# AGENDA

## DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION

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(Contact person: J. Ben Watkins III - 488-4782)
The Capitol, Florida
January 21, 2016

This meeting is open to the public.

1. Approval of minutes of the meeting of December 8, 2015.

   Attachment #1

2. Report of award on the following competitive bond sale:

   $78,725,000, Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2015A.

   Bids were received at the office of the Division of Bond Finance on December 3, 2015. The bonds were awarded to the low bidder, Bank of America Merrill Lynch which submitted a bid at an annual true interest cost rate of 1.9785%. The bonds were delivered on January 5, 2016.

   The bonds were issued to refund the outstanding Florida Forever Revenue Bonds, Series 2007A. The average interest rate on the bonds being refunded is 4.74% compared to the interest rate of 1.98% on the refunding bonds. The refunding is expected to generate gross debt service savings of $13.4 million, present value savings of $12.0 million, or 13.3% of the principal amount being refunded.

   A report on the sale and tabulation of bids is attached.

   Attachment #2

3. Adoption of a resolution authorizing the issuance and competitive sale of $68,000,000 State Board of Education Lottery Revenue Refunding Bonds.

   The bonds will be payable from revenues of the Florida Lottery. The bonds will not be secured by the full faith and credit of the State. The proceeds of the bonds will be used to refund certain outstanding Lottery Revenue Bonds for debt service savings.

   Copies of the resolution may be obtained from the Division of Bond Finance upon request.

   (Recommend)

4. Adoption of a resolution authorizing the issuance and the competitive sale of $120,000,000 Department of Transportation Turnpike Revenue Refunding Bonds.

   The bonds will be payable from tolls and other revenues of the Florida Turnpike System. The bonds will not be secured by the full faith and credit of the State. The proceeds of the bonds will be used to refund certain outstanding bonds of the Turnpike System for debt service savings.

   Copies of the resolution may be obtained from the Division of Bond Finance upon request.

   (Recommend)

5. Division of Bond Finance Performance Metrics and Director Performance Evaluation.

STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR AND CABINET
________________________________________/

CABINET MEMBERS: GOVERNOR RICK SCOTT
ATTORNEY GENERAL PAM BONDI
CHIEF FINANCIAL OFFICER JEFF ATWATER
COMMISSIONER OF AGRICULTURE ADAM PUTNAM

DATE: TUESDAY, DECEMBER 8, 2015

LOCATION: CABINET MEETING ROOM
LOWER LEVEL, THE CAPITOL
TALLAHASSEE, FLORIDA

REPORTED BY: NANCY S. METZKE, RPR, FPR
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**DIVISION OF BOND FINANCE**

GOVERNOR SCOTT: Now I'd like to recognize Ben Watkins with the Division of Bond Finance.

DIRECTOR WATKINS: Good morning, Governor and Cabinet members.

Item Number 1 is approval of the minutes of the November 10th meeting.

COMMISSIONER PUTNAM: So moved.

CFO ATWATER: Second.

GOVERNOR SCOTT: Okay. Sorry. There's a motion and a second. Are there any comments or objections?

(NO RESPONSE).

GOVERNOR SCOTT: Hearing none, the motion carries. It was a great motion too.

DIRECTOR WATKINS: Governor, with your permission, what I'd like to do is reverse Items 2 and 3 and do the debt report first, and then do performance metrics and evaluation second.

GOVERNOR SCOTT: Okay.

DIRECTOR WATKINS: So it's that time of the year again for our annual debt report, so Page 1 is simply an overview of the exercise that we go through and the process that we use in keeping track of what -- how our debt position has changed over the year. And this is the mechanism that we used to provide the information to the Legislature for -- so that they can make informed decisions about debt and borrowing. So we're, in effect, integrating the executive branch function of overseeing debt with the legislative branch function of the appropriation.

So you're familiar with this picture, and what it's intended to illustrate is what kind of investments and infrastructure have been made with the debt that we have outstanding. And you can see that half of the money that we borrowed has been used for school construction, and that's K through 12, as well as community colleges and universities.

And the point that I'd like to make about this is this isn't normally a fairly static picture, it doesn't change much from year to year; but in the current year, the addition of debt has occurred in the transportation space. And so you see proportionally a fairly substantial increase in our investment in transportation infrastructure.

And this slide is to illustrate the change in the growth in debt that we had experienced, really for a fairly substantial period of time, longer than I'm showing on this chart. Back to 1992, we had had a trend of increasing debt, year-over-year increases for a very long period of time up and through 2010 where notably we have reversed that trend and debt is going down.

So this simply illustrates, if we had continued on the same plane, the same path, and done what we had historically been doing, the amount of debt that we would have outstanding at the end of 2015 is some 33.3 billion. And the actual number is 25.7 billion, so we're substantially below -- actually $7.6 billion or 30% lower than where we would have been had we continued our normal practices. So this is a -- total debt outstanding has been reduced for two and a half billion dollars over the last five years.

GOVERNOR SCOTT: And we were on credit watch when we all got elected in 2013.

DIRECTOR WATKINS: We were, and we've solved that problem in terms of being unstable, AAA rated by both rating agencies with a stable outlook; and so that's a good thing. So we were in a -- we were in a very different position five years ago than we are now, Governor, and it's a much more comfortable place to be from my perspective in terms of articulating the credit story to the rating agencies and to investors and analysts.

CFO ATWATER: Hey, Ben -- Governor, may I ask quick?

So what would you venture then to guess would be the additional debt service we would be making today had we stayed on that same plain?

DIRECTOR WATKINS: It would be $500 million a year more, approximately, which is on a recurring basis.

CFO ATWATER: Right.

GOVERNOR SCOTT: And we probably would have been downgraded, right? We probably would have been downgraded?

DIRECTOR WATKINS: Most likely. If the economy had continued to deteriorate, if we kept our reserve levels at minimal levels and hadn't corrected our spending and our borrowing plans, Governor, there's a high likelihood that we would have been -- that would be reflected in our credit rating.

So what have we been doing? So refinancing activities, this is a reflection of what we have been doing over the last five and a half years, and you can see that we've executed 70 transactions totaling $10.6 billion in principal amount; generating gross debt service savings of nearly $2 billion over the last five and a half years.

And so what I would say about this is that we -- it has become commonplace in terms of our execution of refinancing transactions and reducing interest rate and reducing our debt service costs associated with that, and at some point that will change, and so -- and I think we will reflect, when you look at it over a long-term, that it's been an extraordinary period of time to be able to take advantage of the opportunity to reduce our overall cost of capital in terms of the debt that we currently have outstanding.

And nobody really knows where interest rates are going. If they did, they wouldn't be working for a living. And so we continue to take advantage of opportunities as they present themselves, and aggressively pursue that.

So I guess the bottom line, what I'm saying is this has been an extraordinary period, and I think we've gotten a little complacent about expectations in terms of expecting this year to year. And the talk now is about the restricted monetary policy rather than the easy monetary policy that we've enjoyed and what impact that may have on interest rates going forward.

And then, of course, we wanted to translate that into, well, what does that mean on a return on investment since the conversation is around that? So what we simply did was take the savings levels, the savings that we've generated through refinancing activities, and divided that by the administrative cost of running the agency.

We're a small shop, we're 13 people, but effectively manage the state's debt. So this gives you the return on investment, and I didn't express it as a percentage because it doesn't -- it wouldn't -- it doesn't -- it would be a number that you would say, you must be doing something wrong. So I translate it in a way of how many times the investment and administrative costs are we realizing in terms of debt service savings.

So you can see the average over the last five and a half years is 114 times the investment, and for 2015, 143 times the proportional administrative costs we've incurred. So that's what we do. That's been the story really of the last five years in terms of transaction execution.

Changes in annual debt service, you can see that this reflects the growth in annual -- the growth in debt that we experienced over the -- historically, as well as a reduction and then a slight growth this year. What I would say is that we're flat this year. We've changed -- this is a reflection of how we're recording public/private partnership obligations and the way they're being structured in the state.

And so we have a slight in -- we're flat really relative to last year, and that will increase slightly over the next three years reflecting payments that we will be making for road constructions on our public/private partnerships.

GOVERNOR SCOTT: This is the I-4 corridor, right?

DIRECTOR WATKINS: And it's the I-4 corridor, that's --

GOVERNOR SCOTT: That's $2.4 billion total, right?

DIRECTOR WATKINS: That's correct, so that's a significant investment in a 21-mile stretch of road through Orlando, which is a game changer.

GOVERNOR SCOTT: But the tolls should cover the debt service?

DIRECTOR WATKINS: They will cover a portion of the debt service, not all of it, but they'll cover a portion of it.

GOVERNOR SCOTT: Pretty quickly they're supposed to?

DIRECTOR WATKINS: Right, ramped up.

So we're flat on revenue growth, slight increase, and this becomes a denominator of benchmark debt ratio. In other words, what is our recurring annual obligation to service the debt that we currently have outstanding, divided by the revenues we have available to pay.

And so we have a 6% target and a 7% cap, and that's what we're looking at at the green horizontal line and the red line. And you can see during the recession that -- during the great recession, we see a spike in the benchmark debt ratio where we went from below our target to above the cap.

And then since then, since 2010, we've had a steady reduction in our benchmark debt ratio driven largely by the growth in revenues, as well as a curtailment of the amount of debt issued in there for the amount of debt service associated with that.

So we're now below -- we're back under the target, so we're back in the green zone; we're back in a good place to be. And we're flat relative to last year, so that's a -- we're in a much better place to your point, Governor, than we were when you walked in the -- when this administration and this Cabinet walked in the door five years ago.

GOVERNOR SCOTT: And the projections at that point were not to see this big a drop?

DIRECTOR WATKINS: Correct, we were showing a flat line, and this is largely dependent on revenue growth going forward, but we are staying underneath the target for the projection period for what we can see currently with respect to projected debt plans.

And this for the quant nerds are the medians for our peer group. So our peer groups are the 11 largest states, and these are all of the relevant metrics that the credit markets and the rating agencies use for evaluating credit, and you can see -- and our benchmark debt ratio of 5.6%.

And this information is a year lag because that's the latest information that we have, is 2014, not 2015, but I wouldn't expect any material change relative to this. And you can see for every metric except for debt as a percentage of state gross domestic product we are underneath the median and well below the midpoint for our peer group.

And then increasingly important to the evaluation of the state's credit is how we've managed and funded our pension system, and there's been a coalescing of rating agencies around how to properly measure and manage, and so they make adjustments to our regular reported pension liability for their own idiosyncrasies, and try to get uniform information for comparative purposes because all jurisdictions and all pension plans are different in terms of their expected rate of returns and so forth.

So it's the adjusted net pension liability, which correlates to your unfunded liability, but it is subject -- has been adjusted. And you can see we are well below -- well below being a good thing -- our peer group in terms of our funding of the pension system.

We are next to last as adjusted net pension liability as a percentage of our governmental revenues; and we are dead last for the remaining metrics, which is pension liability per capita, pension liability as a percentage of personal income, pension liability as a percentage of gross domestic product. So it's a reflection of how well the pension system has been managed and what our financial position is.

Then another important measure of the state's fiscal health is where are we with respect to our level of reserves, which is a reflection of financial flexibility to deal with inevitable financial contingencies that we'll be confronted with, whether it's a downturn in the economy, or whether it is catastrophic events, or Medicaid spending, whatever it happens to be.

And you can see we had a substantial reserve, general fund -- this is budget stabilization fund plus unspent general revenue, those two things combined as a percentage of our general revenues. And you can see it peaked at the end of the boom years in 2006 at $6 billion, then reserves were used as a component of the budget balancing exercise during the great recession.

And when we were experiencing revenue declines and we spent -- the reserves were spent down pretty substantially to approximately one billion and through 2010, 2011, where the reserves had been replenished to a more healthy $3.7 billion at the end of 2015, and a projected 3.2 billion at the end of 2016.

And that $500 million reduction, that's unadjusted. We do expect positive adjustments which normally occur, one will be for unspent budget, budgetary reversions that normally occur at the end of the year and are booked. So that 2016 number is unadjusted, and that will be a positive adjustment.

And normally what we've experienced because of the conservative nature of our revenue estimates and our growth in revenues is any revenue collections in excess of the estimates from last spring will drop straight to the bottom line and also be a positive adjustment to revenues.

Yes, sir.

COMMISSIONER PUTNAM: Governor, if I may.

Is there a magic number, percent of general revenue, that the credit rating agencies want to see?

DIRECTOR WATKINS: You know, it's a -- so the stock answer is: It depends on a number of different factors. But to get straight to your point and answer the question: If I was pinned down to say, what is a number that we should be looking at, 10% of GR would be a good target in terms of the reserves that should be reflective of sufficient financial flexibility given the potential -- what they consider to be dependence on potentially volatile revenue stream, that being sales taxes. And so for the state, that would be the number, and that's what I've informally articulated to legislative leadership in terms of the target number that we should be comfortable with and should expect to try to maintain.

GOVERNOR SCOTT: So general revenue this year will be a little over 29 billion?

DIRECTOR WATKINS: Correct.

GOVERNOR SCOTT: All right. So it would be just under three billion then.

DIRECTOR WATKINS: So we're in a good place right now, Governor.

GOVERNOR SCOTT: And historically, like you said, during the fiscal years, we've had more reserves than what we anticipated when the budget was finished?

DIRECTOR WATKINS: Correct, it's been a positive adjustment every year.

GOVERNOR SCOTT: Yeah.

DIRECTOR WATKINS: So the budget based on a proposed spending plan, but we've always ended up in a better place than where we expected to be.

GOVERNOR SCOTT: Right.

DIRECTOR WATKINS: Which is what makes the story a lot easier to tell from a credit perspective.

So Florida's credit ratings, AAA rated by S & P and Fitch and AA1 by Moody's; and all of the ratings have been affirmed during the calendar year with various bond issues we've submitted, with stable outlooks from all three rating agencies.

And as we discussed before, the knock from Moody's is their, in my judgment, inaccurate perception of a narrow revenue stream and volatile revenue stream. But that's what they're hung up on, is they want to see a personal income tax, which is not happening; but that's what they're relying on in terms of not being upgraded to AAA. But we continue to make the case, Governor, and make the ask.

I guess, notably, we have an upgrade. Because of Amendment 1, it gave us the opportunity to go in and rework the statute on the distribution of documentary stamp taxes. And what we did in connection with that exercise was to do what we would expect the law should be, which is to pay debt service first before funding any other expenditures; and because of our ability to formalize that in the statute, we got an upgrade on the environmental program, bond program to AA-minus.

This is simply an articulation of the rating agencies' strengths and challenges. The subtleness in the language has not changed over the course of the last year, so nothing really to note here other than from a strength standpoint, strong financial and debt management practices, structurally balanced budget, and broad economic recovery in employment growth. So they recognize the job that's been done relative to continued job growth and continued economic recovery in the state.

And then the challenge is maintaining adequate reserves and maintaining structural budget balance. So those are the things that they are focused on. And pension liabilities, as I've discussed previously, are an increasingly important part of their credit analysis.

So in conclusion, from a high level, state debt has been reduced by two and a half billion dollars over the last five years. And that does not include the federal loans to the unemployment comp trust fund because what we measure is external debt and not an internal loan. But to your point, Governor, that's another three and a half billion dollars.

GOVERNOR SCOTT: And we've built up over what -- how much, a little over $2 billion.

DIRECTOR WATKINS: In reserves on that and the tax rate. As Mr. Panuccio reported previously, the tax rate on employers has been coming down as well. So those are all extraordinarily positive, so when you take three and a half billion in the unemployment comp trust fund, which is a tax on businesses, combined with the three and a half billion, it's really $6 billion on a combined basis. So this is a little misleading in the sense that it focuses on the debt that we manage and the external debt and not internal debt. So the picture is actually even better than what I've represented when you look at the --

GOVERNOR SCOTT: Debt minus reserves are going to reduce it more because our reserves are up --

DIRECTOR WATKINS: Right.

GOVERNOR SCOTT: -- $3 billion -- no, a little over $2 billion.

DIRECTOR WATKINS: Right. Of our general fund reserves?

GOVERNOR SCOTT: Yeah.

DIRECTOR WATKINS: Right.

So state debt totaled $25.7 billion. The refinancings over the last five years have been a billion six. If we roll it forward to include the first six months of the current fiscal year, that number is a $2 billion number.

The benchmark debt ratio of 558 remains below our 6% target for the second consecutive year. General fund reserves were approximately $3.7 billion or 13.3% of general fund revenues. The state credit ratings are very strong, and management of the pension system is strong and an increasingly important part of how we're debt profiled.

So this is -- I've said it about three times, but I'll say it again, it's an easier story to tell now than it was five years ago in terms of what we've been confronted with from a financial management perspective. And we're in a good place right now, so we need to continue to do the things that we've been successful at, and we should be okay.

GOVERNOR SCOTT: All right. I don't think we have to accept the report, so we'll just do the performance evaluation now.

DIRECTOR WATKINS: Yep. So the last thing on the agenda is a performance evaluation, so we have -- I have developed and shared with your offices a proposal for how to evaluate our performance.

We're very -- we're different, obviously, than other agencies in that we have a very targeted mission and that's, in effect, to manage the state's debt and borrow money for the state.

So we've got both objective measures and subjective measures embedded in the proposed evaluation; the quantitative metrics are based on the savings from refundings as well as selling new money bond issues below a benchmark; and lastly, assisting with maintaining or enhancing credit ratings.

So those are the three metrics. If I look at what we do and say, well, what are the important things and how would we measure those, these are the three quantitative metrics that I would suggest are appropriate for evaluating our performance.

Then the subjective measures go on to set forth both what our objectives are as well as what our goals and priorities are, and then we go to the more subjective measures, and this emulates or mimics the performance evaluation that is used at the State Board of Administration for senior management. So it's job knowledge, quality and productivity, adaptability, analytical ability, communications and interpersonal skills, and leadership.

So these are the categories that I would suggest are appropriate for a performance evaluation, but I'd be happy to answer any questions or solicit your input to see if this is the kind of process that you're looking for to more formalize what we do.

From a practical standpoint, we report our results on a realtime basis. Every time we sell a deal, we come to you for authority to execute, and we report the results to you. So this is -- these are largely measures and information that we're tracking anyway and that we routinely report to you, as well as our annual debt report.

So these are the -- so you're receiving the information that you need to make informed decisions on a realtime basis, but this would more formalize the process for an annual evaluation.

GOVERNOR SCOTT: Any comments or questions, feedback?

COMMISSIONER PUTNAM: Governor, I'd just sort of in the interest of consistency from Judge Cohen to Colonel Prendergast to now Ben, I really think that your goals and priorities are spot-on and appropriate measures that you have some control over. The three items that you identified as being the weighted items, the most important items, they really are the most important mission-oriented activities of your office but, unfortunately, they're not really in your control.

I mean so as you referenced in your presentation, there's going to be a time when the favorable rate environment flips, and I would hate to think that 25 percent of your performance is based on something that's up to Janet Yellen; or if you had a -- so I guess my first point would be: Are these measures as good in the favorable environment for what we ask you to do as they would be in an unfavorable rate environment?

And then the second point that I would make is that as it relates to maintaining or enhancing credit ratings, if you had bad policy coming out of the Cabinet or the Legislature or both, you know, that's -- unfortunately you would have to execute bad ideas. And so, you know, I think that this Governor deserves a ton of the credit for maximizing our debt affordability report.

So I just would throw out there that I worry that we're attaching too much weight to a couple of items that are outside of your control. The goals and priorities, the things where, you know, you're applying rigorous scrutiny and justification for issuing debt, you're proactively communicating with rating agencies and market participants and educating policymakers, I mean all of that makes perfect sense to me. I just worry about your 65% score that, you know, the last several years would be a walk in the park; and the several years in the future, that may not be the case.

So I just want to make sure that we're evaluating you fairly and using the right metrics. I think that you have a gift for being able to help policymakers throughout the House, Senate, and this Cabinet understand all the big global forces at work and how that impacts a parking garage on the campus of FAU.

And I think that you're an extraordinarily articulate advocate for our state to people on Wall

Street who need to understand the idiosyncrasies of Florida, and I think that our -- the fact that our credit rating didn't change throughout the crisis in a state that was the most impacted state in the nation in the great recession is pretty extraordinary, and I wish Washington -- our federal government could say the same thing.

So I just want to make sure that we align what we're rating you and judging you by with the right things, and so I just toss that out there. I guess the fundamental question being: Would these metrics be as good in an unfavorable rate environment as they would be in a favorable rate environment?

GOVERNOR SCOTT: Just to reiterate, you know what else Ben should take some credit for is the week -- wasn't it the week the federal government got downgraded, we went off credit watch?

ATTORNEY GENERAL BONDI: That's right.

GOVERNOR SCOTT: It was within the same week, right?

COMMISSIONER PUTNAM: Ten days.

DIRECTOR WATKINS: Thank you, sir. I appreciate your kind words.

This is an effort to try to provide some objectivity -- some objective measures so that it's not entirely subjective. The results clearly will be different in an unfavorable rate environment, but it's up to your -- it's ultimately up to this Board's judgment, regardless of whether the objective measures are positive or negative, to take into account the circumstances that exist at the time.

And so what I've done in terms of trying to articulate that is to -- is to add language considering the interest rate environments and attribution of the refunding candidates, for example, on Measure Number 1 which gives you the flexibility to take into consideration externalities that may be beyond my control in terms of what the ultimate results are.

In the same kind of language on two, I would -- and I guess I would suggest a slight modification to Number 3; and that is, assisting in maintaining or enhancing credit ratings, to your point, which is the best I can do is articulate the justifications for the policy decisions that the Legislature is making with respect to levels of reserves and spending decisions and borrowing decisions, or economic conditions that may well be clearly beyond my control.

But this was in an effort to give you something to be able to point to as a relevant objective measure.

GOVERNOR SCOTT: But, Commissioner, you're absolutely right. Ben has been really helpful with the Board of Governors and the universities in dealing with how they look at P-3s and things like that. He's been very helpful to all of them.

All right. Anything else?

CFO ATWATER: Governor, I just would add, I think those are really important points, and I would -- just a quick one, Ben.

In 2015, we had 14 different refunding transactions, five so far in this fiscal year. Do you want to venture to guess how many more you will be attempting in the next six months?

DIRECTOR WATKINS: You know, I haven't looked at the refunding candidates and planned what we are going to be looking at during the spring. We probably have five different candidates that we're looking at that will be candidates for execution if the current interest rate environment holds. If the current interest rate environment doesn't hold, then it's unlikely that those would be economically feasible to execute.

GOVERNOR SCOTT: But right now the expectation is at a quarter of a point, right? Isn't that what the expectation on the street --

DIRECTOR WATKINS: On the short term. And the question is: How does it affect the broader markets? How does it affect the long-term rate? So it --

GOVERNOR SCOTT: So far it's had almost no impact on long-term rates, right?

DIRECTOR WATKINS: Right. Right, although, you know, with the employment report that came in -- and get this, so Draghi, undeliv -- expectations, he under-delivered -- over-promised and under-delivered, and now the European Central Bank, we had an increase in rates of 15 basis points in one day.

So we're seeing more volatility based on what the European Central Bank is doing, and I'm thinking, well, I didn't -- you know, gees, I didn't take that into consideration in deciding when to execute this next transaction.

My point is that we're becoming -- we've evolved into being more tied to global events than we ever have before as manifested by the collapse in emerging markets because of the slowdown in China and the impact -- anecdotal impact of what the European Central Bank has on treasury rates, which is historically not something that I would have thought would and has not had any sort of impact. So there's a -- there are other factors beyond just domestic monetary policy that are at play -- that play an increasingly important role.

And the question is going to be: What is the psychology of the market and how strong is the economy ultimately in how it affects longer-term rates as opposed to short-term rates?

CFO ATWATER: I think, again, I share the comments that have been raised. We go with this, you know, one year at a time. There may be a time -- and this is a good -- I think it's a good first effort, you know, what you tried to put together for us; and I think in all likelihood, 18 months from now we may not be talking that that's a measure that's going to be workable for the foreseeable future. Hopefully you can take advantage of it the best you can over the next six to eight months and find us some additional savings.

Because we have been on the topic of the debt service, again, I -- you know, Ben will entertain my questions from time to time. And, again, I just want to go back to one we've mentioned once before; and that is -- well, first off let me just say, you know, Moody's got what they wanted, Illinois and California have income taxes and they're not too impressed with their credit ratings obviously.

ATTORNEY GENERAL BONDI: New York.

CFO ATWATER: Yeah, New York, is now -- we are now surpassing New York in size, the service to the citizens of Florida is now a greater size to serve than the people of New York. And we have 25 billion in debt outstanding; they have 155 billion in debt outstanding.

If they had our debt service ratio and our AAA credit rating, again, Ben will just give me a little bit of leeway, but that's about $1.3 billion in debt service they have placed --

GOVERNOR SCOTT: Every year.

CFO ATWATER: -- every year, not this year, every year, then that could equate to approximately 37,000 K through 12 teacher salaries every year, every single year. And, again, the importance of being disciplined in good times and in bad that create the occasion for your ability to be flexible and agile and responsible down the road, they have foreclosed any opportunity.

So it's just an important long-term effort and then, again, this past five years of, you know, being disciplined when others were choosing a different path, it's just really impressive.

I just think we've -- I think at the moment, Ben, I don't -- I'd like to see the objectives, you know, move beyond three; but I think that's as probable -- we're all trying to get through this and figure out the best way to do it, you know.

DIRECTOR WATKINS: Right. Well, what I would like to do is give it a try. Let's fill it out and see how it looks, and if you all want to change it, you certainly have the prerogative to do that. I serve at your pleasure. That's the bottom line. If you ever don't have confidence in the job that we're doing, I need to know that. And so I appreciate the kind words, and we'll continue to lean forward.

GOVERNOR SCOTT: Thank you, Ben.

DIRECTOR WATKINS: Thank you.

GOVERNOR SCOTT: Does anybody else have any questions?

ATTORNEY GENERAL BONDI: I just -- Ben,

thank you. I mean we were reviewing these numbers this week, and thank you for what you've done for our state; and, also, the Governor and my co-workers have greatly contributed to that as well. Thank you all.

DIRECTOR WATKINS: Thank you. Having the support and leadership that you all provide makes my job much easier, both in terms of influencing legislative policy as well as dealing with credit market participants, so thank you for your confidence and support.

GOVERNOR SCOTT: Thank you.

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STATE OF FLORIDA

DIVISION OF BOND FINANCE
OF THE STATE BOARD OF ADMINISTRATION

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AS TREASURER

ADAM H. PUTNAM
COMMISSIONER OF AGRICULTURE

MEMORANDUM

TO: Governor and Cabinet, as the Governing Board of the Division of Bond Finance

FROM: J. Ben Watkins III

DATE: January 21, 2016

SUBJECT: Award of $78,725,000 State of Florida, Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series 2015A

Pursuant to authorization by the Governor and Cabinet by a resolution adopted on August 5, 2015, bids were received for the above referenced bond issue at the office of the Division of Bond Finance at 11:00 a.m. on Thursday, December 3, 2015.

Seven bids were received with a tabulation of such bids included herein. The low bid was submitted by Bank of America Merrill Lynch at an annual true interest cost rate of 1.9785%. The annual true interest cost rate using the interpolated applicable TM3 Municipal Market Data revenue benchmark interest rate scale for the day of sale was 2.16%. The bids were reviewed by representatives of the Division of Bond Finance and the bonds were awarded to the low bidder as authorized. The bonds were delivered on January 5, 2016.

The bonds were issued to refund the outstanding Florida Forever Revenue Bonds, Series 2007A. The average interest rate on the bonds being refunded is 4.74% compared to the interest rate of 1.98% on the refunding bonds. The bond proceeds will be invested with the State Treasury until the refunded bonds are redeemed on July 1, 2016. The refunding is expected to generate gross debt service savings of $13.4 million, present value savings of $12.0 million, or 13.3% of the principal amount being refunded.

The bonds are dated January 5, 2016, with interest payable on July 1, 2016, and semiannually on each January 1 and July 1 thereafter. The bonds consist of serial bonds maturing on July 1 in the years 2017 through 2026.

The bonds are secured by documentary stamp taxes on a parity with the outstanding Florida Forever and Everglades Bonds. The bonds are not secured by the full faith and credit of the State of Florida.

Attachment #2

The bonds are rated AA-, Aa3 and AA- by Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

BID TABULATION

| Bidder | Annual True Interest Cost Rate |
|---|---|
| Bank of America Merrill Lynch | 1.9785% |
| J.P. Morgan Securities LLC | 1.9835 |
| Mesirow Financial, Inc. | 1.9985 |
| Wells Fargo Bank, National Association | 1.9999 |
| Citigroup Global Markets Inc. | 2.0043 |
| Barclays Capital Inc. | 2.0219 |
| Morgan Stanley & Co. LLC | 2.0256 |

INTEREST RATES AND YIELDS TO MATURITY FROM WINNING BID

| Maturity Date | Principal | Coupon | Yield |
|---|---|---|---|
| 7/1/2017 | $6,260,000 | 5.00% | 0.70% |
| 7/1/2018 | 6,575,000 | 5.00 | 0.95 |
| 7/1/2019 | 6,900,000 | 5.00 | 1.14 |
| 7/1/2020 | 7,245,000 | 5.00 | 1.36 |
| 7/1/2021 | 7,610,000 | 5.00 | 1.51 |
| 7/1/2022 | 7,985,000 | 5.00 | 1.75 |
| 7/1/2023 | 8,385,000 | 5.00 | 1.95 |
| 7/1/2024 | 8,810,000 | 5.00 | 2.09 |
| 7/1/2025 | 9,245,000 | 5.00 | 2.23 |
| 7/1/2026 | 9,710,000 | 5.00 | 2.59 |

**DIVISION OF BOND FINANCE OF THE
STATE BOARD OF ADMINISTRATION
OF FLORIDA**

**A RESOLUTION
(THE THIRTEENTH SUPPLEMENTAL RESOLUTION)
AUTHORIZING THE ISSUANCE AND SALE OF
STATE OF FLORIDA, STATE BOARD OF EDUCATION
LOTTERY REVENUE REFUNDING BONDS,
SERIES (TO BE DETERMINED)**

**January 21, 2016**

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**A RESOLUTION (THE THIRTEENTH SUPPLEMENTAL RESOLUTION) AUTHORIZING THE ISSUANCE AND SALE OF STATE OF FLORIDA, STATE BOARD OF EDUCATION, LOTTERY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED), REFUNDING ALL OR A PORTION OF CERTAIN OUTSTANDING LOTTERY REVENUE BONDS; AND PROVIDING FOR AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA:**

## ARTICLE I
## DEFINITIONS, AUTHORITY, RESOLUTION TO CONSTITUTE CONTRACT

**SECTION 1.01. DEFINITIONS.** All of the definitions contained in Article I of the Original Resolution, (as defined herein), in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Outstanding Bonds and the Refunding Bonds (as defined herein).

**"2005A Bonds"** means the $291,425,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2005A.

**"2006B Bonds"** means the $148,290,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2006B.

**"2007A Bonds"** means the $200,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2007A.

**"2007B Bonds"** means the $250,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2007B.

**"2008A Bonds"** means the $200,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008A.

**"2008B Bonds"** means the $200,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008B.

**"2009A Bonds"** means the $300,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2009A.

**"2010A Bonds"** means the $46,070,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2010A.

**"2010B Bonds"** means the $114,970,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2010B.

**"2010C Bonds"** means the $243,560,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010C.

**"2010D Bonds"** means the $109,750,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010D.

**"2010E Bonds"** means the $223,425,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010E.

**"2010F Bonds"** means the $169,830,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010F.

**"2011A Bonds"** means the $242,240,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2011A.

**"2012A Bonds"** means the $89,835,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2012A.

**"2014A Bonds"** means the $186,170,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2014A.

**"Assistant Secretary"** means an Assistant Secretary of the Division.

**"Director"** means the Director of the Division or any Assistant Secretary delegated authority by the Director.

**"Escrow Deposit Agreement"** means the escrow deposit agreement to be entered into by and between the Division and the Board, as trustee, which shall govern and provide for the payment and retirement of the Refunded Bonds.

**"Original Resolution"** means the Resolution authorizing the issuance of State of Florida, State Board of Education Lottery Revenue Bonds, adopted on December 16, 1997, as supplemented and restated on December 18, 2007, and as amended and supplemented from time to time.

**"Outstanding Bonds"** means the 2005A through 2014A Bonds.

**"Refunded Bonds"** means all or a portion of the State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2006B to be refunded by the Refunding Bonds.

**"Refunding Bonds"** means the State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series (to be determined) authorized by this Thirteenth Supplemental Resolution.

**"Resolution"** means the Original Resolution, as supplemented and amended through the date of this resolution.

**"Thirteenth Supplemental Resolution"** means this resolution adopted by the Governing Board on January 21, 2016, authorizing the Refunding Bonds.

Where the context so requires, words importing singular number shall include the plural number in each case and vice versa, words importing persons shall include firms and corporations, and the masculine includes the feminine and vice versa.

**SECTION 1.02. AUTHORITY FOR THIS RESOLUTION.** This Thirteenth Supplemental Resolution is adopted pursuant to the provisions of Article VII, Section 11(d), of the Florida Constitution; Sections 1013.68, 1013.70 and 1013.737, Florida Statutes; the State Bond Act, being Sections 215.57-215.83, Florida Statutes; and other applicable provisions of law; and is supplemental to the Original Resolution.

**SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT.** In consideration of the acceptance of the Refunding Bonds by the Registered Owners, the Resolution shall be deemed to be and shall constitute a contract among the Division, the State Board of Education, and such Registered Owners. The covenants and agreements to be performed by the State Board of Education shall be for the equal benefit, protection, and security of the Registered Owners of any and all of the Outstanding Bonds and the Refunding Bonds, all of which shall be of equal rank and without preference, priority, or distinction as to any of such Bonds over any other thereof, except as expressly provided therein and herein.

## ARTICLE II
## AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, TRANSFER, ISSUANCE, FORM OF BONDS, AUTHORIZATION TO EXECUTE ESCROW DEPOSIT AGREEMENT, AND APPLICABILITY OF ORIGINAL RESOLUTION

**SECTION 2.01. AUTHORIZATION OF ISSUANCE AND SALE OF REFUNDING BONDS.** (A) Subject and pursuant to the provisions of the Resolution, fully registered revenue bonds of the State Board of Education to be known as "State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series (to be determined) (or such other designation as may be determined by the Director), are hereby authorized to be issued and to be sold at public sale in an aggregate principal amount not exceeding $68,000,000 on a date and at the time to be set out or provided for in the Notice of Bond Sale to be published as provided in this Thirteenth Supplemental Resolution. The Refunding Bonds shall be sold to refund the Refunded Bonds. The maturities or portions of maturities to be refunded shall be as determined by the Director to be in the best financial interest of the State. The redemption of the Refunded Bonds on or after their first call date is hereby authorized.

(B) The Director is hereby authorized to determine the most advantageous date and time of a public sale and to provide notice pursuant to applicable law of such sale, at a time and in such manner as determined by the Director be appropriate to provide adequate notice to potential bidders. Bids for the purchase of the Refunding Bonds will be received at the office of the Division or at another location designated in the Notice of Bond Sale, until the time and date of sale determined by the Director. Any prior publication of a Notice of Bond Sale, or abbreviated version thereof, is hereby ratified.

(C) The Director is hereby authorized to publish and distribute a Notice of Bond Sale and a proposal for the sale of the Refunding Bonds or alternatively, the prior publication and distribution of a Notice of Bond Sale and proposal is ratified. The Notice of Bond Sale shall be in such form as shall be determined by the Director and shall contain such information as is consistent with the terms of the Resolution which the Director determines is in the best financial interest of the State.

(D) The Director is hereby authorized to prepare and distribute preliminary and final official statements in connection with the public offering of the Refunding Bonds. The Director is further authorized and directed to amend, supplement or complete the information contained in the preliminary official statement, as may be needed, and to furnish such certification as to the completeness and finality of the preliminary official statement as is necessary to permit the successful bidder to fulfill its obligations under any applicable securities laws. The Chairman and Secretary of the Governing Board and the Director are hereby authorized to execute the final official statement in connection with the public offering of the Refunding Bonds, and the execution thereof by any of the authorized individuals shall be conclusive evidence that the Governing Board has approved the form and content of the final official statement and that the final official statement is complete as of its date.

(E) The Director is hereby authorized to have up to 1,500 copies of the preliminary official statement and 3,500 copies (plus such additional copies as may be requested by the successful bidder at the expense of the successful bidder) of the final official statement relating to the public offering of the Refunding Bonds printed and distributed; to contract with national rating services and providers of municipal bond insurance and Reserve Account Credit Facilities; to retain bond counsel; to make a determination that the preliminary official statement is "deemed final" for purposes of SEC Rule 15c2-12(b)(1); to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Refunding Bonds. Any prior printing and distribution of a preliminary official statement is hereby ratified.

(F) The Secretary or any Assistant Secretary of the Governing Board is hereby authorized and empowered to award said Refunding Bonds when offered, on his determination of the best proposal, as defined in the Notice of Bond Sale, submitted in accordance with the terms of the Notice of Bond Sale provided for herein, and such award shall be final. The Director or any Assistant Secretary of the Governing Board shall report such sale to the Governing Board after award of the Refunding Bonds. The Secretary or any Assistant Secretary of the Governing Board is authorized to deliver such Refunding Bonds to the purchasers thereof upon payment of the purchase price, together with any accrued interest to the date of delivery, and to distribute the proceeds of the Refunding Bonds as provided by this resolution and other proceedings authorizing the issuance of the Refunding Bonds.

(G) The Chairman and the Secretary or any Assistant Secretary of the Governing Board are hereby authorized to execute the Refunding Bonds in the manner provided by the Resolution and to deliver such Bonds to the purchasers thereof upon payment of the purchase price, together with any accrued interest to the date of delivery, and to distribute the proceeds of the Bonds as provided by the Resolution and other proceedings authorizing the issuance of the Bonds.

(H) A certificate as to the approval of the issuance of the Refunding Bonds, shall be executed by the facsimile signature of the Secretary of the Governing Board, an Assistant Secretary, or as otherwise provided by law.

(I) Until definitive obligations are ready for delivery, there may be executed and delivered to the purchasers, in lieu of definitive obligations and subject to the same limitations and conditions, one or more temporary Refunding Bonds, in one or more denominations totaling the aggregate principal amount of the Refunding Bonds to be issued, maturing in installments and bearing interest with respect to each installment, in substantially the same tenor as otherwise herein authorized for the Refunding Bonds, and with such omissions, insertions and variations as may be required. If temporary obligations are issued, the definitive obligations will be prepared and executed and, upon presentation of temporary obligations, the Director shall provide for cancellation of the temporary obligations and deliver to the holders thereof definitive obligations of an equal aggregate principal amount, bearing appropriate characteristics as herein authorized and as sold to the purchasers thereof. Until so exchanged, the temporary obligations shall in all respects be entitled to the same benefit and security as the definitive obligations. Interest and principal installments on the temporary obligations, when due and payable, if the definitive obligations are not then ready for exchange, shall be paid upon presentation of the temporary obligations to the Registrar/Paying Agent, and notation of such payment shall be endorsed thereon. The temporary obligations shall be in such form and denominations as shall be determined by the Director, and shall be executed by the officers who will execute the definitive obligations, which execution is hereby authorized.

(J) U.S. Bank Trust National Association, or its successor, is hereby designated as Bond Registrar/Paying Agent for the Refunding Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement by and between the Board of Administration and U.S. Bank Trust National Association or its successor.

(K) The Interest Payment Dates and the Principal Payment Dates for the Refunding Bonds shall be as set forth in the Notice of Bond Sale. Interest on the Refunding Bonds shall be paid by check or draft mailed on the Interest Payment Date (or, in certain cases, may be paid by wire transfer at the election of a Registered Owner, other than a securities depository, in the manner and under the terms provided for in the State's agreement with the Bond Registrar/Paying Agent, provided that such Registered Owner advances to the Bond Registrar/Paying Agent the amount, if any, necessary to pay the wire charges or authorizes the paying agent to deduct the amount of such payment) to the Registered Owner thereof as of 5:00 p.m. New York time on the Record Date shown on the registration books maintained by the Bond Registrar/Paying Agent for the Refunding Bonds.

(L) The Refunding Bonds shall be dated, shall mature in such years and amounts and shall bear interest commencing on such date as set forth or provided for in the Notice of Bond Sale, a copy of which, as published, shall be retained in the files of the Division with this Thirteenth Supplemental Resolution. The Refunding Bonds shall be issued in denominations of $1,000 or any integral multiple thereof unless otherwise provided in the Notice of Bond Sale. The Refunding

Bonds shall be payable at the corporate trust office of U.S. Bank Trust National Association, New York, New York, or its successor.

(M) The Refunding Bonds shall be subject to redemption as provided in the Notice of Bond Sale. The Notice of Bond Sale shall contain such redemption provisions as shall be determined by the Director to be in the best financial interest of the State. Upon election by the successful bidder as provided in the Notice of Bond Sale, a portion of the Refunding Bonds identified in such election may be designated as Term Bonds. Additionally, in lieu of mailing the notice of redemption, the Bond Registrar/Paying Agent may elect to provide such notice by electronic means to any Registered Owner who has consented to such method of receiving notices.

(N) The incremental increase in the Reserve Requirement attributable to the Refunding Bonds (if any) shall be funded with proceeds of the Refunding Bonds, amounts previously on deposit in a reserve account on behalf of the Refunded Bonds, a Reserve Account Credit Facility, or some combination thereof, as determined by the Director. The incremental increase in the Reserve Requirement attributable to the Refunding Bonds shall be deposited in the Reserve Account which was created by Section 4.01 of the Original Resolution. Amounts on deposit in the Reserve Account may be commingled with the amounts deposited for Bonds of additional Series which are secured thereby, shall be held for the benefit of the Registered Owners of only such Bonds as may be specifically secured by the Reserve Account, and shall be applied in the manner provided in the Resolution.

Notwithstanding the provisions of the Original Resolution, the Reserve Account for the Refunding Bonds authorized by this Thirteenth Supplemental Resolution shall be funded in an amount determined by the Director, which shall not exceed the Debt Service Reserve Requirement for the Refunding Bonds. Such amount may be zero. The amount of the Reserve Requirement funded from the proceeds of the Refunding Bonds shall not exceed the amount permitted under the Code.

(O) The Reserve Requirement for the Refunding Bonds, if any, shall be deposited, as determined by the Director, in either a subaccount in the Reserve Account established for any of the Outstanding Bonds or in a subaccount in such Reserve Account which is hereby established for the Refunding Bonds. Amounts on deposit in any subaccount in the Reserve Account may be commingled with the amounts deposited for Bonds of additional Series which are secured thereby, shall be held for the benefit of the Registered Owners of only such Bonds as may be specifically secured by the respective subaccount, and shall be applied in the manner provided in the Resolution.

(P) Any portion of the Refunding Bonds may be issued as a separate series, provided that the Refunding Bonds of each series shall be numbered consecutively from one upward. The Refunding Bonds referred to herein may be sold separately or combined with any other Bonds authorized by the Division to be sold.

(Q) The Director is hereby authorized to offer for sale a lesser principal amount of Refunding Bonds than that set forth in this resolution and to adjust the maturity schedule and redemption provisions for the Refunding Bonds, if necessary, to reflect the issuance of such lesser amount, and to modify the Notice of Bond Sale as may be required. Any portion of the Refunding Bonds not offered shall remain authorized to be offered at a later date.

(R) The Director is authorized to provide in the Notice of Bond Sale of the Refunding Bonds that the purchase price for the Refunding Bonds may include a discount of not to exceed 3%, excluding original issue discount, if any, of the aggregate principal amount of such Refunding Bonds offered for sale.

(S) The Chairman, Secretary and any Assistant Secretary of the Governing Board, the Director, and such other officers and employees of the Division as may be designated by the Governing Board as agents of the Division in connection with the issuance and delivery of the Refunding Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the Refunding Bonds, including but not limited to, contracting with a consultant to verify escrow calculations of the Refunding Bonds, retaining bond counsel to render a special tax opinion relating to the use of the proceeds from the sale of the Refunding Bonds, and providing for redemption of the Refunded Bonds. Notwithstanding anything contained in the Resolution to the contrary, it is the intent of the Division that interest on the Refunding Bonds be and remain excluded from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to the Refunding Bonds, whether such requirements are now in effect, pending or subsequently enacted. The Division is hereby authorized and directed to take all actions necessary with respect to the Refunding Bonds to comply with such requirements of federal tax law.

**SECTION 2.02. AUTHORIZATION TO EXECUTE AND DELIVER AN ESCROW DEPOSIT AGREEMENT; DESIGNATION OF ESCROW AGENTS.** The Chairman and Secretary or an Assistant Secretary of the Governing Board and such other officers and employees of the Division as may be designated by the Governing Board as agents of the Division are hereby each authorized to execute and deliver an Escrow Deposit Agreement on behalf of the Division in such form as may be determined by the Director for the purpose of providing for the deposit of a portion of the proceeds of the Refunding Bonds and such other funds as determined to be necessary into an escrow deposit trust fund for the refunding of the Refunded Bonds. The escrow deposit trust fund shall be held and administered by an escrow agent acceptable to the Director as evidenced by the Director's execution of the Escrow Deposit Agreement.

The proceeds of the Refunding Bonds may be deposited in either Federal Obligations or State Treasury Investments, or may be held uninvested, as determined by the Director. "Federal Obligation" means direct obligations of the United States of America, Resolution Funding Corporation ("REFCORP") interest strips, or direct non-prepayable obligations the principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. "State Treasury Investments" means investments made with the Chief Financial Officer of the State of Florida in a Special Purpose Investment Account pursuant to section 17.61, Florida Statutes.

**SECTION 2.03. APPLICABILITY OF ARTICLE II OF THE ORIGINAL RESOLUTION.** Except as otherwise provided in this Thirteenth Supplemental Resolution, the terms, description, execution, negotiability, redemption, authentication, disposition, replacement, registration, transfer, issuance and form of the Refunding Bonds shall be governed by the provisions of Article II of the Original Resolution, adjusted to the extent necessary to apply to the Refunding Bonds.

## ARTICLE III
## APPLICATION OF PROCEEDS

**SECTION 3.01. APPLICATION OF REFUNDING BOND PROCEEDS.** Upon receipt of the proceeds of the sale of the Refunding Bonds the Division shall transfer and apply such proceeds as follows:

(A) The amount necessary to pay all costs and expenses of the Division in connection with the preparation, issuance, and sale of the Refunding Bonds, including a reasonable charge for the services of the Division for its fiscal services and for arbitrage rebate compliance program set-up, shall be transferred to the Division and deposited in the Bond Fee Trust Fund.

(B) Any accrued interest on the Refunding Bonds shall be transferred to the Board of Administration and deposited in the Sinking Fund, and used for the payment of interest on the Refunding Bonds.

(C) An amount necessary to fund the incremental increase in the Reserve Requirement attributable to the Refunding Bonds (if any), to be held in reserve, shall be transferred to the Board of Administration and deposited in the Reserve Account within the Sinking Fund. Alternatively, the Division, as provided in Section 4.03 of the Original Resolution, may elect at any time to provide in lieu of all or a portion of such funds a Reserve Account Credit Facility in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the Reserve Account.

(D) An amount together with the interest earnings thereon, and other amounts deposited therein which is anticipated to be sufficient to pay when due (1) the principal amount of the Refunded Bonds, (2) the amount of interest and redemption premium payable on the Refunded Bonds, and (3) the amount of fees and expenses estimated to be incurred in connection with the payment and retirement of the Refunded Bonds shall be transferred and deposited in escrow pursuant to the terms of the Escrow Deposit Agreement.

(E) Any balance of the proceeds of the Refunding Bonds after providing for the requirements of subsections (A) through (D) above shall be transferred to the Sinking Fund and used for the purposes set forth therein.

## ARTICLE IV
## SECURITY FOR THE BONDS

**SECTION 4.01. REFUNDING BONDS ON A PARITY WITH THE OUTSTANDING BONDS.** The Refunding Bonds shall be payable on a parity, and rank equally as to lien on and source and security for payments from the Pledged Revenues and in all other respects, with the other Outstanding Bonds.

**SECTION 4.02. REFUNDING BONDS SECURED BY ORIGINAL RESOLUTION.** The Refunding Bonds shall be deemed to have been issued pursuant to the Original Resolution, as supplemented by this Thirteenth Supplemental Resolution, as fully and to the same extent as the Outstanding Bonds, and all of the covenants and agreements contained in the Original Resolution, as amended and supplemented, shall be deemed to have been made for the benefit of the Registered Owners of the Refunding Bonds as fully and to the same extent as the Registered Owners of the Outstanding Bonds.

All of the covenants, agreements, and provisions of the Original Resolution, as amended and supplemented, except to the extent inconsistent herewith, shall be deemed to be part of this Thirteenth Supplemental Resolution to the same extent as if incorporated verbatim in this Thirteenth Supplemental Resolution, and shall be fully enforceable in the manner provided in the Original Resolution, as amended and supplemented, by any of the Registered Owners of the Refunding Bonds.

## ARTICLE V
## MISCELLANEOUS

**SECTION 5.01. RESOLUTION NOT ASSIGNABLE.** This Thirteenth Supplemental Resolution shall not be assignable by the Division or the Board of Administration, except for the benefit of the Registered Owners.

**SECTION 5.02. MODIFICATION OR AMENDMENT.** Modification or amendment hereof shall be governed by Section 8.02 of the Original Resolution.

**SECTION 5.03. CONTINUING DISCLOSURE.** (A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Board agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Director, in conjunction with the appropriate officer of the Board, is authorized and directed to execute and deliver any documents or agreement which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

**SECTION 5.04. SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants or provisions of this Thirteenth Supplemental Resolution shall be held contrary to any express provision 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 held invalid, then such covenants or provisions shall be null and void and shall be deemed separable from the remaining covenants or provisions of this Thirteenth Supplemental Resolution or of the Refunding Bonds and shall in no way affect the validity or enforceability of any other covenants, agreements or provisions of this Thirteenth Supplemental Resolution or of the Refunding Bonds issued hereunder.

**SECTION 5.05. FISCAL AGENT.** Upon the sale and delivery of the Refunding Bonds by the Division on behalf of the State Board of Education, the Board of Administration shall act as the fiscal agent for the State Board of Education with respect to the Refunding Bonds.

**SECTION 5.06. REPEAL OF INCONSISTENT RESOLUTIONS.** All prior or concurrent resolutions or parts of resolutions inconsistent with this resolution are hereby amended by this resolution, but only to the extent of any such inconsistency.

**SECTION 5.07. SUCCESSOR AGENCIES AND OFFICIALS.** Any references in the Resolution to offices, bodies, or agencies which have been or are superceded, replaced or abolished by law shall be deemed to refer to the successors of such offices, bodies, and agencies. Any action required or authorized to be taken by an official whose office, body, or agency has been or is so superceded, replaced, or abolished shall be taken by the successor to such official.

**SECTION 5.08. CONFIRMATION OF ORIGINAL RESOLUTION.** As supplemented by this Thirteenth Supplemental Resolution, the Original Resolution is in all respects ratified and confirmed, and this Thirteenth Supplemental Resolution shall be read, taken, and construed as a part of the Original Resolution.

**SECTION 5.09. AMENDMENT.** The amendment to the Original Resolution adopted through this Thirteenth Supplemental Resolution does not have a materially adverse effect on the Registered Owners of the Outstanding Bonds. The Registered Owners of the Refunding Bonds will have no claim to the existing Debt Service Reserve subaccounts.

**SECTION 5.10. RESERVED.**

**SECTION 5.11. EFFECTIVE DATE.** This Thirteenth Supplemental Resolution shall take effect immediately upon its adoption.

**ADOPTED on January 21, 2016.**

**FORTY-SECOND SUPPLEMENTAL TURNPIKE REVENUE BOND RESOLUTION**

**A RESOLUTION (THE FORTY-SECOND SUPPLEMENTAL RESOLUTION) OF THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA SUPPLEMENTING THE TURNPIKE REVENUE BOND AUTHORIZING RESOLUTION, AS SUPPLEMENTED AND AMENDED; AUTHORIZING THE ISSUANCE AND THE COMPETITIVE SALE OF STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION TURNPIKE REVENUE REFUNDING BONDS, SERIES 2016 (TO BE DETERMINED); AUTHORIZING A NOTICE OF BOND SALE; PROVIDING FOR APPLICATION OF THE PROCEEDS OF THE SERIES 2016 (TO BE DETERMINED) BONDS; AUTHORIZING A PRELIMINARY AND A FINAL OFFICIAL STATEMENT; PROVIDING FOR OTHER TERMS AND AUTHORIZATIONS IN CONNECTION WITH THE SALE AND ISSUANCE OF THE SERIES 2016 (TO BE DETERMINED) BONDS; AND PROVIDING FOR AN EFFECTIVE DATE.**

WHEREAS, acting on behalf of the State of Florida Department of Transportation (the “Department”), the Governor and Cabinet sitting as the governing board (the “Governing Board”) of the Division of Bond Finance of the State Board of Administration of Florida (formerly the Division of Bond Finance of the State of Florida Department of General Services) (the “Division”) adopted a resolution on October 25, 1988 authorizing the issuance of State of Florida, Department of Transportation Turnpike Revenue Bonds, which resolution, as restated on May 17, 2005 (the “Authorizing Resolution”), was adopted to secure the issuance by the Division from time to time of one or more series of Turnpike Revenue Bonds, subject to the terms and conditions of the Authorizing Resolution; and

WHEREAS, the Department has adopted a resolution requesting the Division to proceed with the issuance and sale of State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2016 (to be determined) (the “Refunding Bonds”) to refund all or a portion of the callable Outstanding State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2006A (when refunded, the “Refunded Bonds”); and

WHEREAS, the Governing Board has determined to sell the Refunding Bonds on behalf of the Department, under and pursuant to the Authorizing Resolution and pursuant to the request of the Department of Transportation; and

WHEREAS, the Governing Board wishes to authorize the publication of a Notice of Bond Sale for the competitive sale of the Refunding Bonds (the “Notice of Bond Sale”), and

WHEREAS, upon the adoption of this Forty-second Supplemental Resolution and the completion of certain actions required hereunder and under the Authorizing Resolution, the execution and delivery of the Refunding Bonds will have been duly authorized and all things necessary to make the Refunding Bonds, when executed and authenticated in the manner set forth in the Authorizing Resolution, valid and binding legal obligations of the State of Florida and the Department and to make the Authorizing Resolution, as supplemented by this Forty-second Supplemental Resolution, a valid and binding agreement with the Registered Owners of the Refunding Bonds, will have been done;

**NOW, THEREFORE, BE IT RESOLVED by the Governor and Cabinet of the State of Florida sitting as the Governing Board of the Division of Bond Finance of the State Board of Administration of Florida, on behalf of the State of Florida Department of Transportation, as follows:**

**SECTION 1. DEFINITIONS.** All terms used in this Forty-second Supplemental Resolution are used with the same meaning throughout this Forty-second Supplemental Resolution unless the context clearly requires otherwise. All terms used in this Forty-second Supplemental Resolution that are defined in the Authorizing Resolution have the same meaning as in the Authorizing Resolution unless the context clearly requires otherwise.

**SECTION 2. AUTHORITY FOR THIS FORTY-SECOND SUPPLEMENTAL RESOLUTION.** This Forty-second Supplemental Resolution is adopted pursuant to the provisions of the Act and constitutes a resolution authorizing bonds pursuant to the Act.

**SECTION 3. RESOLUTION TO CONSTITUTE CONTRACT.** In consideration of the purchase and acceptance of any and all of the Refunding Bonds by those who shall own the same from time to time, the Authorizing Resolution, as supplemented by this Forty-second Supplemental Resolution, shall be deemed to be and shall constitute a contract between the Department and the Registered Owners from time to time of the Refunding Bonds; and the security interest granted and the pledge made in the Authorizing Resolution, as supplemented by this Forty-second Supplemental Resolution, and the covenants and agreements therein set forth to be performed on behalf of the Department shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Refunding Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Refunding Bonds over any other thereof except as expressly provided in or permitted by the Authorizing Resolution, as supplemented by this Forty-second Supplemental Resolution.

**SECTION 4. AUTHORIZATION OF ISSUANCE AND SALE OF THE REFUNDING BONDS.**

(A) The not exceeding $120,000,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2016 (to be determined) (or such other designation as may be provided by the Director) are hereby authorized to be issued and sold at competitive sale on the date and at the time to be determined by the Director. The Refunding Bonds may be sold at different times in more than one series. If sold in more than one series, the authorizations contained in this resolution shall apply to each of such series. The Refunding Bonds may also be sold separately or combined with any other Turnpike System Revenue Bonds authorized to be sold. The final maturity date of the Refunding Bonds shall not be later than 35 years from their date of issue. The Refunding Bonds shall be issued in fully registered form in denominations of $1,000 or integral multiples thereof. The Refunding Bonds shall be dated and bear interest from such date, and be payable in each year, as indicated or provided for in the Notice of Bond Sale. The interest rates of the Refunding Bonds, not to exceed the maximum lawful rate on the date of sale of the Refunding Bonds, shall be determined in accordance with the Notice of Bond Sale, and the Refunding Bonds shall mature as determined by the Director in the Notice of Bond Sale. Interest on the Refunding Bonds will be paid by check or draft mailed on each Interest Payment Date [or by wire transfer, at the election of a Registered Owner, in the manner and under the terms provided for in the State's agreement with the Bond Registrar/Paying Agent (provided that such Registered Owner advances to the Bond Registrar/Paying Agent the amount, if any, necessary to pay the wire charges or authorizes the Bond Registrar/Paying Agent to deduct the amount of such payment)] to the Registered Owner thereof as of 5:00 p.m. on the Record Date at the address shown on the registration books maintained by the Bond Registrar/Paying Agent for the Refunding Bonds. Principal of the Refunding Bonds will be payable to the Registered Owners thereof upon their presentation and surrender when due at the corporate trust office of the Bond Registrar/Paying Agent.

(B) The Director or an Assistant Secretary of the Governing Board is authorized to determine the most advantageous date and time of a public sale and to provide notice pursuant to applicable law of such sale, at a time and in such manner as determined by the Director to be appropriate to provide adequate notice to potential bidders. Bids for the purchase of the Refunding Bonds will be received at the offices of the Division in Tallahassee, Florida, or at another location designated in the Notice of Bond Sale, until the time and date of sale determined by the Director.

(C) The Director is hereby authorized to distribute a Notice of Bond Sale and a form of proposal for the sale of the Refunding Bonds. The Notice of Bond Sale shall be in such form as shall be determined by the Director, with the advice of bond counsel, and shall contain such information as required by applicable law. Any prior distribution of a Notice of Bond Sale and form of proposal is hereby ratified.

(D) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to award the sale of the Refunding Bonds in an aggregate principal amount not exceeding $120,000,000 and to pay the costs, fees and expenses associated therewith. Such award by the Director or the Secretary or an Assistant Secretary shall be based on his or her determination of the best bid submitted in accordance with the terms of the Notice of Bond Sale and such award shall be final. The sale shall be reported to the Governing Board after award of the Refunding Bonds.

(E) In the event that conditions preclude, or circumstances render unnecessary or undesirable, the sale of the maximum principal amount of the Refunding Bonds authorized to be sold by this Forty-second Supplemental Resolution, then in such event the Director or the Secretary or an Assistant Secretary of the Governing Board is hereby authorized to offer for sale a lesser principal amount than that set forth in the Notice of Bond Sale and to adjust the maturity schedule and redemption provisions for the Refunding Bonds, if necessary, to reflect the issuance of such lesser amount, and to modify the Notice of Bond Sale as may be required.

(F) The Refunding Bonds shall be subject to redemption as provided in the Notice of Bond Sale.

(G) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to provide in the Notice of Bond Sale that the purchase price for the Refunding Bonds may include a discount to par not to exceed the statutory amount.

(H) The Chairman, Secretary or an Assistant Secretary of the Governing Board or their duly authorized alternative officers are hereby authorized on behalf of the Division to execute the Refunding Bonds (including any temporary bond or bonds) as provided in the Authorizing Resolution and any of such officers is hereby authorized, upon the execution of the Refunding Bonds in the form and manner set forth in the Authorizing Resolution, to deliver the Refunding Bonds in the amounts authorized to be issued hereunder to the Bond Registrar/Paying Agent for authentication and, upon receipt of payment of the purchase price (together with accrued interest), for delivery to or upon the order of the original purchaser of the Refunding Bonds, and to distribute the proceeds of the Refunding Bonds as provided herein and in the Authorizing Resolution.

(I) The Chairman, Secretary or any Assistant Secretary of the Governing Board, the Director, and such other officers and employees of the Division as may be designated as agents of the Division in connection with the issuance and delivery of the Refunding Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the sale, execution and delivery of the Refunding Bonds.

**SECTION 5. SECURITY FOR THE REFUNDING BONDS.**

(A) The Refunding Bonds authorized by this Forty-second Supplemental Resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Net Revenues of the Turnpike System and in all other respects with the Outstanding Bonds.

(B) The Refunding Bonds authorized by this Forty-second Supplemental Resolution shall be deemed to have been issued pursuant to the Authorizing Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Authorizing Resolution shall be deemed to have been made for the benefit of the Registered Owners of the Refunding Bonds as fully and to the same extent as the Registered Owners of the Outstanding Bonds. The amount of Refunding Bonds herein authorized to be issued is in addition to the amount of Turnpike Revenue Bonds previously authorized in the Authorizing Resolution.

All of the covenants, agreements, and provisions of the Authorizing Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this Forty-second Supplemental Resolution to the same extent as if incorporated verbatim in this Forty-second Supplemental Resolution, and shall be fully enforceable in the manner provided in the Authorizing Resolution by any of the Registered Owners of the Refunding Bonds.

**SECTION 6. APPLICATION OF PROCEEDS.** (A) Upon receipt of the proceeds of the Refunding Bonds, the Division shall transfer and apply such proceeds as follows:

(i) The amount necessary to pay all costs and expenses of the Division in connection with the preparation, sale and issuance of the Refunding Bonds, including a reasonable charge for the services of the Division, shall be transferred to the Division to be deposited in the Bond Proceeds Trust Fund, subject to disbursement of the funds to the Bond Fee Trust Fund and the Arbitrage Compliance Fund pursuant to written instructions at the delivery of the Refunding Bonds unless such amount shall be provided from another legally available source.

(ii) The accrued interest on the Refunding Bonds, if any, shall be deposited into the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Refunding Bonds.

(iii) The amount necessary to fund the Debt Service Reserve Requirement for the Refunding Bonds shall be deposited into the Debt Service Reserve SubAccount designated by the Director pursuant to Section 7 of this resolution.

(iv) All remaining proceeds shall be transferred to the Board for deposit into a trust fund, hereby created, to be known as the "State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2016 (to be determined) Escrow Deposit Trust Fund" (hereinafter referred to as the "Escrow Deposit Trust Fund"). Such amount, together with the income on the investment thereof, and other legally available funds, if required, shall be sufficient to pay when due the entire principal of the Refunded Bonds, together with interest accrued and to accrue thereon to their respective maturity dates or, if called for redemption prior to maturity, such prior redemption dates and redemption premiums, if any, and the expenses and fees listed in the Escrow Deposit Agreement as hereinafter provided in Section 6(B)(i) below.

(B) The moneys deposited by the Board in the Escrow Deposit Trust Fund shall be administered and applied as follows:

(i) The Escrow Deposit Trust Fund shall be held in irrevocable trust by the Board and, except as provided in Section 6(B)(ii) below, shall be applied solely to refund the Refunded Bonds and to the payment of the fees and expenses incurred in connection with such refunding. The application of the moneys in the Escrow Deposit Trust Fund shall be made for said purposes pursuant to an Escrow Deposit Agreement hereby authorized to be entered into by the Division and the Board and endorsed and accepted by the Department, in a form normally utilized by the Board.

(ii) Moneys on deposit in the Escrow Deposit Trust Fund shall be used to purchase Federal Obligations (as defined in the Escrow Deposit Agreement) in accordance with the schedules given in the Escrow Deposit Agreement. The maturing Federal Obligations, the earnings thereon, if required, and the cash on deposit in the Escrow Deposit Trust Fund shall be sufficient to accomplish the refunding described above. In the alternative, in the discretion of the Director of the Division of Bond Finance, moneys on deposit in the Escrow Deposit Trust Fund shall be invested in the State Treasury, or in such other legally authorized investments, or held uninvested, until such time as such funds, together with other legally available funds, if necessary, are needed to effect the redemption of the Refunded Bonds.

(C) The proceeds derived from the sale of the Refunding Bonds shall be applied and disbursed pursuant to the provisions of the Act and this Forty-second Supplemental Resolution. The Registered Owners of the Refunding Bonds shall not have any responsibility whatsoever for the application or use of any of the proceeds derived from the sale of the Refunding Bonds, and the rights and remedies of the Registered Owners of Refunding Bonds and their right to payment, pursuant to the Authorizing Resolution as supplemented by this Forty-second Supplemental Resolution, shall not be affected or impaired by the application or use of such proceeds. Upon the issuance of the Refunding Bonds, all the covenants and agreements between the Board and the Registered Owners of the Refunding Bonds contained in the Authorizing Resolution and this Forty-second Supplemental Resolution shall be valid and binding covenants and agreements between the Division and the Registered Owners of the Refunding Bonds without regard to the application of the proceeds of the Refunding Bonds.

**SECTION 7. RESERVE REQUIREMENT.** The Refunding Bonds shall be secured, together with the Outstanding Turnpike Revenue and Revenue Refunding Bonds, and any other Series of Turnpike Bonds designated to be secured thereby, by the Debt Service Reserve Subaccount in the Debt Service Reserve Account securing the Series 2006A through Series 2015B Bonds or in such other Debt Service Reserve Subaccount as may be established, as needed, by the Director.

**SECTION 8. BOND REGISTRAR/PAYING AGENT.** U.S. Bank Trust National Association, New York, New York, is hereby designated as the Bond Registrar/Paying Agent for the Refunding Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement between the State of Florida and U.S. Bank Trust National Association.

**SECTION 9. AUTHORIZATION OF OFFICIAL STATEMENT.** The Division is hereby authorized to prepare and distribute preliminary and final Official Statements in connection with the Refunding Bonds, on behalf of the Department, pursuant to the State Bond Act. The Chairman, Secretary or an Assistant Secretary of the Governing Board and the Director are hereby authorized to execute the final Official Statement in connection with the Refunding Bonds, and the execution thereof shall be conclusive evidence that the Governing Board has approved the form and content of the Final Official Statement. The Division is further authorized to have up to 3,000 copies of the Preliminary Official Statement and 3,000 copies of the Final Official Statement relating to the Refunding Bonds printed and distributed; to contract with national rating services; to make a determination that the Preliminary Official Statement is “deemed final” for purposes of SEC Rule 15c2-12(b)(1); to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Refunding Bonds. Any prior printing and distribution of a Preliminary Official Statement is hereby ratified.

**SECTION 10. FORM OF REFUNDING BONDS.** (A) Notwithstanding anything to the contrary in the Authorizing Resolution, this Forty-second Supplemental Resolution, or any other resolution relating to the Refunding Bonds (for the purposes of this section, collectively, the “Resolution”), the Refunding Bonds may be issued in book-entry only form utilizing the services of a Securities Depository (as used herein, “Securities Depository” means The Depository Trust Company, New York, New York, or its nominees, successors and assigns).

So long as a book-entry only system of evidence of transfer of ownership of all the Refunding Bonds is maintained in accordance herewith, any provision of the Resolution relating to the delivery of physical bond certificates shall be inapplicable, and the Resolution shall be deemed to give full effect to such book-entry system.

If the Refunding Bonds are issued in book-entry only form:

(1) The Refunding Bonds shall be issued in the name of the Securities Depository as the Registered Owner of the Refunding Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the Refunding Bonds will be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities

Depository ("Participants" include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, as well other organizations that clear through or maintain a custodial relationship with such organizations, either directly or indirectly).

(3) Each Participant shall be credited in the records of the Securities Depository with the amount of such Participant's interest in the Refunding Bonds. Beneficial ownership interests in the Refunding Bonds may be purchased by or through Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive Refunding Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the Participant from which such Beneficial Owner purchased its Refunding Bonds. Transfers of ownership interests in the Refunding Bonds shall be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(4) Unless otherwise provided herein, the Department, the Division of Bond Finance, the Board of Administration and the Bond Registrar/Paying Agent (as used in this section, the "State and its agents") shall treat the Securities Depository as the sole and exclusive owner of the Refunding Bonds registered in its name for the purposes of

(a) payment of the principal of, premium, if any, and interest on the Refunding Bonds or portion thereof to be redeemed or purchased. Payments made to the Securities Depository of principal, premium, and interest shall be valid and effective to fully satisfy and discharge the Department's obligations to the extent of the sums so paid;

(b) giving any notice permitted or required to be given to Registered Owners under the Resolution; and

(c) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The State and its agents may rely conclusively upon

(i) a certificate of the Securities Depository as to the identity of the Participants with respect to the Refunding Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Refunding Bonds beneficially owned by, the Beneficial Owners.

(5) The State and its agents shall have no responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Refunding Bond Register, with respect to

(a) the accuracy of any records maintained by the Securities Depository or any Participant;

(b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Refunding Bond;

(c) the delivery of any notice by the Securities Depository or any Participant;

(d) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Refunding Bonds; or

(e) any consent given or any other action taken by the Securities Depository or any Participant.

(6) The requirements in the Resolution of holding, delivering or transferring Refunding Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Refunding Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Refunding Bonds shall, while the Refunding Bonds are in book-entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

(B) The Division of Bond Finance may discontinue the book-entry system with the then-current securities depository, subject to the terms of its agreement with such securities depository. In this event, the Division of Bond Finance shall either

(1) identify another qualified securities depository or

(2) prepare and deliver replacement Refunding Bonds in the form of fully registered bonds to each Beneficial Owner.

**SECTION 11. FEDERAL TAX MATTERS.** Upon the execution of a "Federal tax certificate," "non-arbitrage certificate" or other certificate relating to compliance by the Department or the Division with Federal tax law requirements, the representations, terms and covenants in each such certificate shall be deemed to be incorporated in this Forty-second Supplemental Resolution and shall be deemed to benefit the Registered Owners of the Refunding Bonds.

Notwithstanding anything contained in the Authorizing Resolution to the contrary, it is the intent of the Governing Board that interest on the Refunding Bonds be and remain excluded from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to the Refunding Bonds, or any series thereof, whether such requirements are now in effect, pending or subsequently enacted. The officers, employees and agents of the Division of Bond Finance are hereby authorized and directed to take all actions necessary with respect to the Refunding Bonds and each series thereof to comply with such requirements of federal tax law.

**SECTION 12. CONTINUING DISCLOSURE.**

(A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Department of Transportation hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Secretary of the Department, in conjunction with the appropriate officers of the Division, is authorized and directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 and the Securities and Exchange Commission.

**SECTION 13. INCIDENTAL ACTION.** The members and officers of the Governing Board and the staff of the Division are hereby authorized and directed to execute and deliver such other documents, and to take such other actions as may be necessary or appropriate in order to accomplish the sale, issuance and securing of the Refunding Bonds pursuant to the terms of the Authorizing Resolution and this Forty-second Supplemental Resolution, and the performance of the obligations of the Division under the Authorizing Resolution.

**SECTION 14. CONFIRMATION OF AUTHORIZING RESOLUTION/PRIOR RESOLUTIONS.** As supplemented by this Forty-second Supplemental Resolution, the Authorizing Resolution is in all respects ratified and confirmed, and this Forty-second Supplemental Resolution shall be read, taken and construed as a part of the Authorizing Resolution. All prior or concurrent resolutions or parts of resolutions inconsistent with this Resolution are hereby amended by this Resolution, including the Notice of Bond Sale, but only to the extent of any such inconsistency.

**SECTION 15. EFFECTIVE DATE.** This Forty-second Supplemental Resolution shall take effect on the date of its adoption by the Governing Board.

Adopted by the Governor and Cabinet of the State of Florida sitting as the Governing Board of the Division of Bond Finance of the State Board of Administration of Florida, on behalf of the Department of Transportation, on January 21, 2016.