issuance Subaccount established in Section 301 hereof.

“Series 2015A Escrow Deposit Agreement” shall mean the Escrow Deposit Agreement between the Corporation and the Escrow Agent dated as of the first day of the month and year in which the Series 2015A Certificates are issued.

“Series 2015A Financing Documents” shall mean the Series 2015A Trust Indenture, the Series 2015A Lease, the Series 2015A Assignment Agreement and any related agreement executed and delivered in connection with the issuance of the Series 2015A Refunding Certificates.

“Series 2015A Government Obligations” shall mean, for the purpose of defeasing the Series 2015A Refunding Certificates, the following non-callable and non-prepayable securities:

1. Cash
2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- “SLGs”)

3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities
4. 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.
5. 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 of 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
 - f. U.S. Department of Housing and Urban Development (HUD)
Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

“Series 2015A Land” shall mean the real property subject to Schedule No. 2015A.

“Series 2015A Lease” shall mean the Master Lease as supplemented by Schedule No. 2015A.

“Series 2015A Order to Authenticate and Deliver” shall mean the written direction from the Lessor to the Trustee to authenticate and deliver the Series 2015A Refunding Certificates.

“Series 2015A Prepayment Account” shall mean the Series 2015A Prepayment Account established in Section 301 hereof.

“Series 2015A Qualified Investments” shall mean as follows:

(1) Bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including, but not limited to, any of the federal agencies and federally sponsored entities set forth in clause (3) hereinafter to the extent guaranteed by the United States of America;

(2) Obligations of any of the following federal agencies or federally sponsored entities which obligations represent the full faith and credit (guaranteed obligations) of the United States of America, including but not limited to, the following (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Rural Economic Community Development Administration (formerly the Farmers Home Administration);
- b. General Services Administration (Participation Certificates);
- c. U.S. Maritime Administration;
- d. Government National Mortgage Association (GNMA);
- e. U.S. Department of Housing & Urban Development (PHA's); and
- f. Federal Housing Administration Debentures.

(3) Bonds, debentures, notes or other evidence of indebtedness of any of the following federal agencies or federally sponsored entities which are not fully guaranteed 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. Federal National Mortgage Association (FNMA);
- b. Federal Home Loan Mortgage Corporation (FHLMC);
- c. Federal Home Loan Bank Systems (FHLB); and
- d. Farm Credit System.

(4) Commercial paper which is rated at the time of purchase in the highest classification (without regard to qualifier), "A-1+" or higher by S&P and "P-1" or higher by Moody's.

(5) Investment agreements the provider of which is rated in one of the two highest rating categories, without regard to qualifiers, by two Rating Agencies under which the provider agrees to periodically deliver, on a delivery versus payment basis, such securities as are described in clauses (1-4) above.

(6) Investment agreements the provider of which is rated in one of the two highest rating categories, without regard to qualifiers, by two Rating Agencies and which are continuously and fully secured by such securities as are described in clauses (1-3) above, which securities shall have a market value at all times at least equal to 102% of the principal amount invested under the investment agreement (marked to market at least weekly).

(7) The pooled investment program of the State of Florida administered by the State Board of Administration, known as the Local Government Surplus Funds Trust Fund, established pursuant to Chapter 218, Part IV, Florida Statutes, as amended.

(8) 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 AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

(9) 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 bondholders must have a perfected first security interest in the collateral.

(10) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(11) Investment Agreements, including GIC's, acceptable to the Lessee.

(12) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.

(13) 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.

(14) 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.

(15) 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 cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

a. Repos must be between the municipal entity and a dealer bank or securities firm.

(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 repo contract must include the following:

(1) Securities which are acceptable for transfer are:

- a. Direct U.S. governments
- b. Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC).

(2) The term of the repo 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 repo or reverse repo.

(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, marked-to-market at current market price 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 repo 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 which must be delivered to the municipal entity:

Repo meets guidelines under state law for legal investment of public funds.

(16) 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.

(17) Investment accounts with the State of Florida Treasury in accordance with Section 17.57, Florida Statutes.

(18) Other forms of investments (including repurchase agreements) approved in writing by the Lessee with notice to the credit underwriting agencies then rating the Series 2015A Refunding Certificates.

“Series 2015A Refunding Certificates” shall mean the \$99,625,000 Refunding Certificates of Participation, Series 2015A (Tax-Exempt) Evidencing Fractional Undivided Interest of the Owners thereof in Basic Rent Payments to be Made by the Department of Management Services (State of Florida) as Lessee, under the Amended and Restated Master Lease Agreement with Option to Purchase with Florida Correctional Finance Corporation, as Lessor.

“Series 2015A Rent Payment Account” shall mean the Series 2015A Rent Payment Account established in Section 301 hereof.

“Series 2015A Reserve Account” shall mean the Series 2015A Reserve Account established in Section 301 hereof.

“Series 2015A Reserve Requirement” shall mean \$11,613,560.98, which amount does not exceed the lesser of (i) the maximum principal portion and interest portion of Basic Rent Payments represented by the Series 2015A Refunding Certificates in the current or any subsequent Fiscal Year; (ii) one hundred twenty-five percent (125%) of the average principal portion and interest portion of Basic Rent Payments represented by the Series 2015A Refunding Certificates in the current or any subsequent Fiscal Year; and (iii) the maximum amount permitted by the Code, but in all events, subject to the release of funds as provided in Section 402 hereof.

“Series 2015A Trust Indenture” shall mean the Amended and Restated Master Trust Indenture dated as of February 1, 2009 by and between the Florida Correctional Finance Corporation and U.S. Bank National Association, as supplemented by this Series 2015A Supplemental Trust Indenture.

ARTICLE II **THE SERIES 2015A REFUNDING CERTIFICATES**

SECTION 201. Authorization of Series 2015A Refunding Certificates.

(a) There is hereby created a Series of Certificates to be issued under the Trust Indenture to be known as “Refunding Certificates of Participation, Series 2015A (Tax-Exempt) Evidencing Fractional Undivided Interest of the Owners Thereof In Basic Rent Payments To Be Made By the Department of Management Services (State of Florida), as Lessee, Pursuant To an Amended and Restated Master Lease Agreement With Option To Purchase with Florida Correctional Finance Corporation, as Lessor”.

The Series 2015A Refunding Certificates shall be issued for the purpose of (i) paying Costs of Issuance of the Series 2015A Refunding Certificates; and (ii) funding the Series 2015A Reserve Requirement and (iii) refinancing the Refinanced Projects through the refunding of the Refunded Certificates.

(b) The Series 2015A Refunding Certificates shall be dated the date of delivery thereof, and interest with respect thereto shall be payable from the later of such date or the Payment Date next preceding the date of execution and delivery to which payment has been made or provided. The Series 2015A Refunding Certificates shall be in the aggregate principal amount of Ninety-Nine Million Six Hundred Twenty-Five Thousand and No/100 Dollars (\$99,625,000), shall mature in the years and principal amounts set forth below, and shall bear interest at the annual rates as, in each case, is set forth below:

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\$99,625,000 Series 2015A Refunding Certificates (Tax-Exempt)

<u>MATURITY</u>	Serial Certificates		<u>INTEREST RATE</u>
	<u>PRINCIPAL AMOUNT</u>		
08/01/2015	\$ 9,790,000		5.00%
08/01/2016	10,005,000		5.00
08/01/2017	9,265,000		5.00
08/01/2018	7,590,000		5.00
08/01/2019	7,255,000		5.00
08/01/2020	7,635,000		5.00
08/01/2021	8,020,000		5.00
08/01/2022	9,275,000		5.00
08/01/2023	9,770,000		5.00
08/01/2024	10,250,000		5.00
08/01/2025	10,770,000		5.00

The principal portion represented by the Series 2015A Refunding Certificates due at maturity or upon prepayment thereof, whichever is earlier, shall represent undivided proportionate interests in the principal portion of the Basic Rent Payments due on each of the dates set forth on Schedule No. 2015A to the Master Lease.

(c) The interest portion represented by the Series 2015A Refunding Certificates shall be payable semiannually on February 1 and August 1 of each year to and including the date of maturity or prepayment, whichever is earlier, commencing on August 1, 2015. Said interest shall represent an undivided proportionate interest in the interest portion of Basic Rent Payments due on each of the dates set forth on Schedule No. 2015A to the Master Lease, to and including the maturity or earlier prepayment date on each Series 2015A Refunding Certificates.

(d) The 2015A Refunding Certificates shall be delivered in registered form in the denominations of \$1,000 or any integral multiple of \$1,000. The Series 2015A Refunding Certificates will be initially issued as a single registered certificate for each maturity and each series registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”). Subject to the provisions of the Trust Indenture, the form of the Series 2015A Refunding Certificates shall be substantially in the form set forth in Exhibit “B” of the Trust Indenture.

(e) The principal portion or Prepayment Price of the Series 2015A Refunding Certificates shall be payable at the designated corporate trust office of the Trustee. The interest portion represented by the Series 2015A Refunding Certificates shall be payable by check or draft of the Trustee mailed to the Certificate Owner at the address of the Certificate Owner shown on the registration records maintained by the Trustee as of the 15th day (whether or not a Business Day) of the calendar month next preceding the month in which the Payment Date occurs. Such interest portion may be paid by wire transfer to the registered owners of at least \$1,000,000 or more in aggregate principal amount of Series 2015A Refunding Certificates upon their request in writing received no later than 15 days prior to the Interest Payment Date, to a bank account in the continental United States designated in writing by such owner. The Trustee may charge a reasonable fee to the Certificate Owner for the cost of the wire transfer.

So long as there shall be maintained a book-entry-only system with respect to the Series 2015A Refunding Certificates, the following provisions shall apply:

The Series 2015A Refunding Certificates shall initially be registered in the name of Cede & Co. as nominee for DTC, which will act initially as securities depository for the Series 2015A Refunding Certificates and so long as the Series 2015A Refunding Certificates are held in book-entry-only form, Cede & Co. shall be considered the Certificate Owner for all purposes hereof. On original issue, the Series 2015A Refunding Certificates shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interest of its participants (“DTC Participants”) and other institutions that clear through or maintain a custodial relationship with DTC Participants, either directly or indirectly (“Indirect Participants”). The

DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Series 2015A Refunding Certificates (“Beneficial Owners”).

The principal and interest portions of Basic Rent Payments represented by the Series 2015A Refunding Certificates prior to and at maturity shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the Department.

The Series 2015A Refunding Certificates shall initially be issued in the form of one fully registered Series 2015A Refunding Certificate, as applicable, for each maturity and each series and shall be held in such form until maturity. Individuals may purchase beneficial interests in the amount of \$1,000 or integral multiples thereof in book-entry-only form, without certificated Series 2015A Refunding Certificates, through DTC participants and Indirect Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS CERTIFICATE OWNER OF THE SERIES 2015A REFUNDING CERTIFICATES, ANY NOTICE TO BE PROVIDED TO ANY CERTIFICATE OWNER WILL BE PROVIDED TO CEDE & CO. DTC SHALL BE RESPONSIBLE FOR NOTICE TO DTC PARTICIPANTS AND DTC PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIRECT PARTICIPANTS, AND DTC PARTICIPANTS AND INDIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO BENEFICIAL OWNERS.

The Department, the Corporation and the Trustee shall enter into a letter of representations with DTC providing for such book-entry-only system. Such agreement may be terminated at any time by either DTC or the Department. In the event of such termination, the Department shall select another securities Depository. If the Department does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Series 2015A Refunding Certificates in the form of fully registered Series 2015A Refunding Certificates in denominations of \$1,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

(f) **Optional Prepayment of 2015A Refunding Certificates.** The Series 2015A Refunding Certificates are not subject to prepayment and redemption on any date before their respective maturity dates.

SECTION 202. Execution and Delivery of Series 2015A Refunding Certificates. The Series 2015A Refunding Certificates shall be executed and delivered upon delivery to the Trustee of the documents referred to in Section 2.17 of the Trust Indenture and the payment of the purchase price therefore.

SECTION 203. Security for the Series 2015A Refunding Certificates. The Series 2015A Refunding Certificates shall be secured in the manner provided in the Trust Indenture.

SECTION 204. Refinanced Projects. Upon delivery of the Series 2015A Refunding Certificates, the lease purchase refinancing of the Refinanced Projects shall be effectuated as provided in the Trust Indenture and the Series 2015A Lease.

SECTION 205. Additional Covenants and Agreements of the Corporation Regarding the Refinanced Projects. In addition to the creation of the Trust Estate pursuant to the Trust Indenture for the Series 2015A Refunding Certificates, the Corporation and the Trustee, as a material inducement to the Trustee to issue the Series 2015A Refunding Certificates pursuant to this Series 2015A Supplemental Trust Indenture and the Trust Indenture, the Corporation hereby grants, devises, gives and assigns to the Trustee, in its capacity as Trustee, an irrevocable power of attorney coupled with an interest in the rent, revenues and profits of the Refinanced Projects, and hereby further designates and appoints Trustee as agent in fact for the Corporation, with the full power to act on behalf of the Corporation, without joinder of the Corporation, in any proceedings with respect to the Refinanced Projects, for the purpose of enforcing the Series 2015A Lease, and following a termination of the Series 2015A Lease other than by reason of the payment in full of all Rent Payments due thereunder, the power and authority to re-let the Refinanced Projects on behalf of and in the name of the Corporation. This grant of power to the Trustee shall be as described in the Series 2015A Assignment Agreement and shall be subject to any reservations of rights by the Corporation set forth therein.

The Corporation hereby covenants, warrants and agrees that it will not entertain, participate in, support or advance any defense in any action, undertaking, or proceeding challenging the powers granted to the Trustee under this Section 205, or the authority of the Trustee to exercise such powers, or the validity or lawfulness of the Trustee's powers or authority under this Section 205, if such defense seeks or serves to undermine the powers and authority of the Trustee under this Section 205.

Without qualification, the Corporation and its successors, hereby further covenant, agree and warrant that it will execute any instrument confirming, or reconfirming the powers and authority of Trustee under this Section 205 upon 3 days notice and demand to do so by the Trustee, or otherwise obtain, provide and execute or take any action required to confirm or ratify the powers and authority of Trustee hereunder.

ARTICLE III ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2015A REFUNDING CERTIFICATE PROCEEDS

SECTION 301. Establishment of Accounts. There are hereby established (a) within the Project Fund, the Series 2015A Acquisition Account, the Series 2015A Cost of Issuance Account and the Series 2015A Earnings Account therein; (b) within the Rent Payment Fund, the Series 2015A Rent Payment Account; (c) within the Reserve Fund, the Series 2015A Reserve Account; (d) within each of the Extraordinary Prepayment Fund and the Special Prepayment Fund, the Series 2015A Prepayment Accounts. There is also hereby established in the Rebate Account the Series 2015A Rebate Subaccount.

The moneys on deposit in the accounts and subaccounts described herein shall be disbursed by the Trustee in the manner and for the purposes described in the Trust Indenture.

SECTION 302. Application of Proceeds of Series 2015A Refunding Certificates.

Net proceeds of the sale of the Series 2015A Refunding Certificates in the amount of \$116,040,966.05 (consisting of proceeds of \$99,625,000.00 less underwriter discount of \$94,643.75 plus net original issue premium of \$16,510,609.80) shall be deposited as follows:

- (a) \$11,613,560.98 to the Series 2015A Reserve Account,
- (b) \$189,001.67 to the Series 2015A Cost of Issuance Account, and
- (c) \$104,238,403.40 to the Series 2015A Acquisition Account

The Trustee shall also receive from the Department (rather than directly from the purchaser as reflected above, the good faith deposit of the Underwriter (which is included in net proceeds above) plus interest earnings thereon in the amount of \$2,063,503.01. \$2,063,500.00 of which shall be a credit against the amount reflected in clause (c) above and shall be deposited into the Series 2015A Acquisition Account, and \$3.01 of which (representing investment earnings on such good faith deposit) shall be deposited into the Series 2015A Rent Payment Account.

SECTION 303. Application of Proceeds in Series 2015A Acquisition Account. Immediately upon the issuance and delivery of the Series 2015A Refunding Certificates the Trustee shall transfer the moneys on deposit in the Series 2015A Acquisition Account to the Escrow Agent to be held and applied as provided in the Series 2015A Escrow Deposit Agreement.

ARTICLE IV MISCELLANEOUS PROVISIONS RELATING TO SERIES 2015A REFUNDING CERTIFICATES

SECTION 401. [RESERVED]

SECTION 402. Series 2015A Reserve Account. Any funds remaining on deposit in the Series 2015A Reserve Account on the final maturity date for the Series 2015A Refunding Certificates shall be used to retire the

Series 2015A Refunding Certificates, respectively, on such date (or such earlier date as the funds on deposit in the respective Series Rent Payment Account, Reserve Account, and the Earnings Account (to the extent not required to be rebated to the United States Treasury) are sufficient to retire all Series 2015A Refunding Certificates in full.

SECTION 403. [RESERVED]

SECTION 404. Provisions of Trust Indenture Not Otherwise Modified. Except as expressly modified or amended hereby, the Trust Indenture shall remain in full force and effect. To the extent of any conflict between the terms of the Trust Indenture or Master Lease and this Series 2015A Supplemental Trust Indenture, the terms of the Trust Indenture or the Master Lease, as the case may be, shall control.

SECTION 405. Counterparts. This Series 2015A Supplemental Trust Indenture may be simultaneously 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 all of which shall constitute but one and the same instrument.

SECTION 406. 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 2015A Supplemental Trust Indenture, nor shall they affect its meaning, construction or effect.

SECTION 407. Laws. This Series 2015A Supplemental Trust Indenture shall be construed and governed in accordance with the laws of the State of Florida, without regard to Florida law of conflict of laws. Venue shall be in Leon County, Florida.

SECTION 408. [RESERVED]

SECTION 409. Nonrecourse obligation of Lessor. Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating hereto or any of the transactions contemplated hereby, the obligations, liabilities and responsibilities of the Lessor for any damages, expenses, fees, charges or claims with respect to the failure of any obligations hereunder to be performed by the Lessor shall be payable solely out of the proceeds derived by the Lessor from the Refinanced Projects (excluding any indemnities, reimbursement, service fees or other Lease Payments, Additional Lease Payments or Supplemental Payments) and the Lessor shall have no other or further liability hereunder or arising herefrom.

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IN WITNESS WHEREOF, the parties have executed this Series 2015A Supplemental Trust Indenture by their duly authorized officers as of the date and year first written above.

FLORIDA CORRECTIONAL FINANCE
CORPORATION, as Lessor

Attest:

By: _____
Cynthia Kelly, President

By: _____
Michael Weber, Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Glenda Peterson, Vice President

Accepted:

DEPARTMENT OF MANAGEMENT SERVICES

By: _____
Chad Poppell, Secretary

(Series 2015A Supplemental Trust Indenture)

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APPENDIX C-4

AMENDED AND RESTATED
MASTER LEASE AGREEMENT WITH OPTION TO PURCHASE

between

STATE OF FLORIDA
DEPARTMENT OF MANAGEMENT SERVICES
("Lessee")

and

FLORIDA CORRECTIONAL FINANCE CORPORATION
("Lessor")

Dated as of February 1, 2009
Amending and Restating a
Master Lease Agreement with Option to Purchase
Dated as of
November 1, 2001

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EXHIBIT A Form of Requisition

EXHIBIT B Legal Description of Land

EXHIBIT C Form of Memorandum of Lease and Notice of Option for Recording

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This AMENDED AND RESTATED MASTER LEASE AGREEMENT WITH OPTION TO PURCHASE (this "Lease Purchase Agreement") is made and entered into between Florida Correctional Finance Corporation, a not-for-profit corporation organized and existing under the laws of the State of Florida, as Lessor (the "Lessor") and the State of Florida Department of Management Services (the "Lessee") as of February 1, 2009 and amends and restates a Master Lease Purchase Agreement with Option to Purchase entered into by the Lessor and the State of Florida Correctional Privatization Commission (predecessor agency of the Lessee), dated as of November 1, 2001. The term "Lessor" shall include all successors and assigns in interest hereunder.

WITNESSETH

WHEREAS, pursuant to Ch. 93-406, Laws of Florida, the Correctional Privatization Commission was created for the purpose of entering into contracts for the designing, financing, leasing, acquiring, constructing and operating of private correctional facilities; and

WHEREAS, the Correctional Privatization Commission previously entered into a Master Lease Purchase Agreement with Option to Purchase with the Lessor, dated as of November 1, 2001 (the "Original Lease Purchase Agreement"); and

WHEREAS, pursuant to Ch. 2008-248, Laws of Florida, the Correctional Privatization Commission was abolished and the Lessee was designated as the successor agency for all contracts previously entered into by the Correctional Privatization Commission, including the Original Lease Purchase Agreement and all Schedules thereto; and

WHEREAS, pursuant to Section 255.25(1)(c), Florida Statutes, the Department has the independent authority to approve a lease-purchase, sale-leaseback or tax-exempt leveraged lease contract or other financing technique for the acquisition, renovation or construction of a state fixed capital outlay project; and

WHEREAS, the Legislature has requested the Department lease-purchase finance State Correctional Institutions (as hereinafter defined) on behalf of the Florida Department of Corrections under this Master Trust Indenture; and

WHEREAS, the Lessee and Lessor desire to amend and restate the Original Lease Purchase Agreement for, among other purposes, to clarify that State Correctional Institutions, including equipment, fixtures and furnishings thereto, may be financed, acquired, leased, lease-purchased, constructed, operated, equipped pursuant to this Lease Purchase Agreement (as hereafter defined); and

WHEREAS, pursuant to the Act (as hereinafter defined), the Lessee is authorized to execute lease purchase agreements relating to the lease purchase acquisition, construction and equipping of correctional facilities and improvements thereto, along with other equipment, fixtures and furnishings; and

WHEREAS, the Lessor is serving in such capacity for the purpose of facilitating the financing of a Project; and

WHEREAS, in furtherance of its corporate purpose the Lessor has either acquired or obtained a possessory interest pursuant to an Underlying Lease (as hereinafter defined) in, the Land and upon direction of the Lessee has caused or for future projects will cause, the construction and equipping of the Project and has determined to provide for the lease purchase thereof by this Lease Purchase Agreement; and

WHEREAS, upon direction of Lessee, Lessor has caused, or will cause, from time to time, the refinancing of existing Projects or the acquisition, construction and equipping of Projects by Lessee, as agent for Lessor, and has determined to provide for the lease purchase thereof by this Lease Purchase Agreement; and

WHEREAS, the Lessee has authorized, among other things, (i) the execution and delivery by the Lessee of this Lease Purchase Agreement and Schedules to the Lease Purchase Agreement to provide for the refinancing through lease purchase of correctional facilities to be located in the Counties, initially consisting of the Land, building, equipment and facilities as more fully described in the 2001 Schedule; and (ii) the acceptance by the Lessee of the Trust Indenture; and

WHEREAS, the Lessee desires to acquire through this Lease Purchase Agreement items of personal property constituting portions of various correctional facilities ("Equipment"), one or more leasehold estates in the hereinafter defined Land on which certain portions of various Projects will be located and correctional facilities to be built on the Land (hereinafter defined) as portions of various Projects (a "Building" or "Buildings", as the case may be). In order to differentiate the various Projects acquired hereunder and the correlative portions thereof, each Project, Building and Equipment shall be preceded by a designation identifying a Project to which it relates; and

WHEREAS, all items leased hereunder must be components of a Project; and

WHEREAS, pursuant to the Trust Indenture, the Lessor shall enter into the Assignment, to assign by outright assignment and not as security to the Trustee all of the Lessor's right, title and interest herein and hereunder; and

WHEREAS, the Lessor and the Trustee shall enter into the Trust Indenture, as accepted by the Lessee, and it is the intention of the parties hereto that the Trustee pursuant to the direction of the Lessee herein will issue Certificates of Participation ("Certificates") evidencing an undivided fractional interest in the Basic Rent Payments to be made by the Lessee under this Lease Purchase Agreement; and

WHEREAS, in and by this Lease Purchase Agreement, the Lessee has agreed to comply with all requirements of Section 103 of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion of the Basic Rent under this Lease Purchase Agreement as received by the Owners of the Certificates and with all requirements of the Resolution:

NOW, THEREFORE, in consideration of the premises and the covenants and conditions hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. RULES OF CONSTRUCTION.

1.1. Definitions. Unless the context otherwise specifically requires or indicates to the contrary herein, in addition to the meanings ascribed thereto in the preambles to this Lease Purchase Agreement, the defined terms used in this Lease Purchase Agreement shall have the respective meanings set forth herein:

"Act" shall mean collectively, Chapters 20, 255, 287, 944 and 957, Florida Statutes, as amended, and the Constitution of the State of Florida, as amended.

"Additional Interest" shall mean interest at the Maximum Interest Rate accrued as Supplemental Rent under the Lease Purchase Agreement.

"Applicable Law" shall mean all applicable provisions of all constitutions, statutes, ordinances, rules, regulations and orders of all governmental and quasi-governmental bodies, all Governmental Approvals and all orders, judgments and decrees of all courts and arbitrators.

"Assignment" shall mean the Assignment of Leases, Rents and Profits by the Lessor to the Trustee assigning all of the Lessor's rights under the Lease Purchase Agreement to the Trustee for the benefit of the Owners of the Certificates.

"Attorneys' Fees" shall mean reasonable attorneys' and paralegals' fees, reasonable expenses and court costs through all trial and appellate levels and post-judgment proceedings.

"Authorized Denominations" shall mean \$5,000, or any integral multiple of \$5,000 in excess thereof.

"Authorized Representative" shall mean (1) with respect to the Lessee, the Secretary of the Department of Management Services or any other person designated by the Secretary of the Department of Management Services as an Authorized Representative of the Lessee in a certificate filed with the Trustee and (2) with respect to the Lessor, any person or persons designated as Authorized Representative by the Lessor to the Trustee in writing.

"Balance Due Lessor" shall mean the applicable amount as described in Section 2.8 of the Lease Purchase Agreement.

"Basic Rent" or "Basic Rent Payment" shall mean the Basic Rent Payments set forth in a Schedule to the Lease Purchase Agreement.

"Basic Rent Payment Date" shall mean each Basic Rent Payment Date set forth in a Schedule to the Lease Purchase Agreement.

"Board" shall mean the Board of Trustees of the Internal Improvement Trust Fund.

"Bond Insurer" shall mean any issuer of municipal bond or certificate insurance which is authorized to conduct business in the State and on the basis of such insurance the debt obligations so insured are rated in the highest debt category by at least one of Moody's, Fitch or S&P's and the successors thereof at the time of issuance of Certificates.

"Budget" shall mean the Budget for a Project set forth in the applicable Schedule to the Lease Purchase Agreement.

"Building" or "Buildings" shall mean the physical structures described in a Schedule hereto properly equipped as a correctional facility to be constructed on the Land.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banks located in the U.S. city in which the Principal Office of the Trustee is located are required or authorized by law to remain closed or on which the New York Stock Exchange is closed.

"Capitalized Interest Account" means the Capitalized Interest Account created and established within the Project Fund by the Trustee pursuant to Section 5.01(a) of the Trust Indenture with respect to the Certificates and the Proceeds.

"Certificate Documents" shall mean, at any time, each of the following as in effect or as outstanding, as the case may be at such time: (i) the Certificates, (ii) the Trust Indenture, (iii) the Certificate Purchase Contract, (iv) the Lease Purchase Agreement and the respective Schedules and any sub-leases thereunder, (v) the Assignment, and (vi) where applicable, the Ground Lease, the Ground Sublease, and the Underlying Lease.

"Certificate Interest Payment" shall mean the Certificate Payments representing undivided interests in the Interest Portion of the Basic Rent Payments under the Lease Purchase Agreement.

"Certificate Interest Payment Date" shall mean a Basic Rent Payment Date upon which an Interest Portion of Basic Rent Payment is due.

"Certificate Maturity Date" shall mean the date upon which the Certificate Principal Payment represented by such Certificate matures.

"Certificate Owners" or "Owners" shall mean the registered owners of the Certificates of Participation in accordance with the Trust Indenture.

"Certificate Payment Date" shall mean each semi-annual Certificate Payment Date set forth in the applicable Schedule.

"Certificate Payments" shall mean the Certificate Principal Payments and the Certificate Interest Payments.

"Certificate Principal Payment" shall mean the Certificate Payments representing undivided interests in the Principal Portion of a Basic Rent Payment under the Lease Purchase Agreement.

"Certificate Principal Payment Date" shall mean a Basic Rent Payment Date upon which a Principal Portion of Basic Rent Payment is due.

"Certificate Register" or "Register" shall mean the register provided for by Section 2.10 of the Trust Indenture and kept for such purpose by the Trustee with respect to the Certificates.

"Certificate Year" shall mean each twelve (12) month period beginning July 1 and ending on June 30.

"Certificates" or "Certificates of Participation" shall mean the Certificates of Participation, executed, authenticated and delivered by the Trustee pursuant to the Trust Indenture.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Completion Date" shall mean the actual date of final completion of the acquisition, construction and equipping of all portions of a Project.

"Concluding Payment" shall mean, as of any Basic Rent Payment Date, that amount which (assuming the Basic Rent Payment due on that date has been made) is necessary to prepay all of the Certificate Principal Payments evidenced by the Outstanding Certificates, including the Premium Portion, if any, as set forth in the respective Schedules to the Lease Purchase Agreement and interest accrued thereon to such Basic Rent Payment Date plus all other amounts due under the Lease Purchase Agreement.

"Contractor" shall mean the Person providing general contractor or similar construction services to the Department with respect to a Project, as identified on a Schedule relating to such Project.

"Costs" shall mean the costs (other than Costs of Issuance) identified in the Budget which shall include all costs of acquisition of the Land and of construction and equipping of a Project and may include, but are not limited to, interest under the Lease Purchase Agreement, but only during the period prior to placing a Project in service and the two months immediately thereafter, and may also include items such as site preparation, architectural and engineering fees, design fees, development fees and other fees for professional services related to the design or construction of such Project, the Department's administrative expenses related to a Project and may also include the cost of functionally related equipment and construction management fees and any similar fees or costs; provided however, that in the case of the refinancing of a Project through the issuance of a Series of Certificates, Costs shall mean the cost of such refinancing (other than Cost of Issuance) as certified by the Lessor.

"Costs of Issuance" shall mean the expenses incurred in issuing the Certificates, including without limitation, advertising and printing costs, financial advisors and counsel fees (which may include fees for Counsel to the Lessee and the Lessee's administrative expenses related to the financing of a Project) underwriting and placement fees and expenses (including counsel fees and expenses) and commissions, fees of rating agencies, municipal bond insurance premiums, initial fees and expenses (including counsel fees) of the Trustee, paying agents and certifying or authenticating agents.

"Costs of Issuance Account" shall mean the Costs of Issuance Account created and established within the Project Fund by the Trustee pursuant to Section 5.01(a) of the Trust Indenture with respect to the Certificates and the Proceeds, including any subaccount for a particular series of Certificates created by Supplemental Indentures.

"Counties" shall mean collectively, each county.

"County" shall mean any county within the State in which a Project is located.

"Department" shall mean the State of Florida Department of Management Services.

"Directive" shall mean an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Trustee pursuant to the respective Supplemental Trust Indenture, or their lawful attorneys-in-fact, representing no less than fifty-one percent (51%) of the aggregate Certificate Principal Payments of a Series represented by the then Outstanding Certificates of the Series or by the respective Bond Insurer if a Municipal Bond Insurance Policy relating to a Series of Certificates is in effect.

"Draw Schedule" shall mean the anticipated scheduled progress payment disbursements from the Project Fund for the acquisition, construction and equipping of a Project.

"Equipment" shall mean, collectively, the items of personal property included in a Project.

"Event of Default" shall mean the occurrence of an Event of Default under Section 10.01 of the Trust Indenture.

"Event of Extraordinary Prepayment in Part" shall have the meaning set forth in Section 4.03.1 of the Trust Indenture.

"Event of Extraordinary Prepayment in Whole" shall have the meaning set forth in Section 4.03.1 of the Trust Indenture.

"Event of Lease Default" shall mean the occurrence of an Event of Default under Section 11 of the Lease Purchase Agreement.

"Event of Mandatory Prepayment" shall mean the occurrence of an event described in Section 16.2 of the Lease Purchase Agreement.

"Event of Non-Appropriation" shall have the meaning set forth in Section 2.6.1 of the Lease Purchase Agreement.

"Event of Optional Prepayment" shall mean a prepayment described in Section 4.02 of the Trust Indenture.

"Event of Special Mandatory Prepayment" shall mean a prepayment described in Section 4.03.2 of the Trust Indenture.

"Extraordinary Prepayment Fund" shall mean the Extraordinary Prepayment Fund so designated and established pursuant to Section 5.01(d) of the Trust Indenture.

"Final Payment Date" shall mean the Final Payment Date set forth in a Schedule to the Lease Purchase Agreement which is the Certificate Maturity Date.

"Financial Newspaper or Journal" shall mean The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each business day with a national circulation and customarily relied upon by the financial community, and selected by the Trustee, whose decision shall be final and conclusive.

"First Optional Prepayment Date" shall mean the First Optional Prepayment Date set forth in a Schedule to the Lease Purchase Agreement.

"Fiscal Year" shall mean each twelve-month period beginning July 1 and ending on the next succeeding June 30.

"Fitch" shall mean Fitch IBCA, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency.

"Governmental Approval" shall mean an authorization, permit, consent, approval, license or exemption from, registration or filing with, or report to, any governmental or regulatory unit.

"Governmental Obligations" shall have the meaning ascribed thereto in the Trust Indenture.

"Ground Lease" shall mean a ground sublease between the Lessor and the Lessee, pursuant to which the Lessee shall sublease the Land to the Lessor.

"Ground Sublease" shall mean a ground sub-sublease between the Lessee and the Lessor, pursuant to which the Lessor shall sublease the Land to the Lessee.

"Independent Insurance Consultant" shall mean a nationally recognized, independent actuary, insurance company or broker acceptable to the Bond Insurer that has actuarial personnel experienced in the area of insurance for which the Lessee is to be self-insured.

"Initial Lease Term" shall mean the Initial Lease Term set forth in a Schedule attached hereto.

"Initial Lease Termination Date" shall mean the termination date of the Initial Lease Term set forth in the respective Schedule to the Lease Purchase Agreement.

"Interest Portion" shall mean the portion of each Basic Rent Payment constituting interest as evidenced by the Certificates.

"Interest Rates" shall mean the Interest Rates set forth in the respective Schedule to the Lease Purchase Agreement.

"Investment Property" shall mean "investment property" as such term is used in the Code with respect to Sections 103 and 148 of the Code.

"Issue Date" shall mean the date so designated in the applicable Schedule to the Lease Purchase Agreement for the respective Series of Certificates.

"Item Purchase Price" shall mean the portion of the total invoice cost to be financed under the Lease Purchase Agreement (which may include charges for installation, delivery or preparation, on-site testing, or similar charges) for an item of Equipment, as identified in the Requisition submitted to the Trustee for payment for such item of Equipment.

"Land" shall mean the real property on which a Project is, or is to be, located, as described in Exhibit B to this Lease Purchase Agreement or any real property added to Exhibit B in conjunction with the delivery of a Schedule.

"Lease Commencement Date" shall mean the date so designated in the respective Schedule hereto.

"Lease Purchase Agreement" shall mean this Master Lease Agreement with Option to Purchase dated as of November 1, 2001, as amended and restated as of February 1, 2009 between the Lessee and the Lessor and each Schedule attached hereto with respect to each Series of Certificates.

"Lease Purchase Rent" shall mean, collectively, Basic Rent, Supplemental Rent and all other amounts due under such Lease Purchase Agreement.

"Lease Purchase Revenues" shall mean all amounts paid and collected pursuant to or with respect to the Lease Purchase Agreement, including, without limiting the generality of the foregoing, all payments of Lease Purchase Rent, prepayments, Net Proceeds of insurance, or condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in the Lessee's Funds established pursuant to the Trust Indenture.

"Lease Rights" shall have the meaning set forth in Section 16.1 of the Lease Purchase Agreement.

"Lease Term" shall mean, collectively, the Initial Lease Term and all exercised Renewal Lease Terms for each respective Series of Certificates.

"Lease Termination Date" shall have the meaning set forth in the applicable Schedule to the Lease Purchase Agreement relating to a respective Series of Certificates.

"Leased Property" shall mean, in respect of a Project financed or refinanced with a Series of Certificates, as applicable to such Project, the Land, the correctional facilities constructed and to be constructed thereon and the equipment.

"Legislature" shall mean the Florida Legislature, a branch of the government of the State of Florida.

"Lessee" shall mean the State of Florida Department of Management Services, its successors and assigns.

"Lessee's Funds" shall mean, collectively, the Project Fund, the Rent Payment Fund, the Optional Prepayment Fund, the Extraordinary Prepayment Fund, the Special Prepayment Fund and the Reserve Fund and, as relates to a Series of Certificates, the applicable Accounts and Subaccounts therein.

"Lessor" shall mean Florida Correctional Finance Corporation, a Florida not-for-profit corporation, as lessor under the Lease Purchase Agreement.

"Lien", as applied to the property of any Person, shall mean (in each case, whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise): (a) any mortgage, lien, pledge, attachment, charge, finance, lease, conditional sale or other title retention agreement, or other security interest or encumbrance of any kind in respect of any property of such Person, or upon the income or profits therefrom; and (b) any arrangement, express or implied, under which any property of such Person is transferred, sequestered or otherwise identified for the purpose of securing indebtedness or performance of any other obligation in priority to the payment of the general unsecured creditors of such Person.

"Management Agreement" shall mean an Operation and Management Services Contract between the Lessee and an Operator with respect to a Project pursuant to which the Operator will operate and manage a Project on behalf of the Lessee, as such may be extended, renewed, amended or replaced from time to time.

"Materially Adverse Effect" shall mean, (a) with respect to any Person, a materially adverse effect upon such Person's business, assets, liabilities, financial condition, results of operations or business prospects and (b) with respect

to any agreement or obligation, a materially adverse effect upon the binding nature, validity or enforceability of such agreement or obligation.

"Maximum Cost" shall mean the Maximum Cost set forth in the respective Schedule to the Lease Purchase Agreement for each Project.

"Maximum Interest Rate" shall mean as of any date of determination the maximum rate of interest allowed pursuant to Section 215.422, Florida Statutes.

"Maximum Lease Term" shall mean the Maximum Lease Term set forth in the respective Schedule to the Lease Purchase Agreement for each Project.

"Memorandum of Lease" shall mean a Memorandum of Lease substantially in the form set forth in Exhibit C to the Lease Purchase Agreement.

"Minimum Optional Prepayment Amount" shall mean the amount so designated and set forth in the respective Schedule to the Lease Purchase Agreement for each Project.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency.

"Municipal Bond Insurance Policy" shall mean a financial guaranty insurance policy issued by a Bond Insurer simultaneously with the delivery of a Series of Certificates, insuring the payment of the Certificate Principal Payments and the Certificate Interest Payments with respect to such Series of Certificates.

"Net Proceeds" shall mean proceeds from any insurance, condemnation award, performance bond, or any other financial guaranty (except that Net Proceeds shall not include any proceeds of the Municipal Bond Insurance Policy) or sale proceeds paid with respect to or for a Project (including the Land) remaining after payment therefrom of all expenses including attorney's fees incurred in the collection thereof; and, with respect to insurance, to the extent that the Lessee selects to self-insure as provided under section 9 of the Lease Purchase Agreement, any moneys payable from any appropriation to the Lessee in connection with such self-insurance.

"Notice by Mail" or "notice" of any action or condition "by Mail" shall mean a written notice meeting the requirements of the Trust Indenture mailed by first-class mail to the Owners of specified Certificates, at the addresses shown on the Certificate Register maintained pursuant to Section 2.10 of the Trust Indenture.

"Notice of Commencement" shall mean a Notice of Commencement duly executed in recordable form and meeting the requirements of Chapter 713, Florida Statutes.

"Offering Statement" shall mean the Offering Statement relating to a Series of Certificates and any documents incorporated therein by reference.

"Operator" shall mean the entity operating a Project on behalf of the Lessee pursuant to a Management Agreement.

"Option" shall mean the purchase option in favor of Lessee set forth in Section 17.2 of the Lease Purchase Agreement.

"Option Price" shall have the meaning set forth in Section 17.2(a) of the Lease Purchase Agreement.

"Option Notice" shall have the meaning set forth in Section 17.2(c) of the Lease Purchase Agreement.

"Optional Prepayment" shall mean an Optional Prepayment of the Principal Portion of Certificate Principal Payments representing an undivided interest in the Principal Portion of Basic Rent Payment pursuant to Section 4.02 of the Trust Indenture.

"Optional Prepayment Date" shall mean a date on which an Optional Prepayment of the Principal Portion of Certificate Principal Payments representing an undivided interest in the Principal Portion of Basic Rent Payment occurs pursuant to Section 4.02 of the Trust Indenture.

"Optional Prepayment Fund" shall mean the Optional Prepayment Fund so designated and established pursuant to Section 5.01(c) of the Trust Indenture.

"Outstanding" shall mean, as of the date of determination all Certificates theretofore issued, authenticated and delivered pursuant to the Trust Indenture except (i) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other certificates shall have been authenticated and delivered by the Trustee pursuant to the Trust Indenture, (iii) Certificates which have been deemed surrendered for prepayment or mandatory purchase and for which the Trustee holds in trust for the Owners the Prepayment Price or the purchase price of such Certificates, and (iv) Certificates paid or deemed to be paid pursuant to Article XII of the Trust Indenture.

"Owner" or "Certificate Owner" or "Registered Owners" shall mean the owner of a Certificate as shown on the Certificate Register kept pursuant to Section 2.10 of the Trust Indenture.

"Paying Agent" shall mean the Trustee.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof or any other entity.

"Premium Portion" shall mean the Premium Portion, if any, of Basic Rent Payment due under the Lease Purchase Agreement upon an Optional Prepayment.

"Prepayment Date" shall mean with respect to a Series of Certificates, its Prepayment Date as set in accordance with Article IV of the Trust Indenture.

"Prepayment Option" shall mean the right of the Lessee to prepay amounts due under the Lease Purchase Agreement with respect to one or more Series of Certificates pursuant to Section 17.1 hereof.

"Prepayment Price" shall mean, with respect to any Certificate (or portion thereof) the Certificate Principal Payments represented by such Certificate (or portion thereof) including the Premium Portion, if any, plus the Certificate Interest Payments accrued thereon, if any, to the Prepayment Date payable upon presentment thereof pursuant to Article IV of the Trust Indenture.

"Private Correctional Facility" shall mean any facility, which is not operated by the State of Florida Department of Corrections, for the incarceration of adults or juveniles who have been sentenced by a court and committed to the custody of the State of Florida Department of Corrections or Department of Juvenile Justice and shall include any facility defined as a private correctional facility in Section 944.710, Florida Statutes, as amended.

"Principal and Interest Payments" shall mean the payments of principal and interest to be made by the Lessee pursuant to the schedule of Basic Rent Payments set forth in the respective Schedules to the Lease Purchase Agreement.

"Principal Office" of the Trustee or the Paying Agent shall mean the designated corporate trust office of the Trustee initially located in Jacksonville, Florida.

"Principal Portion" shall mean the portion of each Basic Rent Payment constituting principal, if any, as evidenced by the Certificates.

"Proceeds" shall mean the aggregate amount of money paid by the Underwriter for a Series of Certificates to the Trustee.

"Project" shall mean a Project as described in a Schedule attached hereto which could be a Private Correctional Facility or a State Correctional Institution.

"Project Fund" shall mean the Project Fund created and established with the Trustee pursuant to Section 5.01(a) of the Trust Indenture with respect to the Proceeds and a Project which consists of the Acquisition Account, the Capitalized Interest Account and the Costs of Issuance Account, including any subaccounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Qualified Investments" shall include any of the securities set forth in the definition of Qualified Investments in the respective Supplemental Trust Indenture, if and to the extent the same are at the time legal under State law for investment of the Lessee's Funds.

"Real Estate Taxes" shall mean all real estate taxes, public and governmental charges and assessments, including all extraordinary or special assessments, or assessments against any personal property included in a Project, all costs, expenses and attorneys' fees incurred in contesting or negotiating with public authorities as to any of same and all water, sewer, capital assessments and other similar taxes and charges.

"Rebate Account" shall mean the Rebate Account created and established with the Trustee pursuant to Article VIII of the Trust Indenture with respect to the Lease Purchase Agreement, including any subaccounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Rebate Amount" shall have the meaning set forth in Section 8.02 of the Trust Indenture.

"Record Date" shall mean fifteen (15) days prior to each Certificate Payment Date.

"Registrar" shall mean the Trustee, or its successor as Registrar.

"Renewal Lease Term" shall mean a period of one year commencing on the date following each Lease Termination Date, unless earlier terminated pursuant to Section 2.2 hereof.

"Rent" or "Rent Payments" shall mean, collectively, Basic Rent, Supplemental Rent and all other amounts due under the Lease Purchase Agreement.

"Rent Payment Date" shall have the meaning ascribed thereto in the respective Schedule relating to a Series of Certificates.

"Rent Payment Fund" shall mean the fund by that name established pursuant to Section 5.01(b) of the Trust Indenture.

"Requisition" shall mean a completed Requisition in the form of Exhibit A to the Lease Purchase Agreement fully executed by the Authorized Representative of the Lessee.

"Reserve Deficiency" shall mean the amount by which the balance in the Reserve Fund, from time to time, is less than the Reserve Requirement.

"Reserve Fund" shall mean the Reserve Fund created pursuant to Section 5.01(e) of the Trust Indenture, including any Accounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Reserve Requirement" shall mean a Reserve Fund Surety providing coverage equal to, and/ or funds in an amount equal to the lesser of (i) ten percent (10%) of the proceeds of a Series of Certificates, (ii) maximum annual debt service on such Series of Certificates, or (iii) one hundred twenty-five percent (125%) of the average annual debt service on such Series of Certificates, which shall be deposited to the Reserve Fund on the Issue Date from Proceeds or such other amount as shall be designated in a Supplemental Indenture with respect to a specific Series of Certificates.

"Reserve Fund Surety" shall mean a letter of credit, surety bond, debt service reserve fund insurance policy or similar financial instrument acceptable to the Bond Insurer for each Series of Certificates which is designed to satisfy all or any portion of the Reserve Requirement.

"Schedule" means a schedule attached hereto setting forth the specific terms relating to a Series of Certificates and the related Project.

"Serial Certificates" shall mean Certificates so designated in a Supplemental Indenture with respect to any Series of Certificates.

"Series" or "Series of Certificates" shall mean and refer to a separate series of Certificates issued pursuant hereto and pursuant to a Supplemental Trust Indenture relating to a specific Project under the Lease Purchase Agreement.

"Special Counsel" shall mean Bryant Miller Olive P.A., or such other law firm of nationally recognized bond counsel familiar with the transactions contemplated under the Certificate Documents subsequently selected by the Lessor.

"Special Prepayment Fund" shall mean the Special Prepayment Fund created pursuant to Section 5.01(f) of the Trust Indenture, including any Accounts for a particular Series of Certificates therein created by Supplemental Indentures.

"Standard & Poor's" or "S&P" shall mean Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency.

"State" shall mean the State of Florida.

"State Correctional Institution" shall mean any prison, road camp, prison industry, prison forestry camp, or any prison camp or prison farm or other correctional facility, temporary or permanent, in which prisoners are housed, worked, or maintained, under the custody and jurisdiction of the State of Florida Department of Corrections and shall include any facility defined as a state correctional institution in Section 944.02, Florida Statutes, as amended.

"Stipulated Loss Value" shall mean the Stipulated Loss Value computed pursuant to Section 15 of the Lease Purchase Agreement.

"Supplemental Indenture" shall mean, with respect to any Series of Certificates, any Supplemental Indenture executed and delivered in accordance with the provisions of the Trust Indenture setting forth the particular provisions relating to the Series of Certificates.

"Supplemental Rent" shall have the meaning set forth in Section 2.4 of the Lease Purchase Agreement.

"Term Certificates" shall mean Certificates so designated in a Supplemental Indenture.

"Third Party Assignment" shall mean, with respect to any Vendor Contract, the assignment of the Lessee's right to acquire the Equipment described in the Vendor Contract for the purchase price set forth therein.

"Trust Indenture" or "Certificate Trust Indenture" shall mean the Master Trust Indenture dated as of November 1, 2001, and amended and restated as of February 1, 2009, between the Trustee and the Lessor as accepted by the Department, together with each Supplemental Indenture.

"Trust Estate" shall mean, collectively, the moneys, funds and rights set forth in the granting clause of the Trust Indenture.

"Trustee's Expenses" shall mean, collectively, all out-of-pocket expenses, disbursements and advances (including reasonable attorneys' fees) incurred by the Trustee under the Trust Indenture in connection with the Certificates and the Trust Estate.

"Trustee" shall mean U.S. Bank National Association, Jacksonville, Florida, as Trustee under the Trust Indenture and its successors thereunder.

"Underlying Lease" shall mean with respect to the Gadsden County Facility, the lease between the Board of Trustees of the State of Florida Internal Improvement Fund (the "Board") and the State of Florida Correctional Privatization Commission (the "Commission"), pursuant to which the Board leased the Land for the Gadsden County Project to the Commission, and with respect to future Projects to be constructed on lands owned by the State, similar leases to the Commission, in each case, permitting the Commission to sublease or ground lease the Land to the Lessor.

"Underwriter" shall mean the investment banking firm or firms set forth in the Schedule relating to a Series of Certificates.

"Vendor" shall mean, with respect to an item of Equipment, the seller thereof to the Lessee or the Trustee as assignee of the Lessee's rights under the Vendor Contract.

"Vendor Contract" shall mean, with respect to an item of Equipment, the contract for purchase thereof.

1.2. Gender. Use of the masculine, feminine or neuter gender herein and therein is for convenience of reference only and each shall be deemed to mean and include the other genders whenever and wherever appropriate.

1.3. Singular and Plural. The singular of each word defined includes the plural and the plural includes the singular whenever and wherever appropriate.

1.4. References. Reference to any Certificate Document or any other document or agreement shall mean such documents or agreement as same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

1.5. Intended Relationship. The parties hereto explicitly intend to create a relationship of landlord and tenant and not of mortgagee and mortgagor.

2. LEASE TERM; LEASE RENTAL.

2.1. Lease Term. Effective as of the respective Lease Commencement Date, Lessor hereby rents and leases to the Lessee and the Lessee hereby rents and leases from Lessor the respective Project for the respective Initial Lease Term. The Initial Lease Term shall commence on the respective Lease Commencement Date and terminate on the first Lease Termination Date, unless this Lease Purchase Agreement is earlier terminated pursuant to Section 2.2 hereof. Thereafter, each Renewal Lease Term shall commence on the day following the preceding Lease Termination Date and terminate on the next Lease Termination Date, unless this Lease Purchase Agreement is earlier terminated pursuant to Section 2.2 hereof.

2.2.1. Termination. (a) The Lease Term for all Projects will terminate upon the earliest to occur of the following events:

(x) an Event of Default by the Lessee and exercise by Lessor or Lessor's option to terminate this Lease Purchase Agreement pursuant to Section 12.1 hereof; or

(y) the expiration of the Initial Lease Term or any Renewal Lease Term and the non-renewal of this Lease Purchase Agreement due to an Event of Non-Appropriation under Section 2.6.1 hereof;

(b) the Lease Term for a specific Project will terminate upon the earliest to occur of the following events:

(i) the payment by the Lessee of all Rent to be paid by the Lessee under this Lease Purchase Agreement for the Maximum Lease Term including sufficient money to make payment or provision for payment of the Certificates then Outstanding and of all amounts due and owing to the Bond Insurer and Trustee; or

(ii) the date that the payment of the Option Price for a Project by the Lessee pursuant to exercise by the Lessee of the Lessee's Option pursuant to Section 17.2 hereof is applied to the prepayment of the respective Series of Certificates and payment of all amounts due and owing hereunder and of all amounts due and owing to the Bond Insurer and Trustee.

2.2.2. Effect on the Lessee of Expiration or Termination of the Term of this Lease Purchase Agreement. (a) The expiration or termination of the term of this Lease Purchase Agreement as to the Lessee pursuant to Section 2.2.1(a) hereof shall terminate all obligations of the Lessee hereunder (except to the extent that the Lessee shall have incurred any obligation to pay Rent from moneys theretofore appropriated and available for such purpose) and shall terminate the Lessee's rights of use and occupancy of all Projects; provided, however, that all other terms of this Lease Purchase Agreement and the Trust Indenture, including all obligations of the Trustee with respect to the holders of the Certificates and the receipt and disbursement of funds, shall be continuing until the lien of the Trust Indenture is discharged, as provided in the Trust Indenture. The termination or expiration of the term of this Lease Purchase Agreement as to the Lessee pursuant to Section 2.2.1(a) hereof, of itself, shall not discharge the lien of the Trust Indenture. The provisions of the first sentence of this Section 2.2.2(a) to the contrary notwithstanding, any portion of the Land which has been released pursuant to the provisions of the Ground Lease and the Ground Sublease shall be unaffected and Lessee's rights to use and occupancy of such released portion shall remain in full force and effect. Additionally, any joint use agreement, easement, or similar instrument which authorizes, permits or grants rights with respect to any utility or similar service shall also remain in full force and effect, provided however, that the Lessee's rights thereunder shall, upon such expiration or termination, automatically insure to the benefit of the Lessor or its assigns.

(b) The expiration or termination of the term of this Lease Purchase Agreement as to the Lessee pursuant to Section 2.2.1(b) hereof shall terminate all obligations of the Lessee hereunder with respect to the applicable Project and the Lessee shall automatically become the assignee and transferee of all Lessor's rights hereunder with respect to the applicable Project, free and clear of any and all liens or encumbrances appertaining thereto. The termination of the term of this Lease Purchase Agreement pursuant to Section 2.2.1(b) hereof shall not, of itself discharge the lien of the Trust Indenture as to funds held thereunder if the Concluding Payment in respect of the applicable Series of Certificates has not been made.

2.3. Basic Rent. The Lessee agrees to make, as rental payments hereunder for a Project, the Basic Rent Payments, in arrears, by transfer of immediately available funds on the fifteenth day prior to each Basic Rent Payment Date as set forth in each Schedule hereto. The Lessee shall pay the Basic Rent Payments hereunder to the Trustee, at its offices and the Trustee shall apply same as provided in the Trust Indenture to payment to the Owners of the Certificates.

2.3.1. Interest Rates. The interest rates applicable to this Lease Purchase Agreement with respect to a particular Series of Certificates are the interest rates set forth in each Schedule hereto.

2.3.2. Additional Interest. During the time that any portion of Basic Rent or other sums under this Lease Purchase Agreement is not paid when due, the amount of such portion of Basic Rent shall bear interest at the Maximum Interest Rate and such Additional Interest shall constitute Supplemental Rent hereunder payable, in the case of Additional Interest on Basic Rent, to the Trustee and, in the case of other amounts, to the Person entitled to payment of such portion of the Basic Rent.

2.4. Supplemental Rent. The Lessee agrees to pay and discharge from time to time its obligations hereunder as provided herein as additional rental hereunder (the "Supplemental Rent"), including without limitation, amounts required to be deposited by the Lessee to the credit of the Reserve Fund pursuant to Section 2.7.2 hereof or to the credit of the Rebate Account pursuant to Section 4.5.2 hereof, amounts payable to the Lessor as an indemnity pursuant to Section 21 hereof, amounts payable to the Trustee for its services as trustee under the Trust Indenture (to the extent not already paid as part of the Costs of Issuance), and all other amounts, liabilities and obligations which the Lessee assumes or agrees to pay to Lessor or to others with respect to a Project, together with interest on any overdue amount at the Maximum Interest Rate.

2.5. Rent is Limited Obligation; No Abatement or Set-Off.

(a) The Lessee represents and warrants that for the Initial Lease Term and upon the renewal hereof for any Renewal Lease Term the obligation of the Lessee to pay Rent hereunder, for such Fiscal Year of Lessee, shall constitute a current obligation of the Lessee and shall not in any way be construed to be a debt of the Lessee in contravention of any applicable constitutional, statutory or charter limitations or requirements concerning the creation of indebtedness by the Lessee. THE PAYMENTS DUE HEREUNDER ARE TO BE MADE ONLY FROM THE LESSEE'S LEGALLY AVAILABLE FUNDS AND NEITHER THE LESSEE, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY ANY SUMS DUE TO LESSOR HEREUNDER FROM OTHER THAN DULY APPROPRIATED FUNDS AND NEITHER THE FULL FAITH AND CREDIT OF THE LESSEE, NOR THE STATE OF FLORIDA NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED FOR PAYMENT OF SUCH SUMS DUE HEREUNDER AND THE CONTRACTUAL OBLIGATION HEREUNDER TO HAVE THE LESSEE REQUEST AN APPROPRIATION TO PAY SAME DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE LESSEE, OR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION OR LIMITATION. THE STATE OF FLORIDA'S PERFORMANCE AND OBLIGATION TO PAY UNDER THIS LEASE PURCHASE AGREEMENT IS CONTINGENT UPON AN ANNUAL APPROPRIATION BY THE LEGISLATURE.

(b) Except as provided in subparagraph (c) of this Section 2.5, all payments of Rent and all other payments required to be made by the Lessee under this Lease Purchase Agreement shall be made when due without notice or demand, and, subject to this Section 2.5 and Section 2.6 hereof, shall be absolute and unconditional and without any set-off, counterclaim, abatement, deduction or defense (other than payment) whatsoever.

(c) Subject to the provisions of Sections 2.2.1, 2.2.2 and 2.6 hereof, this Lease Purchase Agreement shall remain in effect with respect to a Project through the Initial Lease Term and all Renewal Lease Terms for the Maximum Lease Term. The Lessee intends to continue this Lease Purchase Agreement with respect to all Projects in effect for the Maximum Lease Term and reasonably believes that the Lessee's legally available funds in an amount sufficient to pay all Rent for the Maximum Lease Term of this Lease Purchase Agreement will be available. The Lessee hereby covenants that it will request an appropriation for such payments in each annual proposed budget submitted to the Legislature.

2.6. Non-Appropriation.

2.6.1. Non-Renewal. As provided herein, this Lease Purchase Agreement is for the Initial Lease Term ending at the termination of the Lessee's then current Fiscal Year, which term shall be automatically renewed for all the Renewal Lease Terms set forth in each Schedule hereto. Notwithstanding the foregoing, no automatic renewal

shall occur if the Legislature passes a budget which does not appropriate sufficient funds (without regard to any credits from earnings on Lessee's funds) from moneys legally available for such purpose either in a line item or otherwise sufficiently identified to be used for purposes of this Lease Purchase Agreement to continue making payments beyond the end of the then current Lease Term. In the event that the Lessee's final budget for the ensuing Fiscal Year has not become law prior to the end of the current Fiscal Year, this Lease Purchase Agreement shall be deemed renewed pending such final budget becoming law if (1) subject to the following paragraph, payments are due hereunder during such period, if an interim budget or extension of the prior budget makes available to the Lessee moneys which may be legally used to make the payments due hereunder during such period or (2) there are sufficient funds available in the Reserve Fund to make the payments due to the owners of all Certificates issued under the Master Trust Indenture.

In the event that despite compliance with all of the Lessee's covenants hereunder, the Legislature does not approve a budget which so appropriates funds for the payment of all of Lessee's obligations hereunder prior to the last day of the then current Initial Lease Term or the Renewal Lease Term (or if such final budget has not been enacted by such time, prior to the last day of any extension hereof pursuant to the preceding paragraph), sufficient funds from moneys legally available for the payment of the Rent (and sufficiently identified to be used for purposes of this Lease Purchase Agreement) to be paid during any Renewal Lease Term (an "Event of Non-Appropriation"), this Lease Purchase Agreement shall terminate on such last day and the Lessee shall not be obligated to make payment of Rent accruing or arising beyond such last day. Lessee shall deliver immediate written notice to the Lessor, the Trustee and the Bond Insurer if (i) such a line item or other identification is not included in the proposed budget or (ii) such a line item or other identification is not included in the budget as adopted by the Legislature.

Any provision hereof to the contrary notwithstanding, in the event that a withdrawal from the Reserve Fund occurs for any reason, it shall not be an Event of Default or an Event of Non-Appropriation so long as the Lessee makes a request for an appropriation sufficient to replenish such withdrawal in the next ensuing Fiscal Year for which such a request may be made and such appropriation is a part of such budget that became law. Lessee covenants to use its best efforts to request and obtain a supplemental appropriation for such amount, but failure to obtain a supplemental appropriation shall not constitute an Event of Default or an Event of Non-Appropriation hereunder.

2.6.2. Return of Projects. If this Lease Purchase Agreement is terminated pursuant to Section 2.6.1 hereof, the Lessee agrees peaceably and immediately to surrender use, possession and control of all Projects to Lessor pursuant to Section 13.1 hereof in the condition required under Section 7 hereof. Failure to do so shall result in the Lessee being liable for holdover rent in accordance with Section 13.2 hereof.

2.7. Lessee's Funds.

2.7.1. Rent Payment Fund. The Rent Payment Fund shall be invested as provided in the Trust Indenture at the direction of the Lessee. Any amounts earned from such investment shall be retained in the Rent Payment Fund and used to make all or a portion of the next Basic Rent Payment. In the event that such funds are available in the Rent Payment Fund, then the amounts that would otherwise be appropriated as a full payment of Basic Rent in the ensuing Fiscal Year may be reduced to reflect the amounts on deposit in the Rent Payment Fund, but not any interest anticipated to be earned thereon. All funds remaining in the Rent Payment Fund after termination of this Lease Purchase Agreement pursuant to Section 2.2.1(b) or (d) hereof and after payment of all amounts due and owing to the Bond Insurer and the Trustee, shall be paid to the Lessee.

2.7.2. Reserve Fund. The Lessee hereby authorizes (i) the creation of a Reserve Fund and separate Accounts therein to be held by the Trustee under the Trust Indenture, (ii) the deposit in the Reserve Fund of a Reserve Fund Surety or a portion of the Proceeds from the sale of a Series of Certificates representing the Principal Portion of the Basic Rent, in an aggregate amount equal to the Reserve Requirement for each Series of Certificates, and (iii) the use of the amounts in the Reserve Fund to pay, among other things, any portion of the Basic Rent not paid when due by the Lessee and any portion of Basic Rent or Supplemental Rent not so paid for the reason that no budget is approved as provided in Section 2.6.1. Amounts in the Reserve Fund not used as provided in clause (iii) above may be used, among other things, to make the final Basic Rent Payment or the Concluding Payment, as applicable. In the event the amount on deposit in the Reserve Fund shall be less than the Reserve Requirement because of use as provided in clause (iii), the

Trustee shall deposit the delinquent Basic Rent Payment into the Reserve Fund upon the receipt of such delinquent Basic Rent Payment. If such deficiency is due to investment loss, or any reason other than as provided in clause (iii) above, the Lessee shall pay to the Trustee as Supplemental Rent an amount equal to such deficiency immediately upon receipt of written notice of such deficiency from the Trustee and the Lessee having had the opportunity to request an appropriation therefor in the next budget.

2.7.3. Capitalized Interest Account. The Lessee hereby authorizes (i) the creation of a Capitalized Interest Account and subaccounts therein in the Project Fund to be held by the Trustee under the Trust Indenture, (ii) the deposit therein of a portion of the Proceeds from the sale of a Series of Certificates representing the Interest Portion of the Basic Rent in an amount equal to the capitalized interest; and (iii) the use of the amounts in the Capitalized Interest Account in the Project Fund to pay a portion of the Interest Portion of the Basic Rent hereunder. The Trust Indenture shall provide that the Trustee will invest the amounts in the Capitalized Interest Account as directed in writing by the Lessee and any income received thereon shall be used by the Trustee to pay a portion of the Interest Portion of the Basic Rent Payments in accordance with a Schedule to the Lease Purchase Agreement.

2.8. Definition of "Balance Due Lessor. "Balance Due Lessor" shall be calculated as of the date that the amount of Basic Rent to be prepaid hereunder will be applied to pay one or more Series of Certificates, as follows:

- (a) if the date with respect to which such calculation is being made is a Basic Rent Payment Date, an amount equal to the sum of (i) the Concluding Payment with respect to such Basic Rent Payment Date plus (ii) the Basic Rent Payment due as of such date, or
- (b) if the date with respect to which such calculation is being made is other than a Basic Rent Payment Date, an amount equal to the sum of (i) the Concluding Payment with respect to the immediately preceding scheduled Basic Rent Payment Date plus (ii) interest accrued on such amount computed from such immediately preceding scheduled Basic Rent Payment Date through the date of calculation computed per diem on the basis of a year of 360 days consisting of twelve (12) months of thirty (30) days each; and
- (c) in either case, plus an amount equal to any Supplemental Rent due, owing or accrued to any Person hereunder.

3. ACQUISITION; AUTHORIZATION FOR PAYMENT; TITLE.

3.1. Acquisition of Project. The Lessee agrees to acquire, construct and equip each Project. On the respective Issue Date, a portion of the Proceeds of the Series of Certificates shall be deposited into the respective accounts in the Project Fund with the Trustee in amounts sufficient (together with earnings thereon) to pay the Costs of the specific Project in accordance with the Budget and the Draw Schedule.

(a) With respect to items of Equipment, upon receipt of Requisitions fully executed in the form of Exhibit A hereto and of any other documents required by Section 6.01(b) of the Trust Indenture, the Trustee shall disburse moneys from the respective accounts in the Project Fund for payment of the Item Purchase Price thereof with title to be made in the name of the Lessee free and clear of all liens and encumbrances other than the Permitted Encumbrances.

(b) With respect to soft costs (as identified in each Schedule or related to construction upon receipt of a Requisition in the form of Exhibit A hereto, and of any other documents required by Section 6.02 of the Trust Indenture), the Trustee shall disburse moneys from the Project Fund for payment of the Costs thereof.

(c) The Lessee shall at all times keep its interest hereunder free and clear of all liens and encumbrances of every kind whatsoever created by or arising through Lessee, except the Permitted Encumbrances, but subject to the lien of the Ground Lease, if any. IN THE EVENT A PROJECT IS TO BE CONSTRUCTED ON THE LAND THAT IS SUBJECT TO A GROUND LEASE, TITLE TO EACH AND EVERY PROJECT COMPONENT SHALL PASS DIRECTLY FROM THE CONTRACTOR OR VENDOR THEREOF DIRECTLY TO THE LESSEE UPON PAYMENT THEREFOR, BUT SUBJECT TO THE LIEN OF THE GROUND LEASE.

3.2. Warranties; Disclaimers. LESSOR, NOT BEING THE VENDOR OR CONTRACTOR OF A PROJECT, THE VENDOR'S AGENT OR THE CONTRACTOR'S AGENT, MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE TITLE TO, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN OR CONDITION OF, OR AS TO THE QUALITY, CAPACITY OF THE MATERIAL OR WORKMANSHIP IN A PROJECT OR ANY WARRANTY THAT A PROJECT WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATION OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. It is agreed that all such risks, as among Lessor and the Lessee are to be borne by the Lessee at its sole risk and expense and the Lessee hereby agrees to look solely to the Contractor, Vendor or supplier of a Project for all such matters. LESSOR MAKES NO PATENT WARRANTIES OR REPRESENTATIONS WHATSOEVER. LESSOR SHALL NOT BE LIABLE FOR ANY ACTUAL, CONSEQUENTIAL, INDIRECT OR SPECIAL DAMAGES.

3.3. Location. Each component of a Building shall be delivered to and thereafter located upon the Land. No component of a Building shall be removed from its location without the prior written consent of the Bond Insurer. Subject to the rules of the Lessee given ruling visitation, the Bond Insurer shall be entitled to enter the Lessee's premises or any other premises where the components of a Project may be found (this provision does not imply any right in Lessee to relocate a component of a Building without complying with the preceding sentence) during reasonable business hours to inspect same or observe its use and operation.

3.4. Lessor Not Liable. Lessor has no liability to any contractor or any Vendor hereunder.

4. REPRESENTATIONS AND WARRANTIES.

4.1. Lessee's Representations and Warranties. The Lessee represents and warrants as follows:

4.1.1. Organization, Powers, Etc The Lessee is an agency of the State of Florida in the executive branch of the government of the State, and duly existing under the Constitution and laws of the State, with full power and authority (i) to execute, deliver and perform its obligations under this Lease Purchase Agreement and under the Certificate Documents to which it is a party, (ii) to lease its property, or own buildings and equipment and (iii) to carry on its activities as now being conducted and as contemplated in the Offering Statement. The Lessee has complied with all provisions of Applicable Law, including without limitation the Act, in all material matters related to the transactions contemplated hereunder and under the Certificate Documents.

4.1.2. Authorization; Absence of Conflicts, Etc The Lessee has taken all official action necessary to authorize Lessee and its Authorized Representative to execute, deliver and perform its obligations under this Lease Purchase Agreement and each of the Certificate Documents to which it is a party, in accordance with their respective terms. The execution, delivery and performance of this Lease Purchase Agreement and each of the Certificate Documents to which the Lessee is a party in accordance with their respective terms (i) have been duly authorized by all necessary action on the part of the Lessee, (ii) do not and will not conflict with, or result in a violation of, any Applicable Law, (iii) do not and will not require any consent or approval of any creditor of the Lessee or other third party or in any material way conflict with, result in a violation of, or constitute a default under any agreement or instrument to which the Lessee is a party or by which it or any of its property may be bound and (iv) do not and will not result in or require the creation or imposition of any lien, charge or encumbrance upon or with respect to any component of a Project.

4.1.3. Binding Obligation. This Lease Purchase Agreement and each of the Certificate Documents to which the Lessee is a party have been duly executed and delivered on behalf of the Lessee by an Authorized Representative of the Lessee and, when executed and delivered by the other parties thereto will be, legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms, except to the extent, if any, that the enforceability thereof may be limited by (i) the effect of any debt adjustment or other similar law or enactment now or hereafter enacted by the State or Federal government affecting the enforcement of landlord's rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.1.4. Governmental Approvals. All Governmental Approvals necessary for the Lessee to enter into this Lease Purchase Agreement, to enter into each of the Certificate Documents to which it is a party and to perform its obligations hereunder and thereunder, are in effect on the date hereof, have been obtained and remain in full force and effect and are subject to no further administrative or judicial review, and no other Governmental Approval is necessary for the due execution, delivery and performance by the Lessee of this Lease Purchase Agreement and the Certificate Documents to which it is a party; provided, however, that certain permits have not been obtained at this time but Lessee has no reason to believe that such permits will not be obtainable in due course.

4.1.5. Compliance with Applicable Law. The Lessee is in compliance in all material respects with all Applicable Law, including all Governmental Approvals.

4.1.6. Financial Statements. The Lessee has furnished to the Lessor copies of audited financial statements of the State for the most recent Fiscal Year. Such financial statements present fairly, in accordance with generally accepted accounting principles and applicable regulations consistently applied throughout the periods involved, the financial position of the Lessee at its respective date and the revenues and expenses and changes in fund balances for the periods covered thereby. Since the date of such financial statements, no change in the financial condition of the Lessee has occurred that might or could have a Materially Adverse Effect on the Lessee's ability to perform its obligations under this Lease Purchase Agreement or any of the Certificate Documents to which it is a party.

4.1.7. Absence of Litigation. There is no action, suit, proceeding, official inquiry or investigation, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of the Lessee, threatened against or affecting the Lessee, questioning the validity of any proceeding taken or to be taken by the Lessee or its other Authorized Representative in connection with the execution, delivery and performance by the Lessee of the Certificate Documents to which it is a party or this Lease Purchase Agreement or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the Lessee of any of the foregoing, nor, to the best knowledge of the Lessee, is there any basis therefor, wherein an unfavorable decision, ruling or finding (i) would adversely affect the validity or enforceability of, or the authority or ability of the Lessee to perform its obligations under, the Certificate Documents to which it is a party or this Lease Purchase Agreement, (ii) would adversely affect the validity of the Act or any provision thereof material to the transactions contemplated by this Lease Purchase Agreement or any of the Certificate Documents or (iii) would adversely affect the exclusion of the Interest Portion of Basic Rent hereunder represented by the Certificates from inclusion in the gross income of an owner of a Certificate for federal income tax purposes.

4.1.8. Accuracy and Completeness of Information. All information, reports and other papers and data furnished by or on behalf of the Lessee to the Lessor were, at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the recipient a true and accurate knowledge of the subject matter. No fact is known to the Lessee that has had or in the reasonable judgment of the Lessee may in the future have a Materially Adverse Effect on the Lessee which has not been set forth in such information, reports or other papers or data otherwise disclosed in writing to the Lessor and the Bond Insurer by or on behalf of the Lessee. No document furnished or other written statement made to the Lessor and the Bond Insurer by or on behalf of the Lessee in connection with the negotiation, preparation or execution of this Lease Purchase Agreement or the Certificate Documents to which the Lessee is a party contains or will contain any untrue statement of a fact material to the creditworthiness of the Lessee or omits or will omit to state such a material fact necessary in order to make the statements contained therein not misleading.

4.1.9. Disclosure. The information contained in the Offering Statement with respect to the Lessee, including any exhibits, appendices or attachments thereto relating to the Lessee, as such Offering Statement may be amended or supplemented, but specifically excluding the information with respect to the Bond Insurer, is true and correct and does not contain any untrue statement of a material fact with respect to the Lessee necessary to make such statements, in light of the circumstances under which they were made, not misleading.

4.1.10. Absence of Defaults. The Lessee is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which the Lessee is a party or by which the Lessee or any of the Lessee's property is bound (including without limitation this Lease

Purchase Agreement) or any judgments, decrees or orders, except for defaults that, singly or in the aggregate, have not had and will not have a Materially Adverse Effect on the Lessee's ability to perform its monetary obligations pursuant to this Lease Purchase Agreement or any of the Certificate Documents to which it is a party.

4.1.11. IRS Listing. Neither the State nor the Lessee has been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the State or the Lessee is an issuer of obligations whose arbitrage certifications may not be relied upon.

4.1.12. Tax-Exempt Status. Except as has been otherwise disclosed to the Lessor and the Bond Insurer in writing, the Lessee has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would cause the Interest Portion of Basic Rent hereunder represented by the Certificates or on any tax-exempt bond or note of the Lessee currently issued and outstanding to be included in the gross income of the owners of the Certificates for federal income tax purposes.

4.1.13. Availability of Funds. The Lessee expects to receive appropriations in an amount sufficient to pay all Rent in each Fiscal Year and has no reason to believe that there will not be appropriated in the budget for each Fiscal Year an amount sufficient to pay all Rent to become due in such Fiscal Year. The Lessee believes that funds will be available to pay all of its financial obligations during the term of this Lease Purchase Agreement and, subject to Section 2.6.1 hereof, the Lessee will do all things within its power to obtain, maintain and properly request and pursue funds from which such obligations may be paid.

4.1.14. Project Essential. The Lessee has an immediate need for and expects to make immediate use of a Project, which need is not temporary or expected to diminish during the Maximum Lease Term.

4.1.15 Foreseeable Need. There are no circumstances presently known to the Lessee affecting the Lessee that could reasonably be expected to alter its foreseeable need for a Project or adversely affect its ability or willingness to budget funds for the payment of sums due hereunder.

4.1.16. Sources. The Lessee shall make payments of Rent hereunder for each Fiscal Year only from sources of funds which are legally available to make payments under this Lease Purchase Agreement.

4.1.17. Competitive Procedures. Any procedures regarding the negotiation of this Lease Purchase Agreement and the award of any Vendor Contract or Operating Contract, to the extent required by law, have been or will be complied with by the Lessee.

4.2. Lessee's Affirmative Covenants.

4.2.1. Compliance with Agreements. The Lessee shall observe and perform fully and faithfully all of its obligations under this Lease Purchase Agreement and the Certificate Documents to which it is a party.

4.2.2. Compliance with Applicable Laws. The Lessee shall comply in all material respects with any and all Applicable Laws material to this Lease Purchase Agreement, and the Certificate Documents or to the operations, affairs, properties or condition (financial or otherwise) of the Lessee.

4.2.3. Lessee Obligations. Subject to Sections 2.5 and 2.6 hereof, the Lessee shall promptly pay all amounts payable by it hereunder according to the terms hereof and shall duly perform each of its obligations under this Lease Purchase Agreement and the other Certificate Documents to which it is a party. All payments due hereunder shall be made from current or other funds authorized by law and appropriated for such purpose by the Legislature.

4.2.4. Reports and Statements. The Lessee shall furnish to the Lessor as soon as they are available after the end of each Fiscal Year of the Lessee, financial statements of the State for such Fiscal Year.

4.2.5. Budget and Tax Law.

(a) The Lessee shall cause to be prepared and submitted to the Legislature the budget recommendation for the Lessee in accordance with the requirements of this Lease Purchase Agreement.

(b) The Lessee shall send copies of its interim and final budgets (as proposed and adopted) to the Lessor and the Bond Insurer. Copies of proposed budgets shall be sent promptly following their submission for consideration. Copies of actual budgets shall be sent promptly following their adoption and copies of related correspondence shall be sent to the Lessor, the Bond Insurer and the Trustee promptly upon receipt or mailing by the Lessee. Each budget shall identify the expenditures representing payments hereunder and the source of the appropriation for each such payment.

(c) The Lessee shall immediately notify the Lessor, the Bond Insurer and the Trustee of any change in the statutes or constitution of the State, of which it is aware, enacted into law or introduced in the legislature or any pending litigation that would adversely effect the ability of the Lessee to make payments or perform its obligations hereunder. Subject to the restrictions of Section 255.2503, F.S., the Lessee shall not introduce any legislation which would adversely affect the ability of the Lessee to perform its obligations hereunder.

4.2.8. Maintenance of Books and Records. The Lessee will maintain complete and accurate books and records pertaining to this Lease Purchase Agreement and each Project and all receipts and disbursements with respect thereto in accordance with generally accepted accounting principles for governmental entities consistently applied and any applicable regulations.

4.2.9. Notices. The Lessee will promptly furnish, or cause to be furnished, to the Lessor, the Trustee and the Bond Insurer, (i) notice of the occurrence of any default or Event of Lease Default hereunder or any default or event of default under any Certificate Documents of which it is aware, (ii) copies of any communications delivered to or received by it under any of the Certificate Documents (unless, with respect to communications received by it under any of the Certificate Documents, the same are required to be furnished by the sender thereof directly to the Lessor, the Trustee and the Bond Insurer under the terms of such Certificate Documents), or from any taxing authority or State department or rating agency with respect to the transactions contemplated hereby, and (iii) further financial and other information with respect to the Lessee and its affairs as the Lessor, the Trustee and the Bond Insurer may reasonably request from time to time.

4.2.10. Maintenance of Approvals, Filings and Registration. The Lessee shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any Applicable Law for its execution, delivery and performance of this Lease Purchase Agreement and the other Certificate Documents to which it is a party.

4.2.11. Visits and Inspections. The Lessee will permit representatives of the Lessor, the Trustee and the Bond Insurer, upon reasonable prior notice and from time to time as often as may be reasonably requested, to (i) visit and inspect a Project covered by this Lease Purchase Agreement, (ii) inspect the books and records of the Lessee pertaining to a Project and make copies and extracts of such books and records that relate to a Project and the Lessee's performance under this Lease Purchase Agreement, except for any such books and records which are exempt from disclosure under applicable provisions of state law, and (iii) discuss the affairs, finances and accounts of the Lessee pertaining to each Project with, and to be advised as to the same by, its officials, all in connection with the ability of the Lessee to perform its obligations hereunder.

4.2.12. Litigation Notice. The Lessee will notify the Lessor, the Trustee, the Bond Insurer and the Underwriter in writing, promptly after the same shall have become known to the Lessee or any official of the Lessee upon whom process has been served, if any action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency that, if adversely determined, would materially impair the ability of the Lessee to perform its obligations under the Certificate Documents or would Materially Adversely Effect the operations, property, assets or financial condition of the Lessee.

4.2.13. Secondary Market Disclosure. The Lessee will provide annually audited financial statements of the State to every Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and will also provide to all NRMSIR's the following information, as applicable.

The Lessee also agrees that so long as any Certificates remain outstanding, it will in good faith endeavor to provide each NRMSIR notice of the occurrence of any of the following events promptly upon the Lessee's having actual knowledge thereof:

- (i) delinquencies in the payment of principal portion or interest portion of Basic Rent Payments on the Certificates;
- (ii) material non-payment defaults under the Master Trust Indenture;
- (iii) draws on the Reserve Fund;
- (iv) unscheduled draws on any credit enhancement securing the Certificates;
- (v) any material default by the Bond Insurer under its municipal bond insurance policy securing any Certificates;
- (vi) receipt of an adverse opinion of Special Counsel relating to, or the occurrence of any event known to adversely affect, the exclusion from gross income for federal income tax purposes of interest portion of Basic Rent Payments on the Certificates;
- (vii) material amendments to the Master Trust Indenture;
- (viii) the redemption of any Certificates other than pursuant to a mandatory sinking fund redemption;
- (ix) the defeasance of any Certificates; and
- (x) any changes in the credit ratings assigned to any Series of the Certificates issued hereunder.

The Lessee shall also provide such information to the Trustee. The Trustee is authorized to provide such information to any requesting Certificate Owners or potential Certificate Owner, provided that the Trustee shall be entitled to charge such requesting Certificate holder or potential Certificate holder an amount sufficient to reimburse the Trustee for costs incurred for copying and shipping such information.

By endeavoring to provide the information as described above, the Lessee intends only to in good faith attempt to make available information that might not otherwise be easily available to interested parties. The dissemination of certain information or notices as set forth in this section shall not be construed as a representation by the Lessee that other matters that may be material to an investment decision in the Certificates have not transpired; and failure to provide information or notice of matters described above shall not be construed as a representation on behalf of the Lessee that matters that may be material to an investment decision with respect to the Certificates have not transpired. Nothing provided herein is intended to impose upon the Lessee, and the foregoing shall not be construed as imposing upon the Lessee, any disclosure obligations beyond those imposed by Applicable Law. In the event that Applicable Law subsequently requires the dissemination of additional information, the covenants contained in this Section 4.2.13 shall be deemed to be amended to reflect such change in Applicable Law.

4.2.14. Further Assurances. The Lessee will, at any and all times, insofar as it may not be precluded from doing so by law, pass, make, do, execute, acknowledge and deliver every and all such further acts, deeds, conveyances, assignments, recordings, filings, transfers and assurances as may be necessary or desirable to maintain performance of its obligations hereunder or under the Certificate Documents, or intended so to be, or which the Lessee may hereafter become bound to pledge or assign thereto.

4.2.15. Post-Termination Construction. If the Lessee is in default under this Lease Purchase Agreement or an Event of Non-Appropriation has occurred, at the Trustee's option, the Trustee, may, but is not required to make, any or all subsequent disbursements directly to any Vendor. The Lessee's execution of this Lease Purchase

Agreement constitutes an irrevocable authorization for the Trustee to make such disbursements directly to any Vendor. The Lessee agrees that all construction disbursements made to any Vendor shall constitute full performance of the Trustee's obligations to the Lessee under this Lease Purchase Agreement, regardless of the Vendor's disposition of the funds. The Trustee's decision to make a construction disbursement shall not constitute a waiver of any of the provisions of this Lease Purchase Agreement. If the Lessee is in default under this Lease Purchase Agreement and the Lessee is unable to cure its default, the Trustee's decision to make a construction disbursement shall not preclude the Trustee, from declaring the Lessee in default under this Lease Purchase Agreement by virtue thereof.

4.3. Negative Covenants of Lessee.

4.3.1. Certificate Documents. The Lessee will not directly or indirectly amend, supplement, terminate or waive, or consent to any amendment, supplement, termination or waiver of, any of the provisions of any Certificate Document or enter into or consent to any new Certificate Documents (whether or not any such Certificate Document expires in accordance with its terms), unless the Bond Insurer shall have previously approved in writing the form and substance of such new Certificate Document or such amendment, supplement, termination, waiver or consent except that the Lessee may add facilities located on the Land without such approval if paid for with funds.

4.3.2. Appointment of Successors. The Lessee shall not, without the prior written consent of the Bond Insurer, appoint or consent to the appointment of a successor Trustee.

4.3.3. Existence. The Lessee shall promptly notify the Lessor and the Bond Insurer of any action taken by the executive, legislative or judicial branches of the State government to terminate the existence of the Lessee.

4.3.4. Liens. The Lessee will not without the prior written consent of the Bond Insurer and subject to the provisions of Section 3.1, create, assume, incur or permit to exist or to be created, assumed or incurred or permitted to exist, directly or indirectly, any lien on, or assign, transfer, lease, sublease or otherwise grant any person any rights in a Project or the Land or its interest therein or any of its rights under the Trust Indenture except that the Lessee may add facilities located on the Land without such approval if paid for with Lessee's funds.

4.4. [RESERVED]

4.5. Federal Tax Covenants.

4.5.1. General. Neither the Lessor nor the Lessee shall take any action or refrain from taking any action, nor shall it cause or, to the best of its ability, allow any other party under its direction or control to do so, except upon the occurrence of an Event of Default or an Event of Non-Appropriation, which act or failure to act could adversely affect the exclusion from gross income for federal income tax purposes of the Interest Portion of the Basic Rent Payments under this Lease Purchase Agreement as received by the Owners of the Certificates. Neither the Lessor nor the Lessee will make any investment of the proceeds of this Lease Purchase Agreement which would result in the obligations under this Lease Purchase Agreement being characterized as "arbitrage bonds" under Section 148 of the Code. The Lessee shall take all action required under the Code, including the calculation and payment of any rebate necessary to preserve the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Rent Payments under this Lease Purchase Agreement as received by the Owners of the Certificates; provided, however, that the Lessee may delegate such responsibility to a third party pursuant to Section 4.5.2 hereof but upon failure of such Person to properly do so, the Lessee shall be responsible to the Certificate Owners only for same.

4.5.2. Rebate Account.

(a) The Lessee shall comply with the provisions of Article VIII of the Trust Indenture and with any written instructions received from Special Counsel, with respect to the Rebate Account and the deposit to and disbursements from such account.

(b) Moneys in the Rebate Account shall be deemed subject to a lien in favor of the United States to the extent of all amounts which must be paid to the United States in order to preserve the exclusion from gross income

for federal income tax purposes of the Interest Portion of the Basic Rent Payments under this Lease Purchase Agreement as received by the Owners of the Certificates.

(c) Notwithstanding anything else herein contained, the moneys in the Rebate Account created pursuant to Article VIII of the Trust Indenture shall not be released upon any defeasance under this Lease Purchase Agreement and such moneys shall be held and applied pursuant to the terms of the Trust Indenture and any written instructions received from Special Counsel.

(d) The Lessee shall be responsible hereunder for calculating all amounts to be deposited in the Rebate Account and all amounts to be paid to the United States in accordance with the provisions of Article VIII of the Trust Indenture and any written instructions received from Special Counsel and preparing any document required under Section 148 of the Code and any regulations promulgated in regard thereto.

4.6. Additional Covenants, Representations and Warranties.

4.6.1. Construction. The Lessee, as agent for the Lessor, shall diligently commence acquisition, construction and equipping of a Project and diligently pursue acquisition, construction and equipping to completion of Project.

4.6.2. Reserved. The Lessor, the Lessee, and their respective representatives and agents shall be permitted to inspect all materials to be used in the construction of a Project; provided, however, that the Trustee is not obliged to make any inspections of a Project.

4.6.3. Correction of Defects. The Lessee shall promptly correct or cause to be corrected any defect in the design or construction of each or any Project. The Trustee's decision from time to time to make or allow disbursements shall not constitute a waiver of their right to require the Lessee's full compliance with this paragraph.

4.6.4. No Change in Projects. Lessee hereby covenants that it will make no change in the intended use of each Project and that it will not, without the prior written consent of the Bond Insurer with respect to such Project, alter, change or amend the budget for a Project hereunder by more than 15%.

4.6.5. No Waiver of Material Defaults. The Lessee shall not waive any material default under the terms of any construction contracts, shall enforce all of the material obligations of the contractor under such contracts, and shall not do any act that will relieve any Contractor or Vendor of its respective material obligations to provide or construct a Project according to the requirements of the Lessee and the Plans and Specifications without the prior written consent of the Bond Insurer except as may be provided in Section 4.6.4.

4.6.6. Additional Covenants, Representations and Warranties Represented in Requisition. The execution of a Requisition shall constitute an affirmation of the completeness and accuracy of the representations and warranties contained therein as of the date of such execution by the party or parties executing such Requisition.

4.6.7. Lessee's Insurance. The Lessee shall, during the construction of a Project, obtain and maintain (or cause any Contractor and subcontractor to obtain and maintain during the term of any contract) the following insurance coverage:

(a) The contractor and each subcontractor shall carry insurance of the types and coverage limits set forth for the Lessee in section 4.6.8. herein, in its own policy; and

(b) Owner's and contractor's protective liability insurance policy, covering explosion, collapse and underground damage for those classifications for which they are applicable, with policy limits for bodily injury liability and property damage liability of not less than \$2,000,000 each occurrence, combined single limits, or such higher coverage amounts as may be required in a schedule with respect to a Project.

4.6.8. Builder's Risk Insurance. The Lessee shall, or shall cause the contractor to, during the construction of the Building, obtain and maintain or require any of its contractors to obtain and maintain builder's risk

insurance and payment and performance insurance to be held by the Trustee, naming the Trustee and the Lessee as the loss co-payees, including a standard subrogation clause, and a clause requiring the insurer to give the Trustee and the Lessee at least 30 days' prior written notice before canceling or amending the policy. Unless otherwise specified in a Schedule for a specific Project, the Lessee shall, or shall cause the contractor to, obtain and maintain during the construction period up to the Completion Date general liability insurance coverage (broad form coverage) which shall specifically include fire, and legal liability in an amount not less than five million dollars (\$5,000,000) for each occurrence within a yearly aggregate of at least twenty million dollars (\$20,000,000). Unless otherwise specified in a Schedule for a specific Project, the Lessee shall, or shall cause the Contractor to, also obtain and provide vehicle liability coverage for all vehicles used in connection with a Project in an amount of not less than two million dollars (\$2,000,000) per occurrence, and coverage shall be provided to protect against employee dishonesty in an amount of not less than fifty thousand dollars (\$50,000). The Lessor, the Trustee and the Lessee and its respective agencies shall be included as additional insureds, as their interest may lie, under the policy of general liability insurance coverage issued in satisfaction of this section.

4.6.9. Representations of the Lessor. (a) The Lessor is a not for profit corporation, duly organized and existing under the laws of the State, with full power and authority (i) to execute, deliver and perform its obligations under this Lease Purchase Agreement and under the Certificate Documents to which it is a party, (ii) to lease its property, or own buildings and equipment and (iii) to carry on its activities as now being conducted and as contemplated in the Offering Statement. The Lessor has complied with all provisions of Applicable Law, including without limitation Chapter 617, Florida Statutes, in all material matters related to the transactions contemplated hereunder and under the Certificate Documents.

(b) The Lessor has taken all official action necessary to authorize Lessor and its Authorized Representative to execute, deliver and perform its obligations under this Lease Purchase Agreement and each of the Certificate Documents to which it is a party, in accordance with their respective terms. The execution, delivery and performance of this Lease Purchase Agreement and each of the Certificate Documents to which the Lessor is a party in accordance with their respective terms (i) have been duly authorized by all necessary action of the Board of Directors of the Lessor, (ii) do not and will not conflict with, or result in a violation of, any Applicable Law, (iii) do not and will not require any consent or approval of any creditor of the Lessor or other third party or in any material way conflict with, result in a violation of, or constitute a default under any agreement or instrument to which the Lessor is a party or by which it or any of its property may be bound and (iv) do not and will not result in or require the creation or imposition of any lien, charge or encumbrance upon or with respect to any component of a Project.

(c) This Lease Purchase Agreement and each of the Certificate Documents to which the Lessor is a party have been duly executed and delivered on behalf of the Lessor by an Authorized Representative of the Lessor and, when executed and delivered by the other parties thereto will be, legal, valid and binding obligations of the Lessor enforceable against the Lessor in accordance with their respective terms, except to the extent, if any, that the enforceability thereof may be limited by (i) the effect of any debt adjustment or other similar law or enactment now or hereafter enacted by the State or Federal government affecting the enforcement of landlord's rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) The Lessor hereby represents that neither the execution and delivery of the Certificate Documents to which it is a party, 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 Lessor is a party or by which the Lessor 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 Lessor, or upon the Projects, except Permitted Encumbrances.

5. REPAIR, MAINTENANCE AND UPKEEP.

Throughout the term of this Lease Purchase Agreement, Lessee shall be responsible for all repair and maintenance of a Project, both interior and exterior and both structural and nonstructural, whether foreseeable or not foreseeable, provided however, Lessee may satisfy its obligations under this Section 5 by contracting with one or more parties to perform such obligations. Lessee shall keep or cause to be kept the foundations, roof and structural portions

of the walls of a Project in good repair and condition. Lessee shall commence required repairs as soon as practicable. Lessee shall at all times keep a Project (including all entrances and vestibules) and all partitions, window and window frames and moldings, glass, store fronts, doors, door openers, fixtures, equipment and appurtenances thereof (including lighting, heating, electrical, plumbing, ventilating and air conditioning fixtures and systems) and other mechanical equipment and appurtenances within a Project and all parts of a Project, in good order, condition and repair and clean, orderly, sanitary and safe, including but not limited to doing such things as are necessary to cause a Project to comply with applicable laws, ordinances, rules, regulations and orders of governmental and public bodies and agencies, such as but not limited to the Williams-Steiger Occupational Safety and Health Act. If replacement of equipment, fixtures and appurtenances thereto is necessary, Lessee shall replace same with new or completely reconditioned equipment, fixtures and appurtenances, and repair all damages done in or by such replacement. Furthermore, Lessee shall:

- (a) maintain all heating, ventilation and air conditioning equipment in a Project in satisfactory operating condition at all times during the Lease Term;
- (b) furnish any necessary janitorial services and all necessary janitorial supplies during the Lease Term;
- (c) be responsible for replacement of all bulbs, lamps, tubes and starters used in the light fixtures for the purpose of furnishing light;
- (d) furnish any necessary pest control services for a Project during the Lease Term, including without limitation, those necessary to control or eradicate wood destroying organisms; and
- (e) promptly pay all gas, water, sewage, power and electric light rates or charges which may become payable during the Lease Term for the gas, water, sewage and electricity used by the Lessee in a Project.

All obligations of the Lessee, under this Section 5 shall be at the Lessee's sole cost and expense and Lessee shall take all actions necessary to assure that no liens arise against any Project as a result of Lessee's failure to comply with this Section 5. In no event shall Lessor be responsible for the quality, quantity, failure or interruption of any such utility services to a Project. Lessee shall be responsible for and required to deliver any and all security deposits that may be required to provide utility services to a Project.

If Lessee fails to perform any of its obligations under this Section 5, Lessor, or the Trustee on its behalf, without notice, may (but shall not be obligated to) perform Lessee's obligations or perform work resulting from Lessee's acts, actions or omissions and the cost thereof shall be immediately due and payable hereunder as Supplemental Rent.

6. SUBLEASE; SUBSTITUTION OF EQUIPMENT; RELEASE; ADDITIONS; REMOVAL AND RESTORATION BY LESSEE.

6.1. Sublease. The Lessee shall not: (i) sublease any Leased Property or any part thereof, without the prior written consent of the Bond Insurer, or (ii) assign or transfer any portion of this Lease Purchase Agreement or a Project or any part thereof, or any interest therein, or (iii) permit a Project to be used in any manner inconsistent with Section 4.1.1 hereof, except that (x) Lessee may add facilities on the Land paid for from its own funds (including proceeds of a future Series of Certificates) and (y) Lessee may sublease or assign its rights, obligations and interests in any Leased Property or any part thereof to another agency of the State if such property will be used by such sublessee or assignee agency as a State Correctional Institution or a Private Correctional Facility or similar purpose, and any necessary assignments or transfer shall be permitted hereby. Notwithstanding any sublease permitted hereunder, the Lessee shall not be thereby released from liability to make the Rent Payments.

6.2. Substitution of Equipment. The Lessee may substitute other equipment owned by the Lessee for an item of Equipment provided such substituted equipment is for the same purpose and (i) has the same or a greater remaining useful life, (ii) has a fair market value equal to or greater than the item of Equipment for which it is substituted, (iii) constitutes a Project component, (iv) such substituted equipment is free and clear of all liens and encumbrances, except the Permitted Encumbrances, (v) the Lessee is not in default of its obligations hereunder, and (vi) Lessee has title to such substituted equipment.

6.3. Release. Lessee hereby reserves the right to construct additional corrections facilities on the Land without financing such facilities under this Lease Purchase Agreement or the Master Trust Indenture. In that regard, Lessor agrees, so long as no Event of Default or Event of Non-Appropriation has occurred and is continuing hereunder, to cooperate with Lessee in the furnishing of easements for ingress and egress, use agreements with respect to utilities and meal preparation, easements necessary for such utility functions and such other agreements for the joint use of real and personal property as are necessary or desirable in order to facilitate the acquisition, construction, equipping, operating and maintaining correctional facilities on the Land.

Lessee further reserves the right to release items of personal property and a portion of the Land from the lien hereof, of the Ground Lease and of the Master Trust Indenture if, in the judgment of the Lessee, such personal or real property is no longer needed or useful in the operation of a Project and the value of the property to be released does not exceed \$250,000. The satisfaction of the requirements of the foregoing sentence shall be evidenced by the execution by the Lessee of a certificate to that effect and delivery thereof to the Trustee. Such certificates shall be kept on file by the Trustee for a period of not less than three years.

6.4. Additions. The Lessee may acquire, construct and equip additional Projects which are financed through the issuance of a Series of Certificates under the Master Trust Indenture. At the time of issuance of such additional Series of Certificates, the Lessor and Lessee shall enter into a Schedule to this Lease Purchase Agreement, a supplemental or additional Ground Lease and Ground Sublease as may be necessary and a Supplemental Trust Indenture with respect thereto.

6.5. Removal and Restoration by Lessee. All alterations, changes and additions and all improvements, including leasehold improvements, made by Lessee or by Lessor in Lessee's behalf, shall become part of a Project and shall not be removed by Lessee at or prior to the end of the Lease Term without prior written consent of Lessor and Bond Insurer; provided, however, that if Lessor requests Lessee to remove same at the end of the Lease Term, Lessee shall do so at its own cost and expense.

7. USE; SUBROGATION; QUIET ENJOYMENT.

7.1. Care and Use of Project. The Lessee at its expense, shall maintain a Project in operating condition, repair and appearance and in the condition when construction is completed hereunder (ordinary wear and tear excepted) and shall protect same from deterioration, other than normal wear and tear, provided however, Lessee may satisfy its obligations under this Section 7.1 by contracting with one or more parties to perform such obligations; shall cause a Project to be used in a manner contemplated by the Vendor or Contractor thereof and in compliance with the requirements of applicable laws, ordinances and regulations and the requirements of any policy of insurance required under Section 9 hereof; and shall cause a Project to be operated by competent persons only and shall obtain, at the Lessee's expense, all permits and licenses, if any, required by law for the operation of a Project. The Lessee agrees that Lessor shall not be responsible for latent or patent or other defects, wear and tear or gradual deterioration or loss of service or use of a Project or any part thereof or for damage from fire or other casualty. Lessor hereby assigns to Lessee, to the extent assignable, all warranties with respect to a Project and each of its components made by any Vendor, Contractor, materialmen or supplier. Lessor shall not be liable to the Lessee 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 a Project or any item supplied by any Vendor, Contractor, materialmen or supplier or any other party, any interruption of use or loss of service or usage or performance of any Project component, any loss of business or other consequence or damage, whether or not resulting directly or indirectly from any of the foregoing.

7.2. Mutual Waiver of Subrogation Rights. Lessor and Lessee and all parties claiming under them mutually release and discharge each other from all claims and liabilities arising from or caused by any casualty or hazard covered or required hereunder to be covered in whole or in part by insurance on a Project or in connection with property on or activities conducted on a Project, and waive any right of subrogation which might otherwise exist in or accrue to any person on account thereof and evidence such waiver by endorsement to the required insurance policies, provided that such release and waiver shall not operate in any case where the effect is to invalidate such insurance coverage.

7.3. Waiver. Lessor, its agents and employees, shall not be liable for, and Lessee waives all claims against Lessor for, damage, including but not limited to consequential damages, to person, property or otherwise, sustained by Lessee, or any person claiming through Lessee resulting from any accident or occurrence in or upon any part of a Project including, but not limited to, claims for damage resulting from: (a) any equipment or appurtenances becoming out of repair; (b) Lessee's failure to keep any part of a 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, wastepipe, drain or any other pipe or tank upon or about a Project; (h) the escape of steam or hot water; (i) water, snow or ice upon a Project; (j) the falling of any fixture, plaster or stucco; (k) damage to or loss by theft or otherwise of property of Lessee or others; (l) acts or omissions of persons in a Project, other tenants in a Project, occupants of nearby properties, or any other persons; and (m) any act or omission of owners of adjacent or contiguous property, or of Lessor, its agents or employees. All property of Lessee, kept in a Project shall be so kept at Lessee's risk only and Lessee shall save Lessor harmless from claims arising out of damage to the same, including subrogation claims by Lessee's insurance carrier.

7.4. Quiet Enjoyment. The Lessor covenants and agrees with the Lessee that so long as the Lessee keeps and performs all of the covenants and conditions by the Lessee to be kept and performed hereunder, the Lessee shall have quiet and undisturbed and continued possession of a Project, free from any claims against the Lessor and all persons claiming under, by or through the Lessor.

8. NET LEASE; MECHANICS' LIENS; OFFSET STATEMENT.

8.1. Net Lease. The Lessee and Lessor intend the Rent Payments hereunder to be net to the Lessee. The Lessee shall comply with all liabilities, be responsible for all obligations, including the payment of all taxes, utility fees and charges, and pay from Lessee's legally available funds all payments of Basic Rent and Supplemental Rent or any other payments due from the Lessee hereunder, and any penalties, fines or interest imposed on any of the foregoing, during the Lease Term; and, as between Lessor and Lessee, the Lessee will pay all reasonable expenses incurred by the Trustee or the Lessor in connection with all filings or recordings of any documents relating to this Lease Purchase Agreement or Lessor's Lease Rights hereunder. The Lessee may in good faith and by appropriate proceedings, but only after posting security satisfactory to Lessor and Bond Insurer, contest any such taxes or charges with due diligence so long as such proceedings, in the reasonable opinion of Lessor, do not impair the Lessee's ability or obligations to pay the Rent Payments hereunder. Lessor shall have the right, after reasonable written notice to the Lessee, to make any of the payments required of the Lessee under this Section 8 with respect to a Project, but shall not be obligated to pay the same, and may charge such payment with interest at the highest rate permitted by applicable law, not to exceed the Maximum Rate, from the date of payment, as Supplemental Rent to be paid by the Lessee on the next Basic Rent Payment Date or in the next Fiscal Year of the Lessee, at Lessee's option.

8.2. Lessor's Interest Not Subject to Mechanics' Liens. All persons to whom these presents may come are put on notice of the fact that Lessee shall never, under any circumstances, have the power to subject the interest of Lessor in a Project to any mechanic's or materialman's lien or liens of any kind.

Lessee covenants and agrees with Lessor that Lessee will not permit or suffer to be filed or claimed against the interests of Lessor in a 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 Lessee, within thirty (30) days after Lessee shall have been given written notice of such claim being filed in the Public Records of the County to cause a Project to be released from such claim, either by payment or by posting of a bond or by the payment into the court of competent jurisdiction the amount necessary to relieve and release a 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 Lessor from such claim.

8.3. Offset Statement. Within ten (10) days after written request by either Lessor or Lessee the other party shall deliver, executed in recordable form, declaration to any person designated by the requesting party (a) ratifying this Lease Purchase Agreement; (b) stating the commencement and termination dates; and (c) certifying (i) that this Lease Purchase Agreement is in full force and effect and has not been assigned, modified, supplemented or amended (except by such writings as shall be stated), (ii) that all conditions under this Lease Purchase Agreement to be performed by the other

party have been satisfied (stating exceptions, if any), to the extent known, (iii) that no defenses or offsets against the enforcement of this Lease Purchase Agreement by the requesting party exist (or stating those claimed), (iv) as to advance Rent, if any, paid by Lessee, (v) the date to which 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.

9. INSURANCE.

The Lessee shall provide or shall cause to be provided by an Operator, insurance against the following risks in the following respective amounts to be carried and maintained with respect to a Project during the Lease Term. Throughout the Lease Term the Lessee shall annually furnish to the Lessor, the Bond Insurer and the Trustee a certificate evidencing such coverage.

(a) general property and casualty insurance in an amount not less than the full replacement cost of a Project, as well as professional liability insurance coverage, including medical malpractice liability and errors and omissions coverage;

(b) boiler and machinery coverage ("comprehensive" coverage) in reasonable amounts to cover all loss arising from the operation of boilers and machinery, including loss to other property and losses due to business interruption;

(c) premises liability insurance (which may be included in any general liability coverage) and property coverage (fire and extended coverage) for the full value of all the moveable contents of the buildings, structures or other facilities operated by the Lessee or any subcontractor therefor;

(d) environmental impairment liability coverage for liability resulting from sudden, accidental or gradual pollution arising from operations conducted by the insured, covering damage for bodily injury and property damage, unless otherwise specified in a Schedule for a Project, in the amount of one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) yearly aggregate limit;

(e) The insurance described in paragraphs (a) through (d) of this Section 9 shall be placed with an insurance agent licensed in the State and such coverage shall be provided by an insurance company or carrier licensed to issue such coverage in the State and admitted to do such business in the State, and coverage issued by surplus lines companies shall not be acceptable with the exception of civil rights liability coverage. All insurance carriers shall be, at the minimum, rated "A" or better by A.M. Best or an equivalent rating by a similar insurance rating service. No "self-insurance" coverage is acceptable unless the insured is licensed or authorized to self-insure for a particular coverage in the State or is an insured member of a self-insurance group that is licensed to self-insure in the State. Such coverage must apply exclusively to the Lease Property and must be available to repair/rebuild the Leased Property under all circumstances after the occurrence of an insured peril. Full payment of insurance proceeds up to the required policy dollar limit in connection with damage to the Leased Property shall, under no circumstances, be contingent on the degree of damage sustained at other facilities owned or leased by the Lessee. The policy must explicitly waive any co-insurance penalty. All policies shall include a provision requiring at least 30 days' prior written notice of cancellation to the Lessee.

Any insurance policy issued pursuant to this Section 9 shall be so written or endorsed as to make losses, if any, payable to the Trustee, the Lessee and the Lessor as their respective interests may appear.

The Net Proceeds of any casualty, whether from insurance or self-insurance, shall be applied pursuant to Section 15 hereof.

The Lessee may choose the amount of deductible for any of the insurance coverage required by this Section 9, but in no event shall such deductible for each occurrence exceed three (3) percent of the required yearly aggregate limit of coverage. The insured shall be responsible for first dollar coverage, and all general liability and professional liability policies shall provide defense in addition to the policy limits. As respects to the total limits of liability required, any combination of primary and/or umbrella coverage may satisfy those totals, provided, that if umbrella coverage is used, coverage must be at least as broad as the primary coverage.

Notwithstanding the foregoing, during any period in which an agency of the State is operating or otherwise possesses an interest as sublessee or assignee under Section 6.1 hereof, in lieu of the above insurance coverage, such operator, sublessee or assignee as the case may be shall provide the customary State pool insurance coverage which is provided by the State for any State facility.

10. CONSENT TO DISMISS.

The Lessee acknowledges that Lessor is a third party lease purchase financing conduit issuer with respect to a Project and Lessee hereby agrees to consent to (and to refrain from objection to), a motion made by Lessor to be dismissed from any lawsuit not involving the validity of the Lessor's interest in the Land and a Project brought by a party other than the Lessee or the Trustee, arising out of or in any way relating to this Lease Purchase Agreement with respect to a Project or the construction, equipping, furnishing, ownership, rental, possession, operation, condition, sale or return of a Project or any portion thereof. This covenant by the Lessee to consent to and refrain from objection to such a motion to dismiss shall include Lessor's assigns and their respective agents, employees, officers and directors. It is understood by and between Lessor and Lessee that this covenant is not intended to be and is not an indemnity. Notwithstanding the foregoing, if it is necessary for Lessor to remain a party in order to maintain the action, Lessor shall not be, and is hereby prohibited from seeking to be, dismissed from such action and Lessee shall indemnify Lessor therefor to the fullest extent permitted by law.

11. EVENTS OF DEFAULT.

In the event that:

(a) Lessee shall default in the payment of any Rent or in making any other payment hereunder, subject to the provisions of Section 2.6.1 hereof permitting the use of the Reserve Fund in the event a budget is not timely enacted, or

(b) (i) the Lessee shall breach the provisions of Section 6 hereof with respect to subleasing, (ii) the Lessee fails to provide insurance as and when required hereunder, or (iii) the Lessee shall default in the performance of any other covenant of the Lessee hereunder, and except with respect to clause (i) immediately above and the requirements of Lessee to submit budgets or request appropriations, the breach is not cured within thirty (30) days of receipt of notice thereof, or (iv) any representation or warranty made by Lessee hereunder proves to have been materially false at the time it was made, or

(c) the Lessee fails to immediately surrender a Project to Lessor after Lessee is requested to do so by Lessor following an Event of Lease Default or the occurrence of an Event of Non-Appropriation, as required by Section 2.6.2 hereof, or

(d) (i) the Lessee shall (A) commence a voluntary case under the Federal bankruptcy laws (as now or hereafter in effect), (B) file a petition asking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, debt adjustment, winding up or composition or adjustment of debts, (C) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (D) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, (E) admit in writing its inability to pay, or generally not be paying, its debts as they become due (within the meaning of such bankruptcy laws), (F) make a general assignment for the benefit of creditors, or (G) take any official action for the purpose of effecting any of the foregoing; or (ii) commence a case or other proceeding against the Lessee in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like of the Lessee, or of all or a substantial part of its property, and such case or proceeding shall continue undismissed or unstayed for a period of 60 consecutive calendar days, or an order granting the relief requested in any such case or proceeding against the Lessee (including, but not limited to, an order for relief under such Federal bankruptcy laws) shall be entered;

then the occurrence of such event shall constitute an "Event of Lease Default" hereunder; provided, however, that with respect to a default arising under clause (b)(iii) of this Section 11, same shall not constitute an Event of Lease Default so long as the Lessee is pursuing the cure of same with due diligence and by appropriate means; provided, further, that this exception shall not apply to covenants to submit budgets or request appropriations.

12. REMEDIES.

12.1. Remedies for Default. Upon the occurrence of an Event of Lease Default, and as long as such Event of Lease Default is continuing, Lessor or its assigns may, at its option if there is no Municipal Bond Insurance Policy in effect and at the direction of Bond Insurer if such a policy is in effect, exercise any one or more of the following remedies or any other remedy available pursuant to law or in equity or granted pursuant to this Lease Purchase Agreement, including without limitation, the following remedies:

(a) Without terminating this Lease Purchase Agreement, re-enter and take possession of a Project and exclude Lessee from using same until the Event of Lease Default is cured; or

(b) Without terminating this Lease Purchase Agreement, re-enter and take possession of a Project, and remove all or any portion of the Equipment from the Land and sell, lease or sublease the Project, the Equipment or any portion thereof for the account of Lessee, decreasing the Rent payable hereunder during such Fiscal Year of Lessee for the difference between (i) the purchase price, rent and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and (ii) the Basic Rent Payments and other amounts payable by Lessee with respect to such component under and pursuant to this Lease Purchase Agreement; or

(c) Terminate this Lease Purchase Agreement and require Lessee to surrender and transfer possession of a Project to Lessor in which event Lessee shall take all actions, necessary to authorize, execute and deliver to Lessor all documents necessary to vest in Lessor, all of Lessee's interest in and to a Project, subject, however, to the Lessee's right to occupy a Project at the end of the term of the Ground Sublease, if applicable, and to discharge any lien created by or pursuant to this Lease Purchase Agreement; and Lessee shall, upon request by Lessor, remove any Equipment from Lessor's property to such location as is specified by Lessor, and Lessor shall have the right, but not the obligation (unless so directed by the Bond Insurer), to sell, lease or sublease all or any portion of a Project at any time and at one or more times; or

(d) Terminate this Lease Purchase Agreement and without notice or demand, enter into and upon a Project, or any part thereof, and repossess the same and thereby restore the Lessor or its assignee to its former possessory estate as sublessee under the Ground Lease, if applicable, and expel the Lessee or its assignee, and expel the Lessee and remove its effects forcefully, if necessary, without being taken or deemed to be guilty of any manner of trespass and thereupon this demise shall terminate and upon such termination the Lessee shall be divested of its possessory rights for the term of the Ground Sublease in a Project, if applicable; and the Lessee shall be responsible for the payment of damages in an amount equal to the Basic Rent Payments which would have accrued hereunder, calculated on a daily basis, for any period during which the Lessee fails to surrender a Project or for any other loss suffered by the Lessor as a result of the Lessee's failure to surrender a Project, all without prejudice to any remedy which might otherwise be available to the Lessor for arrears of Rent or for any breach of the Lessee's covenants herein contained; or

(e) Take whatever action at law or in equity may appear necessary or desirable to collect the Rent Payments then due and thereafter to become due during the Lease Term or enforce performance and observance of any obligation, agreement or covenant of Lessee under this Lease Purchase Agreement.

Lessor's damages hereunder shall include the cost of enforcement hereof and the collection of any judgment, including Attorneys' Fees.

12.2. Disposition of Project.

(a) Except as provided in the next sentence, moneys received by Lessor or its assignee from any re-letting and/or sale in accordance with Section 12.1 hereof shall be the absolute property of Lessor or its assignee and Lessee shall have no right thereto. In the event that moneys received by Lessor or its assignee from such re-letting and/or sale exceeds all amounts payable hereunder (which shall include the amount necessary to pay or prepay, as the case may be, all the Certificates Outstanding under the Trust Indenture and unpaid Supplemental Rent due hereunder), and after payment of all amounts due and owing to Bond Insurer, Lessor shall pay such surplus to the Lessee. Neither notice of sale or notice to pay rent or to deliver up possession of a Project given pursuant to law nor any proceeding in unlawful detainer taken by Lessor or its assignee shall of itself operate to terminate this Lease Purchase Agreement, and no termination of this Lease Purchase Agreement on account of an Event of Lease Default by Lessee shall be or become effective by operation of law, or otherwise, unless and until Lessor or its assignee shall have given written notice to Lessee of the election on the part of Lessor or its assignee to terminate this Lease Purchase Agreement as a result of such Event of Lease Default.

(b) Lessee hereby irrevocably appoints Lessor or its assignee as the agent and attorney-in-fact of Lessee to enter upon and convey its rights under the Ground Sublease or re-let a Project upon the happening of an Event of Lease Default. Lessee hereby exempts and agrees to save harmless Lessor and its assignee (but solely from Lessee's legally available funds and to the extent permitted by applicable law) from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and the sale or letting of a Project during the balance of the Fiscal Year in which the Event of Lease Default occurs and during any period of hold-over tenancy and same shall constitute Supplemental Rent hereunder. Lessee hereby waives any and all claims against the Lessor, the Trustee or the Bond Insurer for damages caused, or which may be caused, by Lessor or its assignee in taking possession of a Project, for all claims for damages that may result from the destruction of or injury to a Project, and all claims for damages to or loss of any property belonging to Lessee that may be in or upon a Project. Lessee agrees that the terms of this Lease Purchase Agreement constitute full and sufficient notice of the right of Lessor or its assignee to enter and sell or re-let a Project and any component thereof.

13. SURRENDER OF PROJECT; HOLDING OVER.

13.1. Surrender of Project. Upon the termination of this Lease Purchase Agreement for any reason (including, without limitation, under Section 2.6.1 hereof or an Event of Lease Default) other than pursuant to Section 2.2.1(b) or (d) hereof, the Lessee shall surrender a Project to Lessor in the condition required pursuant to Section 7.1 hereof and shall deliver all keys for, and all combinations on locks, safes and vaults in, a Project to Lessor at Lessor's address for notices. If Lessee fails to remove any shelving, decorations, equipment or trade fixture or other personal property from a Project prior to the end of the Lease Term, same shall become Lessor's property and Lessee shall pay the cost to Lessor of removing same and shall repair or pay for the repair of any damage done to a Project in removing same.

13.2. Holding Over. If Lessee holds over or occupies a Project beyond the Lease Term, Lessee shall pay Lessor for each day of such holding over a sum equal to the semi-annual Basic Rent prorated for the number of days of such holding over, plus a pro rata portion of all other amounts which Lessee would have been required to pay hereunder had this Lease Purchase Agreement been in effect. If Lessee holds over with or without Lessor's prior written consent Lessee shall occupy a Project on a tenancy from month to month and all other terms and provisions of this Lease Purchase Agreement shall be applicable to such period.

13.3. Limited to Legally Available Funds. Notwithstanding anything to the contrary contained herein, any obligations for Rent hereunder during any hold over period shall be solely from legally available funds of Lessee.

14. NO WAIVER OF REMEDIES; LATE PAYMENTS; ACCORD AND SATISFACTION.

(a) No failure on the part of either party to exercise, and no delay in exercising, any right or remedy provided for herein shall operate as a waiver thereof, nor shall any single or partial exercise by either party or any right or remedy provided hereunder, preclude any other or further exercise of any other right or remedy provided hereunder. Any provision of this Lease Purchase Agreement may be waived by an instrument in writing executed by the Lessee, the Lessor, the Trustee and the Bond Insurer.

(b) Whenever any payment is not made when due hereunder, the Lessee promises to pay Lessor, in addition to the amount due, interest thereon at the Maximum Interest Rate, for the period of delay.

(c) Lessor is entitled to accept, receive and cash or deposit any payment by Lessee for any reason or purpose in any amount whatsoever. No endorsement or statement on any check or letter of Lessee shall be deemed as accord and satisfaction or otherwise recognized for any purpose whatsoever. The acceptance of any such payment shall be without prejudice to Lessor's right to recover any and all amounts owed by the Lessee hereunder and Lessor's right to pursue any other available remedy.

15. RISK OF LOSS; STIPULATED LOSS VALUES.

As between Lessor and the Lessee, the Lessee hereby assumes the entire risk of loss, from any and every cause whatsoever to a Project including without limitation a loss resulting from exercise of eminent domain or condemnation with respect to all or part of a Project (collectively, an "Event of Loss"). The Rent hereunder shall not abate (in whole or in part) upon the occurrence of an Event of Loss or during the pendency of repairs following same, whether or not the Lessee is prevented from using all or any portion of a Project.

(a) Except as provided in paragraph (b) below, the Lessee shall cause the Net Proceeds of any insurance or condemnation award or of any appropriation made in connection with a self-insurance election to be applied to the prompt repair, restoration or replacement of a Project (which repair, restoration or replacement of a Project shall become part of a Project). Any such Net Proceeds shall be deposited with the Trustee in the Project Fund and shall be deposited and disbursed by the Trustee in accordance with Section 5.03.1(f)(ii) of the Trust Indenture; provided, however, that any amounts remaining after completion of such repair, restoration or replacement shall be applied as a prepayment of Basic Rent hereunder pursuant to Section 16.2 hereof. If such Net Proceeds are insufficient to pay for such repair, restoration or replacement, the Lessee shall (from Lessee's legally available funds) deposit the amount of such deficiency with the Trustee immediately from the Reserve Fund or in the ensuing Fiscal Year upon receipt thereof and failure to do so shall constitute an Event of Lease Default hereunder.

(b) The Lessee may elect not to repair, restore or replace a Project 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 (i) that it has made such election, (2) that it is not in the best interests of the Lessee to repair, restore or replace a Project, and (3) either (A) that the operation of a Project will not be materially adversely affected by not repairing, restoring or replacing portions of a Project suffering the Event of Loss or (B) that the Lessee intends to abandon and cease to operate portions of a Project; provided, further, that in the former case, there shall be an Event of Mandatory Prepayment in the amount of such Net Proceeds and in the latter case, there shall be an Event of Mandatory Prepayment in the amount of the greater of the Net Proceeds or the Stipulated Loss Value of a Project and if the Net Proceeds are insufficient therefor, the deficiency shall constitute Supplemental Rent hereunder and an amount equal to such deficiency shall be due and payable from the Lessee under this Lease Purchase Agreement either from the Reserve Fund or in the ensuing Fiscal Year.

The Stipulated Loss Value attributable to a loss of the entire Project shall be the Concluding Payment hereunder. In each case, the Stipulated Loss Value shall also include interest accrued through the date of payment computed in accordance with Section 2.8(b) hereof and any Supplemental Rent then due hereunder. Upon payment of such Stipulated Loss Value by the Lessee, such Stipulated Loss Value (or the Net Proceeds if the Net Proceeds are greater than the Stipulated Loss Value) shall be deposited to the credit of the Extraordinary Prepayment Fund.

16. CERTIFICATES; MANDATORY PREPAYMENT.

16.1. Certificates.

(a) Lessee consents and agrees that this Lease Purchase Agreement and Lessor's rights hereunder with respect to a Project and the Rent or other sums to become due hereunder (collectively referred to herein as the "Lease Rights") shall be assigned to and held by the Trustee for the benefit of the Certificate Owners and the

Trustee shall execute, authenticate and deliver the Certificates evidencing an undivided interest of the Owners thereof in the Basic Rent Payments to be made hereunder. Lessee agrees to make Rent Payments directly to the Trustee.

(b) Lessor and the Lessee hereby agree that from and after the execution by the Trustee and the Lessor of the Trust Indenture and so long as same remains in effect, payment to the Trustee of any moneys or sums due hereunder shall satisfy the obligation for the payment of such moneys or sums.

16.2. Mandatory Prepayment. In the event that (a) there is an excess of Net Proceeds which is to be applied as a prepayment of Basic Rent hereunder pursuant to Section 15(a) hereof, or (b) funds in excess of an amount equal to \$250,000 remain in the Project Fund (without taking into account amounts in the Capitalized Interest Account) on a Completion Date, or (c) there occurs an Event of Mandatory Prepayment as provided in Section 15(b) hereof, same shall constitute an "Event of Mandatory Prepayment." Upon the occurrence of an Event of Mandatory Prepayment, the Lessee hereby authorizes the Trustee to credit the balance then remaining in the respective account in the Project Fund for a Series of Certificates (other than the Capitalized Interest Account thereof) to the Extraordinary Prepayment Fund to prepay a portion of the respective Series of Certificates and the amount of such prepayment of principal of Certificates shall be credited against the Principal Portion of the Basic Rent Payments hereunder in inverse order of maturity. Such prepayment shall be applied by the Trustee to such Basic Rent Payments without premium or penalty. Upon such prepayment, the remaining Basic Rent Payments relating to the applicable Series of Certificates hereunder (and the respective Interest Portion and Principal Portion of each) shall be reduced and the Concluding Payment relating to the applicable Series of Certificates recalculated pursuant to Section 18 hereof.

16.3. Sinking Fund Rent Payments. The Basic Rent Payments to be made hereunder that are characterized as a mandatory prepayment of the Principal Portion of Basic Rent due relating to Term Certificates issued hereunder as set forth in a Schedule hereto, are Basic Rent Payments hereunder and shall be deposited to the credit of the Rent Payment Fund.

16.4. Authorization to Transfer Funds. Upon the occurrence of an Event of Lease Default or an Event of Non-Appropriation hereunder, Lessee hereby authorizes the Trustee to transfer the balance, if any, in the Project Fund to the credit of the Special Prepayment Fund.

17. PREPAYMENT OPTION; PURCHASE OPTION.

17.1. Prepayment Option. The Lessee shall have the option, so long as the Lessee is not then in default under this Lease Purchase Agreement, but only with moneys provided by the Lessee, on each Optional Prepayment Date, as set forth on Exhibit C hereto, to prepay a portion of the Basic Rent Payments effective on any such Optional Prepayment Date upon fifteen (15) days' prior written notice to Lessor accompanied by the deposit of the amount of such prepaid Basic Rent with the Trustee not less than thirty (30) days prior to such date of prepayment. Any prepayment in part shall be not less than the Minimum Optional Prepayment Amount.

17.2. Option to Purchase. Lessor as "Optionor" hereby grants unto Lessee as "Optionee" the irrevocable Option (the "Option") and right to purchase a Project demised under this Lease Purchase Agreement on any Optional Prepayment Date, unless if done by defeasance hereof pursuant to Section 19 hereof, at any time hereunder; on following terms and conditions:

(a) The purchase price ("Option Price") shall be the Balance Due Lessor with respect to any Project as of the applicable Basic Rent Payment Date.

(b) So long as the Lease Term has not terminated and no event which, with the giving of notice or lapse of time or both, would constitute an Event of Lease Default hereunder, the Lessee shall have the right to exercise this Option to purchase a Project demised under this Lease Purchase Agreement at any time prior to the expiration of the Lease Term.

(c) The exercise of the Option to purchase shall be by written notice (the "Option Notice") to the Lessor sixty (60) days prior to the date set for "closing" which shall be effective when mailed or, if not mailed, when personally delivered to the Trustee and the Lessor.

(d) The "closing" pursuant to this Option shall occur upon execution and delivery of an assignment by Lessor to Lessee of all of Lessor's right, title and interest as Lessor under this Lease Purchase Agreement, as well as the execution and delivery of all other documents required to vest in Lessee the title as required hereby and the payment of the Option Price.

(e) Upon such closing, the assignment to Lessee of all of Lessor's right, title and interest as Lessor under this Lease Purchase Agreement, as well as any other necessary instruments required to vest in Lessee good and marketable and insurable title, subject only to those matters hereinbefore specifically set forth shall be recorded and the cash proceeds of such sale and purchase pursuant to this Option shall be applied pursuant to Section 19 hereof or Section 4.02 of the Trust Indenture whichever is applicable.

(f) The parties agree that the Lessee shall pay all expenses of closing including Lessor's expenses.

(g) Lessee shall have the right to record a Notice of Option in the form of Exhibit C hereto in the Public Records of the County.

18. RECALCULATION OF BASIC RENT PAYMENTS.

In the event of a prepayment in part of Basic Rent Payments under Section 16.2 or Section 17.1 hereof, the Concluding Payment applicable at the time of such prepayment shall be reduced to reflect the reduction in Principal Portion of Basic Rent outstanding hereunder and a revised schedule of Basic Rent Payments and Concluding Payments shall be prepared by the Lessor and provided to the Lessee.

19. DEFEASANCE.

With respect to the Basic Rent hereunder, all of the Basic Rent Payments shall be deemed to be paid: (i) when there is irrevocably deposited with or made available to the Trustee in trust and irrevocably set aside exclusively for payment of the Basic Rent Payments money sufficient to pay, or non-callable Governmental Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to pay, the Option Price on the next Optional Prepayment Date and all Basic Rent Payments payable on or before such next Optional Prepayment Date, and (ii) when all Supplemental Rent, including without limitation, all amounts and fees due or payable to the Trustee hereunder, shall have been paid or the payment thereof provided for to the satisfaction of the Trustee hereunder, shall have been paid or the payment thereof provided for to the satisfaction of the Trustee have been satisfied. When all of the Rent is deemed paid, as aforesaid, and the Trustee has received (x) an opinion of Special Counsel to the effect that the deposit of such money or non-callable Governmental Obligations in trust will not cause the Interest Portion of the Basic Rent Payments to be included in gross income for federal income tax purposes under the Code and (y) an accountant's certificate with respect to the sufficiency of the money or such non-callable Governmental Obligations so deposited, and the requirements of Section 10.04 of the Trust Indenture have been satisfied, the Lessor shall be entitled to payment solely from such money or Governmental Obligations and all right and interest of the Lessor under this Lease Purchase Agreement shall terminate and Lessor shall assign all of its right and interest in and to this Lease Purchase Agreement to the Lessee, and the Lessor shall, at Lessee's sole expense, transfer all interests in a Project it possesses to the Lessee.

20. [RESERVED]

21. LESSOR'S INDEMNITY.

To the extent permitted by Applicable Law but solely from Lessee's legally available funds, the Lessee hereby agrees to protect, indemnify, pay and save Lessor harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) that Lessor may, other than as a result of the gross negligence or willful misconduct of Lessor, incur or be subject to as a consequence, direct or indirect, of (i) the execution hereof and the performance of the Lessor's obligations hereof (ii) any breach by any party of any representation or warranty, covenant, term or condition in, or the occurrence of any default under, the Certificate Documents, including all reasonable fees or expenses resulting from the settlement or defense of any claims or liabilities arising as a result of any such breach or default, (iii) the involvement in any legal suit, investigation, proceeding, inquiry or action as to which the Lessor is involved as a consequence, direct or indirect, of its execution hereof and the performance of the Lessor's obligations hereunder.

22. INTEGRATION; AMENDMENTS.

Except as explicitly provided herein, this Lease Purchase Agreement contains the entire agreement between the parties and may not be altered, modified, terminated or discharged (except in accordance with its terms) except in writing and executed by the Lessor and Lessee, and with the prior written consent of the Bond Insurer and the Trustee.

23. NOTICES; MEMORANDUM.

23.1. Notices. Any notices to be given or to be served upon any party hereto, in connection with this Lease Purchase Agreement, must be in writing and may be delivered personally, by facsimile transmission, by overnight delivery, or by certified or registered mail, return receipt requested and, if so mailed shall be deemed to have been given and received four (4) days after a registered or certified letter containing such notice, postage prepaid, is deposited in the United States mail, and if given otherwise shall be deemed to have been given when delivered to and received by the party to whom it is addressed. Such notice shall be given to the parties at their respective address set forth on Exhibit C hereto or at such other address as either party may hereafter designate to the other party in writing in accordance with the foregoing.

23.2. Memorandum. Unless mutually agreed to the contrary, simultaneously with the execution of this Lease Purchase Agreement, Lessor and Lessee shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Lease Purchase Agreement for recording in the Public Records of the County, said Memorandum of Lease shall be substantially in the form of Exhibit C hereto and shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of this Lease Purchase Agreement.

24. MISCELLANEOUS.

(a) This instrument shall be deemed to have been executed and entered into within the State and any dispute arising hereunder shall be governed by the laws of the State with venue in Leon County.

(b) Any provision of this instrument in violation of the laws of the State shall be ineffective to the extent of such violation, without invalidating the remaining provisions of this instrument. In no event shall the Lessor have any cause of action against the officers or employees of the Lessee, or against any official of the Lessee based upon or materially related to any finding by any court that any or all provisions of this instrument violate Applicable Law.

(c) The Section headings used herein are for convenience or reference only and shall have no significance in the interpretation of this instrument.

(d) This Lease Purchase Agreement shall be binding upon the parties hereto only when duly executed and delivered on behalf of the Lessee and the Lessor.

(e) Time is of the essence of this Lease Purchase Agreement and of each of the covenants contained herein.

(f) This Lease Purchase 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.

(g) For purposes of computing any period of a number of days hereunder for notices or performances (but not for accrual of interest) for periods of ten (10) days or less, only Business Days shall be counted.

(h) The Lessee represents and warrants that it has neither caused nor incurred any claims for brokers' commissions or finders' fees in connection with the execution of this Lease Purchase Agreement and, to the extent of Lessee's legally available funds and to the extent permitted by Applicable Law, indemnifies and holds Lessor harmless from and against all liabilities arising from any such claims caused or incurred by Lessee (including, without limitation, Attorney's Fees in connection therewith).

(i) This Lease Purchase Agreement is dated as of the date set forth above for convenience of reference only. The actual date of execution by each party hereto is set forth below the respective signatures for each party below and the effective date is the Issue Date.

25. Any references herein to the Bond Insurer shall be of no consequence if there is no Bond Insurer or if no Bond Insurer for the applicable Series of Certificates.

IN WITNESS WHEREOF, each of the parties hereto have caused this Lease Purchase Agreement to be executed by their duly authorized officers or agents, all as of the day and year indicated above, but effective on the Issue Date.

FLORIDA CORRECTIONAL FINANCE
CORPORATION, as Lessor

ATTEST:

By: _____
Kim Mims, Secretary

By: _____
J. D. Solie, President

STATE OF FLORIDA DEPARTMENT OF
MANAGEMENT SERVICES, as Lessee

By: _____
Linda H. South, Secretary

EXHIBIT A

Requisition No. _____

U.S. Bank National Association
225 Water Street, 3rd Floor
Jacksonville, Florida 32202
Corporate Trust Department

This Certificate is provided to you pursuant to Section ___ of the Amended and Restated Master Trust Indenture dated as of February 1, 2009 (the "Trust Indenture") between the Florida Correctional Finance Corporation (the "Corporation") and you, as Trustee.

You are hereby authorized to draw an amount equal to \$_____ from the Series ___ Acquisition Account in the Project Fund established under the Trust Indenture and remit payment of said amount to _____ at the address shown on the copy of the Contractor's Payment Certificate, which is attached hereto. Such amount has not been the basis of any previous payment to the Contractor. Each item has been properly incurred and is a proper charge against the Project Fund.

Date: _____

By: _____
Authorized Department Representative

EXHIBIT B

**BAY COUNTY
CORRECTIONAL FACILITY**

COMMENCE at the Southwest Corner of Section 35, Township 2 South, Range 13 West, Bay County, Florida; thence N89 11'20"E along the South line of said Section 35 for 4597.61 feet to the Point of Beginning; thence continue N89 11'20"E along said South line of Section 35 for 764.91 feet to the Southwest Corner of Section 36, Township 2 South, Range 13 West; thence S89 41'47"E along the South line of said Section 36 for 1957.81 feet; thence N00 05'52" West for 1600.00 feet; thence N89 41'47"W for 1945.83 feet to the West line of said Section 36; thence S89 11'20"W for 776.89 feet; thence S00 05'52"E for 1599.77 feet to the Point of Beginning.

SUBJECT TO: A reserved non-exclusive easement in favor of Grantor (See Warranty Deed recorded in O.R. Book 1509, at page 638, Public Records of Bay County, Florida) for ingress and egress, stormwater management, utilities and railway purposes over the South 100 feet and the East 100 feet of the above described parcel.

TOGETHER WITH A NON-EXCLUSIVE WAY OF INGRESS AND EGRESS OVER AND ACROSS THE FOLLOWING DESCRIBED PROPERTY:

COMMENCE at the Southwest Corner of Section 35, Township 2 South, Range 13 West, Bay County, Florida; thence N89 11'20"E along the South line of said Section 35 for 4597.61 feet; thence N00 05'52"W for 750.00 feet to the Point of Beginning; thence S89 11'20"W parallel with said South line of Section 35 for 2059.97 feet to the most Easterly Corner of the first parcel described in official Records Book 1257, Page 373, of the Public Records of Bay County, Florida; thence N00 48'40"W along the East line of said parcel for 100.00 feet; thence N89 11'20"E for 2061.21 feet; thence S00 05'52"E for 100.01 feet to the Point of Beginning.

**GADSDEN COUNTY
CORRECTIONAL FACILITY**

Description of a tract located in Section 5 and Section 8 Township 2 North, Range 4 West, Gadsden County, Florida, to-wit:

COMMENCE at a concrete monument (RLS 3031) marking the Northeast Corner of Section 8, Township 2 North, Range 4 West, Gadsden County, Florida, and run thence South 00 01'00" East along the Section line a distance of 158.79 feet to the South right of way boundary of State Road 12; thence along the said South right of way boundary of State Road 12 proceed North 84 06'00" West, a distance of 593.15 feet to the Point of Beginning. From said Point of Beginning continue along said South right of way boundary of State Road 12 proceed North 84 06'00" West, a distance of 947.90 feet to the Northeast Corner of that parcel described in Official Records Book 196, Page 349 of the Public Records of Gadsden County, Florida; thence leaving the South right of way boundary of State Road 12 proceed South 05 54'00" West along the East line of said parcel described in Official Records Book 196, Page 349 of the Public Records of Gadsden County, Florida, a distance of 290 feet to the Southeast Corner of that parcel described in Official Records Book 196, Page 349 of the Public Records of Gadsden County, Florida; thence North 84 06'00" West along the South lines of those parcels described in Official Records Book 196, Page 349 and Official Records Book 203, Page 523, both of the Public Records of Gadsden County, Florida, a distance of 766.00 feet to the Southwest corner of that said parcel described in Official Records Book 203, Page 523 of the Public Records of Gadsden County, Florida; thence North 05OL176\f"Symbol"\s1054'00" East along the West line of said parcel described in Official Records Book 203, Page 523 of the Public Records of Gadsden County, Florida, a distance of 290.00 feet to the said South right of way boundary of State Road 12 and the Northwest Corner of said parcel described in Official Records Book 203, Page 523, of the Public Records of Gadsden County, Florida; thence along said South right of way boundary of State Road 12 proceed North 84 06'00" West, a distance of 1194.48 feet; thence leaving said South right of way boundary of State Road 12 proceed South 00 03'14" East, a distance of 1523.82 feet to the North line of the Southeast Quarter of the Northwest Quarter of said Section 8; thence North 89 43'55" East along the said North line of the Southeast Quarter of the Northwest Quarter and the North line of the Southwest Quarter of the Northeast Quarter of said Section 8, a distance of 2165.01 feet to the Northeast Corner of said Southwest Quarter of the Northeast Quarter of said Section 8; thence South 00 01'34" East along the East line of said Southwest Quarter of the Northeast Quarter of said Section 8, a distance of 1215.24 feet; thence North 89 43'55" East, a distance of 727.35 feet; thence North 00 01'54" West, a distance of 2426.57 feet to the Point of Beginning.

**GLADES COUNTY
CORRECTIONAL FACILITY**

All of Lots 5, 6 and 7, and a portion of Lots 8, 9, 10, 11 and 12, subdivision of Section 10, Township 42 South, Range 32 East, Glades County, Florida, according to the Plat thereof recorded in Plat book 3, Page 40 of the Public Records of DeSoto County, Florida. Being more particularly described as follows:

COMMENCE at a 2" iron pipe marking the Northwest Corner of said Section 10, thence S89 59'55"E along the North line of Section 10, a distance of 60.28 feet to a State road Department right of way (R/W) concrete monument;

Thence S00 27'57"W along the East line of the State Road (SR) #78 R/W (100' in width), a distance of 20.00 feet to the Point of Beginning;

Thence S89 59'55"E along the South line of the County Road (CR) #720 North R/W, also being the North line of aforesaid lots 5 thru 8, a distance of 1260.85 feet to an iron pipe with cap marking the Northeast Corner of said Lot 5;

Thence S00 30'43"W, a distance of 1320.73 feet to an iron pipe with cap marking the Southeast Corner of said Lot 5;

Thence S00 33'19"W along the East line of aforesaid Lot 12, a distance of 476.94 feet;

Thence N89 59'55"W, parallel with said North line of Section 10, a distance of 1259.05 feet to the intersection with the aforesaid East R/W line of SR #78;

Thence N00 27'57"W along said East R/W line, a distance of 1797.65 feet to the Point of Beginning.

EXHIBIT C

FORM OF MEMORANDUM OF LEASE AND NOTICE OF OPTION

MEMORANDUM OF AMENDED AND RESTATED MASTER LEASE AGREEMENT WITH OPTION TO PURCHASE DATED AS OF FEBRUARY 1, 2009, AMENDING AND RESTATING A MASTER LEASE PURCHASE AGREEMENT WITH OPTION TO PURCHASE DATED AS OF NOVEMBER 1, 2001 AS SUPPLEMENTED BY SCHEDULE NO. ____ DATED AS OF _____ __, ___ BETWEEN FLORIDA CORRECTIONAL FINANCE CORPORATION, AS LESSOR, AND THE STATE OF FLORIDA DEPARTMENT OF MANAGEMENT SERVICES, AS LESSEE

As of February 1, 2009, the Florida Correctional Finance Corporation, a Florida not-for-profit corporation, as Lessor, entered into a certain Amended and Restated Master Lease Agreement with Option to Purchase, amending and restating a Master Lease Purchase Agreement with Option to Purchase, dated as of November 1, 2001, with the State of Florida Department of Management Services (successor agency to the Correctional Privatization Corporation), as Lessee, which was supplemented as of _____ __, ___ with Schedule No. ___ thereto (collectively, the "Lease Purchase Agreement") with respect to certain real property and improvements thereon, described as attached hereto on Exhibit A, for a series of one year terms aggregating approximately _____ (____) years, commencing on the __ day of _____, ____.

1. Section 8.2 of the Lease Purchase Agreement provides:

All persons to whom these presents may come are put on notice of the fact that Lessee shall never, under any circumstances, have the power to subject the interest of Lessor in a Project to any mechanic's or materialman's lien or liens of any kind.

Lessee covenants and agrees with Lessor that Lessee will not permit or suffer to be filed or claimed against the interests of Lessor in a 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 Lessee, within thirty (30) days after Lessee shall have been given written notice of such claim being filed in the Public Records of the County to cause a Project to be released from such claim, either by payment or by posting of a bond or by the payment into the court of competent jurisdiction the amount necessary to relieve and release a 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 Lessor from such claim.

2. Section 6 of the Lease Purchase Agreement provides:

The Lessee shall not: (i) sublease any Leased Property or any part thereof, without the prior written consent of the Bond Insurer, or (ii) assign or transfer any portion of this Lease Purchase Agreement or a Project or any part thereof, or any interest therein, or (iii) permit a Project to be used in any manner inconsistent with Section 4.1.1 hereof, except that Lessee may add facilities on the Land paid for from its own funds and any necessary assignments or transfer shall be permitted hereby. Notwithstanding any sublease permitted hereunder, the Lessee shall not be thereby released from liability to make the Rent Payments.

The Lessee may substitute other equipment owned by the Lessee for an item of Equipment provided such substituted equipment is for the same purpose and (i) has the same or a greater remaining useful life, (ii) has a fair market value equal to or greater than the item of Equipment for which it is substituted, (iii) constitutes a Project component, (iv)

such substituted equipment is free and clear of all liens and encumbrances, except the Permitted Encumbrances, (v) the Lessee is not in default of its obligations hereunder, and (vi) Lessee has title to such substituted equipment.

Lessee hereby reserves the right to construct additional corrections facilities on the Land without financing such facilities under this Lease Purchase Agreement or the Master Trust Indenture. In that regard, Lessor agrees, so long as no Event of Default or Event of Non-Appropriation has occurred and is continuing hereunder, to cooperate with Lessee in the furnishing of easements for ingress and egress, use agreements with respect to utilities and meal preparation, easements necessary for such utility functions and such other agreements for the joint use of real and personal property as are necessary or desirable in order to facilitate the acquisition, construction, equipping, operating and maintaining correctional facilities on the Land.

Lessee further reserves the right to release items of personal property and a portion of the Land from the lien hereof, of the Ground Lease and of the Master Trust Indenture if, in the judgment of the Lessee, such personal or real property is no longer needed or useful in the operation of a Project and the value of the property to be released does not exceed \$250,000. The satisfaction of the requirements of the foregoing sentence shall be evidenced by the execution by the Lessee of a certificate to that effect and delivery thereof to the Trustee. Such certificates shall be kept on file by the Trustee for a period of not less than three years.

The Lessee may acquire, construct and equip additional Projects which are financed through the issuance of a Series of Certificates under the Master Trust Indenture. At the time of issuance of such additional Series of Certificates, the Lessor and Lessee shall enter into a Schedule to this Lease Purchase Agreement, a supplemental or additional Ground Lease and Ground Sublease as may be necessary and a Supplemental Trust Indenture with respect thereto.

All alterations, changes and additions and all improvements, including leasehold improvements, made by Lessee or by Lessor in Lessee's behalf, shall become part of a Project and shall not be removed by Lessee at or prior to the end of the Lease Term without prior written consent of Lessor and Bond Insurer; provided, however, that if Lessor requests Lessee to remove same at the end of the Lease Term, Lessee shall do so at its own cost and expense.

3. Section 16.1 of the Lease Purchase Agreement provides:

Lessee consents and agrees that this Lease Purchase Agreement and Lessor's rights hereunder with respect to a Project and the Rent or other sums to become due hereunder (collectively referred to herein as the "Lease Rights") shall be assigned to and held by the Trustee for the benefit of the Certificate Owners and the Trustee shall execute, authenticate and deliver the Certificates evidencing an undivided interest of the Owners thereof in the Basic Rent Payments to be made hereunder. Lessee agrees to make Rent Payments directly to the Trustee.

4. Section 17.2 of the Lease Purchase Agreement provides:

Lessor as "Optionor" hereby grants unto Lessee as "Optionee" the irrevocable Option (the "Option") and right to purchase a Project demised under this Lease Purchase Agreement on any Optional Prepayment Date, unless if done by defeasance hereof pursuant to Section 19 hereof, at any time hereunder; on following terms and conditions:

(a) The purchase price ("Option Price") shall be the Balance Due Lessor with respect to any Project as of the applicable Basic Rent Payment Date.

(b) So long as the Lease Term has not terminated and no event which, with the giving of notice or lapse of time or both, would constitute an Event of Lease Default hereunder, the Lessee shall have the right to exercise this Option to purchase a Project demised under this Lease Purchase Agreement at any time prior to the expiration of the Lease Term.

(c) The exercise of the Option to purchase shall be by written notice (the "Option Notice") to the Lessor sixty (60) days prior to the date set for "closing" which shall be effective when mailed or, if not mailed, when personally delivered to the Trustee and the Lessor.

(d) The "closing" pursuant to this Option shall occur upon execution and delivery of an assignment by Lessor to Lessee of all of Lessor's right, title and interest as Lessor under this Lease Purchase Agreement, as well as the execution and delivery of all other documents required to vest in Lessee the title as required hereby and the payment of the Option Price.

(e) Upon such closing, the assignment to Lessee of all of Lessor's right, title and interest as Lessor under this Lease Purchase Agreement, as well as any other necessary instruments required to vest in Lessee good and marketable and insurable title, subject only to those matters hereinbefore specifically set forth shall be recorded and the cash proceeds of such sale and purchase pursuant to this Option shall be applied pursuant to Section 19 hereof or Section 4.02 of the Trust Indenture whichever is applicable.

(f) The parties agree that the Lessee shall pay all expenses of closing including Lessor's expenses.

(g) Lessee shall have the right to record a Notice of Option in the Public Records of the County.

5. Nothing herein shall be considered as in any manner changing, altering, modifying or superseding any of the covenants, agreements or conditions set forth and contained in the Lease Purchase Agreement and Schedule No. ___ thereto.

6. This Memorandum of Lease and Notice of Option shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, representatives, successors and assigns.

7. This Memorandum of Lease and Notice of Option may be executed in counterparts each of which together with a counterpart executed by the other party hereto shall be deemed an original but all of which shall be deemed one and the same instrument.

8. This Memorandum of Lease and Notice of Option shall not in any way limit or modify the terms of the Master Lease Purchase Agreement with Option to Purchase. The terms of the Master Lease Purchase Agreement with Option to Purchase as set forth herein shall control in all respects with respect to matters not covered in the provisions set forth hereinabove.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Lease and Notice of Option as of the day and year first above written.

STATE OF FLORIDA DEPARTMENT OF
MANAGEMENT SERVICES

By: _____
_____, Secretary

WITNESSES:

(Print name)

(Print name)

STATE OF FLORIDA)
COUNTY OF LEON)

The foregoing Memorandum of Lease and Notice of Option was executed and acknowledged before me this _____ day of _____, 20____, by _____ as Secretary of the STATE OF FLORIDA DEPARTMENT OF MANAGEMENT SERVICES who executed the within Memorandum of Lease and Notice of Option and acknowledged to me that [s]he did such on behalf of the Department.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year in this Assignment first above written.

NOTARY PUBLIC -- STATE OF FLORIDA

Personally Known _____

OR
Produced Identification _____
Type of Identification _____
Produced _____

Print, Type or Stamp Commissioned
Name of Notary Public

My Commission Expires:
FLORIDA CORRECTIONAL FINANCE CORPORATION

ATTEST:

By: _____
President

By: _____

Secretary

WITNESSES:

(Print name)

STATE OF FLORIDA)
COUNTY OF LEON)

The foregoing Memorandum of Lease and Notice of Option was executed and acknowledged before me this
day of _____, 20____, by _____ as President of the FLORIDA CORRECTIONAL FINANCE
CORPORATION who executed the within Memorandum of Lease and Notice of Option and acknowledged to me that
[s]he did such on behalf of the corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year in this Assignment
first above written.

NOTARY PUBLIC -- STATE OF FLORIDA

Personally Known _____

OR
Produced Identification _____

Type of Identification
Produced _____

Print, Type or Stamp Commissioned
Name of Notary Public

My Commission Expires:

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SCHEDULE NO. 2015A
dated as of January 1, 2015

to

Amended and Restated Master Lease Agreement with Option to Purchase
dated as of February 1, 2009 between

STATE OF FLORIDA
DEPARTMENT OF MANAGEMENT SERVICES, as successor to
CORRECTIONAL PRIVATIZATION COMMISSION
("Lessee")

and

FLORIDA CORRECTIONAL FINANCE CORPORATION
("Lessor")

RESTRICTION ON TRANSFER: ASSIGNMENT OF THIS
SCHEDULE NO. 2015A IS SUBJECT TO THE RESTRICTION
THAT THE "LESSOR" MAY ONLY ASSIGN ITS INTEREST HEREIN
TO U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

This SCHEDULE NO. 2015A (the "Schedule") is hereby entered into under and pursuant to that certain Amended and Restated Master Lease Agreement with Option to Purchase dated as of February 1, 2009 (the "Master Lease") pursuant to which the Lessor has agreed to lease-purchase unto the Lessee and the Lessee has agreed to lease-purchase from the Lessor, subject to the terms and conditions of the Master Lease, which are hereby incorporated by reference as if set out in full herein, the Refinanced Projects herein described. The Master Lease with respect to this Schedule and as amended, modified and supplemented hereby, is referred to herein as the "Series 2015A Lease". All terms not otherwise defined herein shall have the respective meanings set forth in the Master Lease, or in the Trust Indenture, including the Series 2015A Supplemental Trust Indenture. All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

SECTION 1. Definitions. For purposes of the Series 2015A Lease the following terms have the meaning set forth below.

"Assignment Agreement" shall mean the Series 2015A Assignment of Leases, Rents and Profits dated as of January 1, 2015 between the Lessor and U.S. Bank National Association, as Trustee.

"Certificates" or "Series 2015A Refunding Certificates" shall mean the Series 2015A Refunding Certificates.

"Series 2015A Refunding Certificates" shall mean the \$99,625,000 Refunding Certificates of Participation, Series 2015A (Tax-Exempt) Evidencing Fractional Undivided Interest of the Owners thereof in Basic Rent Payments to be Made by the Department of Management Services (State of Florida) as Lessee, under the Amended and Restated Master Lease Agreement with Option to Purchase with Florida Correctional Finance Corporation, as Lessor.

"Land" shall mean the Land described in this Schedule No. 2015A to be leased by the Lessor to the Lessee pursuant to this Series 2015A Lease, as the same may be amended or supplemented from time to time.

"Lease Commencement Date" for the Series 2015A Lease is January 29, 2015.

"Rental Payment Commencement Date" for the Refinanced Projects is expected to be July 15, 2015.

"Refinanced Projects" shall mean, collectively, the Series 1995B Project, the Series 1995C Project, the Series 2004A Project, the Series 2004B Project, and the Series 2006A Project, each as described in Section 3(A) hereof.

"Series 2015A Equipment" shall mean, with respect to each correctional facility constituting a part of the Refinanced Projects, the property and improvements described as such on Exhibit A hereto.

"Series 2015A Supplemental Trust Indenture" shall mean the Series 2015A Supplemental Trust Indenture dated as of January 1, 2015 between the Lessor and the Trustee.

SECTION 2. Lease Term. The total of all Lease Terms of the Series 2015A Lease are expected to be ten and one-half (10.5) years consisting of an "Original Term" of approximately five (5) months from January 29, 2015, through and including June 30, 2015 and ten (10) Renewal Terms, each from July 1 through and including June 30 of the next succeeding calendar year, through and including June 30, 2025 (or earlier payment in full of all rent due under the Series 2015A Lease). Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article II of the Master Lease.

SECTION 3. Refinanced Projects. The Refinanced Projects to be lease-purchased under the Series 2015A Lease are described as follows:

A. General Description of the Refinanced Projects to be Lease-Purchased:

1. Series 1995B Project. Demilly Correctional Institution - The Demilly Correctional Institution (formerly, *Polk County Correctional Facility*) consisted of the construction and equipping of a 342 bed medium security correctional facility. The Project is located on approximately 66.242 acres in unincorporated Polk County, Florida. The site is developed as a 5-building complex within a campus plan layout. The facility is currently subleased to the Florida Department of Corrections and is not being utilized at this time, but is idled for future inmate beds.

2. Series 1995C Project. Sago Palm Re-entry Center - The Sago Palm Re-entry Center (formerly, *Palm Beach County Correctional Facility*) consisted of the construction and equipping of a 384 bed, medium security correctional facility. The Project is located on approximately 39.921 acres in the City of Pahokee, Palm Beach County, Florida. The site is developed as a 5-building complex within a campus plan layout. The facility is currently subleased to the Florida Department of Corrections and is a constituent, stand-alone unit under the administration of Martin Correctional Institution, located in Indiantown, Martin County, Florida.

3. Series 2004A Project. This project consisted of two correctional facilities:

(a) *Lake City Correctional Facility* consists of an existing 350 bed youthful offender correctional facility housing males ages 19 through 24. It is located in the northeastern portion of the State of Florida in Columbia County, Florida, on Highway 90, approximately 45 miles north of Gainesville and 60 miles west of Jacksonville and near the city of Lake City, Florida. The existing facility houses up to 350 inmates and contains housing space, food service, laundry, medical maintenance, administrative, program and active areas. It was built in 1995-1997.

(b) *South Bay Correctional Facility* consists of an existing 1,318 bed mixed medium and close custody correction facility housing male adults. It is located in Palm Beach County at 600 US Highway 27 in South Bay, Florida. It is located on approximately 100 acres of land with 21 acres inside the perimeter, approximately 55 miles west of West Palm Beach, or 15 miles south of the town of Clewiston in adjacent Hendry County. The facility contains housing, food service, laundry, medical, maintenance, administrative, program and activity areas. It was built in 1995-1997.

4. Series 2004B Project. This Project consisted of the expansion of the 2 correctional facilities described in paragraph 3 above.

(a) *Lake City Correctional Facility* – Project included financing the acquisition, construction and equipping of 543 additional beds, bringing the total capacity of the Lake City facility to 893 beds. Additionally, the food service, laundry, medical, maintenance, administrative, and active areas of the facility have undergone an expansion so as to be sufficient to support the increased number of inmates.

(b) *South Bay Correctional Facility* – Project included financing the acquisition, construction and equipping of 543 additional beds, bringing the total capacity of the South Bay facility to 1,861 beds. Additionally, the food service, laundry, medical, maintenance, administrative, program and activity areas have undergone an expansion so as to be sufficient to support the increased number of inmates.

5. Series 2006A Project. This Project consisted of the acquisition, construction and equipping of a new correctional facility and the acquisition, construction and equipping of additional beds at three existing correctional facilities:

(a) *Graceville Correctional Facility* – consists of a 1,500 bed correctional facility housing medium and close custody male adults. It is located in Jackson County, Florida on approximately 50 acres of land situated in the northwest portion of the State of Florida at the intersection of Ezell and Cloverdale Roads, near the city of Graceville, Florida. Construction was completed in 2007. The facility contains housing space, food service, laundry, medical, maintenance, administrative, program and activity areas.

(b) *Bay Correctional Facility* (formerly, *Bay County Correctional Facility*) – consists of a facility housing adult males located in Bay County, Florida. The expansion of this facility consists of the acquisition, construction and equipping of 235 additional beds, completed in 2007, which brought the total capacity of the facility to 985 beds. Additionally, the food service, laundry, medical, maintenance, administrative, program and activity areas have undergone expansion so as to be sufficient to support the increased number of inmates. A portion of the cost of the project included renovating and expansion of the support facilities.

(c) *Moore Haven Correctional Facility* (formerly, *Glades County Correctional Facility*) – consists of a facility housing adult males located in Glades County, Florida. The expansion of this facility involved financing the acquisition, construction and equipping of 235 additional beds, completed in 2007, bringing the total capacity to 985 beds. Additionally, the food service, laundry, medical, maintenance, administrative, program and activity areas of the facility have undergone an expansion so as to be sufficient to support the increased number of inmates. A portion of the cost of the expansion was for renovation and expansion of the support facilities.

(d) *Gadsden Correctional Facility* (formerly, *Gadsden County Correctional Facility*) – consists of a facility housing adult females in Gadsden County, Florida. The expansion of this facility involved financing the acquisition, construction and equipping of 384 additional beds, completed in 2007, bringing the total capacity to 1,520 beds. Additionally, the food service, laundry, medical, maintenance, administrative, program and activity area of the facility have undergone an expansion so as to be sufficient to support the increased number of inmates. A portion of the cost of the expansion was for renovations and expansion of support facilities.

B. Cost of Refinancing Refinanced Projects included in the financing:

1. The cost of refinancing the Series 1995B Project, including it's prorate share of funding the Reserve Account and costs of issuance of the Certificates is \$1,963,035.55.

2. The cost of refinancing the Series 1995C Project, including it's prorate share of funding the Reserve Account and costs of issuance of the Certificates (inclusive of net original issue premium) is \$2,480,527.90.

3. The cost of refinancing the Series 2004A Project, including it's prorate share of funding the Reserve Account and costs of issuance of the Certificates (inclusive of net original issue premium) is \$4,264,615.10.

4. The cost of refinancing the Series 2004B Project, including it's prorate share of funding the Reserve Account and costs of issuance of the Certificates (inclusive of net original issue premium) is \$27,528,823.80.

5. The cost of refinancing the Series 2006A Project, including it's prorate share of funding the Reserve Account and costs of issuance of the Certificates (inclusive of net original issue premium) is \$79,898,607.45.

SECTION 4. Refinanced Project Sites. The legal description of the Refinanced Project Sites for each portion of Refinanced Projects are set forth in Exhibit A hereto.

Notwithstanding the foregoing, in the event the Lessor agrees to lease purchase finance any improvements or additions to any Refinanced Projects through a future Series of Certificates under the Trust Indenture, the Lessor reserves the right to finance such improvements and additions, and the Lessor and Lessee expressly agree to release from this Schedule No. 2015A any land that may be necessary for such improvements and expansions.

SECTION 5. Application of Proceeds of the Series 2015A Refunding Certificates.

Net proceeds of the sale of the Series 2015A Refunding Certificates in the amount of \$116,040,966.05 (consisting of \$99,625,000 principal amount, plus \$16,510,609.80 original issue premium, less \$94,643.75 Underwriter discount) shall be deposited as follows:

- (a) \$104,238,403.40 to the 2015A Acquisition Account,
- (b) \$11,613,560.98 to the 2015A Reserve Account, and
- (c) \$189,001.67 to the 2015A Cost of Issuance Account.

SECTION 6. Basic Rent Payments. The principal portion and the interest portion of the Basic Rent Payments, the Rent Payment Dates and the Remaining Principal Portion with respect to the Refinanced Projects to be lease-purchased and the Series 2015A Refunding Certificates attributable to such Projects are set forth below. If, upon the Rent Payment Commencement Date, it is determined that the cost of, and consequently the actual amount of Basic Rent Payments for a Project included in the refinancing of the Refinanced Projects is different from the amount set forth herein at closing, this Section shall be revised prospectively as necessary to reflect the adjusted Schedule of Basic Rent Payments for all Refinanced Projects and Refinanced Project Sites to be lease-purchased, and for each such individual Project or group of Projects.

The interest portion of the Basic Rent Payments represented by the Series 2015A Refunding Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series 2015A Refunding Certificates are rated within the three highest rating categories by a nationally recognized rating service.

Basic Rent Payments shall consist of the Series 2015A Basic Rent Payments reflected on the following tables:

SERIES 2015A BASIC RENT PAYMENTS

Payment Date	Basic Rent Payment ¹	Principal Portion	Interest Portion	Concluding Payment ²
07/15/2015	\$ 12,308,520.00	\$ 9,790,000.00	\$ 2,518,520.00	\$ 89,835,000.00
01/15/2016	2,245,875.00	0.00	2,245,875.00	89,835,000.00
07/15/2016	12,250,875.00	10,005,000.00	2,245,875.00	79,830,000.00
01/15/2017	1,995,750.00	0.00	1,995,750.00	79,830,000.00
07/15/2017	11,260,750.00	9,265,000.00	1,995,750.00	70,565,000.00
01/15/2018	1,764,125.00	0.00	1,764,125.00	70,565,000.00
07/15/2018	9,354,125.00	7,590,000.00	1,764,125.00	62,975,000.00
01/15/2019	1,574,375.00	0.00	1,574,375.00	62,975,000.00
07/15/2019	8,829,375.00	7,255,000.00	1,574,375.00	55,720,000.00
01/15/2020	1,393,000.00	0.00	1,393,000.00	55,720,000.00
07/15/2020	9,028,000.00	7,635,000.00	1,393,000.00	48,085,000.00
01/15/2021	1,202,125.00	0.00	1,202,125.00	48,085,000.00
07/15/2021	9,222,125.00	8,020,000.00	1,202,125.00	40,065,000.00
01/15/2022	1,001,625.00	0.00	1,001,625.00	40,065,000.00
07/15/2022	10,276,625.00	9,275,000.00	1,001,625.00	30,790,000.00
01/15/2023	769,750.00	0.00	769,750.00	30,790,000.00
07/15/2023	10,539,750.00	9,770,000.00	769,750.00	21,020,000.00
01/15/2024	525,500.00	0.00	525,500.00	21,020,000.00
07/15/2024	10,775,500.00	10,250,000.00	525,500.00	10,770,000.00
01/15/2025	269,250.00	0.00	269,250.00	10,770,000.00
07/15/2025	11,039,250.00	10,770,000.00	269,250.00	0.00

¹The Basic Rent Payments are payable in accordance with the Series 2015A Lease regardless of actual occupancy.

²Represents unpaid principal and premium, if any, until the maturity date, but does not include interest to the redemption date or the impact of any reinvestment of funds prior to such redemption date. Series 2015A Refunding Certificates are not subject to optional redemption.

SECTION 7. Supplemental Lease Payments. Supplemental Lease Payments with respect to the Series 2015A Refunding Certificates include the following:

1. Trustee Fees: \$4,025.00 annually, plus \$0.00 acceptance fee due at lease execution
2. Trustee Expenses: as billed annually and at or about closing

SECTION 8. Prepayment Provisions. In addition to or in lieu of the prepayment provisions of Section 17 of the Master Lease, the principal portion of the Basic Rent Payments due as provided in Section 6 of this Schedule No. 2015A are subject to the following prepayment provisions:

A. Optional Prepayment. The Series 2015A Refunding Certificates are not subject to prepayment and redemption on any date before their respective maturity dates.

SECTION 9. Other Special Provisions.

A. Representations; Warranties; and Covenants. The Lessee hereby confirms its representations, covenants and warranties set forth in Section 4 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. 2015A, and except as otherwise provided below. The Lessee represents that all changes to the documents relating to the refinancing of the Refinanced Projects and all related certificates and opinions required by the Ratings Agencies as a condition to the issuance of the ratings with respect to the Series 2015A Refunding Certificates have been effectuated and such ratings are in effect on the date hereof.

B. [RESERVED]

C. Environmental Matters. In addition to the environmental representations and covenants of the Lessee set forth in Master Lease, the Lessee hereby covenants that:

(1) To the best knowledge of the Lessee, after due inquiry, (i) no dangerous, toxic or hazardous pollutants, contaminants, chemicals, waste, materials or substances, as defined in or governed by the provisions of any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating thereto (collectively, "Environmental Regulations"), and also including ureaformaldehyde, polychlorinated biphenyls, asbestos, asbestos containing materials, nuclear fuel or waste, radioactive materials, explosives, carcinogens and petroleum products, or any other waste, material, substance, pollutant or contaminant which would subject the owner of the Refinanced Projects to any damages, penalties or liabilities under any applicable Environmental Regulation (collectively, "Hazardous Substances") are now or have been stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited or disposed of in, upon, under, over or from the Refinanced Projects in violation of any Environmental Regulation; (ii) no threat exists of a discharge, release or emission of a Hazardous Substance upon or from the Refinanced Projects into the environment; (iii) the Refinanced Projects not been used as or for a mine, landfill, a dump or other disposal facility, industrial or manufacturing facility, or a gasoline service station; (iv) no underground storage tank is located at the Refinanced Projects or has previously been located therein but has been removed therefrom; (v) no violation of any Environmental Regulation now exists relating to the Refinanced Projects, no notice of any such violation or any alleged violation thereof has been issued or given by any governmental entity or agency, and there is not now any investigation or report involving the Refinanced Projects by any governmental entity or agency, and there is not now any investigation or report involving the Refinanced Projects by any governmental entity or agency as a result of any release or threatened release of any Hazardous Substance.

(2) The Lessee shall not store, locate, generate, produce, process, treat, transport, incorporate, discharge, emit, release, deposit or dispose of any Hazardous Substance in, upon, under, over or from the Refinanced Projects in violation of any Environmental Regulation, shall not permit any Hazardous Substance to be stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited, disposed of or to escape therein, thereupon, thereunder, thereover or therefrom in violation of any Environmental Regulation, shall cause all Hazardous Substances to be properly removed therefrom and properly disposed of in accordance with all applicable Environmental Regulations, shall not install or permit to be installed any underground storage tank therein or thereunder in violation of any Environmental Regulation, and shall comply with all other Environmental Regulations which are applicable to the Refinanced Projects.

(3) In the event any Hazardous Substance is found upon, under, over or from the Refinanced Projects in violation of any Environmental Regulation or if any lien or claim for lien in favor of any governmental entity or agency as a result of any release of any Hazardous Substance is threatened, the Lessee, at its sole cost and expense, shall, within ten days of such finding, deliver written notice thereof to the Lessor and shall promptly remove such Hazardous Substances upon, under, over or from the Refinanced Projects and prevent the imposition of any liens against the Refinanced Projects for the cleanup of any Hazardous Substance. Such removal shall be conducted and completed in compliance with all applicable federal, state and local laws, regulations, rules, ordinances and policies, in accordance with the orders and directives of all federal, state and local governmental authorities. In the event the Lessee has not removed such Hazardous Substances within a time period deemed reasonable by the Lessor, the Lessee shall, at the written direction of the Lessor, taken such remedial action as Lessor shall direct. In the event the Lessee shall not comply with the written directions of the Lessor within the time frame established within its written directions, the Lessee hereby grants to the Lessor an irrevocable license to remove Hazardous Substances from, repair, cleanup, and detoxify the Refinanced Projects and agrees to reimburse the Lessor for all of its costs therefor.

(4) The Lessee further agrees, to the extent permitted by law, to reimburse the Trustee for, any and all claims, demands, judgments, penalties, liabilities, costs, damages and expenses, including court costs and attorneys' fees directly or indirectly incurred by the Trustee (prior to trial, at trial and on appeal) in any action against or involving the Trustee, resulting from any breach of the foregoing covenants, or from the discovery of any Hazardous Substance, in, upon, under or over, or emanating from, the Refinanced Projects, in violation of Environmental Regulations, it being the intent of the Lessee, that the Trustee shall have no liability or responsibility for damage or injury to human health, the environment or natural resources caused by, for abatement and/or clean-up of, or otherwise with respect to, Hazardous Substances by virtue of the interests of the Trustee in the Refinanced Projects pursuant to this Agreement, or hereafter created, or as the result of the Trustee exercising any of its or their rights or remedies with

respect thereto hereunder or under any other instrument. The foregoing representations, warranties and covenants of this subsection shall be deemed continuing covenants, representations and warranties for the benefit of the Trustee and any successors and assigns of the Trustee and shall survive the satisfaction or release of this Lease. Any amounts covered by the foregoing shall bear interest from the date incurred at the maximum rate permitted by law and shall be payable on demand.

To the extent any of the foregoing provisions are inconsistent with the environmental representations and covenants of the Lessee set forth in the Master Lease, the provisions of this subsection C shall control.

D. No substitution or release of the Leased Property shall be permitted without the prior written consent of the Trustee, in its sole discretion; provided however, the Lessee shall be entitled to substitute for the Series 2015A Equipment in accordance with the Master Lease. Prior to granting any such consent, the Trustee shall be provided with an opinion of Special Counsel as to whether such substitution or release will have a materially adverse effect on the exclusion of the Interest Portion of the Certificates from gross income for federal income tax purposes, and such other matters as may be opined on by such counsel.

E. Insurance. No additional insurance required.

F. Net Proceeds and excess funds in Series 2015A Acquisition Account. The provisions of Section 16.2 of the Master Lease shall not apply to the Series 2015A Lease and the Series 2015A Refunding Certificates are not subject to prepayment from Net Proceeds or excess funds in the Series 2015A Acquisition Account. In the event the Lessee does not repair, restore or replace a Refinanced Project with Net Proceeds of any insurance or condemnation award or of any appropriation made in connection with a self-insurance election, Lessee will cause such Net Proceeds or other amounts to remain in or be deposited into the Series 2015A Acquisition Account and to be applied to finance Projects not then subject to the Master Lease and will cause this Schedule to be amended to add such Projects hereto in accordance with the amendment requirements hereof, or, alternatively, to be used for any lawful purpose. In the event excess funds remain in the Series 2015A Acquisition Account after the defeasance of the Refunded Certificates, such excess funds shall be transferred to the Series 2015A Lease Payment Account and used as a credit against lease payments to be made by the Lessee hereunder.

IN WITNESS WHEREOF, the Lessee has caused this Schedule No. 2015A to be executed in its name by its Authorized Representatives, and the Lessor has caused this Schedule No. 2015A to be executed in its corporate name by its Authorized Representatives on the date set forth below their respective signatures and all of the day and year first written above.

STATE OF FLORIDA
[SEAL] DEPARTMENT OF MANAGEMENT SERVICES

By: _____
Chad Poppell, Secretary

(DMS Signature Page to Schedule No. 2015A)

FLORIDA CORRECTIONAL FINANCE
CORPORATION

Attest:

By: _____
Cynthia Kelly, President

By: _____
Michael Weber, Secretary

[Corporation's Signature Page to Schedule No. 2015A]

EXHIBIT A

REFINANCED PROJECTS

1. *Demilly Correctional Institution* (formerly, *Polk County Correctional Facility*) (Series 1995B Project)

A. Project Description: The Demilly Correctional Institution consists of the construction and equipping of a 342 bed, medium security correctional facility. The facility is located in unincorporated Polk County, Florida on approximately 66.242 acres. The site consists of a 5 building complex with a campus plan layout, including an administration/public reception building, 2 housing/program buildings, a program support building, and an operations support building. The project incorporates the use of building perimeter security and on-site fencing of outdoor activity areas. Monitored perimeter fencing encloses the site and provides security from escape.

B. Legal Description:

Parcel 1:

A parcel of land being a portion of Section 27, Township 26 South, Range 25 East, Polk County, Florida, being more particularly described as follows:

Commence at the Northeast corner of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 27; thence S 89°49'10" W along the North line of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ for 30.00 feet, to the POINT OF BEGINNING; thence continue along said North line S 89°49'10" W for 1298.94 feet to the Northwest corner of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$; thence S 00°01'58" W along the West line of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ for 1320.49 feet to the Southwest corner of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$; thence N 89°46'04" E along the South line of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ for 953.73 feet; thence N 00°01'14" E for 232.00 feet; thence N 89°46'04" E for 345.50 feet to a point on the West right-of-way line of Demilly Road (Evans Road Extension); thence N 00°01'14" E along said West right-of-way line for 1087.32 feet to the POINT OF BEGINNING. Containing 37.52 acres, more or less.

Parcel 2:

The West $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, Polk County, Florida, LESS the West 30 feet for county road right-of-way, and LESS AND EXCEPT the South 16 feet for road right-of-way.

Parcel 3:

The South 264 feet of the East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, Polk County, Florida. Together with an ingress and egress easement over and across the South 16 feet of the West $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East.

Parcel 4:

The East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, Polk County, Florida, less the South 264 feet thereof, together with a 25 foot ingress and egress easement over the West 25 feet of the West $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, and together with a 16 foot ingress and egress easement over the South 16 feet of the East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ and the West $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East.

Parcel 5:

The S - $\frac{1}{2}$ of the NW - $\frac{1}{4}$ of the NW - $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, less the West 30 feet thereof for road right-of-way, Polk County, Florida.

2. *Sago Palm Re-entry Center (formerly, Palm Beach County Correctional Facility) (Series 1995C Project)*

A. Project Description: The Sago Palm Re-entry Center consists of the construction and equipping of a 384 bed, medium security correctional facility. The facility is located the City of Pahokee, Palm Beach County, Florida on approximately 39.92 acres. The site consists of a 5 building complex with a campus plan layout, including an administration/public reception building, 2 housing/program buildings, a program support building, and an operations support building. The project incorporates the use of building perimeter security and on-site fencing of outdoor activity areas. Monitored perimeter fencing encloses the site and provides security from escape.

B. Legal Description:

Lot 2, THE TRUSTEES INTERNAL IMPROVEMENT FUND SUBDIVISION of that portion of Pelican Lake Bottoms of Section 9, Township 42 South, Range 37 East, according to the Plat thereof attached to a deed recorded in Deed Book 821, Page 369, of the Public Records of Palm Beach County, Florida.

3. *Refunding Portion -- Series 2004A Project*

A. *Lake City Correctional Facility* (refinancing of existing correctional facility as described below):

(1) Project Description: The Lake City Facility is a 350 bed youthful offender correctional facility housing males ages 19 through 24. It is located in Columbia County, Florida on approximately 40 acres of land situated in the northeastern portion of the State of Florida on Highway 90, approximately 4 miles north of Gainesville and 60 miles west of Jacksonville and near the city of Lake City, Florida. The facility houses up to 350 inmates and contains housing space, food service, laundry, medical, maintenance, administrative, program and active electronic detection system and closed circuit TV cameras with motion detectors. Interior security features include reinforced concrete block walls in interior secure areas, a central control area, electric locks, sally port, heavy gauge doors, and TV cameras at entry/exit ways to secure areas. All buildings are permanent single story structures constructed of reinforced masonry and/or pre-cast concrete and/or masonry interior walls with pre-cast concrete roof beams and deck. The facility was built in 1995-1997.

(2) Legal Description:

THAT PART OF SECTIONS 27, 33 AND 34, TOWNSHIP 3 SOUTH, RANGE 18 EAST, COLUMBIA COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCE AT THE NORTHWEST CORNER OF SAID SECTION 34, TOWNSHIP 3 SOUTH, RANGE 18 EAST, FOR A POINT OF REFERENCE; THENCE RUN NORTH 89°24'00" EAST ALONG THE NORTH LINE OF SAID SECTION 34, A DISTANCE OF 853.30 FEET TO THE POINT OF BEINNING; THENCE FROM THE SAID POINT OF BEGINNING RUN SOUTH 00°36'12" EAST, 1426.60 FEET; THENCE RUN SOUTH 89°23'48" WEST, 1320.00 FEET; THENCE RUN NORTH 00°36'12" WEST, 1182.17 FEET TO THE INTERSECTION WITH THE SOUTHERLY RIGHT-OF-WAY LINE OF STATED ROAD NO. 10 (U.S. HIGHWAY NO. 90); THENCE RUN NORTH 77°36'02" EAST ALONG THE SAID SOUTHERLY RIGHT-OF-WAY LINE OF STATE ROAD NO. 10, 1348.48 FEET; THENCE RUN SOUTH 00°36'12" EAST, 31.23 FEET TO THE INTERSECTION WITH THE SAID NORTHERLY LINE OF SECTION 34 AND THE POINT OF BEGINNING.

B. *South Bay Correctional Facility* (refinancing of existing correctional facility as described below):

(1) The existing South Bay facility is a 1,318 bed mixed medium and close custody correctional facility housing male adults located in South Bay, Palm Beach County, Florida at 600 US Highway 27. It is located approximately 55 miles west of West Palm Beach, Florida, or 15 miles south of the town of Clewiston in adjacent Hendry County in the southern portion of the State of Florida. South Bay Correctional Facility is located on approximately 100 acres of land with approximately 21 acres inside the perimeter. The facility contains housing, food service, laundry, medical, maintenance, administrative, program, and activity areas. It is surrounded by security fencing with passive infrared electronic detection system and closed circuit TV cameras. Interior security features include reinforced concrete block walls in interior secure areas, electronic central control area, electric locks, sally port, heavy gauge doors, and TV cameras at entry/exit ways to secure areas. All buildings are permanent single story structures constructed of reinforced masonry and/or pre-cast concrete and/or masonry interior walls with pre-cast concrete roof beams and deck. The facility was built in 1995-1997.

(2) Legal Description: That part of Tract 7, 8, 9 and 10 of the AMENDED PLAT and RE-SUBDIVISION OF SECTION 14, TOWNSHIP 44 SOUTH, RANGE 36 EAST, PALM BEACH COUNTY, FLORIDA, according to the plat thereof as recorded in Plat Book 7, Page 46, of the Public Records of Palm Beach County, Florida described as follows: Commencing at the Southwest corner of said Section 14 run North 00°05'27" East along the West line of said Section 14, a distance of 858.36 feet; Thence North 89°51'38" East parallel with the North line of said Tract 7, a distance of 40.00 feet to the POINT OF BEGINNING; From said Point of Beginning run North 00°05'27" East parallel with and 40.00 feet East of the West line of said Section 14, a distance of 1701.00 feet to the North line of said Tract 7; Thence North 89° 51'38" East along said North line of Tract 7, a distance of 2530.00 feet; Thence South 00°05'27" West parallel with the West line of said Section 14 a distance of 912.50 feet; North 89°51'38" East parallel with the North line of said Tract 7, a distance of 1051.88 feet to the Westerly right-of-way of State Road 25 (US 27) as shown on State Road Right-of-Way Map 93160-2507 as revised 6-18-76; Thence Southerly a distance of 52.10 feet along said road right-of-way which is a curve concave to the West, has a radius of 2764.93 feet, a long chord that bears South 16°27'33" East and is 52.10 feet long; Thence South 89°51'38" West parallel with the North line of said Tract 7, a distance of 1066.72 feet; Thence South 00°05'27" West parallel with the West line of said Section 14, a distance of 738.50 feet; Thence South 89°51'38" West parallel with the North line of said Tract 7, a distance of 2530.00 feet to the POINT OF BEGINNING.

RESERVING HOWEVER, a 50.00 feet wide access road easement over the North 50.00 feet thereof. Subject to the prescriptive rights of the South Florida Conversance District and the South Shore Drainage District. Subject to easements, reservations and rights-of-way of record.

4. Expansion Portion -- *Series 2004B Project*

A. *Lake City Correctional Facility* (expansion of existing correctional facility as described below):

(1) Project Description: See project description under paragraph 3A.(1) above. The Lake City Facility expansion included the financing of the acquisition, construction, and equipping of additional beds at the Lake City facility. The facility was expanded from 350 beds to 543 additional beds, bringing the total capacity of the Lake City Correctional Facility to 893 beds. Additionally, the food service, laundry, medical, maintenance, administrative, program and activity areas of the facility were expanded so as to be sufficient to support the increased number of inmates.

(2) Legal Description: See attached survey description

B. *South Bay Correctional Facility* (expansion of existing correctional facility as described below:

(1) Project Description: See project description under paragraph 3B.(1) above. The South Bay Facility expansion included the financing of the acquisition, construction, and equipping of additional beds at the South Bay facility. The facility was expanded from 1,318 beds to 543 additional beds, bringing the total capacity of the South Bay Correctional Facility to 1,861 beds. Additionally, the food service, laundry, medical, maintenance, administrative, program and activity areas of the facility were expanded so as to be sufficient to support the increased number of inmates. The facility added 34 additional beds in 2012 and 53 additional beds in 2014 bringing the current total capacity of the facility to 1,948 beds.

(2) Legal Description: See attached survey description

5. *Series 2006A Project* (acquisition, construction and equipping of a new correctional facility and the acquisition, construction and equipping of additional beds at three existing correctional facilities):

A. *Graceville Correctional Facility* –

(1) Project Description: the Graceville Correctional Facility is a 1,500 bed correctional facility housing medium and close custody male adults. It is located in Jacksonville County, Florida on approximately 50 acres of land situated in the northwestern portion of the State of Florida at the intersection of Ezell and Cloverdale Roads, near the City of Graceville, Florida. Construction was completed in 2007. The facility contains housing space, food service, laundry, medical, maintenance, administrative, program and activity areas. It is surrounded by security fencing; closed circuit TV cameras with motion detectors, and detention sensors on perimeter fencing. Interior security features heavy gauge doors and TV cameras at entry/exit ways to secure areas. All buildings are permanent single story structures constructed of reinforced masonry and/or pre-cast concrete exterior walls and pre-cast and/or masonry interior walls with pre-cast concrete roof beams and deck. The facility is located on land leased from the State pursuant to a Ground Lease. Such Ground Lease will have a term extending at least as long as the final maturity of the Series 2006A Certificates. A subsequent expansion in 2010 increased the capacity by 384 beds to bring the current total capacity of the facility to 1,884 beds.

(2) Legal Description:

BEGIN at the Northeast corner of the Northwest one-quarter of Section 12, Township 6 North, Range 13 West, Jackson County, Florida; thence South 89 degrees 29 minutes, 08 seconds East, a distance of 598.86 feet; thence South 00 degrees 35 minutes 09 seconds West, a distance of 1,280.80 feet to a point on the northerly right-of-way of Cloverdale Road; thence North 89 degrees 17 minutes 25 seconds West, along said right-of-way line, a distance of 1,785.91 feet; thence departing said right of way line on a bearing of North 01 degrees 02 minutes 24 seconds West, a distance of 77.75 feet; thence North 89 degrees 39 minutes 05 seconds West, a distance of 41.89 feet to a point on the easterly right-of-way line of Ezell Road; thence North 00 degrees 35 minutes 09 seconds East, along said easterly right-of-way line a distance of 1,197.11 feet; thence departing said right-of-way on a bearing of South 89 degrees 28 minutes 34 seconds East, a distance of 1,231.14 feet to the POINT OF BEGINNING.

B. *Bay Correctional Facility* (formerly, *Bay County Correctional Facility*):

(1) Project Description: the Bay Correctional Facility, which has a population of 750 adult male inmates. The facility expansion involved financing the acquisition, construction and equipping of 235 additional beds. Upon such expansion, which was completed in 2007, the total capacity of the facility became 985 beds. Additionally, the food service, laundry, medical, maintenance, administrative, program and activity areas have undergone an expansion so as to be sufficient to support the increased number of inmates. A portion of the costs of the expansion were used to renovate and expand support facilities (e.g., food service, educational and recreational areas, etc.) of the existing facility to accommodate the occupants of the additional beds.

(2) Legal Description: See attached survey description

C. *Moore Haven Correctional Facility* (formerly, *Glades County Correctional Facility*):

(1) Project Description: the Moore Haven Correctional Facility has a population of 750 adult male inmates. The facility's expansion involved financing the acquisition, construction and equipping of 235 additional beds. Upon such expansion, which was completed in 2007, the total capacity of the facility became 985 beds. Additionally, the food service, laundry, medical, maintenance, administrative, program and activity areas have undergone an expansion so as to be sufficient to support the increased number of inmates. A portion of the costs of the expansion were used to renovate and expand support facilities (e.g., food service, educational and recreational areas, etc.) of the existing facility to accommodate the occupants of the additional beds.

(2) Legal Description: See attached survey description

D. *Gadsden Correctional Facility* (formerly, *Gadsden County Correctional Facility*):

(1) Project Description: the Gadsden Correctional Facility has a population of 1,136 adult female inmates. The facility's expansion involved financing the acquisition, construction and equipping of 384 additional beds. Upon such expansion, which was completed in 2007, the total capacity of the facility became 1,520 beds. Additionally, the food service, laundry, medical, maintenance, administrative, program and activity areas have undergone an expansion so as to be sufficient to support the increased number of inmates. A portion of the costs of the expansion were used to renovate and expand support facilities (e.g., food service, educational and recreational areas, etc.) of the existing facility to accommodate the occupants of the additional beds. The facility added 24 additional beds in 2012 to bring the current total capacity of the facility to 1,544 beds.

(2) Legal Description: See attached survey description

SERIES 2015A ASSIGNMENT OF LEASES, RENTS AND PROFITS

THIS SERIES 2015A ASSIGNMENT OF LEASES, RENTS AND PROFITS (the "Series 2015A Assignment") is made as of January 29, 2015, by the FLORIDA CORRECTIONAL FINANCE CORPORATION ("Assignor") with a registered office at 4050 Esplanade Way, Suite 335, Tallahassee, Florida 32399, in favor of U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, not in its individual capacity but solely as Trustee, and having a designated place of business at Jacksonville, Florida (the "Assignee").

WITNESSETH:

WHEREAS, Assignor has executed and delivered to Assignee an Amended and Restated Master Trust Indenture dated February 1, 2009 (the "Trust Indenture"), as accepted by the State of Florida Department of Management Services (the "Department"); and

WHEREAS, as of July 1, 2004, the Department succeeded to all of the rights, benefits and obligations of the Florida Correctional Privatization Commission; and

WHEREAS, Assignor and Assignee have executed and delivered the Series 2015A Supplemental Trust Indenture dated as of January 1, 2015 (the "Series 2015A Supplement" and collectively, with the Trust Indenture, the "Series 2015A Trust Indenture"), pursuant to which \$99,625,000 Refunding Certificates of Participation, Series 2015A (Tax- Exempt) Evidencing Fractional Undivided Interest of the Owners thereof in Basic Rent Payments to be Made by the Department of Management Services (State of Florida) Pursuant to an Amended and Restated Master Lease Agreement with Option to Purchase are to be issued; and

WHEREAS, the Department intends to refinance the "Refinanced Projects" (as defined in the Series 2015A Supplement) located on the real property identified on Exhibit A, Part I hereto (the "Refinanced Project Sites") with proceeds of the Series 2015A Refunding Certificates; and

WHEREAS, the Department and the Assignor are causing to be issued under the Series 2015A Trust Indenture the Series 2015A Refunding Certificates, to pay the costs of refinancing the Refinanced Projects; and

WHEREAS, Assignor, as lessor, has entered into an Amended and Restated Master Lease Agreement with Option to Purchase with the Department dated as of February 1, 2009 (the "Lease Purchase Agreement"), as supplemented by Schedule No. 2015A (collectively, with the Lease Purchase Agreement, the "Series 2015A Lease Purchase Agreement"), pursuant to which the Department will lease the Refinanced Projects; and

WHEREAS, the Assignee, as a condition to making the disbursements described in the Trust Indenture, has required the execution of this Series 2015A Assignment and by making such disbursements, evidences its consent to this Series 2015A Assignment to the same extent as if Assignee executed this Series 2015A Assignment.

NOW, THEREFORE, in consideration of the premises, and in further consideration of the sum of TEN DOLLARS (\$10) paid by the Assignee to the Assignor, the receipt of which is hereby acknowledged, the Assignor does hereby agree as follows:

1. Assignment of Collateral:

(a) Assignor does hereby absolutely and irrevocably grant, transfer, assign and deliver to Assignee, without recourse, all of Assignor's right, title and interest in and to the following ("Collateral"):

(i) all rights and benefits of every nature derived, or to be derived, by the Assignor under and by virtue of the Assignor's interest, whether now owned or hereinafter acquired, in the Series 2015A Lease Purchase Agreement (including but not limited to all rights to receive payments thereunder, but specifically excluding the right to receive indemnification pursuant to the Series 2015A Lease Purchase Agreement, the right to enter into

amendments to the Series 2015A Lease Purchase Agreement, and its obligations with respect to the tax covenants set forth in Section 4.5 of the Lease Purchase Agreement), all other leases, subleases, licenses, concessions, and tenancies involving the Refinanced Projects on the Refinanced Projects Sites, including in the event of default or non-appropriation under the Series 2015A Lease Purchase Agreement, the power and authority to re-let the Refinanced Projects on behalf of and in the name of the Assignor (regardless of whether executed and delivered before or during the term of the Series 2015A Lease Purchase Agreement or subsequent to a termination of the Series 2015A Lease Purchase Agreement other than as a result of the full payment of all Rent due thereunder), and all other agreements for the purchase, use, occupancy, or possession of all or any part of the Refinanced Projects, including without limitation the Lease Purchase Agreement, together with any and all security deposits, down payments, escrow account deposits, and the like, made thereunder, all extensions, amendments, modifications, renewals and, replacements, of any thereof, and any guarantees of the lessees', sublessee's, licensees', concessionaires', tenants', occupants', users' or purchasers' (hereinafter collectively called the "Lessees") obligations under any thereof (said leases, subleases, licenses, concessions, tenancies and other agreements for purchase, use, occupancy, or possession of the Refinanced Projects, now existing and hereafter executed, together with all such extensions, amendments, modifications, renewals, replacements and guaranties, being hereinafter collectively referred to as the "Leases" and individually referred to as a "Lease"); provided, however, that none of the Assignor's right, title and interest in and to the real property described in Exhibit A Part I hereto or in and to any Series 2015A Equipment as identified in the Series 2015A Lease Purchase Agreement, shall be granted, transferred, assigned or delivered to the Assignee, and such right, title, interest of Assignor shall be excluded from the terms of this Series 2015A Assignment and shall not in any way be considered part of the term "Collateral";

(ii) all of rents, income, revenues, royalties, issues, profits, proceeds, insurance proceeds, condemnation awards now or hereafter accruing or owing from the Leases, or the "Agreements" as hereinafter defined, or otherwise derived from the Refinanced Projects including, without limitation, all amounts payable by any party thereto on account of maintenance, repairs, taxes, insurance and common area or other charges and all amounts paid in cancellation of Leases or Agreements (hereinafter collectively referred to as the "Rentals");

(iii) all agreements, building permits, surveys, architectural plans and specifications, governmental approvals, licenses, agreements with utilities companies, water and sewer capacity reservation agreements and all other consents, approvals and agreements which Assignor may now or hereafter own with respect to or in connection with the Refinanced Projects and/or any improvements now or hereafter constructed thereon;

(iv) all warranties and guaranties covering any appliances and fixtures now or hereafter located on or placed upon the Refinanced Project Sites as part of the Refinanced Projects;

(v) all plans and specifications (including all site plans and development, landscaping and engineering plans for the Refinanced Projects now or hereafter existing, which pertain or relate in any manner to the Refinanced Projects;

(vi) all building and other permits, bonds, construction contracts, including any agreement with the project architect or engineer, utilities agreements and rights, governmental applications and proceedings, feasibility studies, maintenance and service contracts, goodwill, marketing agreements, development agreements, fictitious names and tradenames, warranties and guarantees, occupancy permits and licenses, insurance policies, personal property and leases therefor, easements or rights-of-way agreements, now or hereafter existing, which pertain or relate in any manner to the Refinanced Projects or any portion thereof or to the ownership or operation thereof; and

(vii) all proceeds of all of the foregoing described Collateral, including without limitation, proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, proceeds of insurance policies, condemnation awards, or resulting from the sale, hypothecation or transfer of any of the Collateral and all products, renewals, assessments and additions to any of the Collateral.

(b) All of the foregoing described Collateral is being hereby granted, transferred and assigned for the purpose of securing:

(i) Payment of all amounts due under the Series 2015A Trust Indenture (including all extensions, modifications or renewals thereof) and all other sums secured by the other "Certificate Documents" (as defined in the Series 2015A Trust Indenture); and

(ii) Performance and discharge of each and every other obligation, covenant and agreement of the Assignor contained herein, in the Series 2015A Trust Indenture and in all the other Certificate Documents.

(c) Notwithstanding the foregoing, the Assignor specifically reserves the right, power and ability to finance, on behalf of the Department, additional facilities, improvements and betterments to be located on the real property described on Exhibit A Part I hereto, through the issuance of additional certificates of participation under the Master Trust Indenture, and to assign collateral arising from such additional facilities, improvements and betterments to the Trustee under the Master Trust Indenture for the additional security of the holders of such certificates pursuant to an assignment similar to this Series 2015A Assignment, and the Assignee hereby expressly acknowledges that the Assignee shall have no claims to or rights in the collateral assigned pursuant to such future assignment on the additional facilities, improvements and betterments as a result of this Series 2015A Assignment.

2. To protect the security of this Series 2015A Assignment, the Assignor agrees as follows:

(a) To faithfully abide by, perform and discharge each and every term, condition, obligation, covenant and agreement, which the Assignor is now, or hereafter becomes, liable to observe or perform under the Leases or respecting the other Collateral; to give prompt written notice to the Assignee of any notice of default received by Assignor with respect to any default of Assignor under any Lease, or other agreement respecting any of the Collateral (collectively, "Agreements"), together with an accurate, complete copy of any such notice; to enforce or secure the performance of each and every term, obligation, covenant, condition and agreement to be performed by all Lessees and all other parties under the Leases and Agreements as provided therein; and to provide Assignee with an accurate, complete copy of any notice of default sent by Assignor with respect to any Lease or Agreement, when so sent by Assignor.

(b) Notwithstanding Section 10 of the Lease Purchase Agreement or Section 10.10 of the Trust Indenture, at the Assignor's sole cost and expense, but solely from amounts provided to the Assignor for such purpose by the Department, to appear in and defend any dispute, action or proceeding arising under, growing out of or in any manner connected with any of the Leases or Agreements or the obligations, duties or liabilities of the Assignor or any Lessee or any other party respecting the Collateral, and to pay all costs, and expenses of the Assignee, including reasonable attorneys' fees (whether or not litigation is instituted and through all trial, appellate, arbitration, post-judgment, bankruptcy and administrative proceedings), in connection with any such dispute, action or proceeding in which the Assignee may appear or with respect to which it may incur costs or expenses, but solely from amounts provided to the Assignor for such purpose by the Department.

(c) Should the Assignor fail to make any payment or to do any act as provided herein and under Florida law, then the Assignee may, but without obligation to do so, without notice or demand to or upon Assignor, and without releasing the Assignor from any obligation hereof, make or do the same in such manner and to such extent as the Assignee may deem necessary to protect the security hereof, including specifically, without limiting its general powers, appearing in and defending any action or proceeding relating hereto or to the Leases or Agreements, or purporting to affect the security hereof or the rights or powers of the Assignee hereunder, and also performing and discharging each and every obligation, covenant and agreement of the Assignor contained in the Leases and Agreements; and in exercising any such powers Assignee may pay necessary costs and expenses, employ counsel and incur and pay reasonable attorneys' and paralegals' fees. The Assignor hereby grants to the Assignee an irrevocable power of attorney coupled with an interest in the Collateral and with full power of substitution to perform all of the acts and things provided for in this Paragraph 2(c) and in Paragraph 4(b) hereof, as Assignor's agent and in Assignor's name.

(d) To pay immediately upon demand, but solely from amounts provided to the Assignor for such purpose by the Department, all sums expended by the Assignee under the authority hereof, together with interest thereon at the rate set forth in the Series 2015A Trust Indenture applicable to a period when default exists thereunder and the same shall be secured hereby.

(e) Until the indebtedness and all obligations relating to the Series 2015A Refunding Certificates and secured hereby shall have been paid and satisfied in full, Assignor covenants and agrees to provide Assignee with executed copies of all Leases and Agreements, to assign to Assignee any and all subsequent Leases and Agreements covering all

or any part of Refinanced Projects and to make, execute and deliver to Assignee, upon demand, any and all instruments that may be necessary or desirable therefor. The terms and conditions of this Series 2015A Assignment shall, however, apply to any such subsequent Leases and Agreements, whether or not such instruments are executed or delivered by Assignor.

(f) Assignor agrees not to enter into any Lease or Agreement or to modify, amend, extend, renew or in any way alter the terms of any Lease or Agreement; not to waive, excuse, condone or in any manner release or discharge the Lessees or any other party thereunder or any party thereunder, of or from any obligation, covenant, condition or agreement by said Lessees to be performed thereunder, including the obligation to pay the Rentals and all other sums called for thereunder in the manner and at the places and times specified therein; and not to terminate the term thereof.

(g) Unless the Assignee shall specifically agree in writing to the contrary, the rights of each Lessee under each Lease of the Refinanced Projects, or any part thereof, other than the rights of the Department under the Series 2015A Lease Purchase Agreement, shall be inferior and subordinate to the lien hereof, and upon the enforcement by Assignee of the remedies provided for by law, the Series 2015A Trust Indenture or this Series 2015A Assignment, the Lessee thereunder will, upon demand of any person succeeding to the interest of Assignee as a result of such enforcement vacate and surrender the property demised under the Lease.

(h) In the event of conflict between the provisions of this Series 2015A Assignment and the Series 2015A Trust Indenture or the Series 2015A Lease Purchase Agreement, the provisions of the Series 2015A Trust Indenture or the Series 2015A Lease Purchase Agreement, as the case may be, shall control.

3. The Assignor hereby covenants, represents and warrants to the Assignee that:

(a) The Assignor has not executed any prior assignment of its right, title and interest in the Agreements, Leases or the Rentals, or any of the other Collateral, or otherwise encumbered the same except to Assignee, and no Lease of the Refinanced Projects exists except the Series 2015A Lease Purchase Agreement.

(b) The Assignor has not performed any act or executed any instrument and is not bound by any law, indenture or agreement which might prevent the Assignee from operating under any of the terms and conditions hereof, or which would limit the Assignee in such operation.

(c) Assignor will not execute or agree to any assignment of any of the Leases, Agreements, Rentals or any other Collateral subsequent to the date hereof.

(d) All Leases and Agreements existing on the date hereof are in full force and effect; and there is no default now existing under said Leases and Agreements, nor has any event occurred which, with the passage of time, would constitute a default thereunder.

(e) That Assignor is and shall be the sole owner of the lessor's entire interest in the Leases with respect to the Refinanced Projects and all other Collateral hereby assigned, Assignor has full possessory right to the Refinanced Projects and to the Collateral and has the full right, power and authority to assign the Collateral, that there has been no previous assignment of the Leases or Agreements or the other Collateral except to Assignee, and, without Assignee's prior written consent, Assignor will permit no future assignment (as to collateral security or otherwise) of any right, title or interest in the Leases, the Agreements or any of the Collateral, that the Agreements, the Leases and the Lease Purchase Agreement are in full force and effect and are valid and enforceable in accordance with their terms against Assignor and have not been altered, modified or amended in any manner whatsoever (except as set forth herein), and that Assignor has not committed or permitted any act or event to occur that would prevent Assignee from or limit the Assignee in operating under any of the provisions of this Series 2015A Assignment.

(f) Assignor hereby indemnifies the Assignee, its successors and assigns, against, and agrees to protect, save and keep harmless each thereof from, any and all liabilities, obligations, charges, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including without limitation, court costs, legal fees and expenses through all trial, appellate and administrative levels and all bankruptcy and post-judgment proceedings (all of which are hereinafter referred to collectively as the "Expenses"), but solely from amounts provided to the Assignor for such purpose by the Department, of every kind and nature, imposed on, incurred by or asserted against any such indemnified party, in any

way relating to, arising out of, or in connection with any of the foregoing representations, warranties and covenants of the Assignor.

(g) Assignor will not entertain, participate in, support or advance any defense in any action, undertaking, or proceeding challenging the Assignee's powers granted to the Assignee under this Series 2015A Assignment, or the authority of the Assignee to exercise such powers, or the validity or lawfulness of the Assignee's powers or authority under this Series 2015A Assignment, if such defense seeks or serves to undermine the powers and authority of the Assignee under this Series 2015A Assignment.

(h) Without qualification, Assignor and its successors, will re-execute this Series 2015A Assignment, reappoint Assignee or otherwise execute any instrument confirming, or reconfirming the powers and authority of Assignee under this Series 2015A Assignment upon 3 days notice and demand to do so by the Assignee, or otherwise obtain, provide and execute or take any action deemed necessary by the parties to confirm or ratify the powers and authority of Assignee hereunder.

4. It is mutually agreed that:

(a) The fundamental purpose of the Assignor and Assignee executing and delivering this Series 2015A Assignment is to induce the Assignee to execute and deliver the Series 2015A Supplement and to issue the Series 2015A Refunding Certificates under the Series 2015A Trust Indenture.

(b) Assignor, as lessor under the Series 2015A Lease Purchase Agreement, has irrevocably authorized and directed the Department, as lessee under the Series 2015A Lease Purchase Agreement to make all payments of rent and other sums required to be paid pursuant to the Series 2015A Lease Purchase Agreement, directly to Assignee. Any amounts inappropriately paid under the Lease Purchase Agreement to Assignor shall be held by Assignor in trust for Assignee and shall immediately be paid over to Assignee by Assignor. In the event of a termination of the Series 2015A Lease Purchase Agreement prior to the date that all amounts due under or in connection with the Series 2015A Refunding Certificates have been paid in full, the Assignor shall execute whatever documents, directions or agreements as may be necessary to ensure that the lessee under any other Lease of the Refinanced Projects shall make all payments of rent directly to the Assignee.

(c) Upon or at any time after a failure to perform any obligation, covenant or agreement herein contained or contained in the Series 2015A Trust Indenture or contained in any of the other Certificate Documents or upon the occurrence of any event of default thereunder (any of which failures or events being hereinafter referred to as an "Event of Default"), the Assignee may, at its option, without regard for the adequacy of the security for the indebtedness secured hereby, with or without bringing any action or proceeding, or by a receiver or trustee to be appointed by a court, exercise any and all rights and remedies available to it under this Series 2015A Assignment, the Series 2015A Trust Indenture or any Certificate Document, in the Leases and in the Collateral and Assignee may, following the delivery of notice by the Department of the purchase option described in Section 17.2 of the Lease Purchase Agreement and the failure of the Department to purchase the Refinanced Projects in accordance with the terms thereof, proceed to exercise all remedies set forth in the Trust Indenture as remedies hereunder as if such remedies were fully rewritten herein.

(d) The Assignee shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability under any Leases or the Agreements or respecting any other Collateral under or by reason of this Series 2015A Assignment, and the Assignor shall and does hereby agree to defend and indemnify the Assignee, but solely from amounts provided to Assignor for such purpose by the Department, against, and to hold Assignee harmless from any and all liability, loss or damage which Assignee may or might incur under the Leases or respecting any other Collateral or under or by reason of this Series 2015A Assignment or under or by reason of any of the Certificate Documents, and from any and all claims and demands whatsoever which may be asserted against Assignee by reason of any alleged obligation or undertaking on its part to perform or discharge any of the terms, covenants or agreements contained in any Leases, or respecting any of the Collateral. Should the Assignee incur any such liability, loss or damage under any Leases or respecting any of the Collateral, or under or by reason of this Series 2015A Assignment or under or by reason of any of the Certificate Documents, or in the defense against any such claims or demands, the amount thereof, including costs, expenses, court costs and reasonable attorneys' fees (through all trial and appellate levels, including post-judgment and administrative proceedings) together with interest thereon at the rate set forth in the Series 2015A Trust Indenture applicable to a period when default exists thereunder shall be immediately due and payable by Assignor to Assignee, but solely from amounts provided to the Assignor for such purpose by the

Department, and shall be secured hereby, and the Assignor shall reimburse the Assignee therefor, immediately upon demand, but solely from amounts provided to the Assignor for such purpose by the Department.

(e) This Series 2015A Assignment confers upon Assignee a durable power of attorney coupled with an interest in the Collateral as trustee on behalf of the owners of the Series 2015A Refunding Certificates, and cannot be revoked by Assignor, which power is intended to also qualify as a durable power of attorney as described in and pursuant to Section 709.08, Florida Statutes. Notwithstanding anything in this Series 2015A Assignment to the contrary, however, nothing in this Series 2015A Assignment is intended to create or vest in or transfer to the Assignee any real property rights or interest in the Refinanced Project Sites, the Refinanced Projects, the Collateral or any other real property interest of the Assignor (the "Affected Property Interests") greater than the ability to enter, use and possess the Affected Property Interests as agent and attorney-in-fact in substitution for the Assignor on behalf of the Series 2015A Certificate Owners, pursuant to the terms of this Series 2015A Assignment, the Series 2015A Trust Indenture, the Series 2015A Lease Purchase Agreement and the other Certificate Documents, which shall include the power to re-let the Refinanced Projects on behalf of the Lessor and the Certificate Owners, and thereby vest a possessory interest in the new tenant. Furthermore, any such power shall be subordinate to all interests of the Assignor and the Department under the Series 2015A Lease Purchase Agreement in the Affected Property Interests for any period during which the Basic Rent Payments with respect to the Refinanced Projects are paid in full. Upon the first to occur of the final maturity date of the Series 2015A Refunding Certificates with the longest maturity, or the payment in full of all indebtedness secured hereby, this Series 2015A Assignment shall become and be void and of no effect and Assignee shall, upon request of Assignor, tender to Assignor an instrument evidencing cancellation of this Series 2015A Assignment, in recordable form.

(f) All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable law, and are intended to be limited to the extent necessary so that they will not render this Series 2015A Assignment invalid, unenforceable or not entitled to be recorded, registered or filed under any applicable law. If any term of this Series 2015A Assignment shall be held to be invalid, illegal or unenforceable, the validity of the other terms hereof shall be in no way affected thereby. The Assignee shall be entitled to all rights and remedies available at law, in equity or under any statute, either now available or available at the time of exercise thereof, even though such rights and remedies were not available on the date first above written.

(g) The covenants and agreements herein contained shall be binding upon Assignor, its heirs, legal representatives, successors and assigns and shall inure to the benefit of the Assignee, its heirs, legal representatives, successors and assigns; provided, however, that nothing in this section is intended to be or shall be construed as a waiver of the rights of the Assignee under the Certificate Documents or to permit an assignment of the rights and obligations of Assignor under this instrument and any such assignment is expressly prohibited except upon the prior written consent of Assignee which consent may be arbitrarily withheld.

(h) This Series 2015A Assignment is given as security in addition to the security of the other Certificate Documents, and not as part of the security of the other Certificate Documents. All rights and remedies herein conferred may be exercised whether or not proceedings are pending under the other Certificate Documents. The Assignee shall not be required to resort first to the security of this Series 2015A Assignment or of the other Certificate Documents before resorting to the security of any other of such security documents, and the Assignee may exercise the security hereof and of any of the other Certificate Documents concurrently or independently and in any order of preference.

(i) Nothing herein contained shall be construed as making the Assignee a mortgagee in possession, nor shall said Assignee be liable for laches for failure to exercise any rights or remedies available to it pursuant to this Series 2015A Assignment, and it is understood that the Assignee is to account only for such sums as are actually collected by Assignee.

(j) It is understood and agreed that the existence of this Series 2015A Assignment shall not be construed as a waiver by the Assignee or its successors and assigns of the right to enforce payment of the indebtedness hereinabove referred to, in strict accordance with the terms and provisions of the Trust Indenture and the other Certificate Documents for which this Series 2015A Assignment is given as additional security.

(k) All notices, demands or documents which are required or permitted to be given or served hereunder shall be in writing, and shall be deemed given or served upon Assignor or Assignee when given as provided herein or as provided for in the Series 2015A Trust Indenture. Each party hereto may change its address from time to time by serving written notice thereof upon the other party hereto as above provided at least ten (10) days prior to the effective date of such change of address.

(l) This Series 2015A Assignment, and the interpretation and enforcement thereof, shall be governed by the laws of the State of Florida, except where specifically preempted by federal law, and venue shall be in Leon County, Florida.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Assignor has executed this Series 2015A Assignment as of the day and year set forth above.

ASSIGNOR:

FLORIDA CORRECTIONAL FINANCE
CORPORATION

ATTEST:

Michael Weber, Secretary

By: _____
Cynthia Kelly, President

Witnesses:

Name: _____

Name: _____

(Series 2015A Assignment)

ACKNOWLEDGED AND CONSENTED TO:

STATE OF FLORIDA DEPARTMENT OF
MANAGEMENT SERVICES

By: _____

Chad Poppell
Secretary

(Series 2015A Assignment)

ACKNOWLEDGMENT OF ASSIGNOR

STATE OF FLORIDA)
COUNTY OF LEON)

The foregoing SERIES 2015A ASSIGNMENT OF LEASES, RENTS AND PROFITS was executed and acknowledged before me this _____ day of January, 2015, by Cynthia Kelly, President of FLORIDA CORRECTIONAL FINANCE CORPORATION, a Florida not for profit corporation, who executed the within ASSIGNMENT OF LEASES, RENTS AND PROFITS and acknowledged to me that [s]he did such on behalf of the corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year in this Series 2015A Assignment first above written.

NOTARY PUBLIC
STATE OF FLORIDA

Personally Known _____
OR
Produced Identification _____

Print, Type or Stamp
Commissioned Name of Notary Public

Type of Identification
Produced

My Commission Expires:

(Series 2015A Assignment)

ACKNOWLEDGMENT OF DEPARTMENT

STATE OF FLORIDA)
)
)
COUNTY OF LEON)

The foregoing SERIES 2015A ASSIGNMENT OF LEASES, RENTS AND PROFITS was executed and acknowledged before me this ____ day of January, 2015, by Chad Poppell, as Secretary of STATE OF FLORIDA, DEPARTMENT OF MANAGEMENT SERVICES who executed the within SERIES 2015A ASSIGNMENT OF LEASES, RENTS AND PROFITS and acknowledged to me that [s]he did such on behalf of the department.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year in this Series 2015A Assignment first above written.

NOTARY PUBLIC --
STATE OF FLORIDA

Personally Known _____
OR
Produced Identification _____

Print, Type or Stamp
Commissioned Name of Notary Public

Type of Identification
Produced

My Commission Expires:

(Series 2015A Assignment)

EXHIBIT A
REFINANCED PROJECT SITES

Description of Land
PART I

Series 1995B Project
Esmor Polk County Correctional Facility

Parcel 1:

A parcel of land being a portion of Section 27, Township 26 South, Range 25 East, Polk County, Florida, being more particularly described as follows:

Commence at the Northeast corner of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 27; thence S $89^{\circ}49'10''$ W along the North line of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ for 30.00 feet, to the POINT OF BEGINNING; thence continue along said North line S $89^{\circ}49'10''$ W for 1298.94 feet to the Northwest corner of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$; thence S $00^{\circ}01'58''$ W along the West line of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ for 1320.49 feet to the Southwest corner of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$; thence N $89^{\circ}46'04''$ E along the South line of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ for 953.73 feet; thence N $00^{\circ}01'14''$ E for 232.00 feet; thence N $89^{\circ}46'04''$ E for 345.50 feet to a point on the West right-of-way line of Demille Road (Evans Road Extension); thence N $00^{\circ}01'14''$ E along said West right-of-way line for 1087.32 feet to the POINT OF BEGINNING. Containing 37.52 acres, more or less.

Parcel 2:

The West $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, Polk County, Florida, LESS the West 30 feet for county road right-of-way, and LESS AND EXCEPT the South 16 feet for road right-of-way.

Parcel 3:

The South 264 feet of the East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, Polk County, Florida. Together with an ingress and egress easement over and across the South 16 feet of the West $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East.

Parcel 4:

The East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, Polk County, Florida, less the South 264 feet thereof, together with a 25 foot ingress and egress easement over the West 25 feet of the West $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, and together with a 16 foot ingress and egress easement over the South 16 feet of the East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ and the West $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East.

Parcel 5:

The S $-\frac{1}{2}$ of the NW $-\frac{1}{4}$ of the NW $-\frac{1}{4}$ of Section 26, Township 26 South, Range 25 East, less the West 30 feet thereof for road right-of-way, Polk County, Florida.

Series 1995C Project
Esmor Palm Beach County Correctional Facility

Lot 2, THE TRUSTEES INTERNAL IPROVEMENT FUND SUBDIVISION of that portion of Pelican Lake Bottoms of Section 9, Township 42 South, Range 37 East, according to the Plat thereof attached to a deed recorded in Deed Book 821, Page 369, of the Public Records of Palm Beach County, Florida.

Series 2004A Project and 2004B Project
Lake City Correctional Facility

THAT PART OF SECTIONS 27, 33 AND 34, TOWNSHIP 3 SOUTH, RANGE 18 EAST, COLUMBIA COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCE AT THE NORTHWEST CORNER OF SAID SECTION 34, TOWNSHIP 3 SOUTH, RANGE 18 EAST, FOR A POINT OF REFERENCE; THENCE RUN NORTH $89^{\circ}24'00''$ EAST ALONG THE NORTH LINE OF SAID SECTION 34, A DISTANCE OF 853.30 FEET TO THE POINT OF BEINNING; THENCE FROM THE SAID POINT OF BEGINNING RUN SOUTH $00^{\circ}36'12''$ EAST, 1426.60 FEET; THENCE RUN SOUTH $89^{\circ}23'48''$ WEST, 1320.00 FEET; THENCE RUN NORTH $00^{\circ}36'12''$ WEST, 1182.17 FEET TO THE INTERSECTION WITH THE SOUTHERLY RIGHT-OF-WAY LINE OF STATED ROAD NO. 10 (U.S. HIGHWAY NO. 90); THENCE RUN NORTH $77^{\circ}36'02''$ EAST ALONG THE SAID SOUTHERLY RIGHT-OF-WAY LINE OF STATE ROAD NO. 10, 1348.48 FEET; THENCE RUN SOUTH $00^{\circ}36'12''$ EAST, 31.23 FEET TO THE INTERSECTION WITH THE SAID NORTHERLY LINE OF SECTION 34 AND THE POINT OF BEGINNING.

Series 2004A Project and 2004B Project
South Bay Correctional Facility

That part of Tract 7, 8, 9 and 10 of the AMENDED PLAT and RE-SUBDIVISION OF SECTION 14, TOWNSHIP 44 SOUTH, RANGE 36 EAST, PALM BEACH COUNTY, FLORIDA, according to the plat thereof as recorded in Plat Book 7, Page 46, of the Public Records of Palm Beach County, Florida described as follows: Commencing at the Southwest corner of said Section 14 run North 00°05'27" East along the West line of said Section 14, a distance of 858.36 feet; Thence North 89°51'38" East parallel with the North line of said Tract 7, a distance of 40.00 feet to the POINT OF BEGINNING; From said Point of Beginning run North 00°05'27" East parallel with and 40.00 feet East of the West line of said Section 14, a distance of 1701.00 feet to the North line of said Tract 7; Thence North 89° 51'38" East along said North line of Tract 7, a distance of 2530.00 feet; Thence South 00°05'27" West parallel with the West line of said Section 14 a distance of 912.50 feet; North 89°51'38" East parallel with the North line of said Tract 7, a distance of 1051.88 feet to the Westerly right-of-way of State Road 25 (US 27) as shown on State Road Right-of-Way Map 93160-2507 as revised 6-18-76; Thence Southerly a distance of 52.10 feet along said road right-of-way which is a curve concave to the West, has a radius of 2764.93 feet, a long chord that bears South 16°27'33" East and is 52.10 feet long; Thence South 89°51'38" West parallel with the North line of said Tract 7, a distance of 1066.72 feet; Thence South 00°05'27" West parallel with the West line of said Section 14, a distance of 738.50 feet; Thence South 89°51'38" West parallel with the North line of said Tract 7, a distance of 2530.00 feet to the POINT OF BEGINNING.

RESERVING HOWEVER, a 50.00 feet wide access road easement over the North 50.00 feet thereof. Subject to the prescriptive rights of the South Florida Conversance District and the South Shore Drainage District. Subject to easements, reservations and rights-of-way of record.

Series 2006A Project
Graceville Correctional Facility

BEGIN at the Northeast corner of the Northwest one-quarter of Section 12, Township 6 North, Range 13 West, Jackson County, Florida; thence South 89 degrees 29 minutes, 08 seconds East, a distance of 598.86 feet; thence South 00 degrees 35 minutes 09 seconds West, a distance of 1,280.80 feet to a point on the northerly right-of-way of Cloverdale Road; thence North 89 degrees 17 minutes 25 seconds West, along said right-of-way line, a distance of 1,785.91 feet; thence departing said right of way line on a bearing of North 01 degrees 02 minutes 24 seconds West, a distance of 77.75 feet; thence North 89 degrees 39 minutes 05 seconds West, a distance of 41.89 feet to a point on the easterly right-of-way line of Ezell Road; thence North 00 degrees 35 minutes 09 seconds East, along said easterly right-of-way line a distance of 1,197.11 feet; thence departing said right-of-way on a bearing of South 89 degrees 28 minutes 34 seconds East, a distance of 1,231.14 feet to the POINT OF BEGINNING.

Series 2006A Project
Bay County Facility

See attached survey description

Series 2006A Project
Glades County Correctional Facility

See attached survey description

Series 2006A Project
Gadsden County Correctional Facility

See attached survey description

EXHIBIT A
Description of Refinanced Projects
PART II

DESCRIPTION OF ADDITIONAL COLLATERAL

The following, to the extent acquired with proceeds of the \$99,625,000 Refunding Certificates of Participation, Series 2015A (Tax-Exempt) Evidencing Fractional Undivided Interest of the Owners thereof in Basic Rent Payments to be Made by the Department of Management Services (State of Florida) as Lessee, Under the Amended and Restated Master Lease Agreement with Option to Purchase with Florida Correctional Finance Corporation, as Lessor (the "Series 2015A Refunding Certificates"), whether now owned or hereafter acquired:

All buildings, structures and other improvements constituting a part of the Refinanced Projects (exclusive of any Series 2015A Equipment) now or hereafter located, above or below, the surface of the real property described on Exhibit A Part I (the "Real Estate"), or any part or parcels thereof.

All machinery, apparatus, equipment, fittings, fixtures, including, but without limiting the generality of the foregoing, all after acquired property, all heating, air conditioning, freezing, lighting, laundry, incinerating and power equipment; engines; pipes; pumps; tanks; motors; conduits; switchboards; plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating and communication apparatus; boilers, ranges, furnaces, oil burners or units thereof; appliances; air-cooling and air conditioning apparatus; vacuum cleaning systems; elevators; escalators; shades; awnings; screens; storm doors and windows; stoves; wall beds; built-in refrigerators; attached cabinets; partitions; ducts and compressors; rugs and carpets; draperies; together with all building materials and equipment now or hereafter delivered to the Real Estate and intended to be installed therein, including but not limited to lumber, plaster, cement, shingles, roofing, plumbing fixtures, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, screens, window frames, glass, doors, flooring paint and lighting fixtures; together with all replacements thereof located on the Real Estate.

All of the water, sanitary and storm sewer systems which are now or hereafter located by, over, and upon the Real Estate or any part and parcel thereof, and which water system includes all water mains, service laterals, hydrants, valves and appurtenances, and which sewer system includes all sanitary sewer lines, including mains, laterals, manholes and appurtenances.

All paving for streets, roads, walkways or entrance ways which are now or hereafter located on the Real Estate or any part or parcel thereof.

All interest as Lessor in and to all leases or rental arrangements of the Real Estate, or any part thereof, heretofore made and entered into, and in and to all leases or rental arrangements hereafter made and entered into, together with any and all guarantees of such leases or rental arrangements and including all present and future security deposits and advance rentals.

All machinery, furniture, equipment and other tangible personal property of every kind and description acquired directly or indirectly with proceeds of the Certificates exclusive of the Series 2015A Equipment.

Any and all awards or payments, including interest thereon, and the right to receive the same, as a result of (a) the exercise of the right of eminent domain, (b) the alteration of the grade of any street, or (c) any other injury to, taking of, or decrease in the value of all improvements on the Real Estate and other collateral in this Exhibit.

All unearned premiums accrued, accruing or to accrue under any and all insurance policies now or hereafter provided pursuant to the terms of security agreements, and all proceeds or sums payable for the loss of or damage to (a) any improvements to the Real Estate, or the collateral described herein, or (b) rents, revenues, income, profits or proceeds from leases, franchises, concessions or licenses of or on any part of the improvements to the Real Estate.

All contracts and contract rights arising from contracts entered into in connection with development, construction upon, or operation of part or all of any or all improvements on the Real Estate, including contract deposits, and all proceeds thereof.

All architectural and engineering plans and specifications, surveys, site plans, appraisals, feasibility studies and development proposals and other general intangibles now or hereafter existing pertaining to the construction of improvements to the Real Estate.

All rights under payment, performance, and other types of bonds relating to the ownership, development, construction or operation of the Real Estate or any improvements thereto and all rights under governmental and nongovernmental permits, licenses and agreements relating to the ownership, development, construction or operation of the Real Estate or improvements thereto.

All substitutions for, amendments to or modifications, extensions or renewals of any property described herein and all proceeds thereof, in whatever form.

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Upon delivery of the Series 2015A Certificates in definitive form, Bryant Miller Olive P.A., Special Counsel, proposes to render its final approving opinion in substantially the following form:

January 29, 2015

State of Florida
Department of Management Services
Tallahassee, Florida

Florida Correctional Finance Corporation
Tallahassee, Florida

U.S. Bank National Association
Jacksonville, Florida

Re: \$99,625,000 Refunding Certificates of Participation, Series 2015A (Tax-exempt) Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the Department of Management Services (State of Florida), as Lessee, Pursuant to an Amended and Restated Master Lease Agreement With Option to Purchase with Florida Correctional Finance Corporation, as Lessor (the "Series 2015A Certificates")

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the execution and delivery of the above referenced Series 2015A Certificates and in connection with the Lease Purchase Agreement described below. In that capacity, we have reviewed the Amended and Restated Master Trust Indenture, dated as of February 1, 2009 (the "Master Indenture"), between the Florida Correctional Finance Corporation (the "Corporation" or the "Lessor"), a Florida not-for-profit corporation, and U.S. Bank National Association, a national banking association, as trustee (the "Trustee") and as accepted by the State of Florida Department of Management Services (the "Department"), and the Series 2015A Supplemental Trust Indenture, dated as of January 1, 2015 (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture") between the Lessor and the Trustee and as accepted by the Lessee. All capitalized terms used herein shall have the meanings set forth therefor in the Indenture.

We have also reviewed the Amended and Restated Master Lease Agreement with Option to Purchase, dated as of February 1, 2009, as supplemented by Schedule No. 2015A (collectively, the "Lease Purchase Agreement"), between the Lessor and the Lessee, the Assignment of Leases, Rents and Profits, dated as of January 1, 2015 (the "Assignment"), from the Lessor to the Trustee and the form of Certificates attached to the Master Indenture.

Pursuant to the Lease Purchase Agreement, the Lessor holds a possessory interest in the Land. Pursuant to the Assignment, the Lessee will make Lease Purchase Rent Payments to the Trustee, which will include Basic Rent Payments, including the Interest Portion and Principal Portion thereof. The Series 2015A Certificates each evidence fractional undivided interests in the Basic Rent Payments to be made under the Lease Purchase Agreement issued by the Lessee. The proceeds of the Series 2015A Certificates will be used to refund the Refunded Certificates.

The Basic Rent Payments are payable solely from specifically appropriated funds for or on behalf of the Lessee and neither the State of Florida nor the Lessee is legally required to appropriate money for this purpose. Neither the Lessee, the State of Florida, nor any political subdivision thereof shall be obligated to pay, except from Lessee's duly appropriated funds, any sums due under the Lease Purchase Agreement, and the full faith and credit of the State of Florida is not pledged for payment of such sums due thereunder and such sums do not constitute a debt of the Lessee or the State of Florida within the meaning of any constitutional or statutory provision or limitation.

We have relied upon opinions of counsel to the Trustee with respect to the due authorization, execution and validity of each agreement executed and delivered by such party. As to questions of fact material to our opinion, we have relied upon the representations of the Lessor and the Lessee contained in the Lease Purchase Agreement, the Indenture and in certified proceedings and other certifications of officials and others furnished to us without undertaking to verify the same by

independent investigation. 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 that all documents reviewed by us are authentic originals or true copies of authentic originals and there are no understandings, agreements, terms or conditions agreed to by any of the parties to the Indenture, the Lease Purchase Agreement, and the Assignment, which vary the truth, completeness, correctness, validity or effect thereof.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of Florida and the federal income tax laws of the United States of America.

Except as may expressly be set forth in an opinion delivered to the Department and the underwriter of the Series 2015A Certificates on the date of issuance of the Series 2015A Certificates, we have not been engaged to, nor have we undertaken to, review the accuracy, completeness or sufficiency of the Offering Statement or other offering material relating to the issuance of the Series 2015A Certificates and we express no opinion relating thereto. In addition, we have not been engaged to pass upon, and therefore express no opinion as to, the compliance by the Lessor, the Lessee or the underwriters with any federal or state statute, regulation or ruling with respect to the sale or distribution of the Series 2015A Certificates.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Lease Purchase Agreement has been duly authorized, issued, executed and delivered by the Lessee and constitutes a valid and legally binding obligation of the Lessee, payable from and to the extent of duly appropriated funds for or on behalf of the Lessee, in accordance with its terms.

2. Upon proper execution and authentication of each Series 2015A Certificate in the form attached to the Indenture and in compliance with the terms thereof, such Series 2015A Certificate will evidence a fractional undivided interest in the Interest Portion and Principal Portion of Basic Rent Payments made by the Lessee under the Lease Purchase Agreement, and are valid and enforceable against the Trust Estate.

3. Under existing statutes, regulations, rulings and judicial decisions, subject to the assumptions stated below, the Interest Portion of the Series 2015A Certificates (including any original issue discount properly allocable to a holder thereof) paid prior to an Event of Default or an Event of Non-Appropriation thereunder, as received by the Owners of the Series 2015A Certificates, is excluded from gross income for federal income tax purposes of such Owners and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however such Interest Portion of the Series 2015A Certificates will be taken into account for purposes of determining adjusted current earnings of a corporation to determine such corporation's alternative minimum tax. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the Interest Portion of the Series 2015A Certificates (including any original issue discount properly allocable to a holder thereof), or the ownership or disposition of the Series 2015A Certificates.

Without limiting the generality of the foregoing, we express no opinion as to the federal income tax or Florida tax consequences, as well as federal and state securities law consequences, resulting from the ownership of the Series 2015A Certificates or the receipt by the owners thereof of payments on the Series 2015A Certificates following an Event of Default or an Event of Non-Appropriation under the Lease Purchase Agreement.

In rendering the opinion in paragraph 3 above, we have assumed continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the execution and delivery of the Lease Purchase Agreement and the issuance of the Series 2015A Certificates in order that the Interest Portion of the Basic Rent Payments under the Lease Purchase Agreement not be included in gross income for federal income tax purposes. The failure by Lessee to meet such requirements may cause the Interest Portion of the Basic Rent Payments under the Lease Purchase Agreement to be included in gross income for federal income tax purposes retroactive to the commencement date of the Lease Purchase Agreement. The Lessee has covenanted to comply with such requirements.

It is to be understood that the rights of the owners of the Series 2015A Certificates and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with the general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Offering Statement or any other offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Series 2015A Certificates. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP number appearing on the Series 2015A Certificates. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Lessee or the underwriter or underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Series 2015A Certificates or regarding the perfection or priority of the lien on the Trust Estate created by the Indenture. Further we express no opinion regarding federal income or state tax consequences arising with respect to the Series 2015A Certificates other than as expressly set forth herein.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the State of Florida Department of Management Services (the “Department”) and the Department of Corrections (the “FDOC”) in connection with the issuance of \$99,625,000 Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the Florida Department of Management Services, as Lessee, Pursuant to an Amended and Restated Master Lease Agreement with Option to Purchase with the Florida Correctional Finance Corporation, as Lessor, Series 2015A (the “Certificates”). This Disclosure Agreement is being executed and delivered as required by the Certificate Documents as that term is defined in the Amended and Restated Master Trust Indenture, amended and restated in its entirety as of February 1, 2009. The Department and FDOC covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Department and FDOC for the benefit of the Certificate Owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters 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 FDOC, the Certificate Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Certificate Documents, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person who (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.

“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.

SECTION 3. CONTINUING DISCLOSURE. (A) **Information To Be Provided.** The Department and FDOC assume all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Department and FDOC hereby agree 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, 2015, and thereafter, annual financial information and operating data shall be provided within five months after the end of the Department’s and FDOC’s fiscal year. Such information shall include:

- (a) Historical state prison admissions, releases and populations;
- (b) The annual appropriations for the Department and FDOC as set forth in the table entitled “HISTORICAL APPROPRIATIONS”; and
- (c) Description of any material litigation which would have been disclosed in the Offering Statement if such litigation were pending at the time the Offering Statement was prepared.

(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.** Notice of the following events relating to the Certificates will be provided 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;
- (c) unscheduled draws on 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 security, or other material events affecting the tax status of the security;
- (g) modifications to rights of security holders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the securities, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(4) Failure to Provide Annual Financial Information; Remedies.

- (a) Notice of the failure of the Department and FDOC to provide the information required by paragraphs (A) (1) or (A)(2) of this Section will be provided in a timely manner.
- (b) The Department and FDOC acknowledge that their undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Registered Owners of the Bonds and shall be enforceable only by such Beneficial Owners and Registered 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 Resolution and shall be limited to a right to obtain specific enforcement of the Department and FDOC's obligations hereunder.

(B) Methods 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 Municipal Securities Rulemaking Board (hereafter "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 and FDOC obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Department and FDOC shall otherwise no longer remain obligated on the Bonds.

(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 obligated person, or type of business conducted;

(3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(4) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Department or the FDOC chooses to include additional information not specifically required by this Disclosure Agreement, the Department nor the FDOC shall have any obligation to update such information or include it in any such future submission.

Dated this ____ day of _____, 2015.

STATE OF FLORIDA
DEPARTMENT OF MANAGEMENT SERVICES

By _____

STATE OF FLORIDA
DEPARTMENT OF CORRECTIONS

By _____

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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 DEPARTMENT AND THE CORPORATION BELIEVE TO BE RELIABLE; HOWEVER, NEITHER THE DEPARTMENT NOR THE CORPORATION TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2015A Certificates. The Series 2015A Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2015A 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2015A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2015A 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 Series 2015A 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 Series 2015A Certificates, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all Series 2015A Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015A Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015A 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 Series 2015A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015A Certificates, such as redemptions, tenders, defaults, and proposed amendments to the legal documents. For

example, Beneficial Owners of Series 2015A Certificates may wish to ascertain that the nominee holding the Series 2015A 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 Series 2015A 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 Series 2015A Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department 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 Series 2015A 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 Series 2015A 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 Trustee, on the payable dates 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 Trustee, the Department or the Corporation, 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 Trustee; 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 Series 2015A Certificates at any time by giving reasonable notice to the Department or Trustee and discharging its responsibilities with respect thereto under applicable law. The Department or the Corporation may decide to discontinue use of the system of book-entry transfers for the Series 2015A 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 Series 2015A Certificates will be printed and delivered as provided in the documents authorizing the issuance and sale of the Series 2015A Certificates.

For every transfer and exchange of beneficial interests in the Series 2015A 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 Series 2015A Certificates, references herein to the registered owners or Owners of the Series 2015A Certificates shall mean Cede & Co. and not mean the Beneficial Owners of the Series 2015A Certificates unless the context requires otherwise.

The Department, the Corporation and the Trustee will have no 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 Series 2015A 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 Series 2015A 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 Series 2015A Certificates, or the purchase price of, any Series 2015A 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 Series 2015A Certificates for partial redemption.

So long as the Series 2015A Certificates are held in book-entry only form, the Department, the Corporation 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 Series 2015A Certificates for all purposes whatsoever, including, without limitation:

- (i) the payment of the principal of, premium, if any, and interest on the Series 2015A Certificates;
- (ii) giving notices of redemption and other matters with respect to the Series 2015A Certificates;
- (iii) registering transfers with respect to the Series 2015A Certificates; and
- (iv) the selection of the beneficial ownership interests in the Series 2015A Certificates for partial redemption.

Registration, Transfer and Exchange

The following provisions shall only be applicable if DTC's book-entry-only system of registration is discontinued.

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 Corporation; 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 Series 2015A Certificates. The transfer of any Series 2015A 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 Series 2015A Certificate a new registered Series 2015A Certificate or Series 2015A 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 Series 2015A Certificate surrendered or exchanged, of the same maturity and Series and bearing interest at the same rate.

Series 2015A 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 Series 2015A 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 Series 2015A Certificates surrendered for exchange.

In all cases in which Series 2015A Certificates shall be exchanged or the transfer of Series 2015A Certificates shall be registered, the Trustee shall authenticate and deliver at the earliest practicable time Series 2015A Certificates in accordance with the provisions of the Trust Indenture. No service charge shall be made for any registration, transfer, or exchange of Series 2015A 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 Series 2015A Certificates. The Trustee shall not be required to transfer or exchange Series 2015A 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 Series 2015A 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.

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