

**MEETING OF THE STATE BOARD OF ADMINISTRATION**

**GOVERNOR SCOTT AS CHAIRMAN  
CHIEF FINANCIAL OFFICER ATWATER  
ATTORNEY GENERAL BONDI**

**MARCH 24, 2015**

**To View Agenda Items, Click on the Following Link:**

**[www.sbafla.com](http://www.sbafla.com)**

**AGENDA – REVISED 3/16/2015**

**ITEM 1. REQUEST APPROVAL OF SBA QUARTERLY REPORT REQUIRED BY THE PROTECTING FLORIDA’S INVESTMENTS ACT (PFIA).**

Pursuant to Sections 215.473 and 215.442, F.S., the SBA is required to submit a quarterly report that includes lists of “Scrutinized Companies” with activities in Sudan and Iran. The PFIA prohibits the SBA, acting on behalf of the Florida Retirement System Trust Fund, from investing in, and requires divestment from, companies involved in certain types of business activities in or with Sudan or Iran (i.e., the “Scrutinized Companies”).

**(See Attachment 1A)**

**ACTION REQUIRED**

**ITEM 2. REQUEST APPROVAL OF A DRAFT LETTER TO THE JOINT LEGISLATIVE AUDITING COMMITTEE AFFIRMING THAT THE SBA TRUSTEES HAVE “REVIEWED AND APPROVED THE MONTHLY [FLORIDA PRIME AND FUND B MANAGEMENT SUMMARY] REPORTS AND ACTIONS TAKEN, IF ANY, TO ADDRESS ANY [MATERIAL] IMPACTS,”AND “HAVE CONDUCTED A REVIEW OF THE [FUND B] TRUST FUND AND THAT THE TRUST FUND IS IN COMPLIANCE WITH THE REQUIREMENTS OF THIS SECTION.” (SECTIONS 218.409(6)(a)1 AND 218.421(2)(a), F.S.)**

During the fourth quarter of 2014, there were no material impacts. Copies of the October, November, and December 2014 reports are attached.

**(See Attachments 2A – 2D)**

**ACTION REQUIRED**

**ITEM 3. REQUEST APPROVAL OF A DRAFT LETTER CERTIFYING THE TRUSTEES HAVE REVIEWED THE AUDITOR GENERAL'S ANNUAL FINANCIAL AUDIT (REPORT NO. 2015-054) OF THE LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (NOW KNOWN AS "FLORIDA PRIME").**

Pursuant to Section 218.409(9), F.S., the Auditor General shall conduct an annual financial audit of the trust fund, which shall include testing for compliance with the investment policy. The trustees shall report to the Joint Legislative Auditing Committee that the trustees have reviewed the report of the trust fund audit and shall certify that any necessary items are being addressed by a corrective action plan that includes target completion dates. The Auditor General did not report any material deficiencies.

**(See Attachments 3A and 3B)**

**ACTION REQUIRED**

**ITEM 4. REQUEST APPROVAL OF THE REAPPOINTMENT OF LES DANIELS AND MICHAEL PRICE TO THE INVESTMENT ADVISORY COUNCIL (S. 215.444, F.S.).**

**(See Attachments 4A – 4B)**

**ACTION REQUIRED**

**ITEM 5. QUARTERLY REPORTS PURSUANT TO SECTION 215.44 (2)(e), FLORIDA STATUTES**

- Executive Director & CIO Introductory Remarks and Standing Reports – *Ash Williams*
- Major Mandates Investment Performance Reports as of December 31, 2014 – *Steve Cummings – Hewitt EnnisKnupp*
  - Florida Retirement System Pension Plan (DB)
  - Florida Retirement System Investment Plan (DC)
  - Florida PRIME (Local Government Surplus Funds Trust Fund) and Fund B
  - Florida Hurricane Catastrophe Fund (FHCF)

**(See Attachments 5A – 5I)**

**INFORMATION/DISCUSSION ITEMS**

- ITEM 6. REQUEST APPROVAL OF, AND AUTHORITY TO FILE, A NOTICE OF PROPOSED RULES FOR RULES 19-8.029, F.A.C., INSURER REPORTING REQUIREMENTS, AND 19-8.030, F.A.C., INSURER RESPONSIBILITIES, AND TO FILE THESE RULES, ALONG WITH THE INCORPORATED FORMS, FOR ADOPTION IF NO MEMBER OF THE PUBLIC TIMELY REQUESTS A RULE HEARING, OR IF A HEARING IS REQUESTED AND NO CHANGES ARE NEEDED.**

See Jack Nicholson's Memo Detailing FHFC Items 6 and 7 (Attachment 6)  
(See Attachments 6A – 6L)

**ACTION REQUIRED**

- ITEM 7. REQUEST APPROVAL OF A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION (I) DETERMINING THAT THE EXECUTION OF RISK TRANSFER ARRANGEMENTS AND THE ISSUANCE OF PRE-EVENT REVENUE BONDS OR NOTES IN A COMBINED AMOUNT UP TO BUT NOT EXCEEDING \$2.2 BILLION WOULD MAXIMIZE THE ABILITY OF THE FLORIDA HURRICANE CATASTROPHE FUND TO MEET FUTURE OBLIGATIONS; (II) DELEGATING TO THE EXECUTIVE DIRECTOR THE AUTHORITY TO CONSIDER, NEGOTIATE, AND EXECUTE RISK-TRANSFER ARRANGEMENTS AUTHORIZED BY SECTION 215.555(7)(A), FLORIDA STATUTES, IN ANY AGGREGATE AMOUNT UP TO BUT NOT EXCEEDING \$2.2 BILLION; AND (III) AUTHORIZING AND DIRECTING THE STATE BOARD OF ADMINISTRATION FINANCE CORPORATION TO ISSUE PRE-EVENT REVENUE BONDS OR NOTES IN A PRINCIPAL AMOUNT UP TO BUT NOT EXCEEDING \$2.2 BILLION IF IN THE DETERMINATION OF THE PRESIDENT OF THE CORPORATION, SUCH ISSUANCE IS NECESSARY TO BRING THE COMBINED AMOUNT OF RISK TRANSFER ARRANGEMENTS AND PRE-EVENT REVENUE BONDS TO UP TO BUT NOT EXCEEDING \$2.2 BILLION.**

(See Attachments 7A – 7F)

**ACTION REQUIRED**

# Protecting Florida's Investments Act (PFIA)

Quarterly Report – March 24, 2015





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### About the State Board of Administration

The statutory mandate of the State Board of Administration (SBA) is to invest, manage and safeguard assets of the Florida Retirement System (FRS) Trust Fund and a variety of other funds for state and local governments. FRS Trustees are dedicated to ensuring that the SBA invests assets and discharges its duties in accordance with Florida law, guided by strict policies and a code of ethics to ensure integrity, prudent risk management and top-tier performance. The SBA is an investment fiduciary under law, and subject to the stringent fiduciary duties and standards of care defined by the Employee Retirement Income Security Act of 1974 (ERISA), as incorporated into Florida law. The SBA has three Trustees: the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary.

As of December 31, 2014, the net asset value of total funds under SBA management was approximately \$180 billion. The FRS Pension Plan provides defined pension benefits to 1.1 million beneficiaries and retirees. The strong long-term performance of the FRS Pension Plan, the fourth-largest public pension fund in the nation, reflects our commitment to responsible fiscal management.

The SBA's mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.

We encourage you to review additional information about the SBA and FRS on our website at [www.sbafla.com](http://www.sbafla.com).

## ***Introduction***

On June 8, 2007, the Protecting Florida's Investments Act ("PFIA") was signed into law. The PFIA requires the State Board of Administration ("SBA"), acting on behalf of the Florida Retirement System Trust Fund (the "FRSTF"), to assemble and publish a list of "Scrutinized Companies" that have prohibited business operations in Sudan and Iran. Once placed on the list of Scrutinized Companies, the SBA and its investment managers are prohibited from acquiring those companies' securities and are required to divest those securities if the companies do not cease the prohibited activities or take certain compensating actions. The implementation of the PFIA by the SBA will not affect any FRSTF investments in U.S. companies. The PFIA will solely affect foreign companies with certain business operations in Sudan and Iran involving the petroleum or energy sector, oil or mineral extraction, power production or military support activities. This quarterly report is developed pursuant to Section 215.473 (4), Florida Statutes. Scrutinized activity in Sudan is defined by the Statutes as occurring within the "Government of Sudan", or the Republic of the Sudan that has its capital in Khartoum, Sudan.

## ***Primary Requirements of the PFIA***

The PFIA created new reporting, engagement, and investment requirements for the SBA, including:

1. Quarterly reporting to the Board of Trustees of every equity security in which the SBA has invested for the quarter, along with its industry category. This report is posted on the SBA website.
2. Quarterly presentation to the Trustees of a "Scrutinized Companies" list for both Sudan and Iran for their approval. Scrutinized Company lists are available on the SBA's website, along with information on the FRSTF direct and indirect holdings of Scrutinized Companies.
3. Written notice to external investment managers of all PFIA requirements. Letters request that the managers of actively managed commingled vehicles (i.e., those with FRSTF and other clients' assets) consider removing Scrutinized Companies from the product or create a similar actively managed product that excludes such companies. Similar written requests must be provided to relevant investment managers within the defined contribution plan.
4. Written notice to any company with inactive business operations in Sudan or Iran, informing the company of the PFIA and encouraging it to continue to refrain from reinitiating active business operations. Such correspondence continues semiannually.
5. Written notice to any Scrutinized Company with active business operations, informing the company of its Scrutinized Company status and that it may become subject to divestment. The written notice must inform the company of the opportunity to clarify its Sudan-related or Iran-related activities and encourage the company, within 90 days, to cease its scrutinized business operations or convert such operations to inactive status.
6. A prohibition on further investment on behalf of the FRSTF in any Scrutinized Company once the Sudan and Iran scrutinized lists have been approved by the Trustees. All publicly traded securities of Scrutinized Companies must be divested within 12 months after the company's initial (and continued) appearance on the Scrutinized Companies list. Divestment does not apply to indirect holdings in actively managed commingled investment funds—i.e., where the SBA is not the sole investor in the fund. Private equity funds are considered to be actively managed.
7. Reporting to each member of the Board of Trustees, President of the Senate, and the Speaker of the House of Representatives of Scrutinized Company lists within 30 days of creation, and public disclosure of each list.
8. Quarterly reporting of the following to each member of the Board of Trustees, the President of the Senate, the Speaker of the House of Representatives, the United States Presidential Special

Envoy to Sudan, and the United States Presidential Special Envoy to Iran. The report is made publicly available and posted to the SBA's website.

- a. A summary of correspondence with engaged companies;
  - b. A listing of all investments sold, redeemed, divested, or withdrawn;
  - c. A listing of all prohibited investments;
  - d. A description of any progress related to external managers offering PFIA compliant funds; and
  - e. A list of all publicly traded securities held directly by the state.
9. Adoption and incorporation into the FRSTF Investment Policy Statement (IPS) of SBA actions taken in accordance with the PFIA. Changes to the IPS are reviewed by the Investment Advisory Council (IAC) and approved by the Trustees.
10. Relevant Sudan or Iran portions of the PFIA are discontinued if the Congress or President of the United States passes legislation, executive order, or other written certification that:
  - a. Darfur genocide has been halted for at least 12 months;
  - b. Sanctions imposed against the Government of Sudan are revoked;
  - c. Government of Sudan honors its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance, and allow for the safe and voluntary return of refugees and internally displaced persons;
  - d. Government of Iran has ceased to acquire weapons of mass destruction and support international terrorism;
  - e. Sanctions imposed against the government of Iran are revoked; or
  - f. Mandatory divestment of the type provided for by the PFIA interferes with the conduct of U.S. foreign policy.
11. Cessation of divestment and/or reinvestment into previously divested companies may occur if the value of all FRSTF assets under management decreases by 50 basis points (0.5%) or more as a result of divestment. If cessation of divestment is triggered, the SBA is required to provide a written report to each member of the Board of Trustees, the President of the Senate, and the Speaker of the House of Representatives prior to initial reinvestment. Such condition is required to be updated semiannually.
12. In 2009, the Florida Legislature approved a bill requiring the SBA to identify and offer, by March 1, 2010, at least one terror-free investment product for the FRS Investment Plan. The product must allocate its funds among securities not subject to divestiture, as provided in section 215.473, Florida Statutes.
13. As of July 1, 2014, Florida Statute 624.449 requires that a domestic insurer shall provide to the Office of Insurance Regulation on an annual basis a list of investments that the insurer has in companies included on the "Scrutinized Companies with Activities in Sudan List" and the "Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List". Additionally, F.S. 215.473(3)(e)(2) now exempts Exchange Traded Funds from the provisions of PFIA.
14. As of July 1, 2014, Florida Statutes clarify that the recently created "Government of South Sudan" means the Republic of South Sudan, which has its capital in Juba, South Sudan. Scrutinized activity refers to the "Government of Sudan", which means the Republic of the Sudan that has its capital in Khartoum, Sudan. Within this report, "Sudan" refers to the latter.

### ***Definition of a Scrutinized Company***

The following is a brief review of the criteria on which the active business operations of companies must be judged, in accordance with subsection (1)(t) of Section 215.473, F.S.

***Sudan:***

1. Have a material business relationship with the government of Sudan or a government-created project involving oil related, mineral extraction, or power generation activities, or
2. Have a material business relationship involving the supply of military equipment, or
3. Impart minimal benefit to disadvantaged citizens that are typically located in the geographic periphery of Sudan, or
4. Have been complicit in the genocidal campaign in Darfur.

***Iran:***

1. Have a material business relationship with the government of Iran or a government-created project involving oil related or mineral extraction activities, or
2. Have made material investments with the effect of significantly enhancing Iran's petroleum sector.

Affiliates of companies with scrutinized business operations are also subject to the requirements of the PFIA. An affiliated company is generally defined as any other company that either directly or indirectly controls, is controlled by or is under common control with the company conducting scrutinized active business operations. Control generally means the power to exercise a controlling influence over the management or policies of a company. As well, many companies have parent-subsidary relationships whereby a parent company may own several other companies. In such cases, the SBA has included any known parent and/or subsidiaries which can be clearly linked to a company with scrutinized active business operations. The SBA has used a 50 percent ownership threshold in determining whether or not companies are affiliated, examining parent company-subsidary ownership on a pro rata basis.

The SBA views companies which have explicit plans and activities related to discontinuation of active business operations as meeting the PFIA definition of substantial action. For all identified companies, the SBA will request information detailing what a company has actually done, if anything, to discontinue its active business operations or if it has pursued humanitarian efforts (applicable to Sudan only).

***SBA Scrutinized Companies Identification Methodology***

The SBA has developed two lists (the Sudan List and the Iran List) of Scrutinized Companies with active business operations. The lists are developed by principally relying on the research and findings of our "External Research Providers". Below is a brief description of our External Research Providers, which are maintained to provide input from multiple sources.

1. **EIRIS Conflict Risk Network (CRN).** In May 2013, the Conflict Risk Network became part of EIRIS, a global provider of environmental, social, governance, and ethical performance of companies. EIRIS provides services to more than 150 asset owners and managers globally, with a staff of over 60, based primarily in London. CRN was formerly known as the Sudan Divestment Task Force (SDTF).
2. **MSCI ESG Research (MSCI)** MSCI delivers corporate governance analysis and research to institutional investors. Through its ESG Research unit, MSCI offers screening services with specific and unique components of state law pertaining to investments in sanctioned countries, including Sudan and Iran.
3. **IW Financial (IWF).** IWF is a provider of environmental, social, and governance research and consulting. IWF partners with Conflict Securities Advisory Group (CSAG) to provide clients with detailed information on the business ties of publicly traded companies in Sudan and Iran.
4. **Sustainalytics, Inc.** Sustainalytics provides environmental, social and governance research and analysis, sustainability benchmarks, and investment services, and is the result of the merger between Jantzi Research, Inc. and Sustainalytics in 2009. Sustainalytics' company database, "Sustainalytics Global Platform," covers business operations in both Iran and Sudan.

Staff members within the Investment Programs & Governance unit, as well as other senior investment staff, review the assessments of the External Research Providers and other publicly available information. The SBA has utilized the following sources to evaluate over 400 companies and affiliates with reported links to Sudan or Iran:

Company disclosures:

- SEC filings (DEF 14A Proxy Statements, 10-K & 20-F Annual Reports, etc.)
- Investor Relations/company websites
- Industry publications and analyst research

Investment/Finance Organizations:

- Industry Analysts
- Index Providers (e.g., Russell)
- Other Institutional Investors/Private Investors

U.S Government Agencies:

- U.S. Department of State
- U.S. Treasury, Office of Foreign Asset Control (OFAC)
- U.S. Government Accountability Office (GAO)
- SEC Office of Global Security (EDGAR)
- Dept. of Energy, Energy Information Administration (EIA)
- Congressional Research Service (CRS), Library of Congress

Non-Governmental Organizations (NGOs):

- American Enterprise Institute (AEI)
- Amnesty International
- Yale University (Allard K. Lowenstein International Human Rights Project)
- Human Rights Watch

Other Sources:

- SBA External Investment Managers
- U.S. Federal Sanctions Laws covering State Sponsors of Terror
- Any other publicly available information.

Using the previous information sources, the SBA has developed two separate categorizations of a company's involvement in Sudan and/or Iran.

1. **“Scrutinized”** — Information provided by several External Research Providers indicates that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473 (1)(t)1., 2., or 3. [Sudan] or Section 215.473 (4)(t)1. [Iran]. Upon SBA review, no other information sources clearly contradict the conclusions of the External Research Providers.
2. **“Continued Examination”** — At least one External Research Provider indicates that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473, (1)(t)1., 2., or 3. [Sudan] or Section 215.473, (4)(t)1. [Iran]. In other words, the External Research Providers do not agree on the status of a company and the SBA is unable to definitively categorize the company's activities as scrutinized without further research to resolve the differences. For companies classified as “Continued Examination” the SBA will begin an engagement process to clarify each firm's current business relationships.

### ***Key Changes Since the Previous PFIA Quarterly Report***

#### **Sudan**

Companies added to the Sudan Scrutinized List this quarter:

- **Engen Botswana**
  - Added as a subsidiary of a Scrutinized Company: Petroliam Nasional (Petronas)

Companies removed from the Sudan Scrutinized List this quarter:

- **CNPC Golden Autumn**
  - No longer publicly traded—bonds have matured
- **Midciti Sukuk Bhd (fka: Midciti Resources Sdn Bhd)**
  - No longer publicly traded—bonds have matured.

Companies added to the Sudan Continued Examination List this quarter:

- None

Companies removed from the Sudan Continued Examination List this quarter:

- **Sudan Telecommunications (Sudatel)**

**Recent Sudan developments:** On March 9, 2015, the International Criminal Court called on the U.N. Security Council to "take the necessary measures" to address Sudan's refusal to arrest the country's president and send him to The Hague to stand trial on charges of orchestrating genocide in Darfur. (Associated Press: 3/9/15)

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#### **Iran**

Companies added to the Iran Scrutinized List this quarter:

- **Engen Botswana**
  - Added as a subsidiary of a Scrutinized Company: Petroliam Nasional (Petronas)

Companies removed from the Iran Scrutinized List this quarter:

- **Maire Tecnimont SpA**
  - Research providers report less company investment than the PFIA definition of scrutinized activity.
  -
- **Midciti Sukuk Bhd (fka: Midciti Resources Sdn Bhd)**
  - No longer publicly traded—bonds have matured

Companies added to the Iran Continued Examination List this quarter:

- **Maire Tecnimont SpA**

Companies removed from the Iran Continued Examination List this quarter:

- **Hyundai Heavy Industries**

**Recent Iran developments:** U.S. and UN P5+1 country negotiators set March 31st as latest deadline for an Iran nuclear framework. If reached, they then have a deadline for the technical aspects of a deal at the end of June. (U.S. News and World Report: 2/23/15)

**Table 1: Scrutinized Companies with Activities in Sudan**  
**New companies on the list are shaded and in bold.**

Scrutinized Company: Sudan	Country of Incorporation	Date of Initial Scrutinized Classification
Chennai Petroleum Corp Ltd	India	September 19, 2007
China National Petroleum Corporation (CNPC)	China	December 11, 2012
China Petroleum & Chemical Corp (CPEC) Sinopec	China	September 19, 2007
CNPC General Capital Ltd	China	June 26, 2012
CNPC HK Overseas Capital Ltd	China	June 16, 2011
Daqing Huake Group Co Ltd	China	March 25, 2008
Egypt Kuwait Holding Co. SAE	Kuwait	January 13, 2009
Energy House Holding Company (fka: AREF Energy Holdings Co)	Kuwait	July 28, 2009
<b>Engen Botswana</b>	<b>Botswana</b>	<b>March 24, 2015</b>
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Harbin Electric Co. Ltd. (fka: Harbin Power Equipment)	China	September 19, 2007
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	China	September 19, 2007
Jinan Diesel Engine Co. Ltd	China	July 28, 2009
Kingdream PLC	China	April 14, 2009
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
Kunlun Energy Company Ltd (fka: CNPC Hong Kong Limited)	Hong Kong	September 19, 2007
Kuwait Finance House	Kuwait	April 14, 2009
Lanka IOC Ltd	India	September 19, 2007
Malaysia Marine & Heavy Engineering Holdings Bhd	Malaysia	March 18, 2014
Managem SA	Morocco	November 9, 2010
Mangalore Refinery & Petrochemicals Ltd	India	September 19, 2007
MISC Bhd	Malaysia	September 19, 2007
Oil India Ltd.	India	September 18, 2012
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
ONGC Videsh Limited (OVL)	India	March 18, 2014
Orca Gold Inc.	Canada	December 9, 2014
PetroChina	China	September 19, 2007
Petroliam Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Chemicals Bhd	Malaysia	June 16, 2011
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Putrajaya Management Sdn Bhd	Malaysia	March 18, 2014
Ranhill Bhd	Malaysia	September 16, 2008
Ranhill Power Sdn Bhd	Malaysia	September 20, 2011



<b>Scrutinized Company: Sudan</b>	<b>Country of Incorporation</b>	<b>Date of Initial Scrutinized Classification</b>
Ranhill Powertron Sdn	Malaysia	April 14, 2009
Ranhill Powertron II Sdn	Malaysia	September 24, 2013
Sinopec Capital 2013 Ltd	China	September 24, 2013
Sinopec Engineering Group Co Ltd	China	March 18, 2014
Sinopec Group Overseas Development 2013 Ltd	China	March 18, 2014
Sinopec Kantons Holdings Ltd	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008
Societe Metallurgique D'imiter	Morocco	November 9, 2010
<b># of Sudan Scrutinized Companies</b>	<b>45</b>	

The following companies were removed from the Sudan Scrutinized List during the quarter.

<b><i>Removed Company</i></b>	<b><i>Country of Incorporation</i></b>
<b><i>CNPC Golden Autumn</i></b>	<b><i>China</i></b>
<b><i>Midciti Sukuk Bhd (fka: Midciti Resources Sdn Bhd)</i></b>	<b><i>Malaysia</i></b>

**Table 2: Continued Examination Companies with Activities in Sudan**  
**New companies on the list are shaded and in bold. (No companies added this quarter.)**

Continued Examination Company: Sudan	Country of Incorporation
Alstom	France
Alstom Projects India	India
ASEC Company for Mining S.A.E.	Egypt
Bharat Heavy Electricals, Ltd	India
Bollore Group	France
China Gezhouba Group Company Ltd	China
China North Industries Group Corp (CNGC/Norinco)	China
Dongfeng Motor Group Co Ltd	China
Dongan Motor (aka Harbin Dongan Auto Engine)	China
Drake & Scull International PJSC	United Arab Emirates
El Sewedy Cables Holding Company	Egypt
Emperor Oil Ltd	Canada
Glencore Xstrata PLC	Switzerland
Infotel Broadband Services Ltd	India
JX Holdings Inc.	Japan
KMCOB Capital Bhd	Malaysia
LS Industrial Systems	South Korea
Nippo Corporation	Japan
Power Construction Corporation of China Ltd. (fka Sinohydro)	China
PT Pertamina Persero	Indonesia
Reliance Industries Ltd	India
Scomi Engineering Bhd	Malaysia
Scomi Group Bhd	Malaysia
Statesman Resources Ltd	Canada
Wartsila Oyj	Finland
<b># of Sudan Continued Examination Companies</b>	<b>25</b>

The following companies were **removed** from the Sudan Continued Examination List during the quarter.

Removed Company	Country of Incorporation
<b>Sudan Telecommunications (Sudatel)</b>	<b>Sudan</b>

**Table 3: Scrutinized Companies with Activities in the Iran Petroleum Energy Sector**

New companies on the list are shaded and in bold.

Scrutinized Company: Iran	Country of Incorporation	Date of Initial Scrutinized Classification
China BlueChemical Ltd.	China	March 19, 2013
China National Petroleum Corporation (CNPC)	China	December 11, 2012
China Petroleum & Chemical Corp (CPCC) Sinopec	China	September 19, 2007
China Oilfield Services Ltd.	China	June 16, 2011
CNOOC Ltd.	China	June 16, 2011
CNOOC Finance Limited	China	September 24, 2013
CNPC HK Overseas Capital Ltd.	China	June 16, 2011
COSL Finance (BVI) Limited	China	September 24, 2013
Daelim Industrial Co Ltd.	South Korea	June 16, 2011
<b>Engen Botswana</b>	<b>Botswana</b>	<b>March 24, 2015</b>
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Gazprom	Russia	September 19, 2007
Gazprom Neft	Russia	September 16, 2008
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Hong Kong	September 19, 2007
Malaysia Marine & Heavy Engineering Holdings Bhd	Malaysia	March 18, 2014
Mangalore Refinery & Petrochemicals Ltd.	India	March 19, 2013
MISC Bhd	Malaysia	September 19, 2007
Mosenergo	Russia	September 16, 2008
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
ONGC Videsh Limited (OVL)	India	March 18, 2014
PetroChina	China	September 19, 2007
Petrolia Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Chemicals Bhd	Malaysia	June 16, 2011
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Putrajaya Management Sdn Bhd	Malaysia	March 18, 2014
Sinopec Capital 2013 Ltd.	China	March 18, 2014
Sinopec Engineering Group Co Ltd.	China	March 18, 2014
Sinopec Group Overseas Development 2013 Ltd.	China	March 18, 2014
Sinopec Kantons Holdings Ltd.	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008

Scrutinized Company: Iran	Country of Incorporation	Date of Initial Scrutinized Classification
# of Iran Scrutinized Companies	35	

The following companies were removed from the Iran Scrutinized List during the quarter.

Removed Company	Country of Incorporation
<i>Maire Tecnimont SpA</i>	<i>Italy</i>
<i>Midciti Sukuk Bhd (fka: Midciti Resources Sdn Bhd)</i>	<i>Malaysia</i>

**Table 4: Continued Examination Companies with Petroleum Energy Activities in Iran**  
 New companies on the list are shaded and in bold.

<b>Continued Examination Company: Iran</b>	<b>Country of Incorporation</b>
China Nonferrous Metal Industry's Foreign Engineering and Construction	China
GAIL (India) Limited, aka GAIL Ltd.	India
GS Engineering & Construction Corp.	South Korea
GS Holdings	South Korea
Lukoil OAO	Russia
<b>Maire Tecnimont SpA</b>	<b>Italy</b>
Oil India Ltd.	India
Petronet LNG Ltd.	India
Shanghai Zhenhua Heavy Industry Co. Ltd.	China
<b># of Iran Continued Examination Companies</b>	<b>9</b>

The following company was **removed** from the Iran Continued Examination List during the quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
<b>Hyundai Heavy Industries</b>	<b>South Korea</b>

**Table 5: Correspondence & Engagement Efforts with Scrutinized Companies**

In accordance with Section 215.473(3)(a), F.S., the SBA began to engage companies on the September 19, 2007, Scrutinized Company lists. The SBA sent letters to each Scrutinized Company that was owned and held as of September 19, 2007, per the requirements of the law.

The SBA also sent written communication to other scrutinized firms since the initial company engagement effort in September 2007. Each letter encouraged the company to cease any active business operations within 90 days or convert such operations to inactive status to avoid qualifying for divestment by the SBA. In addition, the SBA sent a second letter to scrutinized companies on January 25, 2008, again requesting companies to provide all information necessary to avoid divestment.

On September 30, 2008, the SBA sent a follow-up letter to all Scrutinized Companies. Although, these companies are no longer held by the SBA, the September 30, 2008, letter was intended to once again provide notice of the requirements of the PFIA. Since our original correspondence, several companies on the scrutinized list have replied with valuable information. Each company's response and classification status is summarized below. Any company that responded to the SBA's written correspondence is highlighted in blue text.

Company	Company Responsive to SBA Communications	Status
ABB	Yes; January 29, 2009	Removed from Sudan Scrutinized List
Alstom	Yes; October 1, 2007 and October 25, 2011	Moved to Sudan Continued Examination List
Bharat Heavy Electricals Limited	Yes; October 4, 2007	Sudan Scrutinized Classification Continues
Bow Valley Energy	Yes; October 22, 2008	Removed from Iran Scrutinized List
Chennai Petroleum Corporation Limited	Yes; October 16, 2008	Sudan Scrutinized Classification Continues
China Petroleum & Chemical Corp (Sinopec)	No	Iran & Sudan Scrutinized Classification Continues
CNOOC Ltd	Yes; October 28, 2008	Iran Scrutinized Classification Continues
Dongfeng Motor Group Co. Ltd.	No	Moved to Sudan Continued Examination List
Electricity Generating Public Co	No	Removed from Sudan Scrutinized List
ENI	Yes; February 13, 2008 and May 13, 2011	Removed from Iran Scrutinized and CE Lists
GAIL (India) Limited, aka GAIL Ltd.	Yes; October 5, 2010	Moved to Iran Continued Examination List
Gazprom	Yes; November 1, 2007 and August 18, 2014	Iran Scrutinized Classification Continues
Gazprom Neft	Yes; August 15, 2013	Iran Scrutinized as subsidiary of Gazprom
Harbin Electric Co. (fka Harbin Power Equipment)	No	Sudan Scrutinized Classification Continues
Indian Oil Corp Ltd (IOCL)	No	Iran & Sudan Scrutinized Classification Continues
Inpex Corp.	Yes; October 15, 2007 and July 11, 2011	Removed Iran Scrutinized List
Kencana Petroleum	Yes; October 31, 2008	Moved to Sudan Continued Examination List
Korea Electric Power (and subsidiaries, KEPCO Plant/Korea Plant)	Yes; December 27, 2011	Removed from Sudan Scrutinized List
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Yes; October 5, 2007 and May 24, 2008	Iran & Sudan Scrutinized Classification Continues
Lukoil OAO	Yes; October 8, 2007	Moved to Iran Continued Examination List
Lundin Petroleum AB	Yes; October 17, 2008	Removed from Sudan Scrutinized List
Lundin International SA	No	Removed from Sudan Scrutinized List

Company	Company Responsive to SBA Communications	Status
Malaysia Marine & Heavy Engineering Holdings Bhd	Yes; November 14, 2014	Iran & Sudan Scrutinized Classification Continues
Mangalore Refinery & Petrochemicals Ltd	Yes; March 8, 2013	Iran & Sudan Scrutinized Classification Continues
MISC Bhd	No	Iran & Sudan Scrutinized Classification Continues
Norsk Hydro	Yes; November 30, 2007	Removed from Iran Scrutinized List
Oil & Natural Gas Corp (ONGC)	Yes; July 23, 2014	Iran & Sudan Scrutinized Classification Continues
OMV AG	Yes; November 6, 2007 and April 14, 2010	Removed from Iran Continued Examination List
PetroChina	Yes; December 22, 2008	Iran & Sudan Scrutinized Classification Continues
Petroleo Brasileiro (Petrobras)	Yes; January 13, 2010	Removed from Iran Scrutinized List
Putrajaya Management Sdn Bhd	Yes; September 5, 2014	Iran & Sudan Scrutinized Classification Continues
Ranhill Bhd	Yes; October 22, 2008	Sudan Scrutinized Classification Continues
Repsol YPF	Yes; October 15, 2007; January 2013	Removed from Iran Scrutinized and CE Lists
Royal Dutch Shell PLC	Yes; October 5, 2007; January 27, 2011; April 13, 2011	Removed from Iran Scrutinized and CE Lists
Sinopec Kantons Holdings Ltd.	No	Iran & Sudan Scrutinized Classification Continues
Sinopec Shanghai Petrochemical Company	No	Sudan Scrutinized Classification Continues
Snam Rete Gas	Yes; October 9, 2008	Removed from Iran Scrutinized Classification
Statoil ASA (fka: StatoilHydro)	Yes; February 4, 2008; January 24, 2011; June 16, 2011	Removed from Iran Scrutinized and CE Lists
Total Capital	Yes; January 26, 2011 and April 25, 2011	Removed from Iran Scrutinized and CE Lists
Total SA	Yes; October 12, 2007; October 29, 2010; April 25, 2011	Removed from Iran Scrutinized and CE Lists
Wärtsilä Oyj	Yes; December 4, 2007	Moved to Sudan Continued Examination List



**Table 6: Correspondence & Engagement Efforts with Continued Examination Companies**

In addition to Scrutinized Companies, the SBA engaged companies on our initial September 19, 2007, Continued Examination company lists. The SBA also sent written communication to firms added to the Continued Examination list since the initial company engagement effort in September 2007. Such companies were asked to provide information to the SBA in order to assist us in determining the extent of their activities, if any, in Sudan and Iran. The SBA sent a follow-up letter to all companies on September 30, 2008. Each company's response and classification is summarized below. Any company that responded to the SBA's written correspondence is highlighted in blue text.

Company	Company Responsive to SBA Communications	Continued Examination Status
Actividades de Construcción y Servicios S.A.(ACS)	No	Removed from Iran List
Aggreko PLC	Yes; January 28, 2008	Removed from Iran List
Air Liquide	Yes; November 30, 2007 January 28, 2008	Removed from Iran List
Aker Solutions ASA (fka Aker Kvaerner ASA)	No	Iran CE Classification Continues
AREF Investment Group	No	Removed from Sudan List
Areva SA	Yes; October 27, 2008 December 29, 2009	Removed from Sudan List
Bauer Aktiengesellschaft	Yes; March 13, 2008	Removed from Sudan List
BG Group	Yes; November 23, 2007	Removed from Iran List
Bharat Electronics Limited	No	Removed from Sudan CE List
Bolloré Group	No	Sudan CE Classification Continues
Costain Group PLC	Yes; November 5, 2007	Removed from Iran List
Daelim Industrial Co Ltd	No	Moved to Iran Scrutinized List
Engineers India Ltd.	Yes; October 16, 2008; September 9, 2010	Removed from Iran CE List
Essar Oil	Yes; January 9, 2009	Removed from Iran List
Finmeccanica SpA	No	Removed from Sudan List
Glencore Xstrata PLC	Yes; September 20, 2010	Sudan CE Classification Continues
GVA Consultants	Yes; September 26, 2007 September 30, 2010	Removed from Iran CE List
ICSA India Limited	No	Removed from Sudan List
INA-Industrija Nafta DD Zagreb	Yes	Removed from Iran List
Itochu Corp	Yes; May 9, 2008	Removed from Iran List
JGC Corp	Yes; October 1, 2007	Removed from Iran List
La Mancha Resources	Yes; October 21, 2008	Removed from Sudan List
Linde AG	Yes; November 14, 2007	Removed from Iran List
Liquefied Natural Gas LNG	No	Iran CE Classification Continues
Mitsubishi Heavy Industries Ltd.	Yes; October 26, 2007	Removed from Iran List
Mitsui & Co.	Yes; October 17, 2007	Removed from Iran List
Mitsui Engineering & Shipbuilding	Yes; November 21, 2007 December 18, 2007	Removed from Iran and Sudan Lists
MMC Bhd	No	Sudan CE Classification Continues
Nam Fatt	No	Removed from Sudan List

Company	Company Responsive to SBA Communications	Continued Examination Status
PT Citra Tubindo Tbk.	Yes; September 27, 2010	Removed from Iran CE List
PTT Public Company Limited	Yes; October 1, 2010	Removed from Sudan CE List
Saipem SpA	Yes; December 12, 2007	Removed from Iran Lists
Samsung Engineering Co. Ltd.	No	Removed from Iran CE List
Samsung Heavy Industries Co. Ltd.	No	Removed from Iran List
Sasol Ltd.	Yes; May 25, 2010 September 29, 2010	Removed from Iran CE List
Seadrill Ltd	Yes; September 20, 2010	Removed from Sudan CE List
Siam Cement Group (SCG)	Yes; September 24, 2010	Iran CE Classification Continues
Siemens AG	Yes; October 22, 2009 October 8, 2010	Removed from Iran CE List
Schlumberger Limited NV	Yes; October 19, 2007	Removed from Iran and Sudan Lists
Siam Cement PCL	Yes; October 21, 2008	Iran CE Classification Continues
SNC - Lavalin Group Inc.	Yes; September 25, 2007	Removed from Iran List
Sudan Telecommunications (Sudatel)	No	Removed from Sudan CE Classification
Technip	Yes; April 30, 2010 and November 30, 2010	Removed from Iran CE Classification
The Weir Group PLC	Yes; November 16, 2007	Removed from Iran and Sudan Lists
Total SA	Yes; October 12, 2007	Sudan CE Classification Continues
Trevi-Finanziaria Industriale S.p.A.	Yes; September 17, 2010	Removed from Iran CE List
Weatherford International, Ltd.	No	Removed from Sudan List
Welspun Corp. Limited (fka Welspun-Gujarat Stahl Rohen Ltd.)	Yes; September 24, 2010	Iran CE Classification Continues

### ***Key Dates for PFIA Activities***

**June 8, 2007** — Legislation's effective date, upon becoming a law.

**August 6, 2007** — SBA letter to state agencies requesting data on all publicly traded securities held directly by the State.

**August 20, 2007** — First of two letters to investment managers providing written notice of PFIA enactment and amendment to Schedule B of investment management contracts.

**September 19, 2007** — SBA assembles initial Scrutinized Companies lists for Sudan and Iran.

**September 20, 2007** — SBA engages companies classified as either Scrutinized or needing Continued Examination through written correspondence, subsequent conference calls and additional communication. SBA disclosed the Scrutinized Companies lists on its website, including reporting of all equities held by the State.

**September 21, 2007** — Second of two letters to investment managers providing Scrutinized Companies lists.

**October 16, 2007** — SBA formally submits the Scrutinized Companies lists to the Legislature and the United States Special Envoy to Sudan, and continues to do so every quarter.

**November 30, 2007** — SBA sends notification via email to any owned scrutinized company that has not responded to initial written correspondence. Similar notification was sent to each company classified as needing continued examination.

**January 25, 2008** — SBA sends additional notice of divestment and request for information to all Scrutinized Companies, with emphasis to companies that have been unresponsive to the SBA's prior request for the necessary information.

**July 1, 2008** — In March 2008, the SBA developed a policy approach directing all affected managers to sell their remaining PFIA related holdings no later than July 1, 2008, approximately three months earlier than the statutory deadline of September 18, 2008.

**September 18, 2008** — Statutory deadline for the SBA to complete divestment of *initial* Scrutinized Companies (i.e., within 12 months of their initial appearance on the September 19, 2007 list), if they do not stop scrutinized active business operations.

**March 1, 2010**— Deadline for the SBA to identify and offer at least one terror-free investment product for the FRS Investment Plan (Defined Contribution).

**Quarterly Reporting**—SBA provides quarterly updates to the Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities. PFIA quarterly reports have been issued on the following dates:

September 19, 2007  
December 18, 2007  
March 25, 2008  
June 10, 2008  
September 16, 2008  
January 13, 2009  
April 14, 2009  
July 28, 2009  
October 27, 2009  
January 26, 2010

April 27, 2010  
July 29, 2010  
November 9, 2010  
February 22, 2011  
June 16, 2011  
September 20, 2011  
December 6, 2011  
March 20, 2012  
June 26, 2012  
September 18, 2012

December 11, 2012  
March 19, 2013  
June 25, 2013  
September 24, 2013  
December 10, 2013  
March 18, 2014  
June 17, 2014  
September 23, 2014  
December 9, 2014  
March 24, 2015

### Summary of Investments Sold, Redeemed, Divested or Withdrawn

In accordance with the PFIA, the SBA must divest all holdings of any scrutinized companies within 12 months of their original appearance on the prohibited securities list. External managers are contractually responsible for administering investments in accordance with restrictions set forth by the SBA, including the prohibited securities list of the PFIA. Historical divestment transaction data is contained in prior PFIA Quarterly Reports. The table below presents the cumulative market capitalization of scrutinized companies divested by the SBA since the PFIA's inception:

Cumulative Divestment	
Royal Dutch Shell**	\$215,784,700.79
Total SA**	\$214,536,015.45
Petroleo Brasileiro SA (Petrobras) **	\$206,135,264.10
ENI**	\$141,403,034.78
CNOOC Ltd	\$131,737,735.86
Gazprom (a.k.a. OAO Gazprom)	\$71,275,453.14
Alstom**	\$65,897,698.67
Repsol YPF**	\$53,420,179.87
Statoil ASA** (fka: StatoilHydro)	\$46,792,677.58
China Petroleum and Chemical Corp (CPCC) Sinopec	\$38,455,440.48
PetroChina	\$25,723,158.75
Inpex Corp.**	\$24,835,110.63
MISC Bhd	\$16,448,397.44
Snam Rete Gas**	\$9,596,905.78
Lukoil OAO**	\$9,487,631.46
OMV AG **	\$8,601,977.98
Shell International Finance**	\$8,599,813.40
China BlueChemical Ltd	\$7,538,215.73
Wärtsilä Oyj**	\$1,797,871.96
Daelim Industrial Co Ltd	\$1,566,926.73
Petrofac Ltd **	\$1,496,881.43
The Weir Group PLC **	\$1,322,666.62
Petrobras International Finance**	\$1,148,750.00
Lundin Petroleum AB **	\$1,133,120.04
Oil & Natural Gas Corporation (ONGC)	\$945,363.83
Petrobras Energia (Participaciones) **	\$298,632.08
Dongfeng Motor Group**	\$158,623.49
Electricity Generating Public Company**	\$121,321.38
Gazprom Neft	\$37,892.73
** denotes companies no longer on the Prohibited Company list.	<b>\$1,306,825,533.68</b>

In accordance with the PFIA, the SBA will report on the performance implications of PFIA-related divestitures and restrictions. Generally, the impact of PFIA legislation on performance is measured as the opportunity cost of not being able to hold prohibited securities, measured by comparing the monthly return of the standard foreign equity benchmark (i.e., the MSCI ACWI ex-US) to a custom foreign equity benchmark based upon PFIA divestiture requirements. The difference in returns between the standard benchmark and custom benchmark represents the opportunity cost to the SBA of not being able to invest in (or hold) prohibited companies. The percent return difference is then applied to the average monthly balance of foreign equity investments to determine a dollar impact. Monthly dollar impacts, whether positive or negative, are added together through time and then compared to the total value of the FRS Pension Plan to determine the percentage or basis point impact of PFIA legislation.

**Table 7: List of Prohibited Investments (Scrutinized Companies)**

*New companies on the list are shaded and in bold.*

Prohibited Investments (Scrutinized Companies)	Scrutinized Country	Country of Incorporation	Initial Appearance on Scrutinized List	Full Divestment
Chennai Petroleum Corp Ltd	Sudan	India	September 19, 2007	Yes
China BlueChemical Ltd	Iran	China	March 19, 2013	Yes
China National Petroleum Corporation (CNPC)	Sudan & Iran	China	December 11, 2012	Yes
China Oilfield Services Ltd	Iran	China	June 16, 2011	Yes
China Petroleum & Chemical Corp (CPCC) Sinopec	Sudan & Iran	China	September 19, 2007	Yes
CNOOC Ltd	Iran	China	June 16, 2011	Yes
CNOOC Finance Limited	Iran	China	September 24, 2013	Yes
CNPC General Capital Ltd	Sudan	China	June 26, 2012	Yes
CNPC HK Overseas Capital Ltd	Sudan & Iran	China	June 16, 2011	Yes
COSL Finance (BVI) Limited	Iran	China	September 24, 2013	Yes
Daelim Industrial Co Ltd	Iran	South Korea	June 16, 2011	Yes
Daqing Huake Group Co Ltd	Sudan	China	March 25, 2008	Yes
Egypt Kuwait Holding Co. SAE	Sudan	Kuwait	January 13, 2009	Yes
Energy House Holding Company (fka: AREF Energy Holdings Co)	Sudan	Kuwait	July 28, 2009	Yes
<b>Engen Botswana</b>	<b>Sudan &amp; Iran</b>	<b>Botswana</b>	<b>March 24, 2015</b>	<b>Yes</b>
Gas District Cooling (Putrajaya) Sdn Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
Gazprom	Iran	Russia	September 19, 2007	Yes
Gazprom Neft	Iran	Russia	September 16, 2008	Yes
Harbin Electric Co. Ltd. (fka: Harbin Power Equipment)	Sudan	China	September 19, 2007	Yes
Indian Oil Corp Ltd (IOCL)	Sudan & Iran	India	September 19, 2007	Yes
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	Sudan	China	September 19, 2007	Yes
Jinan Diesel Engine	Sudan	China	July 28, 2009	Yes
Kingdream PLC	Sudan	China	April 14, 2009	Yes
KLCC Property Holdings Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes

Prohibited Investments (Scrutinized Companies)	Scrutinized Country	Country of Incorporation	Initial Appearance on Scrutinized List	Full Divestment
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong)	Sudan & Iran	Hong Kong	September 19, 2007	Yes
Kuwait Finance House	Sudan	Kuwait	April 14, 2009	Yes
Lanka IOC Ltd	Sudan	India	September 19, 2007	Yes
Managem SA	Sudan	Morocco	November 9, 2010	Yes
Mangalore Refinery & Petrochemicals Ltd	Sudan & Iran	India	September 19, 2007	Yes
Malaysia Marine & Heavy Engineering Holdings Bhd	Sudan & Iran	Malaysia	March 18, 2014	Yes
MISC Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
Mosenergo	Iran	Russia	September 16, 2008	Yes
Oil India Ltd.	Sudan	India	September 18, 2012	Yes
Oil & Natural Gas Corp (ONGC)	Sudan & Iran	India	September 19, 2007	Yes
ONGC Videsh Limited (OVL)	Sudan & Iran	India	March 18, 2014	Yes
Orca Gold Inc.	Sudan	Canada	December 9, 2014	Yes
PetroChina	Sudan & Iran	China	September 19, 2007	Yes
Petrolam Nasional (Petronas)	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Capital Limited	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Chemicals Bhd	Sudan & Iran	Malaysia	June 16, 2011	Yes
Petronas Dagangan Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Gas Berhad	Sudan & Iran	Malaysia	September 19, 2007	Yes
Putrajaya Management Sdn Bhd	Sudan & Iran	Malaysia	March 18, 2014	Yes
Ranhill Bhd	Sudan	Malaysia	September 16, 2008	Yes
Ranhill Power Sdn Bhd	Sudan	Malaysia	September 20, 2011	Yes
Ranhill Powertron Sdn	Sudan	Malaysia	April 14, 2009	Yes
Ranhill Powertron II Sdn	Sudan	Malaysia	September 24, 2013	Yes
Sinopec Capital 2013 Ltd	Sudan & Iran	China	September 24, 2013	Yes
Sinopec Engineering Group Co Ltd	Sudan & Iran	China	March 18, 2014	Yes
Sinopec Group Overseas Development 2013 Ltd	Sudan & Iran	China	March 18, 2014	Yes

Prohibited Investments (Scrutinized Companies)	Scrutinized Country	Country of Incorporation	Initial Appearance on Scrutinized List	Full Divestment
Sinopec Kantons Holdings Ltd	Sudan & Iran	Bermuda	September 19, 2007	Yes
Sinopec Shanghai Petrochemical	Sudan & Iran	China	September 19, 2007	Yes
Sinopec Yizheng Chemical Fibre	Sudan & Iran	China	March 25, 2008	Yes
Societe Metallurgique D'imiter	Sudan	Morocco	November 9, 2010	Yes
<b># of Prohibited Investments</b>	<b>54</b>	<b>-</b>	<b>-</b>	

The following companies were removed from the Prohibited Investments List this quarter.

<i>Removed Company</i>	<i>Country of Incorporation</i>
<i>CNPC Golden Autumn</i>	<i>China</i>
<i>Maire Tecnimont SpA</i>	<i>Italy</i>
<i>Midciti Sukuk Bhd (fka: Midciti Resources Sdn Bhd)</i>	<i>Malaysia</i>



***Table 8: SBA Holdings in Prohibited Investments Subject to Divestment***

As of December 31, 2014, the SBA did not hold shares of any company on the Prohibited Investments List in accounts subject to the PFIA divestiture requirements.

***Summary of Progress, SBA Investment Manager Engagement Efforts***

On August 20, 2007, the SBA sent letters to 66 external investment managers notifying them of the Act and informing them of new contract language that would enforce their cooperation with the requirements of the new law.

On September 19, 2007, the SBA sent letters to all affected managers outlining the list of prohibited securities for any future purchases. The letter described the SBA's engagement process with companies on the list, which affords companies a 90-day period in which to comply with the conditions of the law or clarify their activities. The letter directed these managers to cease purchase of securities on the list and to await the direction of the SBA for any divestment necessary in the event engagement fails, with a deadline for divestment under the law of September 18, 2008.

On September 19, 2007, the SBA sent letters to actively-managed, indirectly held funds holding scrutinized securities, including managers of the defined contribution program, asking the funds to review the list of scrutinized securities and consider eliminating such holdings from the portfolio or create a similar fund, devoid of such holdings, per the requirements of the law.

Each quarter, the SBA sends written and electronic notification to all affected managers about the list of prohibited companies.

The SBA has received responses noting our concerns in writing and by phone from several of the contacted managers.

***Listing of All Publicly Traded Securities (Including Equity Investments)***

Due to the large number of individual securities and the volume of information, this list has been electronically posted to the SBA's website and is updated quarterly. A list of all publicly traded securities owned by the State of Florida can be found within the [PFIA information section](#) of the SBA's website. Please observe the electronic report's notes page for important clarifying explanations of included data.

For more information, please contact:

State Board of Administration of Florida (SBA)  
Investment Programs & Governance  
1801 Hermitage Blvd., Suite 100  
Tallahassee, FL 32308  
[www.sbafla.com](http://www.sbafla.com)

or send an email to:

[pfia@sbafla.com](mailto:pfia@sbafla.com)





**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

**1801 HERMITAGE BOULEVARD  
TALLAHASSEE, FLORIDA 32308  
(850) 488-4406**

**POST OFFICE BOX 13300  
32317-3300**

**RICK SCOTT  
GOVERNOR  
AS CHAIRMAN**  
**JEFF ATWATER  
CHIEF FINANCIAL OFFICER**  
**PAM BONDI  
ATTORNEY GENERAL**  
**ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

March 24, 2015

Honorable Dan Raulerson  
Alternating Chair  
Joint Legislative Auditing Committee  
405 House Office Building  
402 South Monroe Street  
Tallahassee, Florida 32399-1100

Honorable Joseph Abruzzo  
Alternating Chair  
Joint Legislative Auditing Committee  
222 Senate Office Building  
404 South Monroe Street  
Tallahassee, Florida 32399-1300

Dear Representative Raulerson and Senator Abruzzo:

Pursuant to section 218.409(6)(a)1, Florida Statutes, the Trustees of the State Board of Administration are required to "provide a quarterly report to the Joint Legislative Auditing Committee that the trustees have reviewed and approved the monthly reports [on the Florida PRIME and Fund B Management Summary] and actions taken, if any, to address any [material] impacts," and "have conducted a review of the [Fund B] trust fund and that the trust fund is in compliance with the requirements of this section." (Sections 218.409(6)(a)1 and 218.421(2)(a), F.S.)

Please be advised that the Trustees have reviewed the attached reports and authorized me to convey their action to you. During the period October 1, 2014 through December 31, 2014, there were no material impacts on the trust funds in question and, therefore, no associated actions or escalations.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, reading "Ashbel C. Williams".

Ashbel C. Williams  
Executive Director & CIO

ACW/db  
Attachments

cc: Honorable Debbie Mayfield  
Honorable Amanda Murphy  
Honorable Ray Wesley Rodrigues  
Honorable Cynthia Stafford  
Honorable Lizbeth Benacquisto  
Honorable Rob Bradley  
Honorable Audrey Gibson  
Honorable Wilton Simpson  
Ms. Kathy Dubose, Coordinator



# Monthly Summary Report for October 2014

Including Fund B

State Board of Administration

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### FUND B

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#### Past performance is no guarantee of future results.

Views are as of the issue date and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this fund.

## INTRODUCTION

This report is prepared for stakeholders in Florida PRIME and Fund B in accordance with Section 218.409(6)(a), Florida Statutes. The statute requires:

- (1) Reporting of any material impacts on the funds and any actions or escalations taken by staff to address such impacts;
- (2) Presentation of a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month; and
- (3) Preparation of the management summary “in a manner that will allow anyone to ascertain whether the investment activities during the reporting period have conformed to investment policies.”

This report, which covers the period from October 1, 2014 through October 31, 2014, has been prepared by the SBA with input from Federated Investment Counseling (“Federated”), investment advisor for Florida PRIME and Apollo Global Management, the collateral manager for Fund B, in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Details are available in the PRIME policy compliance table and the Fund B compliance narrative in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

## DISCLOSURE OF MATERIAL IMPACTS

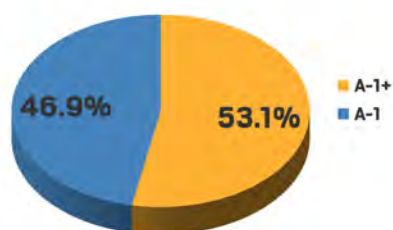
There were no developments during October 2014 that had a material impact on the liquidity or operation of Florida PRIME.

## PORTFOLIO COMPOSITION OCTOBER 31, 2014

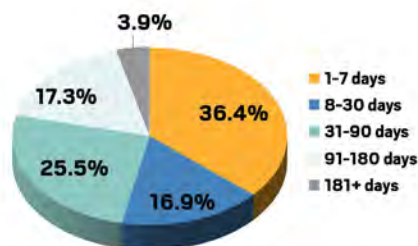
### Florida PRIME Assets

\$ 5,373,373,499

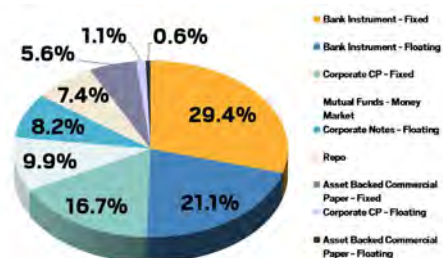
### Credit Quality Composition



### Effective Maturity Schedule



### Portfolio Composition



## PORTFOLIO MANAGER COMMENTARY

### October Market Conditions

If the recent Federal Reserve policy statement tells you anything, it is that no one can predict with certainty what the policymakers will do. Last year, the Ben Bernanke-led Fed stunned the market by not beginning to taper the amount of assets it was buying monthly, known as quantitative easing (QE). Last week came another surprise—although, thankfully, a positive one.

The consensus was that little news would come from the Federal Open Market Committee (FOMC) meeting at the end of the month. But instead the statement defied expectations by taking a more hawkish tone. The end of QE was almost an afterthought as the committee acknowledged the conditions of the labor market “improved somewhat further” and that, while inflation continues to be “below the Committee’s longer-run objective,” surveys indicate that “longer-term inflation expectations have remained stable.”

In respect to labor, the Fed said that indicators suggest that “underutilization of labor resources is gradually diminishing,” which is a far more positive statement than “there remains significant underutilization of labor resources.” And from an inflation perspective, the committee left in the wording of “considerable time” as to when it will raise the target rate after the end of QE if projected inflation is still below two percent but that if inflation accelerates, it will hike rates earlier.

But just when it seemed Chair Janet Yellen had indeed traded soft coos for sharp talons, the rest of the statement was hedge after hedge. First came the announcement that if labor and inflation data disappoints, the FOMC will not hesitate from holding off on a rate liftoff. And then came a warning that even when the dual mandate data gives the go signal, it will likely keep the red light on: “economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run”. So in the end, we are back in the same place, waiting for rates to rise.

Business is not back to usual for cash management, however. The New York Fed again altered the rules for its overnight Reverse Repo Program (RRP). Despite the breakdown at September quarter end due to its imposing of a new \$300

OCTOBER 31, 2014

## Top Holdings and Average Maturity

1. Federated Prime Obligations Fund	5.1%
2. Lloyds Banking Group plc	5.1%
3. Sumitomo Mitsui Financial Group, Inc.	5.1%
4. JPMorgan Chase & Co.	5.1%
5. Wells Fargo & Co.	5.1%
6. Svenska Handelsbanken, Stockholm	5.0%
7. Mitsubishi UFJ Financial Group, Inc.	5.0%
8. BNP Paribas SA	4.9%
9. Royal Bank of Canada, Montreal	4.8%
10. Federated Prime Cash Obligations Fund	4.7%

### Average Effective Maturity (WAM)

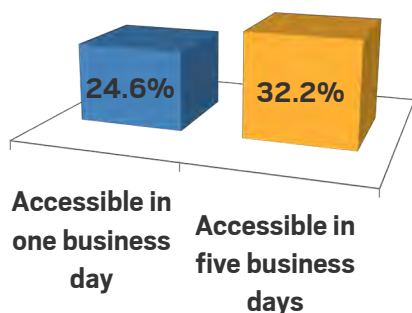
46.0 Days

### Weighted Average Life (Spread WAM)

89.7 Days

Percentages based on total value of investments

## Highly Liquid Holdings (% at month end)



## PORTFOLIO MANAGER COMMENTARY (CON'T.)

billion cap, the cap remains. Yet this time, the Fed is trying to encourage higher bids by showing it will offer higher rates, but in a controlled and obtuse way. For instance, it will offer seven basis points from Nov. 17-28 and ten basis points from Dec. 1-12. And the bank introduced an additional \$300 billion of term repo to be offered in January. We understand the Fed's overall reason for the RRP and term repo—as additional tools to support the fed funds rate, especially in window dressing scenarios—and we appreciate that Yellen is trying to put a floor on rates. But as to why it had to be orchestrated in such a complex way is not, well, clear.

The end of QE will not add much supply to the market—\$15 billion helps, but not overly so—and LIBOR did not budge, so neither did our investment strategy. We again stayed mostly in the six-month maturity range, grabbing floaters when we could, and weighted average maturity for government bonds at 45-55 and asset-backed at 40-50.

## Portfolio Investment Strategy

The fact that the assets of the Pool at the end of October were at a low level of \$5.3 billion reflects two large transactions during October. The first was the final distribution of Fund B's holdings and the second was a legislative change that caused cash to flow into the pool earlier in the year before being distributed in October. The size was also lower due to the typical seasonal pattern of tax collection by the state of Florida, which sees payouts in October before tax collection begins in November.

Florida Prime's yield increased one basis point to a gross yield of 19 basis points. Weighted Average Maturity (WAM) expanded by seven days to 46, and Weighted Average Life (WAL) was longer by three days to 90 days, both moving outward due to the decline in assets under management. To manage for the expected October outflows, we reduced our percentage of holdings of overnight securities and kept most of the trades in the very short end of the market—overnight out to a few weeks—to build up cash. Therefore, the Pool's money market fund percentage declined 3% from last month to comprise 10% of the pool, repo increased 1% to make up 7% and commercial paper grew 2% to 27%. The holdings of banking paper remained at 29% of the pool and those of variable-rate instruments were unchanged at 27%.



## FLORIDA PRIME SUMMARY OF CASH FLOWS

### October 2014

Opening Balance (10/01/14)	\$	6,123,308,501
Participant Deposits	\$	832,047,186
Gross Earnings		907,031
Participant Withdrawals	\$	(1,582,742,751)
Fees		(146,467)
Closing Balance (10/31/14)		5,373,373,500
Net Change over Month		<b>(749,935,001)</b>

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net outflow of \$749.9 million during October 2014.

This change in value consisted of positive flows of \$832.0 million in participant deposits and \$907,000 in earnings. Negative flows consisted of \$1.58 billion in participant withdrawals and about \$146,000 in fees.

Overall, the fund ended the month with a closing balance of \$5.37 billion.

## FLORIDA PRIME DETAILED FEE DISCLOSURE

October 2014	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	\$ 47,708.21	\$ 1.00
Federated Investment Management Fee	78,350.82	1.64
BNY Mellon Custodial Fee**	7,012.82	0.15
Bank of America Transfer Agent Fee	5,280.19	0.11
S&P Rating Maintenance Fee	3,397.26	0.07
Audit/External Review Fees	4,718.03	0.10
<b>Total Fees</b>	<b>\$ 146,467.33</b>	<b>3.06</b>

\*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was \$5,748,341,000.

\*\*All custodian banking fees are allocated based on both market value (size) and level of service accurately passing through all charges to pool participants. Charges will fluctuate month-to-month.

## What is the purpose of the security code on the PRIME's website?

Those hard to read codes are called CAPTCHA, short for **C**ompletely **A**utomated **P**ublic **T**uring **T**est to tell **C**omputers and **H**umans **A**part. They provide an extra level of security and prevent abuse of your participant data by automated software (sometimes referred to as bots). The PRIME system is built to ensure that a human is making the requests of the system. A human can read the distorted text, and current computer programs cannot.

We are constantly striving to keep your information protected and safe.

## FUND PERFORMANCE THROUGH OCTOBER 31, 2014

### NOTES TO PERFORMANCE TABLE

<sup>1</sup>Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.

<sup>2</sup>The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.

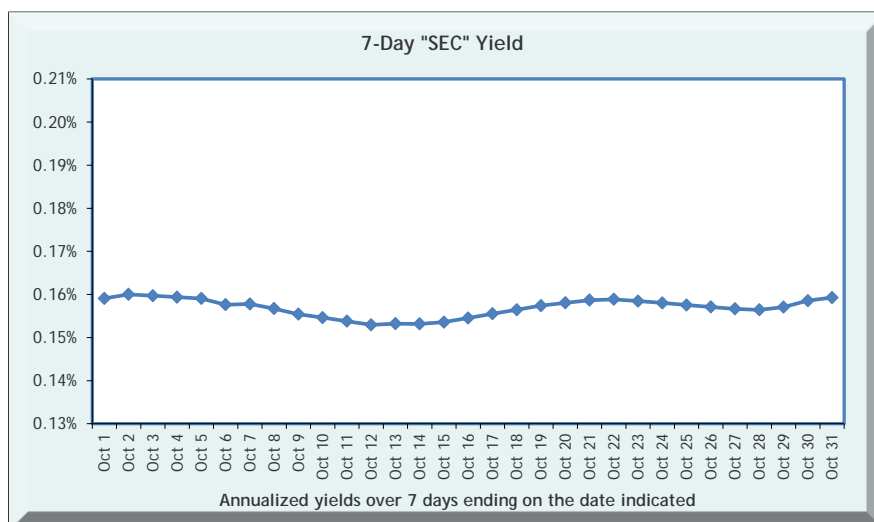
Net asset value includes investments at market value, plus all cash, accrued interest receivable and payables.

### Florida PRIME Participant Performance Data

	Net Participant Yield <sup>1</sup>	Net-of-Fee Benchmark <sup>2</sup>	Above (Below) Benchmark
1 mo	0.16%	0.05%	0.11%
3 mos	0.16%	0.05%	0.11%
12 mos	0.16%	0.05%	0.11%
3 yrs	0.23%	0.07%	0.16%
5 yrs	0.24%	0.10%	0.14%
10 yrs	1.81%	1.66%	0.15%
Since 1.96	2.93%	2.72%	0.21%

Net asset value at month end: \$5,373.5 m

### Florida PRIME 7-Day "SEC" Yields During the Month



For performance comparisons to other short-term investment options, see [www.sbafla.com/prime](http://www.sbafla.com/prime) and click on "Pool Performance."

### NOTES TO CHART

The 7-Day "SEC" Yield in the chart is calculated in accordance with the yield methodology set forth by SEC rule 2a-7 for money market funds.

The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365.

Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.

### ABOUT ANNUALIZED YIELDS

Performance data in the table and chart is annualized, meaning that the amounts are based on yields for the periods indicated, converted to their equivalent if obtained for a 12-month period.

For example, ignoring the effects of compounding,

an investment that earns 0.10% over a 1-month period yields 1.20% on an annualized basis. Likewise, an investment that earns a total of 3.60% over three years yields 1.20% on an annualized basis, ignoring compounding.

## INVENTORY OF HOLDINGS OCTOBER 31, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Australia & New Zealand Banking Group, Melbourne, Nov 04, 2014	VARIABLE RATE COMMERCIAL PAPER - 4-2	0.43	11/4/2014	11/4/2014	60,000,000	0.16	\$60,000,000	\$60,000,000	\$0
BNP Paribas Finance, Inc. CP	COMMERCIAL PAPER		11/3/2014		45,000,000	0.25	\$44,999,063	\$44,999,699	\$636
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/2/2015		100,000,000	0.21	\$100,000,000	\$100,000,000	\$0
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/4/2015		40,000,000	0.21	\$40,000,000	\$40,000,000	\$0
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/5/2015		80,000,000	0.21	\$80,000,000	\$80,000,000	\$0
Bank of America N.A. BNOTE	BANK NOTE	0.21	12/8/2014		200,000,000	0.21	\$200,000,000	\$200,029,540	\$29,540
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVERNIGHT FIXED	0.10	11/3/2014		395,000,000	0.10	\$395,000,000	\$395,000,000	\$0
Bank of Montreal, Apr 01, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.24	4/1/2015	11/3/2014	20,000,000	0.24	\$20,000,000	\$19,998,380	-\$1,620
Bank of Montreal, Apr 21, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.22	4/21/2015	11/21/2014	25,000,000	0.22	\$25,000,000	\$24,998,525	-\$1,475
Bank of Montreal, Dec 08, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.18	12/8/2014	11/10/2014	50,000,000	0.19	\$49,999,017	\$49,995,525	-\$3,492
Bank of Montreal, Feb 20, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	2/20/2015	11/20/2014	50,000,000	0.24	\$50,000,000	\$49,998,500	-\$1,500
Bank of Montreal, Mar 11, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	3/11/2015	11/12/2014	100,000,000	0.24	\$100,000,000	\$99,993,100	-\$6,900
Bank of Montreal, Sr. Unsecured, Aug 20, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.37	8/20/2015	11/20/2014	5,000,000	0.26	\$5,005,116	\$5,002,760	-\$2,356
Bank of Nova Scotia, Tor, .25%	CALLABLE CERTIFICATE OF DEPOSIT	0.25	3/12/2015		75,000,000	0.25	\$75,000,000	\$75,021,938	\$21,938
Bank of Nova Scotia, Tor, Sr. Unsec. Note, 1.85%, 1/12/2015	CORPORATE BOND	1.85	1/12/2015		2,000,000	0.25	\$2,006,364	\$2,005,862	-\$502
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.10	11/3/2014		80,000,000	0.10	\$80,000,000	\$80,000,000	\$0
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.15	11/17/2014		100,000,000	0.15	\$100,000,000	\$99,999,060	-\$940
Bank of Tokyo-Mitsubishi UFJ Ltd., Nov 25, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.21	11/25/2014	11/25/2014	25,000,000	0.21	\$25,000,000	\$25,000,000	\$0
Barclays US Funding Corp. CP	COMMERCIAL PAPER		12/15/2014		50,000,000	0.25	\$49,984,375	\$49,990,625	\$6,250
Barclays US Funding Corp. CP	COMMERCIAL PAPER		12/17/2014		155,000,000	0.26	\$154,947,386	\$154,969,047	\$21,660
Barton Capital LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/25/2014		40,000,000	0.22	\$39,993,889	\$39,997,776	\$3,887
Bedford Row Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		7/1/2015		20,000,000	0.33	\$19,956,800	\$19,966,116	\$9,316
Bedford Row Funding Corp., Sep 09, 2015	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.26	9/9/2015	11/10/2014	30,000,000	0.27	\$30,000,000	\$29,994,870	-\$5,130
Canadian Imperial Bank of Commerce, Apr 24, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.31	4/24/2015	11/24/2014	215,000,000	0.32	\$215,000,000	\$215,007,095	\$7,095
Chase Bank USA, N.A. CD	CERTIFICATE OF DEPOSIT	0.30	5/15/2015		50,000,000	0.30	\$50,000,000	\$50,021,665	\$21,665
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	12/1/2014		50,000,000	0.22	\$50,000,000	\$50,003,870	\$3,870
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	11/3/2014		7,421,460	0.01	\$7,421,460	\$7,421,460	\$0
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.02	11/3/2014	11/3/2014	250,659,158	0.03	\$250,659,158	\$250,659,158	\$0

See notes at end of table.

# INVENTORY OF HOLDINGS (CONTINUED)

## OCTOBER 31, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.02	11/3/2014	11/3/2014	276,031,500	0.01	\$276,031,500	\$276,031,500	\$0
General Electric Capital Corp., Jul 02, 2015	VARIABLE MEDIUM TERM NOTE	1.27	7/2/2015	1/2/2015	1,335,000	0.24	\$1,344,373	\$1,344,209	-\$164
General Electric Capital Corp., Jul 02, 2015	VARIABLE MEDIUM TERM NOTE	1.27	7/2/2015	1/2/2015	500,000	0.26	\$503,423	\$503,449	\$26
General Electric Capital Corp., Jul 02, 2015	VARIABLE MEDIUM TERM NOTE	1.27	7/2/2015	1/2/2015	400,000	0.27	\$402,719	\$402,759	\$40
General Electric Capital Corp., Series MTN, 3.500%, 06/29/2015	CORPORATE BOND	3.50	6/29/2015		4,701,000	0.34	\$4,798,733	\$4,798,282	-\$451
General Electric Capital Corp., Series MTN, 3.500%, 06/29/2015	CORPORATE BOND	3.50	6/29/2015		1,546,000	0.36	\$1,577,958	\$1,577,993	\$35
General Electric Capital Corp., Sr. Unsecd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		35,859,000	0.34	\$36,165,504	\$36,169,969	\$4,466
General Electric Capital Corp., Sr. Unsecd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		18,000,000	0.34	\$18,153,811	\$18,156,096	\$2,285
General Electric Capital Corp., Sr. Unsecd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		1,929,000	0.34	\$1,945,486	\$1,945,728	\$243
General Electric Capital Corp., Sr. Unsecd. Note, 2.150%, 01/09/2015	CORPORATE BOND	2.15	1/9/2015		25,000,000	0.30	\$25,088,480	\$25,082,300	-\$6,180
General Electric Capital Corp., Sr. Unsecd. Note, 2.150%, 01/09/2015	CORPORATE BOND	2.15	1/9/2015		275,000	0.31	\$275,967	\$275,905	-\$62
General Electric Capital Corp., Sr. Unsecd. Note, Series A, 01/09/2015	CORPORATE NOTE	0.61	1/9/2015	1/9/2015	33,000,000	0.23	\$33,024,697	\$33,025,674	\$977
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		1,500,000	0.34	\$1,520,161	\$1,519,239	-\$922
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		4,788,000	0.34	\$4,852,292	\$4,849,411	-\$2,881
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		7,500,000	0.35	\$7,600,438	\$7,596,195	-\$4,243
General Electric Capital Corp., Sr. Unsecured, Apr 13, 2015	VARIABLE MEDIUM TERM NOTE	0.73	4/13/2015	1/13/2015	1,233,000	0.23	\$1,235,807	\$1,235,545	-\$262
General Electric Capital Corp., Sr. Unsecured, Apr 13, 2015	VARIABLE MEDIUM TERM NOTE	0.73	4/13/2015	1/13/2015	500,000	0.25	\$501,084	\$501,032	-\$52
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		9,500,000	0.30	\$9,648,118	\$9,643,279	-\$4,839
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		11,795,000	0.30	\$11,978,851	\$11,972,892	-\$5,959
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		597,000	0.32	\$606,265	\$606,004	-\$261
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		450,000	0.32	\$456,936	\$456,787	-\$149
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		2,714,000	0.33	\$2,756,029	\$2,754,933	-\$1,097
General Electric Capital, Sr. Unsecd. Note, Series GMTN, 3.75%, 11/14/2014	CORPORATE BOND	3.75	11/14/2014		4,625,000	0.28	\$4,631,133	\$4,628,941	-\$2,192

See notes at end of table.

**INVENTORY OF HOLDINGS (CONTINUED)**  
**OCTOBER 31, 2014**

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
General Electric Capital, Sr. Unsecd. Note, Series GMTN, 3.75%, 11/14/2014	CORPORATE BOND	3.75	11/14/2014		550,000	0.29	\$550,729	\$550,469	-\$261
General Electric Capital, Sr. Unsecd. Note, Series GMTN, 3.75%, 11/14/2014	CORPORATE BOND	3.75	11/14/2014		4,200,000	0.30	\$4,205,522	\$4,203,578	-\$1,943
General Electric Capital, Sr. Unsecd. Note, Series GMTN, 3.75%, 11/14/2014	CORPORATE BOND	3.75	11/14/2014		1,280,000	0.39	\$1,281,644	\$1,281,091	-\$553
General Electric Capital, Sr. Unsecd. Note, Series MTN, 7/10/2015	CORPORATE BOND	0.61	7/10/2015	1/10/2015	6,500,000	0.23	\$6,517,448	\$6,517,251	-\$197
General Electric Capital, Sr. Unsecd. Note, Series MTN, 7/10/2015	CORPORATE BOND	0.61	7/10/2015	1/10/2015	375,000	0.26	\$375,931	\$375,995	\$64
General Electric Capital, Sr. Unsecd. Note, Series MTN, 8/11/2015	CORPORATE BOND	1.00	8/11/2015	11/11/2014	1,335,000	0.27	\$1,342,819	\$1,342,655	-\$164
Gotham Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/13/2014		65,000,000	0.16	\$64,996,244	\$64,996,835	\$590
HSBC USA, Inc. CP	COMMERCIAL PAPER		11/24/2014		5,000,000	0.23	\$4,999,250	\$4,999,657	\$407
HSBC USA, Inc. CP	COMMERCIAL PAPER		3/2/2015		50,000,000	0.24	\$49,959,333	\$49,969,050	\$9,717
HSBC USA, Inc. CP	COMMERCIAL PAPER		3/4/2015		50,000,000	0.24	\$49,958,667	\$49,968,080	\$9,413
HSBC USA, Inc., Sr. Unsecd. Note, 2.375%, 02/13/2015	CORPORATE BOND	2.38	2/13/2015		6,300,000	0.31	\$6,336,832	\$6,334,921	-\$1,911
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		2/5/2015		50,000,000	0.20	\$49,973,056	\$49,973,190	\$134
Illinois Finance Authority, (Advocate Health Care Network), (Series 2008C-2B), 11/01/2038	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.06	11/1/2038	11/5/2014	57,525,000	0.05	\$57,525,000	\$57,525,000	\$0
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		12/3/2014		20,000,000	0.23	\$19,995,783	\$19,996,700	\$917
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		2/27/2015		25,000,000	0.34	\$24,972,729	\$24,984,298	\$11,568
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		4/6/2015		50,000,000	0.27	\$49,941,125	\$49,955,955	\$14,830
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		4/16/2015		25,000,000	0.27	\$24,968,688	\$24,976,110	\$7,423
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		5/4/2015		30,000,000	0.25	\$29,961,458	\$29,967,624	\$6,166
JPMorgan Chase Bank, N.A., Nov 06, 2015	VARIABLE RATE BANK NOTE	0.35	11/6/2015	12/8/2014	15,000,000	0.36	\$15,000,000	\$15,000,270	\$270
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/10/2014		10,000,000	0.23	\$9,997,444	\$9,998,189	\$745
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/26/2015		58,300,000	0.23	\$58,267,595	\$58,270,693	\$3,098
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/27/2015		46,000,000	0.23	\$45,974,138	\$45,976,499	\$2,361
Lloyds TSB Bank PLC, London CP	COMMERCIAL PAPER		11/4/2014		275,000,000	0.10	\$274,996,944	\$274,997,855	\$911
Manhattan Asset Funding CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		11/14/2014		10,000,000	0.18	\$9,999,300	\$9,999,463	\$163
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	11/26/2014		50,000,000	0.21	\$50,000,000	\$50,001,080	\$1,080
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	12/16/2014		25,000,000	0.20	\$25,000,319	\$25,000,955	\$636
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	1/15/2015		30,000,000	0.22	\$30,000,000	\$29,999,997	-\$3
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.20	2/6/2015		70,000,000	0.20	\$70,000,000	\$70,000,000	\$0

See notes at end of table.

# INVENTORY OF HOLDINGS (CONTINUED)

## OCTOBER 31, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.14	1/1/2028	11/6/2014	13,500,000	0.14	\$13,500,000	\$13,500,000	\$0
Ontario, Province of, Sr. Unsecd. Note, Series MTN, 04/01/2015	CORPORATE NOTE	0.39	4/1/2015	1/2/2015	14,000,000	0.24	\$14,009,061	\$14,007,952	-\$1,109
Rabobank Nederland NV, Utrecht, Jan 05, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.21	1/5/2015	11/3/2014	100,000,000	0.20	\$100,000,000	\$99,996,700	-\$3,300
Royal Bank of Canada, Montreal, Dec 04, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.35	12/4/2015	1/5/2015	125,000,000	0.33	\$125,000,000	\$125,001,000	\$1,000
Royal Bank of Canada, Montreal, Jan 06, 2015	VARIABLE MEDIUM TERM NOTE	0.46	1/6/2015	1/6/2015	1,010,000	0.23	\$1,010,445	\$1,010,510	\$65
Royal Bank of Canada, Montreal, Jan 06, 2015	VARIABLE MEDIUM TERM NOTE	0.46	1/6/2015	1/6/2015	55,000,000	0.47	\$5,023,485	\$5,027,775	\$4,290
Royal Bank of Canada, Montreal, Mar 27, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	3/27/2015	11/27/2014	25,000,000	0.24	\$25,000,000	\$24,998,925	-\$1,075
Royal Bank of Canada, Montreal, Sr. Unsecured, Apr 29, 2015	VARIABLE MEDIUM TERM NOTE	0.44	4/29/2015	1/29/2015	1,800,000	0.24	\$1,801,947	\$1,801,897	-\$50
Royal Bank of Canada, Montreal, Sr. Unsecured, Apr 29, 2015	VARIABLE MEDIUM TERM NOTE	0.44	4/29/2015	1/29/2015	2,000,000	0.25	\$2,002,046	\$2,002,108	\$62
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/6/2015		50,000,000	0.22	\$49,970,056	\$49,973,460	\$3,404
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	12/1/2014		35,000,000	0.22	\$35,000,000	\$35,002,107	\$2,107
Societe Generale, Paris CP4-2	COMMERCIAL PAPER - 4-2		2/3/2015		70,000,000	0.21	\$69,961,208	\$69,963,607	\$2,399
Standard Chartered Bank plc CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.19	12/2/2014		80,700,000	0.16	\$80,702,148	\$80,702,282	\$134
State Street Bank and Trust Co., Apr 13, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	4/13/2015	1/13/2015	15,000,000	0.23	\$15,000,000	\$14,998,620	-\$1,380
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	2/11/2015		50,000,000	0.22	\$50,000,000	\$49,997,135	-\$2,865
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	2/3/2015		100,000,000	0.22	\$100,000,000	\$99,994,710	-\$5,290
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.15	11/17/2014		30,000,000	0.15	\$30,000,000	\$29,999,718	-\$282
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	3/13/2015		14,800,000	0.22	\$14,800,000	\$14,800,000	\$0
Sumitomo Mitsui Banking Corp., Mar 11, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.22	3/11/2015	11/28/2014	70,000,000	0.23	\$70,000,000	\$69,997,060	-\$2,940
Svenska Handelsbanken, Stockholm TDCAY	TIME DEPOSIT - CAYMAN	0.04	11/3/2014		270,000,000	0.04	\$270,000,000	\$270,000,000	\$0
Toronto Dominion Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.30	1/27/2015		25,000,000	0.30	\$25,000,000	\$25,009,755	\$9,755
Toronto Dominion Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	9/10/2015		25,000,000	0.35	\$25,000,000	\$25,010,843	\$10,843
Toronto Dominion Bank, Apr 15, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	4/15/2015	1/15/2015	25,000,000	0.23	\$25,000,000	\$24,997,675	-\$2,325
Toronto Dominion Bank, Feb 06, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.24	2/6/2015	11/6/2014	25,000,000	0.24	\$25,000,000	\$24,998,750	-\$1,250

See notes at end of table.

# INVENTORY OF HOLDINGS (CONTINUED)

## OCTOBER 31, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Toronto Dominion Bank, Sep 04, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.25	9/4/2015	11/4/2014	50,000,000	0.25	\$50,000,000	\$49,991,700	-\$8,300
Toronto Dominion Bank, Sr. Unsecured, MTN, May 01, 2015	VARIABLE MEDIUM TERM NOTE	0.42	5/1/2015	11/7/2014	29,580,000	0.24	\$29,607,499	\$29,607,539	\$40
Toronto Dominion Bank, Sr. Unsecured, MTN, May 01, 2015	VARIABLE MEDIUM TERM NOTE	0.42	5/1/2015	11/7/2014	1,000,000	0.26	\$1,000,820	\$1,000,931	\$111
Toyota Motor Credit Corp., Apr 08, 2015	VARIABLE MEDIUM TERM NOTE	0.38	4/8/2015	1/8/2015	500,000	0.24	\$500,335	\$500,363	\$28
Toyota Motor Credit Corp., Mar 10, 2015	VARIABLE MEDIUM TERM NOTE	0.38	3/10/2015	12/10/2014	1,120,000	0.24	\$1,120,646	\$1,120,290	-\$356
Toyota Motor Credit Corp., Sr. Unsecured, Jan 15, 2015	VARIABLE MEDIUM TERM NOTE	0.33	1/15/2015	1/15/2015	1,000,000	0.23	\$1,000,221	\$1,000,226	\$5
Toyota Motor Credit Corp., Sr. Unsecured, Jan 23, 2015	VARIABLE MEDIUM TERM NOTE	0.40	1/23/2015	1/23/2015	5,550,000	0.23	\$5,552,272	\$5,552,620	\$348
Wells Fargo Bank, N.A., Nov 20, 2015	VARIABLE MEDIUM TERM NOTE	0.37	11/20/2015	12/22/2014	50,000,000	0.38	\$50,000,000	\$50,002,750	\$2,750
Wells Fargo Bank, N.A., Nov 20, 2015	VARIABLE RATE BANK NOTE	0.32	11/20/2015	12/22/2014	100,000,000	0.33	\$100,000,000	\$100,011,000	\$11,000
Wells Fargo Bank, N.A., Sr. Unsecured, Jul 20, 2015	VARIABLE MEDIUM TERM NOTE	0.51	7/20/2015	1/20/2015	12,500,000	0.25	\$12,524,163	\$12,520,425	-\$3,738
Wells Fargo Bank, N.A., Sr. Unsecured, Sep 08, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.26	9/8/2015	12/4/2014	95,700,000	0.27	\$95,700,000	\$95,683,731	-\$16,269
<b>Total Value of Investments</b>					<b>5,370,984,118</b>		<b>\$5,371,956,743</b>	<b>\$5,372,100,312</b>	<b>\$143,569</b>

**Notes:** The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

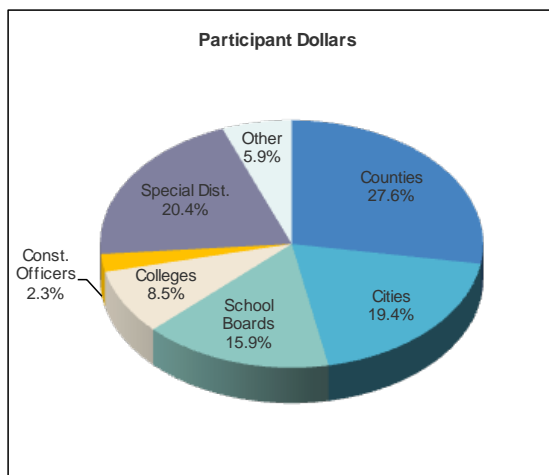
<sup>1</sup> Market values of the portfolio securities are provided by the custodian, BNY Mellon. The portfolio manager, Federated Investment Counseling, is the source for other data shown above.

<sup>2</sup> Amortized cost is calculated using a straight line method.

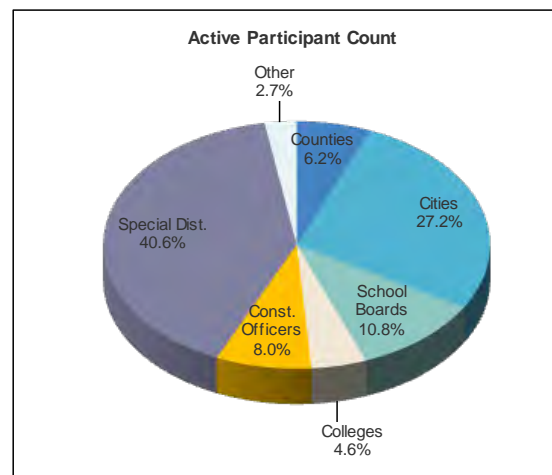


## PARTICIPANT CONCENTRATION DATA - OCTOBER 31, 2014

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
<b>All Participants</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Colleges &amp; Universities</b>	<b>8.5%</b>	<b>4.6%</b>
Top 10	37.9%	1.2%	Top 10	7.6%	1.2%
\$100 million or more	44.0%	1.6%	\$100 million or more	3.7%	0.1%
\$10 million up to \$100 million	43.6%	10.0%	\$10 million up to \$100 million	3.8%	1.1%
\$1 million up to \$10 million	11.2%	19.2%	\$1 million up to \$10 million	0.9%	1.3%
Under \$1 million	1.2%	69.1%	Under \$1 million	0.01%	2.1%
<b>Counties</b>	<b>27.6%</b>	<b>6.2%</b>	<b>Constitutional Officers</b>	<b>2.3%</b>	<b>8.0%</b>
Top 10	22.0%	1.2%	Top 10	1.6%	1.2%
\$100 million or more	17.4%	0.7%	\$100 million or more	0.0%	0.0%
\$10 million up to \$100 million	9.3%	1.6%	\$10 million up to \$100 million	1.1%	0.4%
\$1 million up to \$10 million	0.9%	1.3%	\$1 million up to \$10 million	1.1%	1.9%
Under \$1 million	0.0%	2.5%	Under \$1 million	0.1%	5.7%
<b>Municipalities</b>	<b>19.4%</b>	<b>27.2%</b>	<b>Special Districts</b>	<b>20.4%</b>	<b>40.6%</b>
Top 10	11.1%	1.2%	Top 10	15.0%	1.2%
\$100 million or more	4.8%	0.2%	\$100 million or more	8.2%	0.2%
\$10 million up to \$100 million	10.7%	2.8%	\$10 million up to \$100 million	9.6%	2.1%
\$1 million up to \$10 million	3.5%	6.1%	\$1 million up to \$10 million	2.2%	4.6%
Under \$1 million	0.4%	18.2%	Under \$1 million	0.4%	33.7%
<b>School Boards</b>	<b>15.9%</b>	<b>10.8%</b>	<b>Other</b>	<b>5.9%</b>	<b>2.7%</b>
Top 10	13.3%	1.2%	Top 10	5.1%	1.2%
\$100 million or more	9.9%	0.2%	\$100 million or more	0.0%	0.0%
\$10 million up to \$100 million	3.9%	1.2%	\$10 million up to \$100 million	5.2%	1.0%
\$1 million up to \$10 million	2.0%	2.9%	\$1 million up to \$10 million	0.7%	1.1%
Under \$1 million	0.2%	6.4%	Under \$1 million	0.0%	0.6%



Total Fund Value: \$5,373,373,499



Total Active Participant Count: 826



## FLORIDA PRIME COMPLIANCE WITH INVESTMENT POLICY - OCTOBER 2014

As investment manager, Federated monitors compliance daily on Florida PRIME to ensure that investment practices comply with the requirements of the Investment Policy Statement (IPS). Federated provides a monthly compliance report to the SBA and is required to notify the Investment Oversight Group (IOG) of compliance exceptions within 24 hours of identification. The IOG meets monthly and on an ad hoc basis to review compliance exceptions, to document responses to exceptions, and to formally escalate recommendations for approval by the Executive Director & CIO. The IOG also reviews the Federated compliance report each month, as well as, the results of independent compliance testing conducted by SBA Risk Management and Compliance. Minutes from the IOG meetings are posted to the Florida PRIME website.

In addition to the compliance testing performed by Federated, the SBA conducts independent testing on Florida PRIME using a risk-based approach. Under this approach, each IPS parameter is ranked as "High" or "Low" with respect to the level of risk associated with a potential guideline breach. IPS parameters with risk rankings of "High" are subject to independent verification by SBA Risk Management and Compliance. These rankings, along with the frequency for testing, are reviewed and approved by the IOG on an annual basis or more often if market conditions dictate. Additionally, any parameter reported in "Fail" status on the Federated compliance report, regardless of risk ranking, is also independently verified and escalated accordingly. The results of independent testing are currently reported monthly to the IOG.

Test by Source	Pass/Fail
<b><u>Florida PRIME's Investment Policy</u></b>	
Securities must be USD denominated.	Pass
<b><u>Ratings requirements</u></b>	
The Pool must purchase exclusively first-tier securities. Securities purchased with short-term ratings by an NRSRO, or comparable in quality and security to other obligations of the issuer that have received short-term ratings from an NRSRO, are eligible if they are in one of the two highest rating categories.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
Repurchase Agreement Counterparties must be rated by S&P	Pass
S&P Weighted Average Life - maximum 90 days <sup>1</sup>	Pass
<b><u>Maturity</u></b>	
Securities, excluding Government floating rate notes/variable rate notes, purchased did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased did not have a maturity in excess of 762 days.	Pass
The Pool must maintain a Spread WAM of 120 days or less.	Pass
<b><u>Issuer Diversification</u></b>	
First-tier issuers (limit does not apply to cash, cash items, U.S. Government securities refunded securities and repo collateralized by these securities) are limited, at the time of purchase, to 5% of the Pool's total assets. <sup>2</sup>	Pass
<b><u>Demand Feature and Guarantor Diversification</u></b>	
First-tier securities issued by or subject to demand features and guarantees of a non-controlled person, at time of purchase, are limited to 10% with respect to 75% of the Pool's total assets.	Pass
First-tier securities issued by or subject to demand features and guarantees of a control person, at time of purchase, are limited to 10% with respect to the Pool's total assets.	Pass
<b><u>Money Market Mutual Funds</u></b>	
The account, at time of purchase, will not have exposure to any one Money Market Mutual Fund in excess of 10% of the Pool's total assets.	Pass
<b><u>Concentration Tests</u></b>	
The account, at time of purchase, will not have exposure to an industry sector, excluding the financial services industry, in excess of 25% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to any single Government Agency in excess of 33.33% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to illiquid securities in excess of 5% of the Pool's total assets.	Pass
The account, at time of purchase, will invest at least 10% of the Pool's total assets in securities accessible within one business day.	Pass
The account, at time of purchase, will invest at least 30% of the Pool's total assets in securities accessible within five business days. <sup>3</sup>	Pass
<b><u>S&amp;P Requirements</u></b>	
The Pool must maintain a Dollar Weighted Average Maturity of 60 days or less.	Pass
The account, at time of purchase, will invest at least 50% of the Pool's total assets in Securities in Highest Rating Category (A-1+ or equivalent) .	Pass

<sup>1</sup> The fund may use floating rate government securities to extend the limit up to 120 days

<sup>2</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to liquidate positions if the exposure in excess of the specified percentage is caused by

<sup>3</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to take immediate corrective measures if asset movements cause the exposure to be below the specified percentage.

## TRADING ACTIVITY FOR OCTOBER 2014

Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
<b>Buys</b>								
BNP PARIBAS SACDYAN	02/02/15	10/28/14	10/29/14	50,000,000	50,000,000	0	50,000,000	0
BNP PARIBAS SACDYAN	02/02/15	10/28/14	10/29/14	50,000,000	50,000,000	0	50,000,000	0
BNP PARIBAS SACDYAN	02/04/15	10/30/14	10/30/14	40,000,000	40,000,000	0	40,000,000	0
BNP PARIBAS SACDYAN	02/05/15	10/31/14	10/31/14	50,000,000	50,000,000	0	50,000,000	0
BNP PARIBAS SACDYAN	02/05/15	10/31/14	10/31/14	30,000,000	30,000,000	0	30,000,000	0
BANK OF MONTREAL/CHICAGO IL	04/21/15	10/20/14	10/21/14	25,000,000	25,000,000	0	25,000,000	0
BANK OF TOKYO-MITSUCDYAN	11/03/14	10/27/14	10/27/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	11/03/14	10/27/14	10/27/14	30,000,000	30,000,000	0	30,000,000	0
BANK OF TOKYO-MITSUCDYAN	10/14/14	10/06/14	10/07/14	45,000,000	45,000,000	138	45,000,138	0
BANK OF TOKYO-MITSUCDYAN	11/17/14	10/14/14	10/14/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	11/17/14	10/14/14	10/14/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	10/27/14	10/20/14	10/20/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	10/27/14	10/20/14	10/20/14	35,000,000	35,000,000	0	35,000,000	0
DEUTSCHE BANK FINANCP	10/09/14	10/02/14	10/02/14	50,000,000	49,999,028	0	49,999,028	0
DEUTSCHE BANK FINANCP	10/09/14	10/02/14	10/02/14	50,000,000	49,999,028	0	49,999,028	0
DEUTSCHE BANK FINANCP	10/09/14	10/02/14	10/02/14	50,000,000	49,999,028	0	49,999,028	0
DEUTSCHE BANK FINANCP	10/09/14	10/02/14	10/02/14	50,000,000	49,999,028	0	49,999,028	0
DEUTSCHE BANK FINANCP	10/15/14	10/08/14	10/08/14	25,000,000	24,999,514	0	24,999,514	0
DEUTSCHE BANK FINANCP	10/16/14	10/09/14	10/09/14	50,000,000	49,999,028	0	49,999,028	0
DEUTSCHE BANK FINANCP	10/16/14	10/09/14	10/09/14	50,000,000	49,999,028	0	49,999,028	0
DEUTSCHE BANK FINANCP	10/16/14	10/09/14	10/09/14	50,000,000	49,999,028	0	49,999,028	0
DEUTSCHE BANK FINANCP	10/16/14	10/09/14	10/09/14	50,000,000	49,999,028	0	49,999,028	0
DEUTSCHE BANK FINANCP	10/22/14	10/15/14	10/15/14	30,000,000	29,999,417	0	29,999,417	0
DEUTSCHE BANK AGCDYAN	10/14/14	10/06/14	10/06/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	10/21/14	10/14/14	10/14/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	10/23/14	10/16/14	10/16/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	10/23/14	10/16/14	10/16/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	10/23/14	10/16/14	10/16/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	10/23/14	10/16/14	10/16/14	45,000,000	45,000,000	0	45,000,000	0
DEUTSCHE BANK AGCDYAN	10/28/14	10/21/14	10/21/14	50,000,000	50,000,000	0	50,000,000	0
GOTHAM FUNDING CORPCPABS4	11/13/14	10/08/14	10/08/14	15,000,000	14,997,600	0	14,997,600	0
GOTHAM FUNDING CORPCPABS4	11/13/14	10/08/14	10/08/14	50,000,000	49,992,000	0	49,992,000	0
HSBC USA INC	02/13/15	10/27/14	10/30/14	6,300,000	6,337,183	32,003	6,369,186	0
ING (U.S.) FUNDING CP	02/05/15	10/30/14	10/30/14	50,000,000	49,972,778	0	49,972,778	0
J.P. MORGAN SECURITCP4-2	05/04/15	10/27/14	10/27/14	30,000,000	29,960,625	0	29,960,625	0
LLOYDS TSB BANK PLCCP	11/04/14	10/28/14	10/28/14	50,000,000	49,999,028	0	49,999,028	0
LLOYDS TSB BANK PLCCP	11/04/14	10/28/14	10/28/14	50,000,000	49,999,028	0	49,999,028	0
LLOYDS TSB BANK PLCCP	11/04/14	10/28/14	10/28/14	50,000,000	49,999,028	0	49,999,028	0
LLOYDS TSB BANK PLCCP	11/04/14	10/28/14	10/28/14	50,000,000	49,999,028	0	49,999,028	0
LLOYDS TSB BANK PLCCP	11/04/14	10/28/14	10/28/14	50,000,000	49,999,028	0	49,999,028	0
LLOYDS TSB BANK PLCCP	11/04/14	10/28/14	10/28/14	25,000,000	24,999,514	0	24,999,514	0
LMA-AMERICAS LLCCPABS4-2	01/26/15	10/20/14	10/20/14	8,300,000	8,294,803	0	8,294,803	0
LMA-AMERICAS LLCCPABS4-2	01/26/15	10/20/14	10/20/14	50,000,000	49,968,694	0	49,968,694	0
LMA-AMERICAS LLCCPABS4-2	01/27/15	10/29/14	10/29/14	46,000,000	45,973,550	0	45,973,550	0
MIZUHO BANK LTD,CDYAN	10/31/14	10/24/14	10/24/14	50,000,000	50,000,000	0	50,000,000	0
MIZUHO BANK LTD,CDYAN	10/31/14	10/24/14	10/24/14	50,000,000	50,000,000	0	50,000,000	0
MIZUHO BANK LTD,CDYAN	02/06/15	10/29/14	10/29/14	50,000,000	50,000,000	0	50,000,000	0
MIZUHO BANK LTD,CDYAN	02/06/15	10/29/14	10/29/14	20,000,000	20,000,000	0	20,000,000	0
NRW,BANKCP	10/09/14	10/02/14	10/02/14	50,000,000	49,999,222	0	49,999,222	0

### TRADING ACTIVITY FOR OCTOBER 2014 (CONTINUED)

Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
NRW,BANKCP	10/09/14	10/02/14	10/02/14	50,000,000	49,999,222	0	49,999,222	0
NRW,BANKCP	10/09/14	10/02/14	10/02/14	50,000,000	49,999,222	0	49,999,222	0
NRW,BANKCP	10/09/14	10/02/14	10/02/14	50,000,000	49,999,222	0	49,999,222	0
NRW BANK	10/17/14	10/10/14	10/10/14	50,000,000	49,999,125	0	49,999,125	0
SHEFFIELD RECEIVABLES	02/06/15	10/16/14	10/17/14	50,000,000	49,965,778	0	49,965,778	0
SOCIETE GENERALE, PCDIAN	10/29/14	10/22/14	10/22/14	50,000,000	50,000,000	0	50,000,000	0
SOCIETE GENERALE, PCDIAN	10/29/14	10/22/14	10/22/14	25,000,000	25,000,000	0	25,000,000	0
SOCIETE GENERALE, PCDIAN	10/29/14	10/22/14	10/22/14	50,000,000	50,000,000	0	50,000,000	0
SOCIETE GENERALE, PCP4-2	10/14/14	10/10/14	10/10/14	50,000,000	49,999,500	0	49,999,500	0
SOCIETE GENERALE, PCP4-2	10/14/14	10/10/14	10/10/14	50,000,000	49,999,500	0	49,999,500	0
SOCIETE GENERALE, PCP4-2	10/14/14	10/10/14	10/10/14	26,000,000	25,999,740	0	25,999,740	0
SOCIETE GENERALE, PCP4-2	02/03/15	10/29/14	10/29/14	50,000,000	49,971,708	0	49,971,708	0
SOCIETE GENERALE, PCP4-2	02/03/15	10/29/14	10/29/14	20,000,000	19,988,683	0	19,988,683	0
STANDARD CHARTERED CDIAN	12/02/14	10/28/14	10/29/14	30,700,000	30,700,868	10,370	30,711,238	0
STANDARD CHARTERED CDIAN	12/02/14	10/28/14	10/29/14	50,000,000	50,001,414	16,889	50,018,303	0
SUMITOMO MITSUI BANCDIAN	10/08/14	10/01/14	10/01/14	30,000,000	30,000,000	0	30,000,000	0
SUMITOMO MITSUI BANCDIAN	02/11/15	10/01/14	10/01/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANCDIAN	02/03/15	10/02/14	10/02/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANCDIAN	02/03/15	10/02/14	10/02/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANCDIAN	10/15/14	10/08/14	10/08/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANCDIAN	10/15/14	10/08/14	10/08/14	25,000,000	25,000,000	0	25,000,000	0
SUMITOMO MITSUI BANCDIAN	11/17/14	10/15/14	10/15/14	30,000,000	30,000,000	0	30,000,000	0
SUMITOMO MITSUI BANCDIAN	10/22/14	10/15/14	10/15/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANCDIAN	10/22/14	10/15/14	10/15/14	40,000,000	40,000,000	0	40,000,000	0
SUMITOMO MITSUI BANCDIAN	10/29/14	10/22/14	10/22/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANCDIAN	10/29/14	10/22/14	10/22/14	35,000,000	35,000,000	0	35,000,000	0
SUMITOMO MITSUI BANKING CORP/NEW YORK	03/11/15	10/28/14	10/28/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANKING CORP/NEW YORK	03/11/15	10/28/14	10/28/14	20,000,000	20,000,000	0	20,000,000	0
SUMITOMO MITSUI BANCDIAN	03/13/15	10/30/14	10/30/14	14,800,000	14,800,000	0	14,800,000	0
TORONTO DOMINION BACDIAN	10/22/14	10/21/14	10/21/14	50,000,000	50,000,194	90,667	50,090,861	0
TORONTO DOMINION BACDIAN	10/22/14	10/21/14	10/21/14	50,000,000	50,000,194	90,667	50,090,861	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/03/14	10/03/14	602,951	602,951	0	602,951	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/06/14	10/06/14	2,059,761	2,059,761	0	2,059,761	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/08/14	10/08/14	1,157,498	1,157,498	0	1,157,498	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/09/14	10/09/14	489,062	489,062	0	489,062	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/10/14	10/10/14	1,451,013	1,451,013	0	1,451,013	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/14/14	10/14/14	1,053,413	1,053,413	0	1,053,413	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/15/14	10/15/14	1,346,186	1,346,186	0	1,346,186	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/21/14	10/21/14	2,234,604	2,234,604	0	2,234,604	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/22/14	10/22/14	851,351	851,351	0	851,351	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/24/14	10/24/14	2,437,845	2,437,845	0	2,437,845	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/29/14	10/29/14	3,124,912	3,124,912	0	3,124,912	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/30/14	10/30/14	676,064	676,064	0	676,064	0
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	10/01/14	10/01/14	5,169	5,169	0	5,169	0
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	10/01/14	10/01/14	5,692	5,692	0	5,692	0
DEUTSCHE BANK	10/02/14	10/01/14	10/01/14	350,000,000	350,000,000	0	350,000,000	0
BANK OF AMERICA TRIPARTY	10/02/14	10/01/14	10/01/14	150,000,000	150,000,000	0	150,000,000	0
DEUTSCHE BANK	10/03/14	10/02/14	10/02/14	100,000,000	100,000,000	0	100,000,000	0

**TRADING ACTIVITY FOR OCTOBER 2014 (CONTINUED)**

Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
BANK OF AMERICA TRIPARTY	10/03/14	10/02/14	10/02/14	80,000,000	80,000,000	0	80,000,000	0
DEUTSCHE BANK	10/06/14	10/03/14	10/03/14	160,000,000	160,000,000	0	160,000,000	0
BANK OF AMERICA TRIPARTY	10/06/14	10/03/14	10/03/14	145,000,000	145,000,000	0	145,000,000	0
DEUTSCHE BANK	10/07/14	10/06/14	10/06/14	350,000,000	350,000,000	0	350,000,000	0
BANK OF AMERICA TRIPARTY	10/07/14	10/06/14	10/06/14	85,000,000	85,000,000	0	85,000,000	0
DEUTSCHE BANK	10/08/14	10/07/14	10/07/14	325,000,000	325,000,000	0	325,000,000	0
BANK OF AMERICA TRIPARTY	10/08/14	10/07/14	10/07/14	155,000,000	155,000,000	0	155,000,000	0
DEUTSCHE BANK	10/09/14	10/08/14	10/08/14	225,000,000	225,000,000	0	225,000,000	0
BANK OF AMERICA TRIPARTY	10/09/14	10/08/14	10/08/14	160,000,000	160,000,000	0	160,000,000	0
BANK OF AMERICA TRIPARTY	10/10/14	10/09/14	10/09/14	180,000,000	180,000,000	0	180,000,000	0
DEUTSCHE BANK	10/10/14	10/09/14	10/09/14	400,000,000	400,000,000	0	400,000,000	0
DEUTSCHE BANK	10/14/14	10/10/14	10/10/14	275,000,000	275,000,000	0	275,000,000	0
BANK OF AMERICA TRIPARTY	10/14/14	10/10/14	10/10/14	150,000,000	150,000,000	0	150,000,000	0
DEUTSCHE BANK	10/15/14	10/14/14	10/14/14	475,000,000	475,000,000	0	475,000,000	0
BANK OF AMERICA TRIPARTY	10/15/14	10/14/14	10/14/14	185,000,000	185,000,000	0	185,000,000	0
DEUTSCHE BANK	10/16/14	10/15/14	10/15/14	450,000,000	450,000,000	0	450,000,000	0
BANK OF AMERICA TRIPARTY	10/16/14	10/15/14	10/15/14	200,000,000	200,000,000	0	200,000,000	0
DEUTSCHE BANK	10/17/14	10/16/14	10/16/14	460,000,000	460,000,000	0	460,000,000	0
BANK OF AMERICA TRIPARTY	10/17/14	10/16/14	10/16/14	142,000,000	142,000,000	0	142,000,000	0
DEUTSCHE BANK	10/20/14	10/17/14	10/17/14	400,000,000	400,000,000	0	400,000,000	0
BANK OF AMERICA TRIPARTY	10/20/14	10/17/14	10/17/14	226,000,000	226,000,000	0	226,000,000	0
DEUTSCHE BANK	10/21/14	10/20/14	10/20/14	320,000,000	320,000,000	0	320,000,000	0
BANK OF AMERICA TRIPARTY	10/21/14	10/20/14	10/20/14	255,000,000	255,000,000	0	255,000,000	0
DEUTSCHE BANK	10/22/14	10/21/14	10/21/14	625,000,000	625,000,000	0	625,000,000	0
BANK OF AMERICA TRIPARTY	10/22/14	10/21/14	10/21/14	170,000,000	170,000,000	0	170,000,000	0
DEUTSCHE BANK	10/23/14	10/22/14	10/22/14	580,000,000	580,000,000	0	580,000,000	0
BANK OF AMERICA TRIPARTY	10/23/14	10/22/14	10/22/14	150,000,000	150,000,000	0	150,000,000	0
DEUTSCHE BANK	10/24/14	10/23/14	10/23/14	700,000,000	700,000,000	0	700,000,000	0
BANK OF AMERICA TRIPARTY	10/24/14	10/23/14	10/23/14	155,000,000	155,000,000	0	155,000,000	0
DEUTSCHE BANK	10/27/14	10/24/14	10/24/14	550,000,000	550,000,000	0	550,000,000	0
BANK OF AMERICA TRIPARTY	10/27/14	10/24/14	10/24/14	245,000,000	245,000,000	0	245,000,000	0
DEUTSCHE BANK	10/28/14	10/27/14	10/27/14	600,000,000	600,000,000	0	600,000,000	0
BANK OF AMERICA TRIPARTY	10/28/14	10/27/14	10/27/14	260,000,000	260,000,000	0	260,000,000	0
DEUTSCHE BANK	10/29/14	10/28/14	10/28/14	440,000,000	440,000,000	0	440,000,000	0
BANK OF AMERICA TRIPARTY	10/29/14	10/28/14	10/28/14	175,000,000	175,000,000	0	175,000,000	0
DEUTSCHE BANK	10/30/14	10/29/14	10/29/14	190,000,000	190,000,000	0	190,000,000	0
BANK OF AMERICA TRIPARTY	10/30/14	10/29/14	10/29/14	185,000,000	185,000,000	0	185,000,000	0
DEUTSCHE BANK	10/31/14	10/30/14	10/30/14	75,000,000	75,000,000	0	75,000,000	0
BANK OF AMERICA TRIPARTY	10/31/14	10/30/14	10/30/14	100,000,000	100,000,000	0	100,000,000	0
BANK OF AMERICA TRIPARTY	11/03/14	10/31/14	10/31/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141002	10/02/14	10/01/14	10/01/14	305,000,000	305,000,000	0	305,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141003	10/03/14	10/02/14	10/02/14	300,000,000	300,000,000	0	300,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141006	10/06/14	10/03/14	10/03/14	295,000,000	295,000,000	0	295,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141007	10/07/14	10/06/14	10/06/14	290,000,000	290,000,000	0	290,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141008	10/08/14	10/07/14	10/07/14	285,000,000	285,000,000	0	285,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141010	10/10/14	10/09/14	10/09/14	280,000,000	280,000,000	0	280,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141014	10/14/14	10/10/14	10/10/14	280,000,000	280,000,000	0	280,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141009	10/09/14	10/08/14	10/08/14	285,000,000	285,000,000	0	285,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141015	10/15/14	10/14/14	10/14/14	280,000,000	280,000,000	0	280,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141016	10/16/14	10/15/14	10/15/14	280,000,000	280,000,000	0	280,000,000	0

## TRADING ACTIVITY FOR OCTOBER 2014 (CONTINUED)

Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
SVENSKA HANDELSBANKTDCAY 0.09 20141017	10/17/14	10/16/14	10/16/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141020	10/20/14	10/17/14	10/17/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141021	10/21/14	10/20/14	10/20/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141023	10/23/14	10/22/14	10/22/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141024	10/24/14	10/23/14	10/23/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141027	10/27/14	10/24/14	10/24/14	270,000,000	270,000,000	0	270,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141028	10/28/14	10/27/14	10/27/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141029	10/29/14	10/28/14	10/28/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141030	10/30/14	10/29/14	10/29/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141031	10/31/14	10/30/14	10/30/14	270,000,000	270,000,000	0	270,000,000	0
SVENSKA HANDELSBANKTDCAY 0.04 20141103	11/03/14	10/31/14	10/31/14	270,000,000	270,000,000	0	270,000,000	0
<b>Total Buys</b>				<b>21,307,595,522</b>	<b>21,307,402,154</b>	<b>240,733</b>	<b>21,307,642,887</b>	<b>0</b>
<b>Maturities</b>								
BNP PARIBAS SACDYAN	10/07/14	10/07/14	10/07/14	100,000,000	100,000,000	0	100,000,000	0
BNP PARIBAS SACDYAN	10/21/14	10/21/14	10/21/14	100,000,000	100,000,000	0	100,000,000	0
BNP PARIBAS SACDYAN	10/31/14	10/31/14	10/31/14	85,000,000	85,000,000	0	85,000,000	0
BANK OF TOKYO-MITSUCDYAN	10/14/14	10/14/14	10/14/14	150,000,000	150,000,000	0	150,000,000	0
BANK OF TOKYO-MITSUCDYAN	10/14/14	10/14/14	10/14/14	45,000,000	45,000,000	0	45,000,000	0
BANK OF TOKYO-MITSUCDYAN	10/27/14	10/27/14	10/27/14	85,000,000	85,000,000	0	85,000,000	0
DZ BANK AG DEUTSCHEDEUR	10/06/14	10/06/14	10/06/14	150,000,000	150,000,000	0	150,000,000	0
CAISSE DES DEPOTS ECP	10/22/14	10/22/14	10/22/14	245,000,000	245,000,000	0	245,000,000	0
DEUTSCHE BANK FINANCP	10/09/14	10/09/14	10/09/14	200,000,000	200,000,000	0	200,000,000	0
DEUTSCHE BANK FINANCP	10/15/14	10/15/14	10/15/14	25,000,000	25,000,000	0	25,000,000	0
DEUTSCHE BANK FINANCP	10/16/14	10/16/14	10/16/14	200,000,000	200,000,000	0	200,000,000	0
DEUTSCHE BANK FINANCP	10/22/14	10/22/14	10/22/14	30,000,000	30,000,000	0	30,000,000	0
DEUTSCHE BANK AGCDYAN	10/14/14	10/14/14	10/14/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	10/21/14	10/21/14	10/21/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	10/23/14	10/23/14	10/23/14	195,000,000	195,000,000	0	195,000,000	0
DEUTSCHE BANK AGCDYAN	10/28/14	10/28/14	10/28/14	50,000,000	50,000,000	0	50,000,000	0
GOTHAM FUNDING CORPCPABS4	10/06/14	10/06/14	10/06/14	75,000,000	75,000,000	0	75,000,000	0
GOTHAM FUNDING CORPCPABS4	10/08/14	10/08/14	10/08/14	70,000,000	70,000,000	0	70,000,000	0
ING (U.S.) FUNDING CP	10/02/14	10/02/14	10/02/14	60,000,000	60,000,000	0	60,000,000	0
ING (U.S.) FUNDING CP	10/03/14	10/03/14	10/03/14	25,000,000	25,000,000	0	25,000,000	0
ING (U.S.) FUNDING CP	10/10/14	10/10/14	10/10/14	45,000,000	45,000,000	0	45,000,000	0
ING (U.S.) FUNDING CP	10/31/14	10/31/14	10/31/14	125,000,000	125,000,000	0	125,000,000	0
LMA-AMERICAS LLCPCPABS4-2	10/20/14	10/20/14	10/20/14	34,600,000	34,600,000	0	34,600,000	0
MIZUHO BANK LTD,CDYAN	10/31/14	10/31/14	10/31/14	100,000,000	100,000,000	0	100,000,000	0
NRW.BANKCP	10/09/14	10/09/14	10/09/14	200,000,000	200,000,000	0	200,000,000	0
NRW BANK	10/17/14	10/17/14	10/17/14	50,000,000	50,000,000	0	50,000,000	0
SOCIETE GENERALE, PCDYAN	10/29/14	10/29/14	10/29/14	125,000,000	125,000,000	0	125,000,000	0
SOCIETE GENERALE, PCP4-2	10/14/14	10/14/14	10/14/14	126,000,000	126,000,000	0	126,000,000	0
STANDARD CHARTERED BANK/NEW YORK	10/02/14	10/02/14	10/02/14	39,500,000	39,500,000	0	39,500,000	0
SUMITOMO MITSUI BANCDYAN	10/02/14	10/02/14	10/02/14	165,000,000	165,000,000	0	165,000,000	0
SUMITOMO MITSUI BANCDYAN	10/15/14	10/15/14	10/15/14	30,000,000	30,000,000	0	30,000,000	0
SUMITOMO MITSUI BANCDYAN	10/09/14	10/09/14	10/09/14	20,000,000	20,000,000	0	20,000,000	0
SUMITOMO MITSUI BANCDYAN	10/08/14	10/08/14	10/08/14	30,000,000	30,000,000	0	30,000,000	0
SUMITOMO MITSUI BANCDYAN	10/15/14	10/15/14	10/15/14	75,000,000	75,000,000	0	75,000,000	0
SUMITOMO MITSUI BANCDYAN	10/22/14	10/22/14	10/22/14	90,000,000	90,000,000	0	90,000,000	0
SUMITOMO MITSUI BANCDYAN	10/29/14	10/29/14	10/29/14	15,000,000	15,000,000	0	15,000,000	0

### TRADING ACTIVITY FOR OCTOBER 2014 (CONTINUED)

Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
TORONTO DOMINION BACDYN	10/22/14	10/22/14	10/22/14	100,000,000	100,000,000	0	100,000,000	0
WELLS FARGO & CO	10/01/14	10/01/14	10/01/14	27,511,000	27,511,000	0	27,511,000	0
BANK OF AMERICA TRIPARTY	10/01/14	10/01/14	10/01/14	350,000,000	350,000,000	0	350,000,000	0
DEUTSCHE BANK	10/02/14	10/02/14	10/02/14	350,000,000	350,000,000	0	350,000,000	0
BANK OF AMERICA TRIPARTY	10/02/14	10/02/14	10/02/14	150,000,000	150,000,000	0	150,000,000	0
DEUTSCHE BANK	10/03/14	10/03/14	10/03/14	100,000,000	100,000,000	0	100,000,000	0
BANK OF AMERICA TRIPARTY	10/03/14	10/03/14	10/03/14	80,000,000	80,000,000	0	80,000,000	0
DEUTSCHE BANK	10/06/14	10/06/14	10/06/14	160,000,000	160,000,000	0	160,000,000	0
BANK OF AMERICA TRIPARTY	10/06/14	10/06/14	10/06/14	145,000,000	145,000,000	0	145,000,000	0
DEUTSCHE BANK	10/07/14	10/07/14	10/07/14	350,000,000	350,000,000	0	350,000,000	0
BANK OF AMERICA TRIPARTY	10/07/14	10/07/14	10/07/14	85,000,000	85,000,000	0	85,000,000	0
DEUTSCHE BANK	10/08/14	10/08/14	10/08/14	325,000,000	325,000,000	0	325,000,000	0
BANK OF AMERICA TRIPARTY	10/08/14	10/08/14	10/08/14	155,000,000	155,000,000	0	155,000,000	0
DEUTSCHE BANK	10/09/14	10/09/14	10/09/14	225,000,000	225,000,000	0	225,000,000	0
BANK OF AMERICA TRIPARTY	10/09/14	10/09/14	10/09/14	160,000,000	160,000,000	0	160,000,000	0
BANK OF AMERICA TRIPARTY	10/10/14	10/10/14	10/10/14	180,000,000	180,000,000	0	180,000,000	0
DEUTSCHE BANK	10/10/14	10/10/14	10/10/14	400,000,000	400,000,000	0	400,000,000	0
DEUTSCHE BANK	10/14/14	10/14/14	10/14/14	275,000,000	275,000,000	0	275,000,000	0
BANK OF AMERICA TRIPARTY	10/14/14	10/14/14	10/14/14	150,000,000	150,000,000	0	150,000,000	0
DEUTSCHE BANK	10/15/14	10/15/14	10/15/14	475,000,000	475,000,000	0	475,000,000	0
BANK OF AMERICA TRIPARTY	10/15/14	10/15/14	10/15/14	185,000,000	185,000,000	0	185,000,000	0
DEUTSCHE BANK	10/16/14	10/16/14	10/16/14	450,000,000	450,000,000	0	450,000,000	0
BANK OF AMERICA TRIPARTY	10/16/14	10/16/14	10/16/14	200,000,000	200,000,000	0	200,000,000	0
DEUTSCHE BANK	10/17/14	10/17/14	10/17/14	460,000,000	460,000,000	0	460,000,000	0
BANK OF AMERICA TRIPARTY	10/17/14	10/17/14	10/17/14	142,000,000	142,000,000	0	142,000,000	0
DEUTSCHE BANK	10/20/14	10/20/14	10/20/14	400,000,000	400,000,000	0	400,000,000	0
BANK OF AMERICA TRIPARTY	10/20/14	10/20/14	10/20/14	226,000,000	226,000,000	0	226,000,000	0
DEUTSCHE BANK	10/21/14	10/21/14	10/21/14	320,000,000	320,000,000	0	320,000,000	0
BANK OF AMERICA TRIPARTY	10/21/14	10/21/14	10/21/14	255,000,000	255,000,000	0	255,000,000	0
DEUTSCHE BANK	10/22/14	10/22/14	10/22/14	625,000,000	625,000,000	0	625,000,000	0
BANK OF AMERICA TRIPARTY	10/22/14	10/22/14	10/22/14	170,000,000	170,000,000	0	170,000,000	0
DEUTSCHE BANK	10/23/14	10/23/14	10/23/14	580,000,000	580,000,000	0	580,000,000	0
BANK OF AMERICA TRIPARTY	10/23/14	10/23/14	10/23/14	150,000,000	150,000,000	0	150,000,000	0
DEUTSCHE BANK	10/24/14	10/24/14	10/24/14	700,000,000	700,000,000	0	700,000,000	0
BANK OF AMERICA TRIPARTY	10/24/14	10/24/14	10/24/14	155,000,000	155,000,000	0	155,000,000	0
DEUTSCHE BANK	10/27/14	10/27/14	10/27/14	550,000,000	550,000,000	0	550,000,000	0
BANK OF AMERICA TRIPARTY	10/27/14	10/27/14	10/27/14	245,000,000	245,000,000	0	245,000,000	0
DEUTSCHE BANK	10/28/14	10/28/14	10/28/14	600,000,000	600,000,000	0	600,000,000	0
BANK OF AMERICA TRIPARTY	10/28/14	10/28/14	10/28/14	260,000,000	260,000,000	0	260,000,000	0
DEUTSCHE BANK	10/29/14	10/29/14	10/29/14	440,000,000	440,000,000	0	440,000,000	0
BANK OF AMERICA TRIPARTY	10/29/14	10/29/14	10/29/14	175,000,000	175,000,000	0	175,000,000	0
DEUTSCHE BANK	10/30/14	10/30/14	10/30/14	190,000,000	190,000,000	0	190,000,000	0
BANK OF AMERICA TRIPARTY	10/30/14	10/30/14	10/30/14	185,000,000	185,000,000	0	185,000,000	0
DEUTSCHE BANK	10/31/14	10/31/14	10/31/14	75,000,000	75,000,000	0	75,000,000	0
BANK OF AMERICA TRIPARTY	10/31/14	10/31/14	10/31/14	100,000,000	100,000,000	0	100,000,000	0
SVENSKA HANDELSBANKTDCAY 0.01 20141001	10/01/14	10/01/14	10/01/14	300,000,000	300,000,000	0	300,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141002	10/02/14	10/02/14	10/02/14	305,000,000	305,000,000	0	305,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141003	10/03/14	10/03/14	10/03/14	300,000,000	300,000,000	0	300,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141006	10/06/14	10/06/14	10/06/14	295,000,000	295,000,000	0	295,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141007	10/07/14	10/07/14	10/07/14	290,000,000	290,000,000	0	290,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141008	10/08/14	10/08/14	10/08/14	285,000,000	285,000,000	0	285,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141010	10/10/14	10/10/14	10/10/14	280,000,000	280,000,000	0	280,000,000	0

### TRADING ACTIVITY FOR OCTOBER 2014 (CONTINUED)

Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
SVENSKA HANDELSBANKTDCAY 0.09 20141014	10/14/14	10/14/14	10/14/14	280,000,000	280,000,000	0	280,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141009	10/09/14	10/09/14	10/09/14	285,000,000	285,000,000	0	285,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141015	10/15/14	10/15/14	10/15/14	280,000,000	280,000,000	0	280,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141016	10/16/14	10/16/14	10/16/14	280,000,000	280,000,000	0	280,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141017	10/17/14	10/17/14	10/17/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141020	10/20/14	10/20/14	10/20/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141021	10/21/14	10/21/14	10/21/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141023	10/23/14	10/23/14	10/23/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141024	10/24/14	10/24/14	10/24/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141027	10/27/14	10/27/14	10/27/14	270,000,000	270,000,000	0	270,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141028	10/28/14	10/28/14	10/28/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141029	10/29/14	10/29/14	10/29/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141030	10/30/14	10/30/14	10/30/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTDCAY 0.08 20141031	10/31/14	10/31/14	10/31/14	270,000,000	270,000,000	0	270,000,000	0
<b>Total Maturities</b>				<b>21,260,611,000</b>	<b>21,260,611,000</b>	<b>0</b>	<b>21,260,611,000</b>	<b>0</b>
<b>Sells</b>								
PNC BANK NA	10/20/15	10/27/14	10/27/14	70,000,000	70,000,000	33,677	70,033,677	0
ALPINE SECURITIZATPCABS4	11/24/14	10/03/14	10/03/14	50,000,000	49,987,722	0	49,987,722	2,167
BEDFORD ROW FUNDINGCPABS4	06/17/15	10/31/14	10/31/14	20,000,000	19,968,194	0	19,968,194	6,361
CANADIAN IMPERIAL BANK OF COMMERCE/ NEW YORK NY	04/24/15	10/07/14	10/08/14	10,000,000	10,001,500	1,223	10,002,723	1,500
FAIRWAY FINANCE LLC	02/04/15	10/03/14	10/06/14	30,000,000	30,000,000	0	30,000,000	0
MIZUHO BANK LTD.CDYAN	12/23/14	10/03/14	10/03/14	50,000,000	50,000,000	2,625	50,002,625	0
MIZUHO BANK LTD.CDYAN	12/23/14	10/03/14	10/03/14	50,000,000	50,000,000	2,625	50,002,625	0
CITY OF NEW YORK NY	04/01/42	10/07/14	10/07/14	35,000,000	35,000,000	182	35,000,182	0
CITY OF NEW YORK NY	04/01/42	10/07/14	10/14/14	25,000,000	25,000,000	274	25,000,274	0
NEW YORK LOCAL GOVERNMENT ASSIS- TANCE CORP	04/01/24	10/02/14	10/02/14	37,650,000	37,650,000	31	37,650,031	0
STATE OF OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT	07/01/37	10/07/14	10/15/14	20,000,000	20,000,000	3,573	20,003,573	0
ROYAL BANK OF CANADA/NEW YORK NY	10/04/18	10/06/14	10/06/14	35,000,000	35,000,000	0	35,000,000	0
SUMITOMO MITSUI BANCYAN	10/29/14	10/28/14	10/28/14	50,000,000	50,000,028	833	50,000,861	28
SUMITOMO MITSUI BANCYAN	10/29/14	10/28/14	10/28/14	20,000,000	20,000,011	333	20,000,344	11
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/01/14	10/01/14	2,150,655	2,150,655	0	2,150,655	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/01/14	10/01/14	2,204,269	2,204,269	0	2,204,269	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/01/14	10/01/14	275,087,139	275,087,139	0	275,087,139	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/02/14	10/02/14	6,417	6,417	0	6,417	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/07/14	10/07/14	3,575,352	3,575,352	0	3,575,352	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/16/14	10/16/14	394,431	394,431	0	394,431	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/16/14	10/16/14	602,951	602,951	0	602,951	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/16/14	10/16/14	95,842	95,842	0	95,842	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/17/14	10/17/14	1,075,251	1,075,251	0	1,075,251	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/20/14	10/20/14	888,668	888,668	0	888,668	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/20/14	10/20/14	1,138,519	1,138,519	0	1,138,519	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/23/14	10/23/14	18,979	18,979	0	18,979	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/23/14	10/23/14	489,062	489,062	0	489,062	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/23/14	10/23/14	1,451,013	1,451,013	0	1,451,013	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/23/14	10/23/14	305,732	305,732	0	305,732	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/27/14	10/27/14	747,681	747,681	0	747,681	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/27/14	10/27/14	1,346,186	1,346,186	0	1,346,186	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/27/14	10/27/14	327,336	327,336	0	327,336	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/28/14	10/28/14	380,823	380,823	0	380,823	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	10/31/14	10/31/14	1,195,157	1,195,157	0	1,195,157	0
<b>Total Sells</b>				<b>796,131,463</b>	<b>796,088,918</b>	<b>45,377</b>	<b>796,134,295</b>	<b>10,067</b>



# FUND B

## FUND B FACTS

### INVESTMENT OBJECTIVE

Fund B's primary objective was to maximize the present value of distributions from the Fund.

### COMPOSITION

Fund B principally consisted of Segregated Securities, which were securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides Florida PRIME's AAAM rating. On September 26, 2014, Apollo completed the sale of all Fund B collateral assets.

### DISTRIBUTIONS

Participants in Fund B received periodic distributions to the extent that Fund B received proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken until all principal was returned.

### ACCOUNTING

Fund B is accounted for as a fluctuating NAV pool, not a 2a-7-like money market fund. That is, accounting valuations reflect estimates of the market value of securities rather than their amortized cost.

### STATUS OF INVESTMENTS

Florida East and West: Restructured from KKR. Underlying assets sold and position closed August 2014.

Florida Funding I: Restructured from Ottimo (Issuer Entity). Underlying assets sold and position closed in May 2014.

Florida Funding II: Restructured from Axon. Underlying assets sold and position closed September 2014.

## COMMENTARY ON PORTFOLIO MANAGEMENT

The remaining reserve in Fund B will continue to be invested in an SEC-registered 2a-7 money market fund until the transfer back to Florida PRIME™.

As of September 2014, \$2,009,451,941, or 100 percent of the original participants principal was returned. Fund B participants did not realize any losses on their original principal balances.

For information on the historical performance of Fund B, see prior months PRIME Monthly Summary Reports.

## LEGAL ISSUE

As an ongoing legal matter, the SBA asserts Lehman Brothers (which is now in liquidation) sold the SBA certain unregistered secured notes that were not exempt from registration under the Securities Act of 1933. On August 20, 2014, the parties participated in a mediation which resulted in a settlement of the matter. On September 30, 2014, the Court approved and ordered that the settlement stipulated by the parties be an allowed claim in the Lehman Brothers insolvency proceeding. The SBA currently is negotiating with a potential purchaser to liquidate the allowed claim into cash proceeds.

The SBA will promptly disclose any future developments as they become matters of public record.

## DISCLOSURE OF MATERIAL IMPACTS

There were no developments during October 2014 that had a material impact on the liquidity or operation of Fund B.



# FUND B

## HOLDINGS, COMPLIANCE AND TRADING ACTIVITY

### INVENTORY OF HOLDINGS - AS OF OCTOBER 2014

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost	Mkt Value	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		28,302,138	0.00	\$ 28,302,138	\$ 28,302,138	\$ -
<b>Total Value of Investments</b>			<b><u>28,302,138</u></b>		<b><u>\$28,302,138</u></b>	<b><u>\$28,302,138</u></b>	<b><u>\$0</u></b>

### COMPLIANCE WITH INVESTMENT POLICY - OCTOBER 2014

Investment Policy Statement Compliance is conducted on Fund B by SBA Risk Management and Compliance and reported on a monthly basis to the Investment Oversight Group. Portfolio activity is reviewed to ensure that transactions and holdings are in compliance with guideline requirements and with those stipulated in the respective Investment Management Agreements with Apollo Global Management LLC, the collateral manager for the four special purpose entities that were held in Fund B. Since the principal holdings in the fund were the notes issued by the special purpose entities, and no deposits or withdrawals are permitted by participants, transactions are limited to 1) the receipt cash flows from the underlying note collateral, 2) the investment of these cash flows in AAAM money market funds, and 3) distributions to participants. In October, the collateral sales for Florida Funding II LLC were completed and the position was closed. Since 100% of principal has now been returned to participants, the cash reserve balance will remain in Fund B and will be invested in AAAM money market funds pending final distributions. For the month of October 2014, Fund B was in compliance with its Investment Policy Statement.

### TRADING ACTIVITY - OCTOBER 2014

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>				\$	\$	\$	\$
DREYFUS GOVERNMENT CASH MANAGEMENT	10/02/14	10/02/14	98	98	0	98	0
DREYFUS GOVERNMENT CASH MANAGEMENT	10/10/14	10/10/14	1,046,332	1,046,332	0	1,046,332	0
<b>Total Buys</b>			<b><u>1,046,430</u></b>	<b><u>1,046,430</u></b>	<b><u>0</u></b>	<b><u>1,046,430</u></b>	<b><u>0</u></b>
<b>Sells</b>							
FLORIDA FUNDING II	10/10/14	10/10/14	28,602,542	1,046,332	0	1,046,332	-27,553,929 <sup>1</sup>
DREYFUS GOVERNMENT CASH MANAGEMENT	10/01/14	10/01/14	91	91	0	91	0
DREYFUS GOVERNMENT CASH MANAGEMENT	10/16/14	10/16/14	233	233	0	233	0
DREYFUS GOVERNMENT CASH MANAGEMENT	10/17/14	10/17/14	40,734	40,734	0	40,734	0
<b>Total Sells</b>			<b><u>28,643,600</u></b>	<b><u>1,087,391</u></b>	<b><u>0</u></b>	<b><u>1,087,391</u></b>	<b><u>-27,553,929</u></b>

<sup>1</sup> During the month of October all remaining securities in Florida Funding II were sold and final proceeds settled by the end of the month.

## Our Mission

Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.



# Federated



# Monthly Summary Report for November 2014

Including Fund B

State Board of Administration

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### FUND B

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#### Past performance is no guarantee of future results.

Views are as of the issue date and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this fund.

## INTRODUCTION

This report is prepared for stakeholders in Florida PRIME and Fund B in accordance with Section 218.409(6)(a), Florida Statutes. The statute requires:

- (1) Reporting of any material impacts on the funds and any actions or escalations taken by staff to address such impacts;
- (2) Presentation of a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month; and
- (3) Preparation of the management summary “in a manner that will allow anyone to ascertain whether the investment activities during the reporting period have conformed to investment policies.”

This report, which covers the period from November 1, 2014 through November 30, 2014, has been prepared by the SBA with input from Federated Investment Counseling (“Federated”), investment advisor for Florida PRIME in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Details are available in the PRIME policy compliance table and the Fund B compliance narrative in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

## DISCLOSURE OF MATERIAL IMPACTS

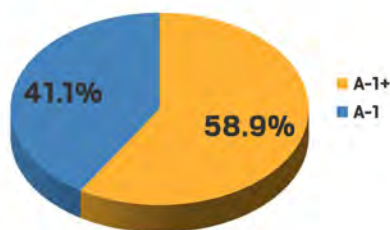
There were no developments during November 2014 that had a material impact on the liquidity or operation of Florida PRIME.

## PORTFOLIO COMPOSITION NOVEMBER 30, 2014

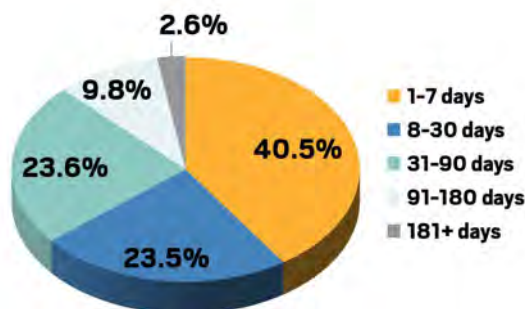
### Florida PRIME Assets

\$ 6,356,576,349

### Credit Quality Composition



### Effective Maturity Schedule



### Portfolio Composition



## PORTFOLIO MANAGER COMMENTARY

### November Market Conditions

It is the holiday season, and it appears the Federal Reserve has given money funds a present, amazing as that sounds. Readers of this commentary know we do not mince words when it comes to our frustration with regulators. This year they have given plenty of reasons to feel that way, from the SEC's new rules for money funds, the months it took to fill some of the Fed's open seats and its continual tinkering with the Reverse Repo Program (RRP). The latter has been very helpful at times, giving us some yield by setting a floor on overnight lending. But from an operational perspective, it is hard to plan ahead when the program's parameters keep shifting. The latest change, when the Fed put a cap on the RRP of \$300 billion and did not guarantee the yield if bids went above that, was particularly problematic. We knew that would put extra pressure on the typical month-end, window-dressing transaction period. Sure enough, the facility broke down at September quarter end when the bids exceeded the cap and the offered rate was zero.

In the minutes of October's Federal Open Market Committee (FOMC) meeting, released mid-November, the New York Fed said it was poised to offer a term RRP that should alleviate the month-end pressure. There has not been much elaboration about it, other than that it will go into effect this month, probably by at least the first week, and that it is an additional \$300 billion. That is good because the capacity needs are at quarter end—and in this case it also is year end. So that is a big positive, and we do not get many positives from the Fed.

Other Fed developments in the last month were also intriguing. The least important might be the most publicized: the end of quantitative easing (QE), which the Fed concluded in October. You might have thought this would provide some additional capacity, but the taper was so gradual, at \$10 billion nearly every month, that the market had already absorbed it.

But the Fed's decision to offer its equivalent of "open enrollment" for becoming a RRP participant was a bit of a head scratcher as only a few qualifying funds in the entire fund universe were not already on board. A better idea—and there has been a push for this—is for the Fed to keep the doors open until the dust settles from the new SEC regulations taking place in 2016. There may be products that are currently qualified but will not be once they

NOVEMBER 30, 2014

## Top Holdings and Average Maturity

1. Svenska Handelsbanken, Stockholm	4.6%
2. Sumitomo Mitsui Financial Group, Inc.	4.6%
3. Royal Bank of Canada, Montreal	4.4%
4. Federated Prime Obligations Fund	4.3%
5. Wells Fargo & Co.	4.3%
6. BNP Paribas SA	4.3%
7. JPMorgan Chase & Co.	4.2%
8. Mitsubishi UFJ Financial Group, Inc.	4.1%
9. Federated Prime Cash Obligations Fund	3.9%
10. Bank of Montreal	3.9%

### Average Effective Maturity (WAM)

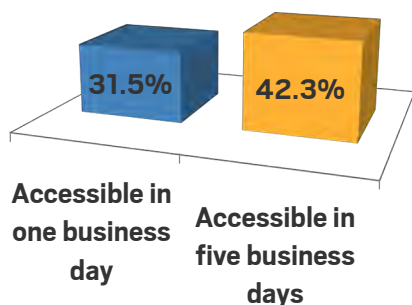
38.7 Days

### Weighted Average Life (Spread WAM)

73.4 Days

Percentages based on total value of investments

## Highly Liquid Holdings (% at month end)



## PORTFOLIO MANAGER COMMENTARY (CON'T.)

split into retail and institutional. Maybe a manager will have two underqualified products that, when merged, become qualified. Or perhaps, it might be as simple as a portfolio eventually reaching the minimum amount of assets needed to participate. With these kinds of dynamics in play over the next two years, we think the Fed should be flexible.

In day-to-day business, rates have stayed the same, including the London Interbank Offered Rate (LIBOR). We have not yet seen any widening of spreads in anticipation of the end of the year at this point. We are still concentrating on buying in the three-to-six-month space. We do not feel that we are being paid to go out additional months to mid-to-end 2015.

## Portfolio Investment Strategy

Keeping with the seasonal pattern for tax payments, tax receipts began to enter the Pool in the month of November, leading the portfolio to increase by \$983 million to end the month with \$6.36 billion in assets. As we strategically invested this massive inflow farther out on the yield curve, much of the cash was initially placed in repo, so Florida Prime's weighted average maturity (WAM) and weighted average life (WAL) both drifted in. The Pool's WAM moved in by seven days to 39 days and WAL by 17 days to 73. The yield remained unchanged.

Longer term purchases were in the 90- and 180-day area. Commercial paper rates looked attractive as we started to see signs that the market was pricing in an expectation for the Fed rate liftoff in mid-2015. We also layered in one-week paper, which was giving us a better yield level than traditional overnights.

From a composition standpoint, as stated above, we increased our repo position which resulted in a rise of 6% to 13% of the portfolio, commercial paper rose 1% to 28% of the holdings, variable rate instruments were down 5% to make up 22% of the allocation and bank instruments declined 2% to make up 27%. Our investment in money market funds remained at 10%.



## FLORIDA PRIME SUMMARY OF CASH FLOWS

### November 2014

Opening Balance (11/01/14)	\$	5,373,373,499
Participant Deposits		2,092,315,654
Gross Earnings		864,607
Participant Withdrawals		(1,109,837,278)
Fees		(140,133)
Closing Balance (11/30/14)		6,356,576,349
Net Change over Month		<b>983,202,850</b>

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net inflow of \$983.2 million during November 2014.

This change in value consisted of positive flows of \$2.09 billion in participant deposits and \$865,000 in earnings. Negative flows consisted of \$1.11 billion in participant withdrawals and about \$140,000 in fees.

Overall, the fund ended the month with a closing balance of \$6.36 billion.

## FLORIDA PRIME DETAILED FEE DISCLOSURE

November 2014	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	\$ 45,691.74	\$ 0.93
Federated Investment Management Fee	75,414.88	1.54
BNY Mellon Custodial Fee**	5,972.66	0.12
Bank of America Transfer Agent Fee	5,200.68	0.11
S&P Rating Maintenance Fee	3,287.67	0.07
Audit/External Review Fees	4,565.83	0.09
<b>Total Fees</b>	<b>\$ 140,133.46</b>	<b>2.87</b>

\*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was \$5,864,974,924

\*\*All custodian banking fees are allocated based on both market value (size) and level of service accurately passing through all charges to pool participants. Charges will fluctuate month-to-month.

## Fund B Update:

The Fund B Surplus Funds Trust Fund will continue to hold the remaining reserve until directed by the SBA Trustees to distribute proceeds. Although a direct transfer from Fund B to Florida PRIME™, with a subsequent distribution to pool participants, is viewed as legally compliant with Florida Statutes, Council members and Trustee staff have indicated a preference for the SBA to work towards a distribution based on the participant account listing as of November 2007 (effectively distributing all Fund B remaining reserves as the unallocated November 2007 interest earnings). The SBA has begun to work with Trustee staff, Legislative staff, and relevant stakeholder groups to achieve the preferred method of allocating the final distribution of Fund B reserves.

## FUND PERFORMANCE THROUGH NOVEMBER 30, 2014

### NOTES TO PERFORMANCE TABLE

<sup>1</sup>Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.

<sup>2</sup>The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.

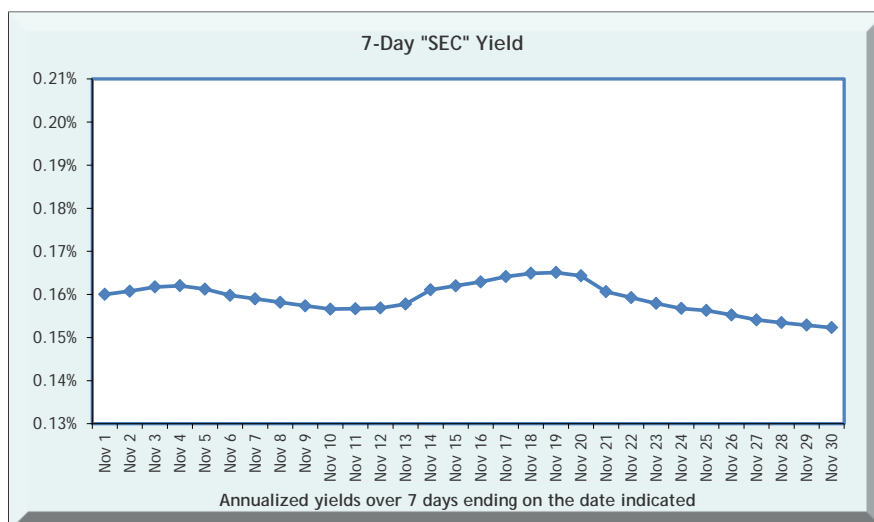
Net asset value includes investments at market value, plus all cash, accrued interest receivable and payables.

### Florida PRIME Participant Performance Data

	Net Participant Yield <sup>1</sup>	Net-of-Fee Benchmark <sup>2</sup>	Above (Below) Benchmark
1 mo	0.16%	0.05%	0.11%
3 mos	0.16%	0.05%	0.11%
12 mos	0.16%	0.05%	0.11%
3 yrs	0.22%	0.07%	0.15%
5 yrs	0.24%	0.09%	0.14%
10 yrs	1.79%	1.64%	0.15%
Since 1.96	2.92%	2.71%	0.21%

Net asset value at month end: \$6,356.7 m

### Florida PRIME 7-Day "SEC" Yields During the Month



For performance comparisons to other short-term investment options, see [www.sbafla.com/prime](http://www.sbafla.com/prime) and click on "Pool Performance."

### NOTES TO CHART

The 7-Day "SEC" Yield in the chart is calculated in accordance with the yield methodology set forth by SEC rule 2a-7 for money market funds.

The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365.

Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.

### ABOUT ANNUALIZED YIELDS

Performance data in the table and chart is annualized, meaning that the amounts are based on yields for the periods indicated, converted to their equivalent if obtained for a 12-month period.

For example, ignoring the effects of compounding,

an investment that earns 0.10% over a 1-month period yields 1.20% on an annualized basis. Likewise, an investment that earns a total of 3.60% over three years yields 1.20% on an annualized basis, ignoring compounding.



## INVENTORY OF HOLDINGS NOVEMBER 30, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Alpine Securitization Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/20/2015		38,000,000	0.23	\$37,979,121	\$37,983,508	\$4,387
Alpine Securitization Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/23/2015		138,000,000	0.22	\$137,924,943	\$137,937,307	\$12,363
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/2/2015		100,000,000	0.21	\$100,000,000	\$100,000,000	\$0
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/4/2015		40,000,000	0.21	\$40,000,000	\$40,000,000	\$0
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/5/2015		80,000,000	0.21	\$80,000,000	\$80,000,000	\$0
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	3/4/2015		50,000,000	0.24	\$50,000,000	\$50,000,000	\$0
Bank of America N.A. BNOTE	BANK NOTE	0.21	12/8/2014		200,000,000	0.21	\$200,000,000	\$200,009,440	\$9,440
Bank of America N.A. Repo Triparty Term Fixed 7 or More Days	REPO TRIPARTY TERM FIXED >= 7 DAYS	0.08	12/1/2014		800,000,000	0.08	\$800,000,000	\$800,000,000	\$0
Bank of Montreal, Apr 01, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.24	4/1/2015	12/1/2014	20,000,000	0.24	\$20,000,000	\$19,998,680	-\$1,320
Bank of Montreal, Apr 21, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.22	4/21/2015	12/22/2014	25,000,000	0.22	\$25,000,000	\$24,999,025	-\$975
Bank of Montreal, Dec 08, 2014	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.19	12/8/2014	12/8/2014	50,000,000	0.19	\$49,999,690	\$49,995,525	-\$4,165
Bank of Montreal, Feb 20, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	2/20/2015	2/20/2015	50,000,000	0.24	\$50,000,000	\$49,998,400	-\$1,600
Bank of Montreal, Mar 11, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	3/11/2015	12/11/2014	100,000,000	0.24	\$100,000,000	\$99,994,700	-\$5,300
Bank of Montreal, Sr. Unsecured, Aug 20, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.37	8/20/2015	2/20/2015	5,000,000	0.26	\$5,004,662	\$5,002,440	-\$2,222
Bank of Nova Scotia, Tor, .25%	CALLABLE CERTIFICATE OF DEPOSIT	0.25	3/12/2015		75,000,000	0.25	\$75,000,000	\$75,025,958	\$25,958
Bank of Nova Scotia, Tor, Sr. Unsec'd. Note, 1.85%, 1/12/2015	CORPORATE BOND	1.85	1/12/2015		2,000,000	0.25	\$2,004,097	\$2,003,062	-\$1,035
Bank of Nova Scotia, Tor, Sr. Unsec'd. Note, 1.85%, 1/12/2015	CORPORATE BOND	1.85	1/12/2015		1,000,000	0.26	\$1,002,035	\$1,001,531	-\$504
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.10	12/1/2014		100,000,000	0.10	\$100,000,000	\$100,000,000	\$0
Barclays US Funding Corp. CP	COMMERCIAL PAPER		12/15/2014		50,000,000	0.25	\$49,993,403	\$49,997,255	\$3,852
Barclays US Funding Corp. CP	COMMERCIAL PAPER		12/17/2014		155,000,000	0.26	\$154,976,492	\$154,989,879	\$13,387
Bedford Row Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		5/27/2015		21,000,000	0.23	\$20,975,582	\$20,976,900	\$1,318
Bedford Row Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		7/1/2015		20,000,000	0.33	\$19,961,422	\$19,971,094	\$9,672
Bedford Row Funding Corp., Sep 09, 2015	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.27	9/9/2015	12/9/2014	30,000,000	0.27	\$30,000,000	\$29,995,350	-\$4,650
Canadian Imperial Bank of Commerce, May 26, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.34	5/26/2015	12/24/2014	215,000,000	0.34	\$215,000,000	\$215,007,955	\$7,955
Chase Bank USA, N.A. CD	CERTIFICATE OF DEPOSIT	0.30	5/15/2015		50,000,000	0.30	\$50,000,000	\$50,020,900	\$20,900
Credit Agricole Corporate and Investment Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	12/1/2014		50,000,000	0.22	\$50,000,000	\$50,000,415	\$415
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	12/1/2014		120,363,513	0.01	120,363,513	120,363,513	\$0

See notes at end of table.

# INVENTORY OF HOLDINGS (CONTINUED)

## NOVEMBER 30, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.03	12/1/2014	11/28/2014	250,666,230	0.02	\$250,666,230	\$250,666,230	\$0
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.03	12/1/2014	11/28/2014	276,037,231	0.03	\$276,037,231	\$276,037,231	\$0
General Electric Cap Corp, Sr. Unsec'd. Note, Series GMTN, 4.375%, 9/21/2015	CORPORATE BOND	4.38	9/21/2015		1,625,000	0.38	\$1,677,991	\$1,677,026	-\$965
General Electric Capital Corp., Jul 02, 2015	VARIABLE MEDIUM TERM NOTE	1.27	7/2/2015	1/2/2015	1,335,000	0.24	\$1,343,374	\$1,343,057	-\$318
General Electric Capital Corp., Jul 02, 2015	VARIABLE MEDIUM TERM NOTE	1.27	7/2/2015	1/2/2015	500,000	0.26	\$503,058	\$503,018	-\$40
General Electric Capital Corp., Jul 02, 2015	VARIABLE MEDIUM TERM NOTE	1.27	7/2/2015	1/2/2015	400,000	0.27	\$402,430	\$402,414	-\$16
General Electric Capital Corp., Series MTN, 3.500%, 06/29/2015	CORPORATE BOND	3.50	6/29/2015		4,701,000	0.34	\$4,788,190	\$4,788,768	\$578
General Electric Capital Corp., Series MTN, 3.500%, 06/29/2015	CORPORATE BOND	3.50	6/29/2015		1,546,000	0.36	\$1,574,510	\$1,574,864	\$354
General Electric Capital Corp., Sr. Unsec'd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		35,859,000	0.34	\$36,132,843	\$36,137,947	\$5,104
General Electric Capital Corp., Sr. Unsec'd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		18,000,000	0.34	\$18,137,422	\$18,140,022	\$2,600
General Electric Capital Corp., Sr. Unsec'd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		1,929,000	0.34	\$1,943,729	\$1,944,006	\$277
General Electric Capital Corp., Sr. Unsec'd. Note, 2.150%, 01/09/2015	CORPORATE BOND	2.15	1/9/2015		25,000,000	0.30	\$25,055,616	\$25,045,850	-\$9,766
General Electric Capital Corp., Sr. Unsec'd. Note, 2.150%, 01/09/2015	CORPORATE BOND	2.15	1/9/2015		275,000	0.31	\$275,608	\$275,504	-\$103
General Electric Capital Corp., Sr. Unsec'd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		1,500,000	0.34	\$1,517,995	\$1,517,928	-\$67
General Electric Capital Corp., Sr. Unsec'd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		4,788,000	0.34	\$4,845,384	\$4,845,226	-\$158
General Electric Capital Corp., Sr. Unsec'd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		7,500,000	0.35	\$7,589,647	\$7,589,640	-\$7
General Electric Capital Corp., Sr. Unsecured, Apr 13, 2015	VARIABLE MEDIUM TERM NOTE	0.73	4/13/2015	1/13/2015	1,233,000	0.23	\$1,235,362	\$1,235,063	-\$299
General Electric Capital Corp., Sr. Unsecured, Apr 13, 2015	VARIABLE MEDIUM TERM NOTE	0.73	4/13/2015	1/13/2015	500,000	0.25	\$500,912	\$500,837	-\$76
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		1,000,000	0.27	\$1,012,518	\$1,011,332	-\$1,186
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		9,500,000	0.30	\$9,617,061	\$9,607,654	-\$9,407
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		11,795,000	0.30	\$11,940,302	\$11,928,661	-\$11,641
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		597,000	0.32	\$604,323	\$603,765	-\$557
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		450,000	0.32	\$455,481	\$455,099	-\$382

See notes at end of table.

# INVENTORY OF HOLDINGS (CONTINUED)

## NOVEMBER 30, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		2,714,000	0.33	\$2,747,217	\$2,744,755	-\$2,462
General Electric Capital, Sr. Unsecd. Note, 1/09/2015	CORPORATE NOTE	0.61	1/9/2015	1/9/2015	33,000,000	0.23	\$33,015,524	\$33,014,355	-\$1,169
General Electric Capital, Sr. Unsecd. Note, 2.25%, 11/09/2015	CORPORATE BOND	2.25	11/9/2015		9,952,000	0.41	\$10,123,821	\$10,122,587	-\$1,234
General Electric Capital, Sr. Unsecd. Note, 2.25%, 11/09/2015	CORPORATE BOND	2.25	11/9/2015		1,089,000	0.41	\$1,107,742	\$1,107,667	-\$75
General Electric Capital, Sr. Unsecd. Note, Series MTN, 7/10/2015	CORPORATE BOND	0.61	7/10/2015	1/10/2015	6,500,000	0.23	\$6,515,648	\$6,513,553	-\$2,095
General Electric Capital, Sr. Unsecd. Note, Series MTN, 7/10/2015	CORPORATE BOND	0.61	7/10/2015	1/10/2015	375,000	0.26	\$375,835	\$375,782	-\$53
General Electric Capital, Sr. Unsecd. Note, Series MTN, 8/11/2015	CORPORATE BOND	1.00	8/11/2015	2/11/2015	1,335,000	0.27	\$1,342,103	\$1,340,935	-\$1,168
Gotham Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/14/2015		63,000,000	0.17	\$62,985,423	\$62,985,768	\$346
Gotham Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/22/2015		95,000,000	0.17	\$94,974,429	\$94,973,438	-\$991
HSBC USA, Inc. CP	COMMERCIAL PAPER		3/2/2015		50,000,000	0.24	\$49,968,000	\$49,977,675	\$9,675
HSBC USA, Inc. CP	COMMERCIAL PAPER		3/4/2015		50,000,000	0.24	\$49,967,333	\$49,977,065	\$9,732
HSBC USA, Inc. CP	COMMERCIAL PAPER		5/14/2015		50,000,000	0.25	\$49,942,493	\$49,943,640	\$1,147
HSBC USA, Inc., Sr. Unsecd. Note, 2.375%, 02/13/2015	CORPORATE BOND	2.38	2/13/2015		6,300,000	0.31	\$6,327,712	\$6,324,967	-\$2,745
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		2/5/2015		50,000,000	0.20	\$49,980,278	\$49,983,135	\$2,857
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		3/2/2015		100,000,000	0.21	\$99,944,000	\$99,949,080	\$5,080
Illinois Finance Authority, (Advocate Health Care Network), (Series 2008C-2B), 11/01/2038	MUNICIPAL VARIABLE RATE DEMAND NOTE	0.04	11/1/2038	12/3/2014	57,525,000	0.06	\$57,525,000	\$57,525,000	\$0
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		12/3/2014		12,000,000	0.23	\$11,999,463	\$11,999,734	\$270
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		2/27/2015		25,000,000	0.34	\$24,978,688	\$24,988,625	\$9,938
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		4/6/2015		50,000,000	0.27	\$49,950,875	\$49,965,420	\$14,545
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		4/16/2015		25,000,000	0.27	\$24,973,563	\$24,981,048	\$7,485
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		5/4/2015		30,000,000	0.25	\$29,966,875	\$29,973,573	\$6,698
JPMorgan Chase Bank, N.A., Jan 07, 2016	VARIABLE RATE BANK NOTE	0.36	1/7/2016	12/8/2014	15,000,000	0.36	\$15,000,000	\$14,999,820	-\$180
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/10/2014		10,000,000	0.23	\$9,999,106	\$9,999,547	\$441
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/26/2015		58,300,000	0.23	\$58,277,279	\$58,281,944	\$4,665
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/27/2015		46,000,000	0.23	\$45,981,779	\$45,985,432	\$3,653
Lloyds Bank PLC, London CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.10	12/2/2014		200,000,000	0.10	\$200,000,000	\$200,000,000	\$0
Manhattan Asset Funding CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/9/2015		10,000,000	0.20	\$9,995,833	\$9,995,965	\$132
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	12/16/2014		25,000,000	0.20	\$25,000,139	\$25,000,375	\$236
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	1/15/2015		30,000,000	0.22	\$30,000,000	\$30,000,795	\$795
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.20	2/6/2015		70,000,000	0.20	\$70,000,000	\$70,000,000	\$0

See notes at end of table.

# INVENTORY OF HOLDINGS (CONTINUED)

## NOVEMBER 30, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.14	1/1/2028	11/27/2014	13,500,000	0.14	\$13,500,000	\$13,500,000	\$0
NRW Bank CP	COMMERCIAL PAPER		12/4/2014		250,000,000	0.10	\$249,994,444	\$249,997,500	\$3,056
Ontario, Province of, Sr. Unsecd. Note, Series MTN, 04/01/2015	CORPORATE NOTE	0.39	4/1/2015	1/2/2015	14,000,000	0.24	\$14,007,511	\$14,006,426	-\$1,085
Rabobank Nederland NV, Utrecht, Jan 05, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.21	1/5/2015	12/3/2014	100,000,000	0.21	\$100,000,000	\$99,998,200	-\$1,800
Royal Bank of Canada, Montreal, Jan 04, 2016	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.35	1/4/2016	1/5/2015	125,000,000	0.36	125,000,000	124,996,250	-\$3,750
Royal Bank of Canada, Montreal, Jan 06, 2015	VARIABLE MEDIUM TERM NOTE	0.46	1/6/2015	1/6/2015	1,010,000	0.23	1,010,272	1,010,273	\$0
Royal Bank of Canada, Montreal, Jan 06, 2015	VARIABLE MEDIUM TERM NOTE	0.46	1/6/2015	1/6/2015	55,000,000	0.47	55,014,371	55,014,850	\$479
Royal Bank of Canada, Montreal, Mar 27, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.24	3/27/2015	11/27/2014	25,000,000	0.24	\$25,000,000	\$24,999,125	-\$875
Royal Bank of Canada, Montreal, Sr. Unsecd. Note, Series MTN, 2.625%, 12/15/2015	CORPORATE BOND	2.63	12/15/2015		785,000	0.55	\$801,878	\$801,850	-\$27
Royal Bank of Canada, Montreal, Sr. Unsecured, Apr 29, 2015	VARIABLE MEDIUM TERM NOTE	0.44	4/29/2015	1/29/2015	1,800,000	0.24	\$1,801,666	\$1,801,557	-\$109
Royal Bank of Canada, Montreal, Sr. Unsecured, Apr 29, 2015	VARIABLE MEDIUM TERM NOTE	0.44	4/29/2015	1/29/2015	2,000,000	0.25	\$2,001,751	\$2,001,730	-\$21
Sheffield Receivables Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/6/2015		50,000,000	0.22	\$49,978,000	\$49,982,790	\$4,790
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	12/1/2014		35,000,000	0.22	\$35,000,000	\$35,000,466	\$466
Societe Generale, Paris CP4-2	COMMERCIAL PAPER - 4-2		2/3/2015		70,000,000	0.21	\$69,971,825	\$69,977,201	\$5,376
Standard Chartered Bank plc CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.19	12/2/2014		80,700,000	0.16	\$80,700,403	\$80,702,282	\$1,879
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		12/1/2014		75,000,000	0.08	\$74,999,167	\$74,999,190	\$23
State Street Bank and Trust Co., Apr 13, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	4/13/2015	1/13/2015	15,000,000	0.23	\$15,000,000	\$14,998,830	-\$1,170
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	4/2/2015		25,000,000	0.23	\$25,000,000	\$25,000,000	\$0
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.12	12/4/2014		75,000,000	0.12	\$75,000,000	\$75,000,000	\$0
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	2/3/2015		100,000,000	0.22	\$100,000,000	\$99,999,990	-\$10
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	3/13/2015		14,800,000	0.22	\$14,800,000	\$14,800,000	\$0
Sumitomo Mitsui Banking Corp., Mar 11, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	3/11/2015	11/28/2014	70,000,000	0.23	\$70,000,000	\$69,998,390	-\$1,610
Svenska Handelsbanken, Stockholm TDCAY	TIME DEPOSIT - CAYMAN	0.09	12/1/2014		295,000,000	0.09	\$295,000,000	\$295,000,000	\$0
Toronto Dominion Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.30	1/27/2015		25,000,000	0.30	\$25,000,000	\$25,006,650	\$6,650

See notes at end of table.

# INVENTORY OF HOLDINGS (CONTINUED)

## NOVEMBER 30, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Toronto Dominion Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	9/10/2015		25,000,000	0.35	\$25,000,000	\$25,017,798	\$17,798
Toronto Dominion Bank, Apr 15, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	4/15/2015	1/15/2015	25,000,000	0.23	\$25,000,000	\$24,998,025	-\$1,975
Toronto Dominion Bank, Feb 06, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	2/6/2015	2/6/2015	25,000,000	0.24	\$25,000,000	\$24,999,125	-\$875
Toronto Dominion Bank, Sep 04, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.25	9/4/2015	12/4/2014	50,000,000	0.25	\$50,000,000	\$49,992,450	-\$7,550
Toronto Dominion Bank, Sr. Unsecured, MTN, May 01, 2015	VARIABLE MEDIUM TERM NOTE	0.41	5/1/2015	2/9/2015	29,580,000	0.24	\$29,603,571	\$29,604,226	\$655
Toronto Dominion Bank, Sr. Unsecured, MTN, May 01, 2015	VARIABLE MEDIUM TERM NOTE	0.41	5/1/2015	2/9/2015	1,000,000	0.26	\$1,000,703	\$1,000,819	\$116
Toyota Motor Credit Corp., Apr 08, 2015	VARIABLE MEDIUM TERM NOTE	0.38	4/8/2015	1/8/2015	500,000	0.24	\$500,281	\$500,285	\$4
Toyota Motor Credit Corp., Mar 10, 2015	VARIABLE MEDIUM TERM NOTE	0.38	3/10/2015	12/10/2014	1,120,000	0.24	\$1,120,517	\$1,120,195	-\$322
Toyota Motor Credit Corp., Sr. Unsecured, Jan 15, 2015	VARIABLE MEDIUM TERM NOTE	0.33	1/15/2015	1/15/2015	1,000,000	0.23	\$1,000,145	\$1,000,131	-\$14
Toyota Motor Credit Corp., Sr. Unsecured, Jan 23, 2015	VARIABLE MEDIUM TERM NOTE	0.40	1/23/2015	1/23/2015	5,550,000	0.23	\$5,551,568	\$5,551,654	\$85
Wells Fargo Bank, N.A., Dec 18, 2015	VARIABLE RATE BANK NOTE	0.32	12/18/2015	12/22/2014	100,000,000	0.33	\$100,000,000	\$100,004,000	\$4,000
Wells Fargo Bank, N.A., Dec 22, 2015	VARIABLE MEDIUM TERM NOTE	0.37	12/22/2015	12/22/2014	50,000,000	0.38	\$50,000,000	\$50,001,050	\$1,050
Wells Fargo Bank, N.A., Sr. Unsecured, Jul 20, 2015	VARIABLE MEDIUM TERM NOTE	0.51	7/20/2015	1/20/2015	12,500,000	0.25	\$12,521,765	\$12,518,100	-\$3,665
Wells Fargo Bank, N.A., Sr. Unsecured, Sep 08, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.26	9/8/2015	12/4/2014	95,700,000	0.27	\$95,700,000	\$95,685,358	-\$14,642
						<b>6,365,734,973</b>	<b>\$6,366,588,170</b>	<b>\$6,366,722,419</b>	<b>\$134,250</b>

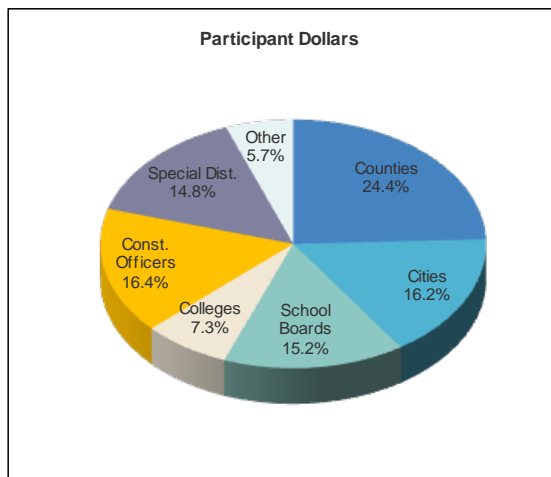
**Notes:** The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

<sup>1</sup> Market values of the portfolio securities are provided by the custodian, BNY Mellon. The portfolio manager, Federated Investment Counseling, is the source for other data shown above.

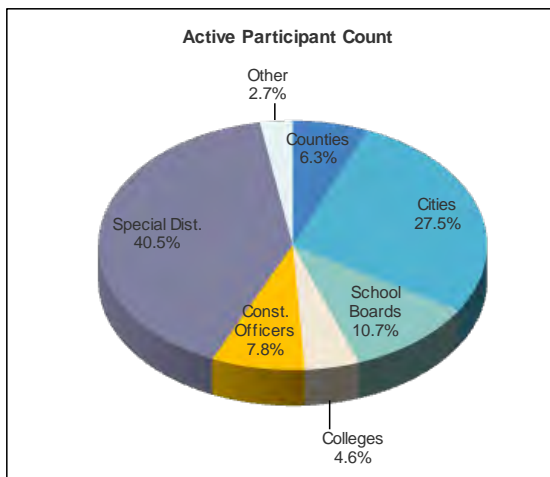
<sup>2</sup> Amortized cost is calculated using a straight line method.

## PARTICIPANT CONCENTRATION DATA - NOVEMBER 30, 2014

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
<b>All Participants</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Colleges &amp; Universities</b>	<b>7.3%</b>	<b>4.6%</b>
Top 10	38.1%	1.2%	Top 10	6.5%	1.2%
\$100 million or more	51.3%	2.1%	\$100 million or more	3.2%	0.1%
\$10 million up to \$100 million	38.2%	10.1%	\$10 million up to \$100 million	3.2%	1.0%
\$1 million up to \$10 million	9.5%	19.1%	\$1 million up to \$10 million	0.9%	1.4%
Under \$1 million	1.0%	68.7%	Under \$1 million	0.02%	2.1%
<b>Counties</b>	<b>24.4%</b>	<b>6.3%</b>	<b>Constitutional Officers</b>	<b>16.4%</b>	<b>7.8%</b>
Top 10	19.2%	1.2%	Top 10	1.4%	1.2%
\$100 million or more	13.6%	0.6%	\$100 million or more	14.2%	0.4%
\$10 million up to \$100 million	10.1%	1.8%	\$10 million up to \$100 million	1.4%	0.4%
\$1 million up to \$10 million	0.6%	1.2%	\$1 million up to \$10 million	0.8%	1.6%
Under \$1 million	0.0%	2.6%	Under \$1 million	0.1%	5.4%
<b>Municipalities</b>	<b>16.2%</b>	<b>27.5%</b>	<b>Special Districts</b>	<b>14.8%</b>	<b>40.5%</b>
Top 10	9.2%	1.2%	Top 10	10.5%	1.2%
\$100 million or more	3.9%	0.2%	\$100 million or more	4.8%	0.2%
\$10 million up to \$100 million	9.1%	2.8%	\$10 million up to \$100 million	7.7%	2.0%
\$1 million up to \$10 million	2.9%	6.2%	\$1 million up to \$10 million	2.0%	4.9%
Under \$1 million	0.3%	18.2%	Under \$1 million	0.3%	33.4%
<b>School Boards</b>	<b>15.2%</b>	<b>10.7%</b>	<b>Other</b>	<b>5.7%</b>	<b>2.7%</b>
Top 10	12.6%	1.2%	Top 10	5.0%	1.2%
\$100 million or more	9.7%	0.4%	\$100 million or more	1.9%	0.1%
\$10 million up to \$100 million	3.7%	1.4%	\$10 million up to \$100 million	3.1%	0.7%
\$1 million up to \$10 million	1.6%	2.7%	\$1 million up to \$10 million	0.7%	1.1%
Under \$1 million	0.2%	6.3%	Under \$1 million	0.0%	0.7%



Total Fund Value: \$6,356,576,349



Total Active Participant Count: 812

## FLORIDA PRIME COMPLIANCE WITH INVESTMENT POLICY - NOVEMBER 2014

As investment manager, Federated monitors compliance daily on Florida PRIME to ensure that investment practices comply with the requirements of the Investment Policy Statement (IPS). Federated provides a monthly compliance report to the SBA and is required to notify the Investment Oversight Group (IOG) of compliance exceptions within 24 hours of identification. The IOG meets monthly and on an ad hoc basis to review compliance exceptions, to document responses to exceptions, and to formally escalate recommendations for approval by the Executive Director & CIO. The IOG also reviews the Federated compliance report each month, as well as the results of independent compliance testing conducted by SBA Risk Management and Compliance. Minutes from the IOG meetings are posted to the Florida PRIME website.

In addition to the compliance testing performed by Federated, the SBA conducts independent testing on Florida PRIME using a risk-based approach. Under this approach, each IPS parameter is ranked as "High" or "Low" with respect to the level of risk associated with a potential guideline breach. IPS parameters with risk rankings of "High" are subject to independent verification by SBA Risk Management and Compliance. These rankings, along with the frequency for testing, are reviewed and approved by the IOG on an annual basis or more often if market conditions dictate. Additionally, any parameter reported in "Fail" status on the Federated compliance report, regardless of risk ranking, is also independently verified and escalated accordingly. The results of independent testing are currently reported monthly to the IOG.

Test by Source	Pass/Fail
<b><u>Florida PRIME's Investment Policy</u></b>	
Securities must be USD denominated.	Pass
<b><u>Ratings requirements</u></b>	
The Pool must purchase exclusively first-tier securities. Securities purchased with short-term ratings by an NRSRO, or comparable in quality and security to other obligations of the issuer that have received short-term ratings from an NRSRO, are eligible if they are in one of the two highest rating categories.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
Repurchase Agreement Counterparties must be rated by S&P	Pass
S&P Weighted Average Life - maximum 90 days <sup>1</sup>	Pass
<b><u>Maturity</u></b>	
Securities, excluding Government floating rate notes/variable rate notes, purchased did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased did not have a maturity in excess of 762 days.	Pass
The Pool must maintain a Spread WAM of 120 days or less.	Pass
<b><u>Issuer Diversification</u></b>	
First-tier issuers (limit does not apply to cash, cash items, U.S. Government securities refunded securities and repo collateralized by these securities) are limited, at the time of purchase, to 5% of the Pool's total assets. <sup>2</sup>	Pass
<b><u>Demand Feature and Guarantor Diversification</u></b>	
First-tier securities issued by or subject to demand features and guarantees of a non-controlled person, at time of purchase, are limited to 10% with respect to 75% of the Pool's total assets.	Pass
First-tier securities issued by or subject to demand features and guarantees of a control person, at time of purchase, are limited to 10% with respect to the Pool's total assets.	Pass
<b><u>Money Market Mutual Funds</u></b>	
The account, at time of purchase, will not have exposure to any one Money Market Mutual Fund in excess of 10% of the Pool's total assets.	Pass
<b><u>Concentration Tests</u></b>	
The account, at time of purchase, will not have exposure to an industry sector, excluding the financial services industry, in excess of 25% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to any single Government Agency in excess of 33.33% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to illiquid securities in excess of 5% of the Pool's total assets.	Pass
The account, at time of purchase, will invest at least 10% of the Pool's total assets in securities accessible within one business day.	Pass
The account, at time of purchase, will invest at least 30% of the Pool's total assets in securities accessible within five business days. <sup>3</sup>	Pass
<b><u>S&amp;P Requirements</u></b>	
The Pool must maintain a Dollar Weighted Average Maturity of 60 days or less.	Pass
The account, at time of purchase, will invest at least 50% of the Pool's total assets in Securities in Highest Rating Category (A-1+ or equivalent) .	Pass

<sup>1</sup> The fund may use floating rate government securities to extend the limit up to 120 days

<sup>2</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to liquidate positions if the exposure in excess of the specified percentage is caused by

<sup>3</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to take immediate corrective measures if asset movements cause the exposure to be below the specified percentage.



### TRADING ACTIVITY FOR NOVEMBER 2014

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
<b>Buys</b>								
ALPINE SECURITIZATICPABS4	11/21/14	11/20/14	11/20/14	50,000,000	49,999,875	0	49,999,875	0
ALPINE SECURITIZATICPABS4	11/21/14	11/20/14	11/20/14	50,000,000	49,999,875	0	49,999,875	0
ALPINE SECURITIZATICPABS4	11/21/14	11/20/14	11/20/14	50,000,000	49,999,875	0	49,999,875	0
ALPINE SECURITIZATICPABS4	02/20/15	11/13/14	11/13/14	38,000,000	37,975,965	0	37,975,965	0
ALPINE SECURITIZATICPABS4	02/23/15	11/24/14	11/24/14	50,000,000	49,972,194	0	49,972,194	0
ALPINE SECURITIZATICPABS4	02/23/15	11/24/14	11/24/14	50,000,000	49,972,194	0	49,972,194	0
ALPINE SECURITIZATICPABS4	02/23/15	11/24/14	11/24/14	38,000,000	37,978,868	0	37,978,868	0
BNP PARIBAS SACDYAN	03/04/15	11/25/14	11/25/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF NOVA SCOTIA/THE	01/12/15	11/24/14	11/26/14	1,000,000	1,002,035	6,886	1,008,921	0
BANK OF TOKYO-MITSUCDY-AN	11/12/14	11/05/14	11/05/14	25,000,000	25,000,000	0	25,000,000	0
BANK OF TOKYO-MITSUCDY-AN	11/12/14	11/05/14	11/05/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDY-AN	11/19/14	11/12/14	11/12/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDY-AN	11/19/14	11/12/14	11/12/14	25,000,000	25,000,000	0	25,000,000	0
BANK OF TOKYO-MITSUCDY-AN	12/01/14	11/24/14	11/24/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDY-AN	12/01/14	11/24/14	11/24/14	50,000,000	50,000,000	0	50,000,000	0
BEDFORD ROW FUND-INGCPABS4	05/27/15	11/24/14	11/24/14	21,000,000	20,975,313	0	20,975,313	0
DEUTSCHE BANK FINANCP	11/14/14	11/07/14	11/07/14	50,000,000	49,999,125	0	49,999,125	0
DEUTSCHE BANK FINANCP	11/14/14	11/07/14	11/07/14	50,000,000	49,999,125	0	49,999,125	0
DEUTSCHE BANK FINANCP	11/14/14	11/07/14	11/07/14	50,000,000	49,999,125	0	49,999,125	0
DEUTSCHE BANK FINANCP	11/14/14	11/07/14	11/07/14	50,000,000	49,999,125	0	49,999,125	0
DEUTSCHE BANK FINANCP	11/21/14	11/14/14	11/14/14	50,000,000	49,999,125	0	49,999,125	0
DEUTSCHE BANK FINANCP	11/21/14	11/14/14	11/14/14	50,000,000	49,999,125	0	49,999,125	0
DEUTSCHE BANK FINANCP	11/21/14	11/14/14	11/14/14	50,000,000	49,999,125	0	49,999,125	0
DEUTSCHE BANK FINANCP	11/21/14	11/14/14	11/14/14	50,000,000	49,999,125	0	49,999,125	0
DEUTSCHE BANK AGCDYAN	11/25/14	11/18/14	11/18/14	12,000,000	12,000,000	0	12,000,000	0
DEUTSCHE BANK AGCDYAN	11/25/14	11/18/14	11/18/14	50,000,000	50,000,000	0	50,000,000	0
GENERAL ELECTRIC CAPITAL CORP	09/21/15	11/21/14	11/26/14	1,625,000	1,677,991	12,836	1,690,828	0
GENERAL ELECTRIC CAPITAL CORP	11/09/15	11/25/14	12/01/14	9,952,000	10,123,821	13,684	10,137,505	0
GENERAL ELECTRIC CAPITAL CORP	11/09/15	11/26/14	12/02/14	1,089,000	1,107,742	1,565	1,109,307	0
GENERAL ELECTRIC CAPITAL CORP	03/04/15	11/21/14	11/26/14	1,000,000	1,012,518	11,104	1,023,623	0
GOTHAM FUNDING CORP-CPABS4	01/14/15	11/13/14	11/13/14	50,000,000	49,985,361	0	49,985,361	0
GOTHAM FUNDING CORP-CPABS4	01/14/15	11/13/14	11/13/14	13,000,000	12,996,194	0	12,996,194	0
GOTHAM FUNDING CORP-CPABS4	01/22/15	11/17/14	11/17/14	50,000,000	49,984,417	0	49,984,417	0
GOTHAM FUNDING CORP-CPABS4	01/22/15	11/17/14	11/17/14	45,000,000	44,985,975	0	44,985,975	0
HSBC USA, INC,CP	05/14/15	11/13/14	11/13/14	50,000,000	49,938,069	0	49,938,069	0
ING (U.S.) FUNDING CP	03/02/15	11/25/14	11/25/14	50,000,000	49,971,708	0	49,971,708	0
ING (U.S.) FUNDING CP	03/02/15	11/25/14	11/25/14	50,000,000	49,971,708	0	49,971,708	0



# TRADING ACTIVITY FOR NOVEMBER 2014 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
LLOYDS BANK PLC, LOCDYAN	12/02/14	11/25/14	11/25/14	50,000,000	50,000,000	0	50,000,000	0
LLOYDS BANK PLC, LOCDYAN	12/02/14	11/25/14	11/25/14	50,000,000	50,000,000	0	50,000,000	0
LLOYDS BANK PLC, LOCDYAN	12/02/14	11/25/14	11/25/14	50,000,000	50,000,000	0	50,000,000	0
LLOYDS BANK PLC, LOCDYAN	12/02/14	11/25/14	11/25/14	50,000,000	50,000,000	0	50,000,000	0
MANHATTAN ASSET FUNCPABS4	02/09/15	11/26/14	11/26/14	10,000,000	9,995,833	0	9,995,833	0
NRW,BANKCP	12/04/14	11/25/14	11/26/14	50,000,000	49,998,889	0	49,998,889	0
NRW,BANKCP	12/04/14	11/25/14	11/26/14	50,000,000	49,998,889	0	49,998,889	0
NRW,BANKCP	12/04/14	11/25/14	11/26/14	50,000,000	49,998,889	0	49,998,889	0
NRW,BANKCP	12/04/14	11/25/14	11/26/14	50,000,000	49,998,889	0	49,998,889	0
NRW,BANKCP	12/04/14	11/25/14	11/26/14	50,000,000	49,998,889	0	49,998,889	0
ROYAL BANK OF CANADA	12/15/15	11/25/14	12/01/14	785,000	801,878	9,502	811,379	0
SOCIETE GENERALE, PCDYAN	11/10/14	11/03/14	11/03/14	50,000,000	50,000,000	0	50,000,000	0
SOCIETE GENERALE, PCDYAN	11/17/14	11/10/14	11/10/14	40,000,000	40,000,000	0	40,000,000	0
STARBIRD FUNDING COCPABS4	12/01/14	11/26/14	11/26/14	25,000,000	24,999,722	0	24,999,722	0
STARBIRD FUNDING COCPABS4	12/01/14	11/26/14	11/26/14	50,000,000	49,999,444	0	49,999,444	0
SUMITOMO MITSUI BANC DY-AN	11/10/14	11/03/14	11/03/14	40,000,000	40,000,000	0	40,000,000	0
SUMITOMO MITSUI BANC DY-AN	11/19/14	11/12/14	11/12/14	40,000,000	40,000,000	0	40,000,000	0
SUMITOMO MITSUI BANC DY-AN	04/02/15	11/19/14	11/19/14	25,000,000	25,000,000	0	25,000,000	0
SUMITOMO MITSUI BANC DY-AN	12/04/14	11/24/14	11/24/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANC DY-AN	12/04/14	11/24/14	11/24/14	25,000,000	25,000,000	0	25,000,000	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/05/14	11/05/14	2,693,214	2,693,214	0	2,693,214	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/07/14	11/07/14	722,443	722,443	0	722,443	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/13/14	11/13/14	2,881,967	2,881,967	0	2,881,967	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/17/14	11/17/14	3,511,866	3,511,866	0	3,511,866	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/19/14	11/19/14	3,917,264	3,917,264	0	3,917,264	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/21/14	11/21/14	241,774	241,774	0	241,774	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/26/14	11/26/14	115,015,092	115,015,092	0	115,015,092	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/28/14	11/28/14	18,537	18,537	0	18,537	0
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	11/01/14	11/01/14	7,071	7,071	0	7,071	0
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	11/01/14	11/01/14	5,731	5,731	0	5,731	0
DEUTSCHE BANK	11/04/14	11/03/14	11/03/14	290,000,000	290,000,000	0	290,000,000	0
BANK OF AMERICA TRIPARTY	11/04/14	11/03/14	11/03/14	180,000,000	180,000,000	0	180,000,000	0
DEUTSCHE BANK	11/05/14	11/04/14	11/04/14	600,000,000	600,000,000	0	600,000,000	0
BANK OF AMERICA TRIPARTY	11/05/14	11/04/14	11/04/14	185,000,000	185,000,000	0	185,000,000	0
DEUTSCHE BANK	11/06/14	11/05/14	11/05/14	500,000,000	500,000,000	0	500,000,000	0

### TRADING ACTIVITY FOR NOVEMBER 2014 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
BANK OF AMERICA TRIPARTY	11/06/14	11/05/14	11/05/14	200,000,000	200,000,000	0	200,000,000	0
DEUTSCHE BANK	11/07/14	11/06/14	11/06/14	500,000,000	500,000,000	0	500,000,000	0
BANK OF AMERICA TRIPARTY	11/07/14	11/06/14	11/06/14	170,000,000	170,000,000	0	170,000,000	0
DEUTSCHE BANK	11/10/14	11/07/14	11/07/14	280,000,000	280,000,000	0	280,000,000	0
BANK OF AMERICA TRIPARTY	11/10/14	11/07/14	11/07/14	215,000,000	215,000,000	0	215,000,000	0
DEUTSCHE BANK	11/12/14	11/10/14	11/10/14	290,000,000	290,000,000	0	290,000,000	0
BANK OF AMERICA TRIPARTY	11/12/14	11/10/14	11/10/14	280,000,000	280,000,000	0	280,000,000	0
DEUTSCHE BANK	11/13/14	11/12/14	11/12/14	330,000,000	330,000,000	0	330,000,000	0
BANK OF AMERICA TRIPARTY	11/13/14	11/12/14	11/12/14	140,000,000	140,000,000	0	140,000,000	0
DEUTSCHE BANK	11/14/14	11/13/14	11/13/14	190,000,000	190,000,000	0	190,000,000	0
BANK OF AMERICA TRIPARTY	11/14/14	11/13/14	11/13/14	125,000,000	125,000,000	0	125,000,000	0
DEUTSCHE BANK	11/17/14	11/14/14	11/14/14	140,000,000	140,000,000	0	140,000,000	0
BANK OF AMERICA TRIPARTY	11/17/14	11/14/14	11/14/14	210,000,000	210,000,000	0	210,000,000	0
DEUTSCHE BANK	11/18/14	11/17/14	11/17/14	225,000,000	225,000,000	0	225,000,000	0
BANK OF AMERICA TRIPARTY	11/18/14	11/17/14	11/17/14	220,000,000	220,000,000	0	220,000,000	0
DEUTSCHE BANK	11/19/14	11/18/14	11/18/14	190,000,000	190,000,000	0	190,000,000	0
BANK OF AMERICA TRIPARTY	11/19/14	11/18/14	11/18/14	230,000,000	230,000,000	0	230,000,000	0
DEUTSCHE BANK	11/20/14	11/19/14	11/19/14	300,000,000	300,000,000	0	300,000,000	0
BANK OF AMERICA TRIPARTY	11/20/14	11/19/14	11/19/14	400,000,000	400,000,000	0	400,000,000	0
DEUTSCHE BANK	11/21/14	11/20/14	11/20/14	340,000,000	340,000,000	0	340,000,000	0
BANK OF AMERICA TRIPARTY	11/21/14	11/20/14	11/20/14	235,000,000	235,000,000	0	235,000,000	0
DEUTSCHE BANK	11/24/14	11/21/14	11/21/14	720,000,000	720,000,000	0	720,000,000	0
BANK OF AMERICA TRIPARTY	11/24/14	11/21/14	11/21/14	395,000,000	395,000,000	0	395,000,000	0
DEUTSCHE BANK	11/25/14	11/24/14	11/24/14	580,000,000	580,000,000	0	580,000,000	0
BANK OF AMERICA TRIPARTY	11/25/14	11/24/14	11/24/14	280,000,000	280,000,000	0	280,000,000	0
DEUTSCHE BANK	11/26/14	11/25/14	11/25/14	440,000,000	440,000,000	0	440,000,000	0
BANK OF AMERICA TRIPARTY	11/26/14	11/25/14	11/25/14	335,000,000	335,000,000	0	335,000,000	0
BANK OF AMERICA TRIPARTY	12/01/14	11/26/14	11/26/14	800,000,000	800,000,000	0	800,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141107	11/07/14	11/06/14	11/06/14	265,000,000	265,000,000	0	265,000,000	0
<b>Total Buys</b>				<b>13,146,465,959</b>	<b>13,146,430,981</b>	<b>55,578</b>	<b>13,146,486,559</b>	<b>0</b>
<b>Deposits</b>								
SVENSKA HANDELSBANKTD-CAY 0.08 20141104	11/04/14	11/03/14	11/03/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141105	11/05/14	11/04/14	11/04/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141106	11/06/14	11/05/14	11/05/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141110	11/10/14	11/07/14	11/07/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141112	11/12/14	11/10/14	11/10/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141113	11/13/14	11/12/14	11/12/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141114	11/14/14	11/13/14	11/13/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141117	11/17/14	11/14/14	11/14/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141118	11/18/14	11/17/14	11/17/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141119	11/19/14	11/18/14	11/18/14	260,000,000	260,000,000	0	260,000,000	0

# TRADING ACTIVITY FOR NOVEMBER 2014 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
SVENSKA HANDELSBANKTD-CAY 0.09 20141120	11/20/14	11/19/14	11/19/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141121	11/21/14	11/20/14	11/20/14	270,000,000	270,000,000	0	270,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141124	11/24/14	11/21/14	11/21/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141125	11/25/14	11/24/14	11/24/14	280,000,000	280,000,000	0	280,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141126	11/26/14	11/25/14	11/25/14	285,000,000	285,000,000	0	285,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141201	12/01/14	11/26/14	11/26/14	295,000,000	295,000,000	0	295,000,000	0
<b>Total Deposits</b>				<b>4,290,000,000</b>	<b>4,290,000,000</b>	<b>0</b>	<b>4,290,000,000</b>	<b>0</b>
<b>Maturities</b>								
ALPINE SECURITIZATICPABS4	11/21/14	11/21/14	11/21/14	150,000,000	150,000,000	0	150,000,000	0
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	11/04/14	11/04/14	11/04/14	60,000,000	60,000,000	0	60,000,000	0
BNP PARIBAS FINANCE, INC, BANK OF TOKYO-MITSUCDY-AN	11/03/14	11/03/14	11/03/14	45,000,000	45,000,000	0	45,000,000	0
BANK OF TOKYO-MITSUCDY-AN	11/03/14	11/03/14	11/03/14	80,000,000	80,000,000	0	80,000,000	0
BANK OF TOKYO-MITSUCDY-AN	11/12/14	11/12/14	11/12/14	75,000,000	75,000,000	0	75,000,000	0
BANK OF TOKYO-MITSUCDY-AN	11/19/14	11/19/14	11/19/14	75,000,000	75,000,000	0	75,000,000	0
BANK OF TOKYO-MITSUBISHI UFJ LTD/NEW YORK NY	11/25/14	11/25/14	11/25/14	25,000,000	25,000,000	0	25,000,000	0
BANK OF TOKYO-MITSUCDY-AN	11/17/14	11/17/14	11/17/14	100,000,000	100,000,000	0	100,000,000	0
BARTON CAPITAL LLCPCABS4	11/25/14	11/25/14	11/25/14	40,000,000	40,000,000	0	40,000,000	0
DEUTSCHE BANK FINANCP	11/14/14	11/14/14	11/14/14	200,000,000	200,000,000	0	200,000,000	0
DEUTSCHE BANK FINANCP	11/21/14	11/21/14	11/21/14	200,000,000	200,000,000	0	200,000,000	0
DEUTSCHE BANK AGCDYAN	11/25/14	11/25/14	11/25/14	62,000,000	62,000,000	0	62,000,000	0
GENERAL ELECTRIC CAPITAL CORP	11/14/14	11/14/14	11/14/14	10,655,000	10,655,000	0	10,655,000	0
GOTHAM FUNDING CORP-CPABS4	11/13/14	11/13/14	11/13/14	65,000,000	65,000,000	0	65,000,000	0
HSBC USA, INC, CP	11/24/14	11/24/14	11/24/14	5,000,000	5,000,000	0	5,000,000	0
LLOYDS TSB BANK PLCCP	11/04/14	11/04/14	11/04/14	275,000,000	275,000,000	0	275,000,000	0
MANHATTAN ASSET FUNCPABS4	11/14/14	11/14/14	11/14/14	10,000,000	10,000,000	0	10,000,000	0
MIZUHO BANK LTD, CDYAN	11/26/14	11/26/14	11/26/14	50,000,000	50,000,000	0	50,000,000	0
SOCIETE GENERALE, PCDYAN	11/10/14	11/10/14	11/10/14	50,000,000	50,000,000	0	50,000,000	0
SOCIETE GENERALE, PCDYAN	11/17/14	11/17/14	11/17/14	40,000,000	40,000,000	0	40,000,000	0
SUMITOMO MITSUI BANC DY-AN	11/10/14	11/10/14	11/10/14	40,000,000	40,000,000	0	40,000,000	0
SUMITOMO MITSUI BANC DY-AN	11/19/14	11/19/14	11/19/14	40,000,000	40,000,000	0	40,000,000	0
SUMITOMO MITSUI BANC DY-AN	11/17/14	11/17/14	11/17/14	30,000,000	30,000,000	0	30,000,000	0
BANK OF AMERICA TRIPARTY	11/03/14	11/03/14	11/03/14	395,000,000	395,000,000	0	395,000,000	0
DEUTSCHE BANK	11/04/14	11/04/14	11/04/14	290,000,000	290,000,000	0	290,000,000	0

# TRADING ACTIVITY FOR NOVEMBER 2014 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
BANK OF AMERICA TRIPARTY	11/04/14	11/04/14	11/04/14	180,000,000	180,000,000	0	180,000,000	0
DEUTSCHE BANK	11/05/14	11/05/14	11/05/14	600,000,000	600,000,000	0	600,000,000	0
BANK OF AMERICA TRIPARTY	11/05/14	11/05/14	11/05/14	185,000,000	185,000,000	0	185,000,000	0
DEUTSCHE BANK	11/06/14	11/06/14	11/06/14	500,000,000	500,000,000	0	500,000,000	0
BANK OF AMERICA TRIPARTY	11/06/14	11/06/14	11/06/14	200,000,000	200,000,000	0	200,000,000	0
DEUTSCHE BANK	11/07/14	11/07/14	11/07/14	500,000,000	500,000,000	0	500,000,000	0
BANK OF AMERICA TRIPARTY	11/07/14	11/07/14	11/07/14	170,000,000	170,000,000	0	170,000,000	0
DEUTSCHE BANK	11/10/14	11/10/14	11/10/14	280,000,000	280,000,000	0	280,000,000	0
BANK OF AMERICA TRIPARTY	11/10/14	11/10/14	11/10/14	215,000,000	215,000,000	0	215,000,000	0
DEUTSCHE BANK	11/12/14	11/12/14	11/12/14	290,000,000	290,000,000	0	290,000,000	0
BANK OF AMERICA TRIPARTY	11/12/14	11/12/14	11/12/14	280,000,000	280,000,000	0	280,000,000	0
DEUTSCHE BANK	11/13/14	11/13/14	11/13/14	330,000,000	330,000,000	0	330,000,000	0
BANK OF AMERICA TRIPARTY	11/13/14	11/13/14	11/13/14	140,000,000	140,000,000	0	140,000,000	0
DEUTSCHE BANK	11/14/14	11/14/14	11/14/14	190,000,000	190,000,000	0	190,000,000	0
BANK OF AMERICA TRIPARTY	11/14/14	11/14/14	11/14/14	125,000,000	125,000,000	0	125,000,000	0
DEUTSCHE BANK	11/17/14	11/17/14	11/17/14	140,000,000	140,000,000	0	140,000,000	0
BANK OF AMERICA TRIPARTY	11/17/14	11/17/14	11/17/14	210,000,000	210,000,000	0	210,000,000	0
DEUTSCHE BANK	11/18/14	11/18/14	11/18/14	225,000,000	225,000,000	0	225,000,000	0
BANK OF AMERICA TRIPARTY	11/18/14	11/18/14	11/18/14	220,000,000	220,000,000	0	220,000,000	0
DEUTSCHE BANK	11/19/14	11/19/14	11/19/14	190,000,000	190,000,000	0	190,000,000	0
BANK OF AMERICA TRIPARTY	11/19/14	11/19/14	11/19/14	230,000,000	230,000,000	0	230,000,000	0
DEUTSCHE BANK	11/20/14	11/20/14	11/20/14	300,000,000	300,000,000	0	300,000,000	0
BANK OF AMERICA TRIPARTY	11/20/14	11/20/14	11/20/14	400,000,000	400,000,000	0	400,000,000	0
DEUTSCHE BANK	11/21/14	11/21/14	11/21/14	340,000,000	340,000,000	0	340,000,000	0
BANK OF AMERICA TRIPARTY	11/21/14	11/21/14	11/21/14	235,000,000	235,000,000	0	235,000,000	0
DEUTSCHE BANK	11/24/14	11/24/14	11/24/14	720,000,000	720,000,000	0	720,000,000	0
BANK OF AMERICA TRIPARTY	11/24/14	11/24/14	11/24/14	395,000,000	395,000,000	0	395,000,000	0
DEUTSCHE BANK	11/25/14	11/25/14	11/25/14	580,000,000	580,000,000	0	580,000,000	0
BANK OF AMERICA TRIPARTY	11/25/14	11/25/14	11/25/14	280,000,000	280,000,000	0	280,000,000	0
DEUTSCHE BANK	11/26/14	11/26/14	11/26/14	440,000,000	440,000,000	0	440,000,000	0
BANK OF AMERICA TRIPARTY	11/26/14	11/26/14	11/26/14	335,000,000	335,000,000	0	335,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.04 20141103	11/03/14	11/03/14	11/03/14	270,000,000	270,000,000	0	270,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141104	11/04/14	11/04/14	11/04/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141105	11/05/14	11/05/14	11/05/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141106	11/06/14	11/06/14	11/06/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141107	11/07/14	11/07/14	11/07/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141110	11/10/14	11/10/14	11/10/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141112	11/12/14	11/12/14	11/12/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141113	11/13/14	11/13/14	11/13/14	265,000,000	265,000,000	0	265,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.08 20141114	11/14/14	11/14/14	11/14/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141117	11/17/14	11/17/14	11/17/14	260,000,000	260,000,000	0	260,000,000	0

# TRADING ACTIVITY FOR NOVEMBER 2014 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
SVENSKA HANDELSBANKTD-CAY 0.09 20141118	11/18/14	11/18/14	11/18/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141119	11/19/14	11/19/14	11/19/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141120	11/20/14	11/20/14	11/20/14	260,000,000	260,000,000	0	260,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141121	11/21/14	11/21/14	11/21/14	270,000,000	270,000,000	0	270,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141124	11/24/14	11/24/14	11/24/14	275,000,000	275,000,000	0	275,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141125	11/25/14	11/25/14	11/25/14	280,000,000	280,000,000	0	280,000,000	0
SVENSKA HANDELSBANKTD-CAY 0.09 20141126	11/26/14	11/26/14	11/26/14	285,000,000	285,000,000	0	285,000,000	0
<b>Total Maturities</b>				<b>16,367,655,000</b>	<b>16,367,655,000</b>	<b>0</b>	<b>16,367,655,000</b>	<b>0</b>
<b>Sells</b>								
J,P, MORGAN SECURITCP4-2	12/03/14	11/07/14	11/07/14	8,000,000	7,999,249	0	7,999,249	578
SUMITOMO MITSUI BANC DY-AN	02/11/15	11/03/14	11/03/14	50,000,000	50,002,076	10,083	50,012,160	2,076
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/03/14	11/03/14	331,289	331,289	0	331,289	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/03/14	11/03/14	851,351	851,351	0	851,351	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/03/14	11/03/14	2,437,845	2,437,845	0	2,437,845	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/03/14	11/03/14	554,085	554,085	0	554,085	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/04/14	11/04/14	21,429	21,429	0	21,429	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/06/14	11/06/14	409,610	409,610	0	409,610	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/10/14	11/10/14	2,139,788	2,139,788	0	2,139,788	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/10/14	11/10/14	41,793	41,793	0	41,793	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/12/14	11/12/14	439,245	439,245	0	439,245	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/14/14	11/14/14	195,026	195,026	0	195,026	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/14/14	11/14/14	946,973	946,973	0	946,973	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/18/14	11/18/14	3,335,724	3,335,724	0	3,335,724	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/20/14	11/20/14	3,357,610	3,357,610	0	3,357,610	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/24/14	11/24/14	368,950	368,950	0	368,950	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	11/25/14	11/25/14	629,387	629,387	0	629,387	0
<b>Total Sells</b>				<b>74,060,104</b>	<b>74,061,430</b>	<b>10,083</b>	<b>74,071,513</b>	<b>2,654</b>

# FUND B

## FUND B FACTS

### INVESTMENT OBJECTIVE

Fund B's primary objective was to maximize the present value of distributions from the Fund.

### COMPOSITION

Fund B principally consisted of Segregated Securities, which were securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides Florida PRIME's AAAM rating. On September 26, 2014, Apollo completed the sale of all Fund B collateral assets.

### DISTRIBUTIONS

Participants in Fund B received periodic distributions to the extent that Fund B received proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken until all principal was returned.

### ACCOUNTING

Fund B is accounted for as a fluctuating NAV pool, not a 2a-7-like money market fund. That is, accounting valuations reflect estimates of the market value of securities rather than their amortized cost.

### STATUS OF INVESTMENTS

Florida East and West: Restructured from KKR. Underlying assets sold and position closed August 2014.

Florida Funding I: Restructured from Ottimo (Issuer Entity). Underlying assets sold and position closed in May 2014.

Florida Funding II: Restructured from Axon. Underlying assets sold and position closed October 2014.

## COMMENTARY ON PORTFOLIO MANAGEMENT

As of September 2014, \$2,009,451,941, or 100 percent of the original participants principal was returned. Fund B participants did not realize any losses on their original principal balances.

For information on the historical performance of Fund B, see prior month's PRIME Monthly Summary Reports.

The Fund B Surplus Funds Trust Fund will continue to hold the remaining reserve until directed by the SBA Trustees to distribute proceeds. Although a direct transfer from Fund B to Florida PRIME™, with a subsequent distribution to pool participants, is viewed as legally compliant with Florida Statutes, Council members and Trustee staff have indicated a preference for the SBA to work towards a distribution based on the participant account listing as of November 2007 (effectively distributing all Fund B remaining reserves as the unallocated November 2007 interest earnings). The SBA has begun to work with Trustee staff, Legislative staff, and relevant stakeholder groups to achieve the preferred method of allocating the final distribution of Fund B reserves.

### LEGAL ISSUE

As noted in previous reports, the SBA asserted that Lehman Brothers (which is now in liquidation) sold the SBA certain unregistered secured notes that were not exempt from registration under the Securities Act of 1933. On August 20, 2014, the parties participated in a mediation which resulted in a settlement of the matter. On September 30, 2014, the Court approved and ordered that the settlement stipulated by the parties be an allowed claim in the Lehman Brothers insolvency proceeding. During the past month, the SBA received an initial distribution from the Trustee and then sold the remainder of the allowed claim resulting in a total recovery of \$13,482,785.97, which has been distributed to Fund B. This matter is now closed.

### DISCLOSURE OF MATERIAL IMPACTS

There were no developments during November 2014 that had a material impact on the liquidity or operation of Fund B.



# FUND B

## HOLDINGS, COMPLIANCE AND TRADING ACTIVITY

### INVENTORY OF HOLDINGS - AS OF NOVEMBER 2014

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost	Mkt Value	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		33,328,735	0.00	\$ 33,328,735	\$ 33,328,735	\$ -
<b>Total Value of Investments</b>			<b><u>33,328,735</u></b>		<b><u>\$33,328,735</u></b>	<b><u>\$33,328,735</u></b>	<b><u>\$0</u></b>

### COMPLIANCE WITH INVESTMENT POLICY - NOVEMBER 2014

Investment Policy Statement (IPS) Compliance is conducted on Fund B by SBA Risk Management and Compliance and reported on a monthly basis to the Investment Oversight Group. Portfolio activity is reviewed to ensure that transactions and holdings are in compliance with the guideline requirements stipulated in the IPS. Since the principal holdings in the fund were the notes issued by the four Fund B special purpose entities, and no deposits or withdrawals are permitted by participants, transactions were limited to 1) the receipt cash flows from the underlying note collateral, 2) the investment of these cash flows in AAAM money market funds, and 3) distributions to participants. Since all collateral sales have been completed, and 100% of principal has now been returned to participants, the cash reserve balance will remain in Fund B and will be invested in AAAM money market funds pending final distributions. For the month of November 2014, Fund B was in compliance with its Investment Policy Statement.

### TRADING ACTIVITY - NOVEMBER 2014

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>				\$	\$	\$	\$
DREYFUS GOVERNMENT CASH MANAGEMENT	11/04/14	11/04/14	238	238	0	238	0
DREYFUS GOVERNMENT CASH MANAGEMENT	11/26/14	11/26/14	5,026,671	5,026,671	0	5,026,671	0
<b>Total Buys</b>			<b><u>5,026,909</u></b>	<b><u>5,026,909</u></b>	<b><u>0</u></b>	<b><u>5,026,909</u></b>	<b><u>0</u></b>
<b>Sells</b>							
DREYFUS GOVERNMENT CASH MANAGEMENT	11/03/14	11/03/14	71	71	0	71	0
DREYFUS GOVERNMENT CASH MANAGEMENT	11/13/14	11/13/14	240	240	0	240	0
<b>Total Sells</b>			<b><u>312</u></b>	<b><u>312</u></b>	<b><u>0</u></b>	<b><u>312</u></b>	<b><u>0</u></b>

## Our Mission

Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.



**Federated**





# Monthly Summary Report for December 2014

Including Fund B

State Board of Administration

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### FUND B

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#### Past performance is no guarantee of future results.

Views are as of the issue date and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this fund.

## INTRODUCTION

This report is prepared for stakeholders in Florida PRIME and Fund B in accordance with Section 218.409(6)(a), Florida Statutes. The statute requires:

- (1) Reporting of any material impacts on the funds and any actions or escalations taken by staff to address such impacts;
- (2) Presentation of a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month; and
- (3) Preparation of the management summary “in a manner that will allow anyone to ascertain whether the investment activities during the reporting period have conformed to investment policies.”

This report, which covers the period from December 1, 2014 through December 31, 2014, has been prepared by the SBA with input from Federated Investment Counseling (“Federated”), investment advisor for Florida PRIME in a format intended to comply with the statute.

During the reporting period, Florida PRIME and Fund B were in material compliance with investment policy. Details are available in the PRIME policy compliance table and the Fund B compliance narrative in the body of this report. This report also includes details on market conditions; fees; fund holdings, transactions and performance; and client composition.

## DISCLOSURE OF MATERIAL IMPACTS

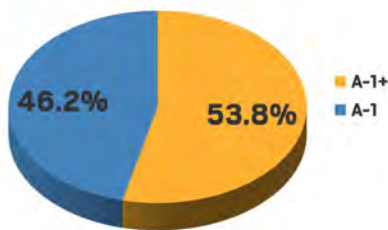
There were no developments during December 2014 that had a material impact on the liquidity or operation of Florida PRIME.

## PORTFOLIO COMPOSITION DECEMBER 31, 2014

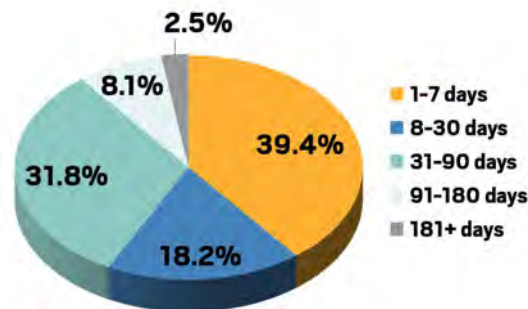
### Florida PRIME Assets

\$ 7,880,588,161

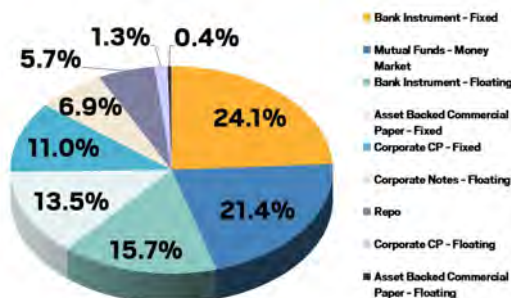
### Credit Quality Composition



### Effective Maturity Schedule



### Portfolio Composition



## PORTFOLIO MANAGER COMMENTARY

### December Market Conditions

In its last meeting of 2014, the Federal Reserve's Federal Open Market Committee voted to alter the language of its closely watched policy statement, essentially subbing out the word "considerable" for "patience." The truth is that cash managers nationwide are already quite familiar with the new word. We have been patient for years now, waiting for the Fed to raise the benchmark interest rate. While we understand that the reason for the historically low federal funds rate is to stimulate the U.S. economy to recover from the financial crisis, it has been a challenge, to say the least, with yields near zero.

But the change in language is a move in the right direction. As of the fourth quarter, sentiment pointed to the first tightening being at the end of summer 2015, but now the consensus is closer to midyear. Beyond the words, the tone of the release and of Chair Janet Yellen's press conference was upbeat from a standpoint of economic recovery and sustainability. Although she affirmed that policy decisions would still be dependent on data, there is a fair amount of confidence that progress will continue in the right direction.

Throughout this long stretch of near zero rates we have spent every day searching for trades that bring the best return. Lately, the New York Fed has been helping out through its reverse repo program. For many months, it has offered some overnight supply that gave a floor to rates of around five basis points. But in November and December it experimented with a mix of rates at different times and a term-repo offering. What has been encouraging is that, as the Fed shifted overnight rates from three to seven, 10 and then five basis points in recent weeks, the market kept rates close to 10. It was a reflection of people squaring up for year-end ahead of time.

But a large allotment of term repo (\$300 billion offered in chunks over several weeks) from the New York Fed also played a major role in alleviating the constraints around supply. We think people looked at that as being a pretty significant amount of float that is still short term, maturing in early January. The overall repo market in the U.S. is about \$1.6 trillion, so an additional \$300 billion results in about 20% added capacity. That is definitely substantial.

DECEMBER 31, 2014

### Top Holdings and Average Maturity

1. Federated Prime Obligations Fund	9.9%
2. Federated Prime Cash Obligations Fund	9.5%
3. Mitsubishi UFJ Financial Group, Inc.	5.1%
4. BNP Paribas SA	5.0%
5. Svenska Handelsbanken, Stockholm	5.0%
6. Mizuho Financial Group, Inc.	4.9%
7. Sumitomo Mitsui Financial Group, Inc.	4.9%
8. Royal Bank of Canada, Montreal	4.1%
9. JPMorgan Chase & Co.	3.9%
10. Bank of Montreal	3.8%

#### Average Effective Maturity (WAM)

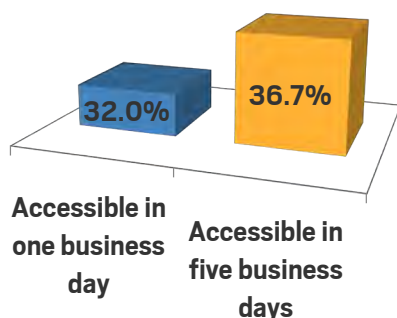
39.8 Days

#### Weighted Average Life (Spread WAM)

73.1 Days

Percentages based on total value of investments

### Highly Liquid Holdings (% at month end)



### PORTFOLIO MANAGER COMMENTARY (CON'T.)

We have attempted to reduce our dependency on overnights. Obviously, overnights are important from a liquidity perspective to meet client demands for redemptions when needed. Nonetheless, we felt there was better value out the curve and started to inch into the longer end. The London interbank offered rate (LIBOR) has ticked up a couple of fractions every week in December, and will probably start moving faster in 2015.

#### Portfolio Investment Strategy

Over the course of a year, deposits to the Pool arrive in predictable fashion as they are linked to the tax-collecting schedules of Florida municipalities and institutions, usually in late fall to early spring. Week-to-week, the inflows are not regular, and this plays a significant role in how we invest. Case in point is December. The assets of the Pool increased \$1.5 billion in the month to reach \$7.9 billion on Dec. 31, due to seasonal inflows from taxes. But a large amount of that arrived in the last days of the month. Rather than invest that immediately in securities that might not offer the best return, we typically put late deposits into the overnight market until we can invest it out the money market curve and into individual securities for the best yield and to fit our overall investment strategy. This explains the large allocation in at the end of December to money-market funds, 21% (up by 11% from November), a number that will decrease as we invest it.

The allotment of the rest of the holding was 29% (up 1%) to commercial paper, 20% (down 2%) to variable rate paper, 24% (down 3%) bank instruments and 6% (down 7%) to repo. Most of these investment decisions were made because the LIBOR curve backed up 1 -3 basis points from one month to 12 months, offering value all along the money market curve. As the markets keep predicting that the Fed will raise rates over the course of 2015, floating-rate securities should reset to the new higher rate more quickly than a fixed-rate instrument would.

The gross yield on the Pool remained the same as November at 18 basis points. Weighted average maturity (WAM) decreased one day from the prior month to 40; weighted average life (WAL) remained at 73 days.

## FLORIDA PRIME SUMMARY OF CASH FLOWS

### December 2014

Opening Balance (12/01/14)	\$	6,356,576,349
Participant Deposits		4,389,094,918
Gross Earnings		1,240,586
Participant Withdrawals		(2,866,131,936)
Fees		(191,756)
Closing Balance (12/31/14)		7,880,588,161
Net Change over Month		<b>1,524,011,812</b>

Valuations based on amortized cost

As shown in the table above, Florida PRIME experienced a net inflow of \$1.52 billion during December 2014.

This change in value consisted of positive flows of \$4.39 billion in participant deposits and 1.2 million in earnings. Negative flows consisted of \$2.87 billion in participant withdrawals and about \$192,000 in fees.

Overall, the fund ended the month with a closing balance of \$7.88 billion.

## FLORIDA PRIME DETAILED FEE DISCLOSURE

December 2014	Amount	Basis Point Equivalent*
SBA Client Service, Account Mgt. & Fiduciary Oversight Fee	\$ 63,671.39	\$ 1.07
Federated Investment Management Fee	107,030.59	1.80
BNY Mellon Custodial Fee**	8,378.06	0.14
Bank of America Transfer Agent Fee	4,560.60	0.08
S&P Rating Maintenance Fee	3,397.26	0.06
Audit/External Review Fees	4,718.03	0.08
<b>Total Fees</b>	<b>\$ 191,755.93</b>	<b>3.23</b>

\*The basis point equivalent is an annualized rate based on the dollar amount of fees charged for the month times 12, divided by an average of the fund's beginning and ending total value (amortized cost) for the month which was \$7,118,582,255.

\*\*All custodian banking fees are allocated based on both market value (size) and level of service accurately passing through all charges to pool participants. Charges will fluctuate month-to-month.

## Fund B Update:

The Fund B Surplus Funds Trust Fund will continue to hold the remaining reserve until directed by the SBA Trustees to distribute proceeds. Although a direct transfer from Fund B to Florida PRIME™, with a subsequent distribution to pool participants, is viewed as legally compliant with Florida Statutes, Council members and Trustee staff have indicated a preference for the SBA to work towards a distribution based on the participant account listing as of November 2007 (effectively distributing all Fund B remaining reserves as the unallocated November 2007 interest earnings). The SBA has begun to work with Trustee staff, Legislative staff, and relevant stakeholder groups to achieve the preferred method of allocating the final distribution of Fund B reserves.

## FUND PERFORMANCE THROUGH DECEMBER 31, 2014

### NOTES TO PERFORMANCE TABLE

<sup>1</sup>Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.

<sup>2</sup>The net-of-fee benchmark is the S&P AAA/AA Rated GIP All 30-Day Net Index for all time periods.

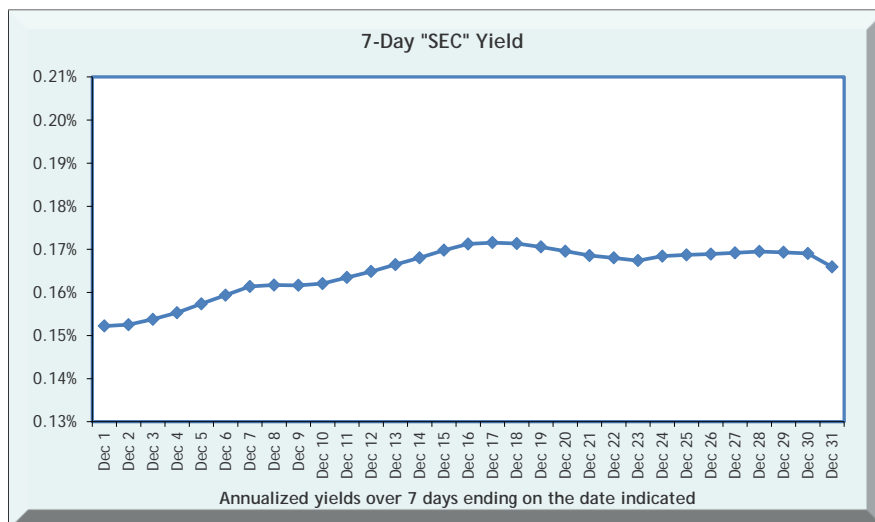
Net asset value includes investments at market value, plus all cash, accrued interest receivable and payables.

### Florida PRIME Participant Performance Data

	Net Participant Yield <sup>1</sup>	Net-of-Fee Benchmark <sup>2</sup>	Above (Below) Benchmark
1 mo	0.16%	0.05%	0.11%
3 mos	0.16%	0.05%	0.11%
12 mos	0.16%	0.05%	0.11%
3 yrs	0.22%	0.07%	0.15%
5 yrs	0.24%	0.09%	0.15%
10 yrs	1.77%	1.63%	0.15%
Since 1.96	2.90%	2.69%	0.21%

Net asset value at month end: \$7,880.5 m

### Florida PRIME 7-Day "SEC" Yields During the Month



For performance comparisons to other short-term investment options, see [www.sbafla.com/prime](http://www.sbafla.com/prime) and click on "Pool Performance."

### NOTES TO CHART

The 7-Day "SEC" Yield in the chart is calculated in accordance with the yield methodology set forth by SEC rule 2a-7 for money market funds.

The 7-day yield = net income earned over a 7-day period / average units outstanding over the period / 7 times 365.

Note that unlike other performance measures, the SEC yield does not include realized gains and losses from sales of securities.

### ABOUT ANNUALIZED YIELDS

Performance data in the table and chart is annualized, meaning that the amounts are based on yields for the periods indicated, converted to their equivalent if obtained for a 12-month period.

For example, ignoring the effects of compounding,

an investment that earns 0.10% over a 1-month period yields 1.20% on an annualized basis. Likewise, an investment that earns a total of 3.60% over three years yields 1.20% on an annualized basis, ignoring compounding.



# INVENTORY OF HOLDINGS DECEMBER 31, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Alpine Securitization Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/20/2015		38,000,000	0.23	\$37,987,618	\$37,991,279	\$3,661
Alpine Securitization Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/23/2015		138,000,000	0.22	\$137,954,460	\$137,965,224	\$10,764
Alpine Securitization Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		3/17/2015		100,000,000	0.22	\$99,953,555	\$99,959,680	\$6,125
BNP Paribas Finance, Inc. CP	COMMERCIAL PAPER		3/10/2015		35,000,000	0.23	\$34,984,571	\$34,986,518	\$1,947
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/2/2015		100,000,000	0.21	\$100,000,000	\$100,002,740	\$2,740
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/4/2015		40,000,000	0.21	\$40,000,000	\$40,001,160	\$1,160
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/5/2015		80,000,000	0.21	\$80,000,000	\$79,999,040	-\$960
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	3/4/2015		50,000,000	0.24	\$50,000,000	\$49,999,120	-\$880
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	3/9/2015		50,000,000	0.23	\$50,000,000	\$50,000,000	\$0
BNP Paribas SA CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.26	3/23/2015		35,000,000	0.26	\$35,000,000	\$34,999,125	-\$875
Bank of America N.A. Triparty Repo Overnight Fixed	REPO TRIPARTY OVER-NIGHT FIXED	0.08	1/2/2015		450,000,000	0.08	\$450,000,000	\$450,000,000	\$0
Bank of Montreal, Apr 01, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.25	4/1/2015	1/2/2015	20,000,000	0.24	\$20,000,000	\$19,999,040	-\$960
Bank of Montreal, Apr 21, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	4/21/2015	1/21/2015	25,000,000	0.23	\$25,000,000	\$24,999,200	-\$800
Bank of Montreal, Dec 10, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.27	12/10/2015	1/12/2015	100,000,000	0.28	\$100,000,000	\$99,981,300	-\$18,700
Bank of Montreal, Feb 20, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	2/20/2015	2/20/2015	50,000,000	0.24	\$50,000,000	\$49,997,800	-\$2,200
Bank of Montreal, Mar 11, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.24	3/11/2015	1/12/2015	100,000,000	0.24	\$100,000,000	\$99,996,200	-\$3,800
Bank of Montreal, Sr. Unsecured, Aug 20, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.39	8/20/2015	2/20/2015	5,000,000	0.27	\$5,004,051	\$4,999,845	-\$4,206
Bank of Nova Scotia, Tor, .25%	CALLABLE CERTIFICATE OF DEPOSIT	0.25	3/12/2015		75,000,000	0.25	\$75,000,000	\$75,014,753	\$14,753
Bank of Nova Scotia, Tor, Sr. Unsec. Note, 1.85%, 1/12/2015	CORPORATE BOND	1.85	1/12/2015		2,000,000	0.25	\$2,001,046	\$2,000,440	-\$606
Bank of Nova Scotia, Tor, Sr. Unsec. Note, 1.85%, 1/12/2015	CORPORATE BOND	1.85	1/12/2015		1,000,000	0.26	\$1,000,519	\$1,000,220	-\$299
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.20	1/23/2015		40,000,000	0.17	\$40,000,764	\$40,000,508	-\$256
Bank of Tokyo-Mitsubishi Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.13	1/5/2015		200,000,000	0.13	\$200,000,000	\$200,000,000	\$0
Barclays Bank PLC, Sr. Unsec. Note, 2.75%, 2/23/2015	CORPORATE NOTE	2.75	2/23/2015		4,500,000	0.43	\$4,515,218	\$4,512,375	-\$2,843
Barclays Bank PLC, Sr. Unsec. Note, 2.75%, 2/23/2015	CORPORATE NOTE	2.75	2/23/2015		1,000,000	0.48	\$1,003,291	\$1,002,750	-\$541
Bedford Row Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		5/27/2015		21,000,000	0.23	\$20,980,278	\$20,980,535	\$258
Bedford Row Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		7/1/2015		20,000,000	0.33	\$19,967,644	\$19,973,542	\$5,898
Bedford Row Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		9/14/2015		12,000,000	0.34	\$11,971,730	\$11,970,731	-\$999
Bedford Row Funding Corp., Sep 09, 2015	VARIABLE RATE COMMERCIAL PAPER-ABS-4(2)	0.27	9/9/2015	1/9/2015	30,000,000	0.27	\$30,000,000	\$29,995,740	-\$4,260
Caisse des Depots et Consignations (CDC) CP	COMMERCIAL PAPER		6/16/2015		75,000,000	0.25	\$74,913,021	\$74,915,918	\$2,897
Canadian Imperial Bank of Commerce, May 26, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.35	5/26/2015	1/26/2015	215,000,000	0.35	\$215,000,000	\$215,005,590	\$5,590
Caterpillar Financial Se, Unsec. Note, Series MTN, 1.1%, 05/29/2015	CORPORATE BOND	1.10	5/29/2015		18,150,000	0.30	\$18,209,511	\$18,207,536	-\$1,976
Caterpillar Financial Se, Unsec. Note, Series MTN, 1.1%, 05/29/2015	CORPORATE BOND	1.10	5/29/2015		425,000	0.31	\$426,378	\$426,347	-\$31
Chase Bank USA, N.A. CD	CERTIFICATE OF DEPOSIT	0.30	5/15/2015		50,000,000	0.30	\$50,000,000	\$50,014,910	\$14,910
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND	0.01	1/2/2015		158,055,856	0.01	\$158,055,856	\$158,055,856	\$0
Federated Prime Cash Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.02	1/2/2015	1/2/2015	750,671,552	0.02	\$750,671,552	\$750,671,552	\$0

See notes at end of table.

# INVENTORY OF HOLDINGS (CONTINUED)

## DECEMBER 31, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
Federated Prime Obligations Fund, Class IS	MUTUAL FUND MONEY MARKET	0.03	1/2/2015	1/2/2015	776,041,973	0.03	\$776,041,973	\$776,041,973	\$0
General Electric Cap Corp., Sr. Unsecd. Note, Series GMTN, 4.375%, 9/21/2015	CORPORATE BOND	4.38	9/21/2015		1,625,000	0.38	\$1,671,788	\$1,666,156	-\$5,632
General Electric Capital Corp., Jul 02, 2015	VARIABLE MEDIUM TERM NOTE	1.29	7/2/2015	1/2/2015	1,335,000	0.24	\$1,342,030	\$1,341,754	-\$276
General Electric Capital Corp., Jul 02, 2015	VARIABLE MEDIUM TERM NOTE	1.29	7/2/2015	1/2/2015	1,935,000	0.26	\$1,945,049	\$1,944,789	-\$259
General Electric Capital Corp., Jul 02, 2015	VARIABLE MEDIUM TERM NOTE	1.29	7/2/2015	1/2/2015	400,000	0.27	\$402,040	\$402,024	-\$16
General Electric Capital Corp., Series MTN, 3.500%, 06/29/2015	CORPORATE BOND	3.50	6/29/2015		4,701,000	0.34	\$4,773,996	\$4,769,620	-\$4,375
General Electric Capital Corp., Series MTN, 3.500%, 06/29/2015	CORPORATE BOND	3.50	6/29/2015		1,546,000	0.36	\$1,569,869	\$1,568,567	-\$1,302
General Electric Capital Corp., Sr. Note, Series MTNA, 6.900%, 09/15/2015	CORPORATE BOND	6.90	9/15/2015		800,000	0.41	\$836,612	\$836,276	-\$336
General Electric Capital Corp., Sr. Note, Series MTNA, 6.900%, 09/15/2015	CORPORATE BOND	6.90	9/15/2015		3,000,000	0.41	\$3,137,239	\$3,136,035	-\$1,204
General Electric Capital Corp., Sr. Unsecd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		1,975,000	0.32	\$1,987,916	\$1,987,411	-\$506
General Electric Capital Corp., Sr. Unsecd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		1,000,000	0.32	\$1,006,541	\$1,006,284	-\$257
General Electric Capital Corp., Sr. Unsecd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		300,000	0.34	\$301,932	\$301,885	-\$47
General Electric Capital Corp., Sr. Unsecd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		35,859,000	0.34	\$36,088,878	\$36,084,338	-\$4,540
General Electric Capital Corp., Sr. Unsecd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		18,000,000	0.34	\$18,115,358	\$18,113,112	-\$2,246
General Electric Capital Corp., Sr. Unsecd. Note, 1.625%, 7/02/2015	CORPORATE BOND	1.63	7/2/2015		1,929,000	0.34	\$1,941,364	\$1,941,122	-\$242
General Electric Capital Corp., Sr. Unsecd. Note, 2.150%, 01/09/2015	CORPORATE BOND	2.15	1/9/2015		1,819,000	0.26	\$1,819,828	\$1,819,298	-\$530
General Electric Capital Corp., Sr. Unsecd. Note, 2.150%, 01/09/2015	CORPORATE BOND	2.15	1/9/2015		10,000,000	0.26	\$10,004,496	\$10,001,640	-\$2,856
General Electric Capital Corp., Sr. Unsecd. Note, 2.150%, 01/09/2015	CORPORATE BOND	2.15	1/9/2015		25,000,000	0.30	\$25,011,376	\$25,004,100	-\$7,276
General Electric Capital Corp., Sr. Unsecd. Note, 2.150%, 01/09/2015	CORPORATE BOND	2.15	1/9/2015		275,000	0.31	\$275,124	\$275,045	-\$79
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		5,130,000	0.34	\$5,181,780	\$5,179,766	-\$2,014
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		1,500,000	0.34	\$1,515,079	\$1,514,552	-\$528
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		4,788,000	0.34	\$4,836,086	\$4,834,448	-\$1,638
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		7,500,000	0.35	\$7,575,121	\$7,572,758	-\$2,364
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		10,000,000	0.35	\$10,100,381	\$10,097,010	-\$3,371
General Electric Capital Corp., Sr. Unsecd. Note, Series MTN, 2.375%, 06/30/2015	CORPORATE BOND	2.38	6/30/2015		2,415,000	0.45	\$2,438,012	\$2,438,428	\$416
General Electric Capital Corp., Sr. Unsecured, Apr 13, 2015	VARIABLE MEDIUM TERM NOTE	0.73	4/13/2015	1/13/2015	1,233,000	0.23	\$1,234,763	\$1,234,517	-\$246
General Electric Capital Corp., Sr. Unsecured, Apr 13, 2015	VARIABLE MEDIUM TERM NOTE	0.73	4/13/2015	1/13/2015	500,000	0.25	\$500,681	\$500,615	-\$66
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		1,000,000	0.27	\$1,008,048	\$1,007,317	-\$731

See notes at end of table.



# INVENTORY OF HOLDINGS (CONTINUED)

## DECEMBER 31, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		9,500,000	0.30	\$9,575,253	\$9,569,512	-\$5,742
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		11,795,000	0.30	\$11,888,408	\$11,881,304	-\$7,104
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		597,000	0.32	\$601,707	\$601,368	-\$339
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		450,000	0.32	\$453,524	\$453,293	-\$231
General Electric Capital, Note, Series MTN, 4.875%, 3/04/2015	CORPORATE BOND	4.88	3/4/2015		2,714,000	0.33	\$2,735,354	\$2,733,858	-\$1,495
General Electric Capital, Sr. Note, 1/14/2016	CORPORATE NOTE	0.46	1/14/2016	1/14/2015	10,000,000	0.29	10,018,389	9,999,960	-\$18,429
General Electric Capital, Sr. Note, Series MTN, 1/08/2016	CORPORATE BOND	0.43	1/8/2016	1/8/2015	255,000	0.32	\$255,326	\$254,924	-\$402
General Electric Capital, Sr. Unsec'd. Note, 1/09/2015	CORPORATE NOTE	0.61	1/9/2015	1/9/2015	33,000,000	0.23	\$33,003,175	\$33,001,518	-\$1,657
General Electric Capital, Sr. Unsec'd. Note, 2.25%, 11/09/2015	CORPORATE BOND	2.25	11/9/2015		9,952,000	0.41	\$10,108,793	\$10,088,541	-\$20,252
General Electric Capital, Sr. Unsec'd. Note, 2.25%, 11/09/2015	CORPORATE BOND	2.25	11/9/2015		1,089,000	0.41	\$1,106,152	\$1,103,941	-\$2,211
General Electric Capital, Sr. Unsec'd. Note, 2.25%, 11/09/2015	CORPORATE BOND	2.25	11/9/2015		8,000,000	0.41	\$8,125,952	\$8,109,760	-\$16,192
General Electric Capital, Sr. Unsec'd. Note, 2.25%, 11/09/2015	CORPORATE BOND	2.25	11/9/2015		1,000,000	0.51	\$1,014,867	\$1,013,720	-\$1,147
General Electric Capital, Sr. Unsec'd. Note, Series MTN, 5%, 1/08/2016	CORPORATE BOND	5.00	1/8/2016		7,650,000	0.51	\$7,999,291	\$7,970,367	-\$28,924
General Electric Capital, Sr. Unsec'd. Note, Series MTN, 7/10/2015	CORPORATE BOND	0.61	7/10/2015	1/10/2015	6,500,000	0.23	\$6,513,224	\$6,511,362	-\$1,862
General Electric Capital, Sr. Unsec'd. Note, Series MTN, 7/10/2015	CORPORATE BOND	0.61	7/10/2015	1/10/2015	375,000	0.26	\$375,706	\$375,656	-\$50
General Electric Capital, Sr. Unsec'd. Note, Series MTN, 8/11/2015	CORPORATE BOND	1.00	8/11/2015	2/11/2015	1,335,000	0.27	\$1,341,140	\$1,340,568	-\$571
General Electric Capital, Sr. Unsec'd. Note, Series MTN, 8/11/2015	CORPORATE BOND	1.00	8/11/2015	2/11/2015	2,083,000	0.28	\$2,092,426	\$2,091,688	-\$738
Gotham Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/14/2015		63,000,000	0.17	\$62,995,835	\$62,995,981	\$146
Gotham Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/22/2015		95,000,000	0.17	\$94,990,131	\$94,990,130	-\$1
HSBC USA, Inc. CP	COMMERCIAL PAPER		3/2/2015		50,000,000	0.24	\$49,979,667	\$49,984,635	\$4,968
HSBC USA, Inc. CP	COMMERCIAL PAPER		3/4/2015		50,000,000	0.24	\$49,979,000	\$49,983,990	\$4,990
HSBC USA, Inc. CP	COMMERCIAL PAPER		5/14/2015		50,000,000	0.25	\$49,954,403	\$49,954,590	\$187
HSBC USA, Inc. CP	COMMERCIAL PAPER		6/9/2015		50,000,000	0.26	\$49,942,222	\$49,941,555	-\$667
HSBC USA, Inc., Sr. Unsec'd. Note, 2.375%, 02/13/2015	CORPORATE BOND	2.38	2/13/2015		6,300,000	0.31	\$6,315,434	\$6,312,657	-\$2,778
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		2/5/2015		50,000,000	0.17	\$49,991,500	\$49,992,100	\$600
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		2/5/2015		50,000,000	0.20	\$49,990,000	\$49,992,100	\$2,100
ING (U.S.) Funding LLC CP	COMMERCIAL PAPER		3/2/2015		100,000,000	0.21	\$99,964,417	\$99,967,640	\$3,223
J.P. Morgan Chase & Co., 3.700%, 01/20/2015	CORPORATE BOND	3.70	1/20/2015		7,315,000	0.43	\$7,327,930	\$7,327,267	-\$662
J.P. Morgan Chase & Co., 3.700%, 01/20/2015	CORPORATE BOND	3.70	1/20/2015		5,000,000	0.43	\$5,008,805	\$5,008,385	-\$420
J.P. Morgan Chase & Co., 3.700%, 01/20/2015	CORPORATE BOND	3.70	1/20/2015		430,000	0.43	\$430,756	\$430,721	-\$35
J.P. Morgan Chase & Co., 3.700%, 01/20/2015	CORPORATE BOND	3.70	1/20/2015		1,000,000	0.46	\$1,001,744	\$1,001,677	-\$67
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		2/27/2015		25,000,000	0.34	\$24,986,708	\$24,991,958	\$5,249
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		4/6/2015		50,000,000	0.27	\$49,964,000	\$49,973,065	\$9,065
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		4/16/2015		25,000,000	0.27	\$24,980,125	\$24,984,910	\$4,785
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		5/4/2015		30,000,000	0.25	\$29,974,167	\$29,978,163	\$3,996
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		6/2/2015		25,000,000	0.27	\$24,971,313	\$24,976,520	\$5,208
J.P. Morgan Securities LLC CP4-2	COMMERCIAL PAPER - 4-2		6/4/2015		75,000,000	0.27	\$74,912,813	\$74,928,315	\$15,503
JPMorgan Chase Bank, N.A., Jan 07, 2016	VARIABLE RATE BANK NOTE	0.36	1/7/2016	3/9/2015	15,000,000	0.36	\$15,000,000	\$15,000,390	\$390

See notes at end of table.

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Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/26/2015		58,300,000	0.23	\$58,290,316	\$58,292,841	\$2,525
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/27/2015		46,000,000	0.23	\$45,992,065	\$45,994,135	\$2,070
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		3/2/2015		22,000,000	0.23	\$21,991,426	\$21,992,507	\$1,081
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		3/17/2015		30,000,000	0.23	\$29,985,433	\$29,986,638	\$1,205
LMA-Americas LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		4/1/2015		40,000,000	0.27	\$39,972,700	\$39,977,656	\$4,956
Manhattan Asset Funding CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/16/2015		50,000,000	0.17	\$49,996,222	\$49,996,220	-\$2
Manhattan Asset Funding CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		1/23/2015		70,000,000	0.17	\$69,992,397	\$69,992,398	\$1
Manhattan Asset Funding CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/9/2015		10,000,000	0.20	\$9,997,778	\$9,998,111	\$333
Mizuho Bank Ltd. CDEUR (London)	CERTIFICATE OF DEPOSIT - EURO	0.00	3/12/2015		100,000,000	0.25	\$99,950,728	\$99,932,684	-\$18,043
Mizuho Bank Ltd. CDEUR (London)	CERTIFICATE OF DEPOSIT - EURO	0.00	3/20/2015		100,000,000	0.26	\$99,944,079	\$99,932,754	-\$11,326
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.26	3/24/2015		50,000,000	0.26	\$50,000,000	\$50,002,305	\$2,305
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	1/15/2015		30,000,000	0.22	\$30,000,000	\$30,000,498	\$498
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.21	2/27/2015		40,000,000	0.21	\$39,999,997	\$39,999,995	-\$1
Mizuho Bank Ltd. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.20	2/6/2015		70,000,000	0.20	\$70,000,000	\$69,998,558	-\$1,442
Mullenix-St. Charles Properties, L.P., Times Centre Apartments Project Series 2004, Jan 01, 2028	VARIABLE RATE DEMAND NOTE	0.14	1/1/2028	1/1/2015	13,500,000	0.14	\$13,500,000	\$13,500,000	\$0
Ontario, Province of, Sr. Unsecd. Note, Series MTN, 04/01/2015	CORPORATE NOTE	0.41	4/1/2015	1/2/2015	14,000,000	0.24	14,005,425	14,004,200	-\$1,225
Rabobank Nederland NV, Utrecht, Jan 05, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.21	1/5/2015	1/5/2015	100,000,000	0.21	\$100,000,000	\$100,000,000	\$0
Royal Bank of Canada, Montreal, Feb 04, 2016	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.35	2/4/2016	1/5/2015	125,000,000	0.36	\$125,000,000	\$125,001,250	\$1,250
Royal Bank of Canada, Montreal, Jan 06, 2015	VARIABLE MEDIUM TERM NOTE	0.46	1/6/2015	1/6/2015	1,010,000	0.23	\$1,010,040	\$1,010,008	-\$32
Royal Bank of Canada, Montreal, Jan 06, 2015	VARIABLE MEDIUM TERM NOTE	0.46	1/6/2015	1/6/2015	55,000,000	0.47	55,002,103	55,000,440	-\$1,663
Royal Bank of Canada, Montreal, Mar 27, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.25	3/27/2015	1/27/2015	25,000,000	0.25	\$25,000,000	\$24,999,150	-\$850
Royal Bank of Canada, Montreal, Series GMTN, .550%, 05/01/2015	CORPORATE BOND	0.55	5/1/2015		20,000,000	0.28	\$20,017,859	\$20,007,960	-\$9,899
Royal Bank of Canada, Montreal, Sr. Unsecd. Note, Series MTN, 2.625%, 12/15/2015	CORPORATE BOND	2.63	12/15/2015		9,550,000	0.50	\$9,743,707	\$9,725,577	-\$18,130
Royal Bank of Canada, Montreal, Sr. Unsecd. Note, Series MTN, 2.625%, 12/15/2015	CORPORATE BOND	2.63	12/15/2015		785,000	0.55	800,542	799,432	-\$1,109
Royal Bank of Canada, Montreal, Sr. Unsecured, Apr 29, 2015	VARIABLE MEDIUM TERM NOTE	0.44	4/29/2015	1/29/2015	1,800,000	0.24	\$1,801,287	\$1,801,157	-\$130
Royal Bank of Canada, Montreal, Sr. Unsecured, Apr 29, 2015	VARIABLE MEDIUM TERM NOTE	0.44	4/29/2015	1/29/2015	2,000,000	0.25	\$2,001,353	\$2,001,286	-\$67
Sheffield Receivables Company LLC CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/6/2015		50,000,000	0.22	\$49,988,694	\$49,992,290	\$3,596
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	3/10/2015		100,000,000	0.23	\$100,000,000	\$100,000,000	\$0
Societe Generale, Paris CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.30	3/31/2015		14,000,000	0.30	\$14,000,000	\$14,000,000	\$0
Societe Generale, Paris CP4-2	COMMERCIAL PAPER - 4-2		2/3/2015		70,000,000	0.21	\$69,986,117	\$69,989,752	\$3,635
Societe Generale, Paris CP4-2	COMMERCIAL PAPER - 4-2		3/3/2015		25,000,000	0.24	\$24,989,667	\$24,991,778	\$2,111
Societe Generale, Paris CP4-2	COMMERCIAL PAPER - 4-2		3/18/2015		30,000,000	0.24	\$29,984,600	\$29,987,103	\$2,503
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		2/19/2015		25,000,000	0.22	\$24,992,361	\$24,993,750	\$1,389
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		3/2/2015		50,000,000	0.23	\$49,980,514	\$49,982,970	\$2,456
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		3/4/2015		75,000,000	0.23	\$74,969,812	\$74,973,488	\$3,675
Starbird Funding Corp. CPABS4-2	COMMERCIAL PAPER - ABS- 4(2)		3/6/2015		50,000,000	0.23	\$49,979,236	\$49,981,675	\$2,439

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### DECEMBER 31, 2014

Security Name	Security Classification	Cpn/Dis	Maturity	Rate Reset	Par	Current Yield	Amort Cost (2)	Mkt Value (1)	Unrealized Gain/Loss
State Street Bank and Trust Co., Apr 13, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	4/13/2015	1/13/2015	15,000,000	0.23	\$15,000,000	\$14,999,085	-\$915
State Street Bank and Trust Co., Jun 15, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.22	6/15/2015	1/15/2015	50,000,000	0.23	\$50,000,000	\$49,997,600	-\$2,400
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.23	4/2/2015		25,000,000	0.23	\$25,000,000	\$25,000,000	\$0
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	2/3/2015		100,000,000	0.22	\$100,000,000	\$99,999,990	-\$10
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.16	1/20/2015		20,000,000	0.16	\$20,000,000	\$19,999,660	-\$340
Sumitomo Mitsui Banking Corp. CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.22	3/13/2015		14,800,000	0.22	\$14,800,000	\$14,798,517	-\$1,483
Sumitomo Mitsui Banking Corp., Apr 10, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.24	4/10/2015	1/13/2015	30,000,000	0.24	\$30,000,000	\$29,998,350	-\$1,650
Sumitomo Mitsui Banking Corp., Mar 11, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.24	3/11/2015	1/28/2015	70,000,000	0.24	\$70,000,000	\$69,998,810	-\$1,190
Svenska Handelsbanken, Stockholm TDCAY	TIME DEPOSIT - CAYMAN	0.04	1/2/2015		390,000,000	0.04	\$390,000,000	\$390,000,000	\$0
Toronto Dominion Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.30	1/27/2015		25,000,000	0.30	\$25,000,000	\$25,003,368	\$3,368
Toronto Dominion Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.24	6/10/2015		75,000,000	0.24	\$75,000,000	\$75,000,000	\$0
Toronto Dominion Bank CDYAN	CERTIFICATE OF DEPOSIT - YANKEE	0.35	9/10/2015		25,000,000	0.35	\$25,000,000	\$25,010,465	\$10,465
Toronto Dominion Bank, Apr 15, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	4/15/2015	1/15/2015	25,000,000	0.23	\$25,000,000	\$24,998,450	-\$1,550
Toronto Dominion Bank, Feb 06, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.23	2/6/2015	2/6/2015	25,000,000	0.24	\$25,000,000	\$24,999,550	-\$450
Toronto Dominion Bank, Sep 04, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.25	9/4/2015	1/5/2015	50,000,000	0.25	\$50,000,000	\$49,993,350	-\$6,650
Toronto Dominion Bank, Sr. Unsecured, MTN, May 01, 2015	VARIABLE MEDIUM TERM NOTE	0.41	5/1/2015	2/9/2015	29,580,000	0.24	\$29,598,283	\$29,597,807	-\$475
Toronto Dominion Bank, Sr. Unsecured, MTN, May 01, 2015	VARIABLE MEDIUM TERM NOTE	0.41	5/1/2015	2/9/2015	1,000,000	0.26	\$1,000,545	\$1,000,602	\$57
Toyota Motor Credit Corp., Apr 08, 2015	VARIABLE MEDIUM TERM NOTE	0.38	4/8/2015	1/8/2015	500,000	0.24	\$500,207	\$500,158	-\$49
Toyota Motor Credit Corp., Mar 10, 2015	VARIABLE MEDIUM TERM NOTE	0.39	3/10/2015	3/10/2015	1,120,000	0.24	\$1,120,343	\$1,120,293	-\$50
Toyota Motor Credit Corp., Sep 03, 2015	VARIABLE RATE COMMERCIAL PAPER	0.25	9/3/2015	1/13/2015	100,000,000	0.26	\$100,000,000	\$99,986,700	-\$13,300
Toyota Motor Credit Corp., Sr. Unsecured, Jan 15, 2015	VARIABLE MEDIUM TERM NOTE	0.33	1/15/2015	1/15/2015	1,000,000	0.23	\$1,000,044	\$1,000,025	-\$19
Toyota Motor Credit Corp., Sr. Unsecured, Jan 23, 2015	VARIABLE MEDIUM TERM NOTE	0.40	1/23/2015	1/23/2015	5,550,000	0.23	\$5,550,622	\$5,550,538	-\$84
Wells Fargo & Co., Sr. Unsecd. Note, Series MTN, 1.25%, 2/13/2015	CORPORATE BOND	1.25	2/13/2015		1,000,000	0.29	\$1,001,137	\$1,000,962	-\$175
Wells Fargo Bank, N.A., Jan 20, 2016	VARIABLE RATE BANK NOTE	0.34	1/20/2016	3/20/2015	100,000,000	0.34	\$100,000,000	\$100,013,500	\$13,500
Wells Fargo Bank, N.A., Jan 22, 2016	VARIABLE MEDIUM TERM NOTE	0.39	1/22/2016	3/23/2015	50,000,000	0.39	\$50,000,000	\$50,002,050	\$2,050
Wells Fargo Bank, N.A., Sr. Unsecured, Jul 20, 2015	VARIABLE MEDIUM TERM NOTE	0.51	7/20/2015	1/20/2015	12,500,000	0.25	\$12,518,537	\$12,513,350	-\$5,187
Wells Fargo Bank, N.A., Sr. Unsecured, Jul 20, 2015	VARIABLE MEDIUM TERM NOTE	0.51	7/20/2015	1/20/2015	25,000,000	0.26	\$25,036,507	\$25,026,700	-\$9,807
Wells Fargo Bank, N.A., Sr. Unsecured, Sep 08, 2015	VARIABLE RATE CERTIFICATE OF DEPOSIT	0.26	9/8/2015	3/4/2015	95,700,000	0.27	\$95,700,000	\$95,683,157	-\$16,843
<b>Total Value of Investments</b>					<b>7,876,444,381</b>		<b>7,877,826,762</b>	<b>7,877,699,102</b>	<b>-\$127,659</b>

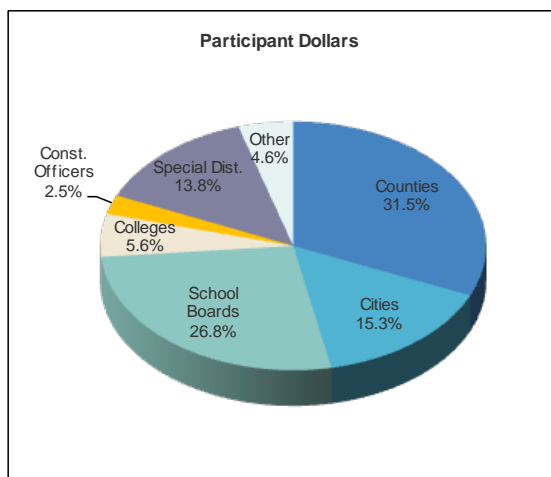
**Notes:** The data included in this report is unaudited. Amounts above are the value of investments. Income accruals, payables and uninvested cash are not included. Amortizations/accretions are reported with a one-day lag in the above valuations.

<sup>1</sup> Market values of the portfolio securities are provided by the custodian, BNY Mellon. The portfolio manager, Federated Investment Counseling, is the source for other data shown above.

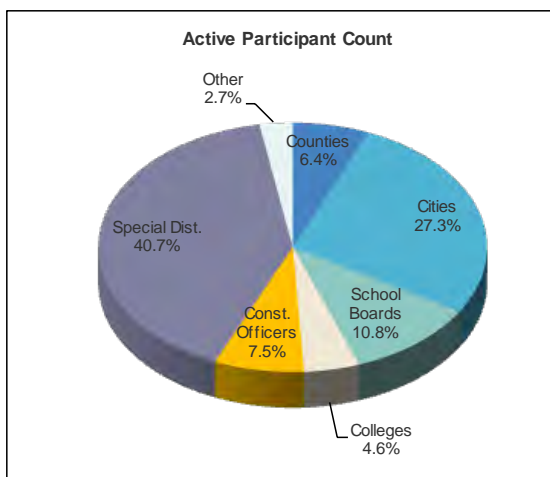
<sup>2</sup> Amortized cost is calculated using a straight line method.

### PARTICIPANT CONCENTRATION DATA - DECEMBER 31, 2014

Participant Balance	Share of Total Fund	Share of Participant Count	Participant Balance	Share of Total Fund	Share of Participant Count
<b>All Participants</b>	<b>100.0%</b>	<b>100.0%</b>	<b>Colleges &amp; Universities</b>	<b>5.6%</b>	<b>4.6%</b>
Top 10	36.9%	1.2%	Top 10	5.0%	1.2%
\$100 million or more	54.1%	2.5%	\$100 million or more	2.4%	0.1%
\$10 million up to \$100 million	37.7%	11.6%	\$10 million up to \$100 million	2.5%	1.0%
\$1 million up to \$10 million	7.4%	19.1%	\$1 million up to \$10 million	0.7%	1.4%
Under \$1 million	0.8%	66.9%	Under \$1 million	0.01%	2.1%
<b>Counties</b>	<b>31.5%</b>	<b>6.4%</b>	<b>Constitutional Officers</b>	<b>2.5%</b>	<b>7.5%</b>
Top 10	24.9%	1.2%	Top 10	1.2%	1.2%
\$100 million or more	22.7%	1.0%	\$100 million or more	0.0%	0.0%
\$10 million up to \$100 million	8.2%	1.6%	\$10 million up to \$100 million	1.8%	0.6%
\$1 million up to \$10 million	0.5%	1.0%	\$1 million up to \$10 million	0.6%	1.7%
Under \$1 million	0.0%	2.7%	Under \$1 million	0.1%	5.1%
<b>Municipalities</b>	<b>15.3%</b>	<b>27.3%</b>	<b>Special Districts</b>	<b>13.8%</b>	<b>40.7%</b>
Top 10	9.1%	1.2%	Top 10	9.2%	1.2%
\$100 million or more	4.8%	0.4%	\$100 million or more	4.2%	0.2%
\$10 million up to \$100 million	8.2%	3.1%	\$10 million up to \$100 million	7.7%	2.5%
\$1 million up to \$10 million	2.1%	6.0%	\$1 million up to \$10 million	1.5%	4.7%
Under \$1 million	0.3%	17.8%	Under \$1 million	0.3%	33.3%
<b>School Boards</b>	<b>26.8%</b>	<b>10.8%</b>	<b>Other</b>	<b>4.6%</b>	<b>2.7%</b>
Top 10	22.5%	1.2%	Top 10	4.0%	1.2%
\$100 million or more	18.4%	0.6%	\$100 million or more	1.5%	0.1%
\$10 million up to \$100 million	6.8%	1.9%	\$10 million up to \$100 million	2.6%	0.9%
\$1 million up to \$10 million	1.4%	3.2%	\$1 million up to \$10 million	0.5%	1.0%
Under \$1 million	0.1%	5.1%	Under \$1 million	0.0%	0.7%



Total Fund Value: \$7,880,588,161



Total Active Participant Count: 803

## FLORIDA PRIME COMPLIANCE WITH INVESTMENT POLICY - DECEMBER 2014

As investment manager, Federated monitors compliance daily on Florida PRIME to ensure that investment practices comply with the requirements of the Investment Policy Statement (IPS). Federated provides a monthly compliance report to the SBA and is required to notify the Investment Oversight Group (IOG) of compliance exceptions within 24 hours of identification. The IOG meets monthly and on an ad hoc basis to review compliance exceptions, to document responses to exceptions, and to formally escalate recommendations for approval by the Executive Director & CIO. The IOG also reviews the Federated compliance report each month, as well as the results of independent compliance testing conducted by SBA Risk Management and Compliance. Minutes from the IOG meetings are posted to the Florida PRIME website.

In addition to the compliance testing performed by Federated, the SBA conducts independent testing on Florida PRIME using a risk-based approach. Under this approach, each IPS parameter is ranked as "High" or "Low" with respect to the level of risk associated with a potential guideline breach. IPS parameters with risk rankings of "High" are subject to independent verification by SBA Risk Management and Compliance. These rankings, along with the frequency for testing, are reviewed and approved by the IOG on an annual basis or more often if market conditions dictate. Additionally, any parameter reported in "Fail" status on the Federated compliance report, regardless of risk ranking, is also independently verified and escalated accordingly. The results of independent testing are currently reported monthly to the IOG.

Test by Source	Pass/Fail
<b><u>Florida PRIME's Investment Policy</u></b>	
Securities must be USD denominated.	Pass
<b><u>Ratings requirements</u></b>	
The Pool must purchase exclusively first-tier securities. Securities purchased with short-term ratings by an NRSRO, or comparable in quality and security to other obligations of the issuer that have received short-term ratings from an NRSRO, are eligible if they are in one of the two highest rating categories.	Pass
Securities purchased that do not have short-term ratings must have a long-term rating in one of the three highest long-term rating categories.	Pass
Commercial Paper must be rated by at least one short-term NRSRO.	Pass
Repurchase Agreement Counterparties must be rated by S&P	Pass
S&P Weighted Average Life - maximum 90 days <sup>1</sup>	Pass
<b><u>Maturity</u></b>	
Securities, excluding Government floating rate notes/variable rate notes, purchased did not have a maturity in excess of 397 days.	Pass
Government floating rate notes/variable rate notes purchased did not have a maturity in excess of 762 days.	Pass
The Pool must maintain a Spread WAM of 120 days or less.	Pass
<b><u>Issuer Diversification</u></b>	
First-tier issuers (limit does not apply to cash, cash items, U.S. Government securities refunded securities and repo collateralized by these securities) are limited, at the time of purchase, to 5% of the Pool's total assets. <sup>2</sup>	Pass
<b><u>Demand Feature and Guarantor Diversification</u></b>	
First-tier securities issued by or subject to demand features and guarantees of a non-controlled person, at time of purchase, are limited to 10% with respect to 75% of the Pool's total assets.	Pass
First-tier securities issued by or subject to demand features and guarantees of a control person, at time of purchase, are limited to 10% with respect to the Pool's total assets.	Pass
<b><u>Money Market Mutual Funds</u></b>	
The account, at time of purchase, will not have exposure to any one Money Market Mutual Fund in excess of 10% of the Pool's total assets.	Pass
<b><u>Concentration Tests</u></b>	
The account, at time of purchase, will not have exposure to an industry sector, excluding the financial services industry, in excess of 25% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to any single Government Agency in excess of 33.33% of the Pool's total assets.	Pass
The account, at time of purchase, will not have exposure to illiquid securities in excess of 5% of the Pool's total assets.	Pass
The account, at time of purchase, will invest at least 10% of the Pool's total assets in securities accessible within one business day.	Pass
The account, at time of purchase, will invest at least 30% of the Pool's total assets in securities accessible within five business days. <sup>3</sup>	Pass
<b><u>S&amp;P Requirements</u></b>	
The Pool must maintain a Dollar Weighted Average Maturity of 60 days or less.	Pass
The account, at time of purchase, will invest at least 50% of the Pool's total assets in Securities in Highest Rating Category (A-1+ or equivalent) .	Pass

<sup>1</sup> The fund may use floating rate government securities to extend the limit up to 120 days

<sup>2</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to liquidate positions if the exposure in excess of the specified percentage is caused by

<sup>3</sup> This limitation applies at time of trade. Under Rule 2a-7, a fund is not required to take immediate corrective measures if asset movements cause the exposure to be below the specified percentage.

## TRADING ACTIVITY FOR DECEMBER 2014

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
<b>Buys</b>								
ALPINE SECURITIZATICPABS4	03/17/15	12/09/14	12/09/14	50,000,000	49,970,056	0	49,970,056	0
ALPINE SECURITIZATICPABS4	03/17/15	12/09/14	12/09/14	50,000,000	49,970,056	0	49,970,056	0
BASF SECP4-2	12/30/14	12/23/14	12/23/14	50,000,000	49,998,833	0	49,998,833	0
BASF SECP4-2	12/30/14	12/23/14	12/23/14	50,000,000	49,998,833	0	49,998,833	0
BNP PARIBAS FINANCE, INC.	03/10/15	12/09/14	12/09/14	35,000,000	34,979,651	0	34,979,651	0
BNP PARIBAS SACDYAN	03/09/15	12/05/14	12/05/14	50,000,000	50,000,000	0	50,000,000	0
BNP PARIBAS SACDYAN	03/23/15	12/22/14	12/22/14	35,000,000	35,000,000	0	35,000,000	0
BANK OF MONTREAL/CHICAGO IL	12/10/15	12/10/14	12/10/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF MONTREAL/CHICAGO IL	12/10/15	12/10/14	12/10/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/08/14	12/01/14	12/01/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/08/14	12/01/14	12/01/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/15/14	12/08/14	12/08/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/15/14	12/08/14	12/08/14	30,000,000	30,000,000	0	30,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/15/14	12/08/14	12/08/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/15/14	12/08/14	12/08/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	01/23/15	12/23/14	12/23/14	40,000,000	40,001,030	20,222	40,021,252	0
BANK OF TOKYO-MITSUCDYAN	12/22/14	12/15/14	12/15/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/22/14	12/15/14	12/15/14	20,000,000	20,000,000	0	20,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/22/14	12/15/14	12/15/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/22/14	12/15/14	12/15/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/23/14	12/16/14	12/16/14	40,000,000	40,000,000	0	40,000,000	0
BANK OF TOKYO-MITSUCDYAN	01/05/15	12/22/14	12/22/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	01/05/15	12/22/14	12/22/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	01/05/15	12/22/14	12/22/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	01/05/15	12/22/14	12/22/14	50,000,000	50,000,000	0	50,000,000	0
BARCLAYS BANK PLC	02/23/15	12/02/14	12/05/14	4,500,000	4,522,545	35,063	4,557,608	0
BARCLAYS BANK PLC	02/23/15	12/11/14	12/16/14	1,000,000	1,004,205	8,632	1,012,837	0
BEDFORD ROW FUNDINGCPABS4	09/14/15	12/03/14	12/03/14	12,000,000	11,968,650	0	11,968,650	0
MIZUHO BANK LTD,CDEUR	03/12/15	12/02/14	12/05/14	100,000,000	99,932,684	0	99,932,684	0
MIZUHO BANK LTD,CDEUR	03/20/15	12/11/14	12/15/14	100,000,000	99,932,754	0	99,932,754	0
CAISSE DES DEPOTS ECP	06/16/15	12/10/14	12/11/14	50,000,000	49,935,069	0	49,935,069	0
CAISSE DES DEPOTS ECP	06/16/15	12/10/14	12/11/14	25,000,000	24,967,535	0	24,967,535	0
CATERPILLAR FINANCIAL SERVICES CORP	05/29/15	12/03/14	12/08/14	18,150,000	18,218,698	4,991	18,223,689	0
CATERPILLAR FINANCIAL SERVICES CORP	05/29/15	12/05/14	12/10/14	425,000	426,573	143	426,715	0
DEUTSCHE BANK AGCDYAN	12/09/14	12/02/14	12/02/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/09/14	12/02/14	12/02/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/09/14	12/02/14	12/02/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/09/14	12/02/14	12/02/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/11/14	12/04/14	12/04/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/11/14	12/04/14	12/04/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/16/14	12/09/14	12/09/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/16/14	12/09/14	12/09/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/16/14	12/09/14	12/09/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/16/14	12/09/14	12/09/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/16/14	12/09/14	12/09/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/17/14	12/11/14	12/11/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/17/14	12/11/14	12/11/14	29,000,000	29,000,000	0	29,000,000	0
DEUTSCHE BANK AGCDYAN	12/23/14	12/16/14	12/16/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/23/14	12/16/14	12/16/14	40,000,000	40,000,000	0	40,000,000	0
DEUTSCHE BANK AGCDYAN	12/23/14	12/16/14	12/16/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/23/14	12/16/14	12/16/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/23/14	12/16/14	12/16/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/29/14	12/22/14	12/22/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/29/14	12/22/14	12/22/14	50,000,000	50,000,000	0	50,000,000	0
DEUTSCHE BANK AGCDYAN	12/29/14	12/22/14	12/22/14	50,000,000	50,000,000	0	50,000,000	0
GENERAL ELECTRIC CAPITAL CORP	08/11/15	12/10/14	12/15/14	2,083,000	2,093,103	1,967	2,095,070	0
GENERAL ELECTRIC CAPITAL CORP	11/09/15	12/08/14	12/11/14	8,000,000	8,134,000	16,000	8,150,000	0
GENERAL ELECTRIC CAPITAL CORP	11/09/15	12/12/14	12/15/14	1,000,000	1,015,627	2,250	1,017,877	0
GENERAL ELECTRIC CAPITAL CORP	06/30/15	12/11/14	12/16/14	5,130,000	5,186,071	0	5,242,252	0





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## TRADING ACTIVITY FOR DECEMBER 2014 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
SOCIETE GENERALE, PCDYAN	03/10/15	12/05/14	12/05/14	50,000,000	50,000,000	0	50,000,000	0
SOCIETE GENERALE, PCDYAN	03/10/15	12/05/14	12/05/14	50,000,000	50,000,000	0	50,000,000	0
SOCIETE GENERALE, PCDYAN	03/31/15	12/22/14	12/22/14	14,000,000	14,000,000	0	14,000,000	0
SOCIETE GENERALE, PCP4-2	03/03/15	12/11/14	12/11/14	25,000,000	24,986,333	0	24,986,333	0
SOCIETE GENERALE, PCDYAN	03/18/15	12/08/14	12/08/14	30,000,000	29,980,000	0	29,980,000	0
STARBIRD FUNDING COCPABS4	02/19/15	12/05/14	12/05/14	25,000,000	24,988,389	0	24,988,389	0
STARBIRD FUNDING COCPABS4	03/02/15	12/02/14	12/02/14	50,000,000	49,971,250	0	49,971,250	0
STARBIRD FUNDING COCPABS4	03/04/15	12/01/14	12/01/14	25,000,000	24,985,146	0	24,985,146	0
STARBIRD FUNDING COCPABS4	03/04/15	12/04/14	12/04/14	50,000,000	49,971,250	0	49,971,250	0
STARBIRD FUNDING COCPABS4	03/06/15	12/03/14	12/03/14	50,000,000	49,970,292	0	49,970,292	0
STATE STREET BANK & TRUST CO	06/15/15	12/19/14	12/19/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANC DYAN	12/10/14	12/03/14	12/03/14	25,000,000	25,000,000	0	25,000,000	0
SUMITOMO MITSUI BANC DYAN	12/11/14	12/04/14	12/04/14	50,000,000	50,000,000	0	50,000,000	0
SUMITOMO MITSUI BANC DYAN	12/11/14	12/04/14	12/04/14	35,000,000	35,000,000	0	35,000,000	0
SUMITOMO MITSUI BANKING CORP/NEW YORK	04/10/15	12/11/14	12/12/14	30,000,000	30,000,000	0	30,000,000	0
SUMITOMO MITSUI BANC DYAN	01/20/15	12/19/14	12/19/14	20,000,000	20,000,000	0	20,000,000	0
TORONTO DOMINION BAC DYAN	06/10/15	12/09/14	12/09/14	50,000,000	50,000,000	0	50,000,000	0
TORONTO DOMINION BAC DYAN	06/10/15	12/09/14	12/09/14	25,000,000	25,000,000	0	25,000,000	0
TORONTO DOMINION BAC DYAN	12/19/14	12/12/14	12/12/14	50,000,000	50,000,000	0	50,000,000	0
TORONTO DOMINION BAC DYAN	12/19/14	12/12/14	12/12/14	50,000,000	50,000,000	0	50,000,000	0
TORONTO DOMINION BAC DYAN	12/29/14	12/19/14	12/19/14	50,000,000	50,000,000	0	50,000,000	0
TORONTO DOMINION BAC DYAN	12/29/14	12/19/14	12/19/14	50,000,000	50,000,000	0	50,000,000	0
TOYOTA MOTOR CREDIT CORP	09/03/15	12/10/14	12/10/14	50,000,000	50,000,000	0	50,000,000	0
TOYOTA MOTOR CREDIT CORP	09/03/15	12/10/14	12/10/14	50,000,000	50,000,000	0	50,000,000	0
UNILEVER CAPITAL COCP4-2	12/23/14	12/19/14	12/19/14	50,000,000	49,999,222	0	49,999,222	0
UNILEVER CAPITAL COCP4-2	12/23/14	12/19/14	12/19/14	37,000,000	36,999,424	0	36,999,424	0
WELLS FARGO & CO	02/13/15	12/05/14	12/10/14	1,000,000	1,001,679	4,063	1,005,742	0
WELLS FARGO BANK NA	07/20/15	12/11/14	12/11/14	25,000,000	25,040,140	18,444	25,058,584	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/03/14	12/03/14	2,945,303	2,945,303	0	2,945,303	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/05/14	12/05/14	6,930,106	6,930,106	0	6,930,106	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/09/14	12/09/14	9,079,262	9,079,262	0	9,079,262	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/10/14	12/10/14	65,141,433	65,141,433	0	65,141,433	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/12/14	12/12/14	843,648	843,648	0	843,648	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/16/14	12/16/14	4,978,591	4,978,591	0	4,978,591	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/17/14	12/17/14	128,036,267	128,036,267	0	128,036,267	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/19/14	12/19/14	1,474,658	1,474,658	0	1,474,658	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/23/14	12/23/14	1,758,404	1,758,404	0	1,758,404	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/24/14	12/24/14	417,431,261	417,431,261	0	417,431,261	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/29/14	12/29/14	993,623	993,623	0	993,623	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/30/14	12/30/14	171,446,063	171,446,063	0	171,446,063	0
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	12/01/14	12/01/14	5,322	5,322	0	5,322	0
FEDERATED PRIME CASH OBLIGATIONS FUND	10/01/40	12/31/14	12/31/14	500,000,000	500,000,000	0	500,000,000	0
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	12/01/14	12/01/14	4,743	4,743	0	4,743	0
FEDERATED PRIME OBLIGATIONS FUND	10/01/40	12/31/14	12/31/14	500,000,000	500,000,000	0	500,000,000	0
DEUTSCHE BANK	12/02/14	12/01/14	12/01/14	500,000,000	500,000,000	0	500,000,000	0
BANK OF AMERICA TRIPARTY	12/02/14	12/01/14	12/01/14	500,000,000	500,000,000	0	500,000,000	0
DEUTSCHE BANK	12/03/14	12/02/14	12/02/14	600,000,000	600,000,000	0	600,000,000	0
BANK OF AMERICA TRIPARTY	12/03/14	12/02/14	12/02/14	190,000,000	190,000,000	0	190,000,000	0
DEUTSCHE BANK	12/04/14	12/03/14	12/03/14	490,000,000	490,000,000	0	490,000,000	0
BANK OF AMERICA TRIPARTY	12/04/14	12/03/14	12/03/14	370,000,000	370,000,000	0	370,000,000	0
DEUTSCHE BANK	12/05/14	12/04/14	12/04/14	670,000,000	670,000,000	0	670,000,000	0
BANK OF AMERICA TRIPARTY	12/05/14	12/04/14	12/04/14	350,000,000	350,000,000	0	350,000,000	0
DEUTSCHE BANK	12/08/14	12/05/14	12/05/14	330,000,000	330,000,000	0	330,000,000	0
BANK OF AMERICA TRIPARTY	12/08/14	12/05/14	12/05/14	290,000,000	290,000,000	0	290,000,000	0
DEUTSCHE BANK	12/09/14	12/08/14	12/08/14	590,000,000	590,000,000	0	590,000,000	0
BANK OF AMERICA TRIPARTY	12/09/14	12/08/14	12/08/14	540,000,000	540,000,000	0	540,000,000	0
DEUTSCHE BANK	12/10/14	12/09/14	12/09/14	900,000,000	900,000,000	0	900,000,000	0
BANK OF AMERICA TRIPARTY	12/10/14	12/09/14	12/09/14	450,000,000	450,000,000	0	450,000,000	0
DEUTSCHE BANK	12/11/14	12/10/14	12/10/14	800,000,000	800,000,000	0	800,000,000	0
BANK OF AMERICA TRIPARTY	12/11/14	12/10/14	12/10/14	280,000,000	280,000,000	0	280,000,000	0



## TRADING ACTIVITY FOR DECEMBER 2014 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
DEUTSCHE BANK	12/12/14	12/11/14	12/11/14	690,000,000	690,000,000	0	690,000,000	0
BANK OF AMERICA TRIPARTY	12/12/14	12/11/14	12/11/14	70,000,000	70,000,000	0	70,000,000	0
DEUTSCHE BANK	12/15/14	12/12/14	12/12/14	230,000,000	230,000,000	0	230,000,000	0
BANK OF AMERICA TRIPARTY	12/15/14	12/12/14	12/12/14	65,000,000	65,000,000	0	65,000,000	0
BANK OF AMERICA TRIPARTY	12/16/14	12/15/14	12/15/14	520,000,000	520,000,000	0	520,000,000	0
DEUTSCHE BANK	12/17/14	12/16/14	12/16/14	200,000,000	200,000,000	0	200,000,000	0
BANK OF AMERICA TRIPARTY	12/17/14	12/16/14	12/16/14	520,000,000	520,000,000	0	520,000,000	0
DEUTSCHE BANK	12/18/14	12/17/14	12/17/14	625,000,000	625,000,000	0	625,000,000	0
BANK OF AMERICA TRIPARTY	12/18/14	12/17/14	12/17/14	295,000,000	295,000,000	0	295,000,000	0
DEUTSCHE BANK	12/19/14	12/18/14	12/18/14	780,000,000	780,000,000	0	780,000,000	0
BANK OF AMERICA TRIPARTY	12/19/14	12/18/14	12/18/14	300,000,000	300,000,000	0	300,000,000	0
DEUTSCHE BANK	12/22/14	12/19/14	12/19/14	1,000,000,000	1,000,000,000	0	1,000,000,000	0
BANK OF AMERICA TRIPARTY	12/22/14	12/19/14	12/19/14	445,000,000	445,000,000	0	445,000,000	0
DEUTSCHE BANK	12/23/14	12/22/14	12/22/14	960,000,000	960,000,000	0	960,000,000	0
BANK OF AMERICA TRIPARTY	12/23/14	12/22/14	12/22/14	240,000,000	240,000,000	0	240,000,000	0
DEUTSCHE BANK	12/24/14	12/23/14	12/23/14	950,000,000	950,000,000	0	950,000,000	0
BANK OF AMERICA TRIPARTY	12/24/14	12/23/14	12/23/14	212,000,000	212,000,000	0	212,000,000	0
DEUTSCHE BANK	12/29/14	12/24/14	12/24/14	900,000,000	900,000,000	0	900,000,000	0
BANK OF AMERICA TRIPARTY	12/29/14	12/24/14	12/24/14	285,000,000	285,000,000	0	285,000,000	0
DEUTSCHE BANK	12/30/14	12/29/14	12/29/14	600,000,000	600,000,000	0	600,000,000	0
BANK OF AMERICA TRIPARTY	12/30/14	12/29/14	12/29/14	480,000,000	480,000,000	0	480,000,000	0
DEUTSCHE BANK	12/31/14	12/30/14	12/30/14	1,000,000,000	1,000,000,000	0	1,000,000,000	0
BANK OF AMERICA TRIPARTY	12/31/14	12/30/14	12/30/14	400,000,000	400,000,000	0	400,000,000	0
BANK OF AMERICA TRIPARTY	01/02/15	12/31/14	12/31/14	450,000,000	450,000,000	0	450,000,000	0
<b>Total Buys</b>				<b>27,637,300,683</b>	<b>27,637,873,500</b>	<b>703,190</b>	<b>27,638,891,809</b>	<b>0</b>
<b>Deposits</b>								
SVENSKA HANDELSBANKTDCAY 0.12 20141202	12/02/14	12/01/14	12/01/14	315,000,000	315,000,000	0	315,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141203	12/03/14	12/02/14	12/02/14	320,000,000	320,000,000	0	320,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141204	12/04/14	12/03/14	12/03/14	320,000,000	320,000,000	0	320,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141205	12/05/14	12/04/14	12/04/14	330,000,000	330,000,000	0	330,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141208	12/08/14	12/05/14	12/05/14	335,000,000	335,000,000	0	335,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141209	12/09/14	12/08/14	12/08/14	345,000,000	345,000,000	0	345,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141210	12/10/14	12/09/14	12/09/14	360,000,000	360,000,000	0	360,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141211	12/11/14	12/10/14	12/10/14	375,000,000	375,000,000	0	375,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141212	12/12/14	12/11/14	12/11/14	375,000,000	375,000,000	0	375,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141215	12/15/14	12/12/14	12/12/14	365,000,000	365,000,000	0	365,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141216	12/16/14	12/15/14	12/15/14	355,000,000	355,000,000	0	355,000,000	0
SVENSKA HANDELSBANKTDCAY 0.1 20141217	12/17/14	12/16/14	12/16/14	370,000,000	370,000,000	0	370,000,000	0
SVENSKA HANDELSBANKTDCAY 0.12 20141218	12/18/14	12/17/14	12/17/14	380,000,000	380,000,000	0	380,000,000	0
SVENSKA HANDELSBANKTDCAY 0.12 20141219	12/19/14	12/18/14	12/18/14	385,000,000	385,000,000	0	385,000,000	0
SVENSKA HANDELSBANKTDCAY 0.12 20141222	12/22/14	12/19/14	12/19/14	390,000,000	390,000,000	0	390,000,000	0
SVENSKA HANDELSBANKTDCAY 0.13 20141223	12/23/14	12/22/14	12/22/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.12 20141224	12/24/14	12/23/14	12/23/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.13 20141229	12/29/14	12/24/14	12/24/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.13 20141230	12/30/14	12/29/14	12/29/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.13 20141231	12/31/14	12/30/14	12/30/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.04 20150102	01/02/15	12/31/14	12/31/14	390,000,000	390,000,000	0	390,000,000	0
<b>Total Deposits</b>				<b>7,685,000,000</b>	<b>7,685,000,000</b>	<b>0</b>	<b>7,685,000,000</b>	<b>0</b>
<b>Maturities</b>								
BASF SECP4-2	12/30/14	12/30/14	12/30/14	100,000,000	100,000,000	0	100,000,000	0
BANK OF AMERICA N.ABNOTE	12/08/14	12/08/14	12/08/14	200,000,000	200,000,000	0	200,000,000	0
BANK OF MONTREAL/CHICAGO IL	12/08/14	12/08/14	12/08/14	50,000,000	50,000,000	0	50,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/01/14	12/01/14	12/01/14	100,000,000	100,000,000	0	100,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/08/14	12/08/14	12/08/14	150,000,000	150,000,000	0	150,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/15/14	12/15/14	12/15/14	180,000,000	180,000,000	0	180,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/22/14	12/22/14	12/22/14	170,000,000	170,000,000	0	170,000,000	0
BANK OF TOKYO-MITSUCDYAN	12/23/14	12/23/14	12/23/14	40,000,000	40,000,000	0	40,000,000	0
BARCLAYS US FUNDINGCP	12/15/14	12/15/14	12/15/14	50,000,000	50,000,000	0	50,000,000	0
BARCLAYS US FUNDINGCP	12/17/14	12/17/14	12/17/14	155,000,000	155,000,000	0	155,000,000	0
CREDIT AGRICOLE CORCDYAN	12/01/14	12/01/14	12/01/14	50,000,000	50,000,000	0	50,000,000	0

**TRADING ACTIVITY FOR DECEMBER 2014 (CONTINUED)**

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
DEUTSCHE BANK AGCDYAN	12/09/14	12/09/14	12/09/14	200,000,000	200,000,000	0	200,000,000	0
DEUTSCHE BANK AGCDYAN	12/11/14	12/11/14	12/11/14	100,000,000	100,000,000	0	100,000,000	0
DEUTSCHE BANK AGCDYAN	12/16/14	12/16/14	12/16/14	250,000,000	250,000,000	0	250,000,000	0
DEUTSCHE BANK AGCDYAN	12/17/14	12/17/14	12/17/14	129,000,000	129,000,000	0	129,000,000	0
DEUTSCHE BANK AGCDYAN	12/23/14	12/23/14	12/23/14	240,000,000	240,000,000	0	240,000,000	0
DEUTSCHE BANK AGCDYAN	12/29/14	12/29/14	12/29/14	150,000,000	150,000,000	0	150,000,000	0
J.P. MORGAN SECURITCP4-2	12/03/14	12/03/14	12/03/14	12,000,000	12,000,000	0	12,000,000	0
LLOYDS TSB BANK PLCCP	12/30/14	12/30/14	12/30/14	350,000,000	350,000,000	0	350,000,000	0
LLOYDS BANK PLC, LOCDYAN	12/02/14	12/02/14	12/02/14	200,000,000	200,000,000	0	200,000,000	0
LLOYDS BANK PLC, LOCDYAN	12/09/14	12/09/14	12/09/14	300,000,000	300,000,000	0	300,000,000	0
LMA-AMERICAS LLCPCABS4-2	12/10/14	12/10/14	12/10/14	10,000,000	10,000,000	0	10,000,000	0
MIZUHO BANK LTD,CDYAN	12/16/14	12/16/14	12/16/14	25,000,000	25,000,000	0	25,000,000	0
NRW,BANKCP	12/04/14	12/04/14	12/04/14	250,000,000	250,000,000	0	250,000,000	0
NRW,BANKCP	12/10/14	12/10/14	12/10/14	50,000,000	50,000,000	0	50,000,000	0
NRW,BANKCP	12/12/14	12/12/14	12/12/14	250,000,000	250,000,000	0	250,000,000	0
NRW,BANKCP	12/19/14	12/19/14	12/19/14	350,000,000	350,000,000	0	350,000,000	0
NRW,BANKCP	12/30/14	12/30/14	12/30/14	200,000,000	200,000,000	0	200,000,000	0
SOCIETE GENERALE, PCDYAN	12/01/14	12/01/14	12/01/14	35,000,000	35,000,000	0	35,000,000	0
STANDARD CHARTERED CDYAN	12/02/14	12/02/14	12/02/14	80,700,000	80,700,000	0	80,700,000	0
STARBIRD FUNDING COCPABS4	12/01/14	12/01/14	12/01/14	75,000,000	75,000,000	0	75,000,000	0
SUMITOMO MITSUI BANC DYAN	12/04/14	12/04/14	12/04/14	75,000,000	75,000,000	0	75,000,000	0
SUMITOMO MITSUI BANC DYAN	12/10/14	12/10/14	12/10/14	25,000,000	25,000,000	0	25,000,000	0
SUMITOMO MITSUI BANC DYAN	12/11/14	12/11/14	12/11/14	85,000,000	85,000,000	0	85,000,000	0
TORONTO DOMINION BACDYAN	12/19/14	12/19/14	12/19/14	100,000,000	100,000,000	0	100,000,000	0
TORONTO DOMINION BACDYAN	12/29/14	12/29/14	12/29/14	100,000,000	100,000,000	0	100,000,000	0
UNILEVER CAPITAL COCP4-2	12/23/14	12/23/14	12/23/14	87,000,000	87,000,000	0	87,000,000	0
BANK OF AMERICA TRIPARTY	12/01/14	12/01/14	12/01/14	800,000,000	800,000,000	0	800,000,000	0
DEUTSCHE BANK	12/02/14	12/02/14	12/02/14	500,000,000	500,000,000	0	500,000,000	0
BANK OF AMERICA TRIPARTY	12/02/14	12/02/14	12/02/14	500,000,000	500,000,000	0	500,000,000	0
DEUTSCHE BANK	12/03/14	12/03/14	12/03/14	600,000,000	600,000,000	0	600,000,000	0
BANK OF AMERICA TRIPARTY	12/03/14	12/03/14	12/03/14	190,000,000	190,000,000	0	190,000,000	0
DEUTSCHE BANK	12/04/14	12/04/14	12/04/14	490,000,000	490,000,000	0	490,000,000	0
BANK OF AMERICA TRIPARTY	12/04/14	12/04/14	12/04/14	370,000,000	370,000,000	0	370,000,000	0
DEUTSCHE BANK	12/05/14	12/05/14	12/05/14	670,000,000	670,000,000	0	670,000,000	0
BANK OF AMERICA TRIPARTY	12/05/14	12/05/14	12/05/14	350,000,000	350,000,000	0	350,000,000	0
DEUTSCHE BANK	12/08/14	12/08/14	12/08/14	330,000,000	330,000,000	0	330,000,000	0
BANK OF AMERICA TRIPARTY	12/08/14	12/08/14	12/08/14	290,000,000	290,000,000	0	290,000,000	0
DEUTSCHE BANK	12/09/14	12/09/14	12/09/14	590,000,000	590,000,000	0	590,000,000	0
BANK OF AMERICA TRIPARTY	12/09/14	12/09/14	12/09/14	540,000,000	540,000,000	0	540,000,000	0
DEUTSCHE BANK	12/10/14	12/10/14	12/10/14	900,000,000	900,000,000	0	900,000,000	0
BANK OF AMERICA TRIPARTY	12/10/14	12/10/14	12/10/14	450,000,000	450,000,000	0	450,000,000	0
DEUTSCHE BANK	12/11/14	12/11/14	12/11/14	800,000,000	800,000,000	0	800,000,000	0
BANK OF AMERICA TRIPARTY	12/11/14	12/11/14	12/11/14	280,000,000	280,000,000	0	280,000,000	0
DEUTSCHE BANK	12/12/14	12/12/14	12/12/14	690,000,000	690,000,000	0	690,000,000	0
BANK OF AMERICA TRIPARTY	12/12/14	12/12/14	12/12/14	70,000,000	70,000,000	0	70,000,000	0
DEUTSCHE BANK	12/15/14	12/15/14	12/15/14	230,000,000	230,000,000	0	230,000,000	0
BANK OF AMERICA TRIPARTY	12/15/14	12/15/14	12/15/14	65,000,000	65,000,000	0	65,000,000	0
BANK OF AMERICA TRIPARTY	12/16/14	12/16/14	12/16/14	520,000,000	520,000,000	0	520,000,000	0
DEUTSCHE BANK	12/17/14	12/17/14	12/17/14	200,000,000	200,000,000	0	200,000,000	0
BANK OF AMERICA TRIPARTY	12/17/14	12/17/14	12/17/14	520,000,000	520,000,000	0	520,000,000	0
DEUTSCHE BANK	12/18/14	12/18/14	12/18/14	625,000,000	625,000,000	0	625,000,000	0
BANK OF AMERICA TRIPARTY	12/18/14	12/18/14	12/18/14	295,000,000	295,000,000	0	295,000,000	0
DEUTSCHE BANK	12/19/14	12/19/14	12/19/14	780,000,000	780,000,000	0	780,000,000	0
BANK OF AMERICA TRIPARTY	12/19/14	12/19/14	12/19/14	300,000,000	300,000,000	0	300,000,000	0
DEUTSCHE BANK	12/22/14	12/22/14	12/22/14	1,000,000,000	1,000,000,000	0	1,000,000,000	0
BANK OF AMERICA TRIPARTY	12/22/14	12/22/14	12/22/14	445,000,000	445,000,000	0	445,000,000	0
DEUTSCHE BANK	12/23/14	12/23/14	12/23/14	960,000,000	960,000,000	0	960,000,000	0
BANK OF AMERICA TRIPARTY	12/23/14	12/23/14	12/23/14	240,000,000	240,000,000	0	240,000,000	0
DEUTSCHE BANK	12/24/14	12/24/14	12/24/14	950,000,000	950,000,000	0	950,000,000	0
BANK OF AMERICA TRIPARTY	12/24/14	12/24/14	12/24/14	212,000,000	212,000,000	0	212,000,000	0

### TRADING ACTIVITY FOR DECEMBER 2014 (CONTINUED)

Security Description	Maturity Date	Trade Date	Settle Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain(Loss)
DEUTSCHE BANK	12/29/14	12/29/14	12/29/14	900,000,000	900,000,000	0	900,000,000	0
BANK OF AMERICA TRIPARTY	12/29/14	12/29/14	12/29/14	285,000,000	285,000,000	0	285,000,000	0
DEUTSCHE BANK	12/30/14	12/30/14	12/30/14	600,000,000	600,000,000	0	600,000,000	0
BANK OF AMERICA TRIPARTY	12/30/14	12/30/14	12/30/14	480,000,000	480,000,000	0	480,000,000	0
DEUTSCHE BANK	12/31/14	12/31/14	12/31/14	1,000,000,000	1,000,000,000	0	1,000,000,000	0
BANK OF AMERICA TRIPARTY	12/31/14	12/31/14	12/31/14	400,000,000	400,000,000	0	400,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141201	12/01/14	12/01/14	12/01/14	295,000,000	295,000,000	0	295,000,000	0
SVENSKA HANDELSBANKTDCAY 0.12 20141202	12/02/14	12/02/14	12/02/14	315,000,000	315,000,000	0	315,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141203	12/03/14	12/03/14	12/03/14	320,000,000	320,000,000	0	320,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141204	12/04/14	12/04/14	12/04/14	320,000,000	320,000,000	0	320,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141205	12/05/14	12/05/14	12/05/14	330,000,000	330,000,000	0	330,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141208	12/08/14	12/08/14	12/08/14	335,000,000	335,000,000	0	335,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141209	12/09/14	12/09/14	12/09/14	345,000,000	345,000,000	0	345,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141210	12/10/14	12/10/14	12/10/14	360,000,000	360,000,000	0	360,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141211	12/11/14	12/11/14	12/11/14	375,000,000	375,000,000	0	375,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141212	12/12/14	12/12/14	12/12/14	375,000,000	375,000,000	0	375,000,000	0
SVENSKA HANDELSBANKTDCAY 0.11 20141215	12/15/14	12/15/14	12/15/14	365,000,000	365,000,000	0	365,000,000	0
SVENSKA HANDELSBANKTDCAY 0.09 20141216	12/16/14	12/16/14	12/16/14	355,000,000	355,000,000	0	355,000,000	0
SVENSKA HANDELSBANKTDCAY 0.1 20141217	12/17/14	12/17/14	12/17/14	370,000,000	370,000,000	0	370,000,000	0
SVENSKA HANDELSBANKTDCAY 0.12 20141218	12/18/14	12/18/14	12/18/14	380,000,000	380,000,000	0	380,000,000	0
SVENSKA HANDELSBANKTDCAY 0.12 20141219	12/19/14	12/19/14	12/19/14	385,000,000	385,000,000	0	385,000,000	0
SVENSKA HANDELSBANKTDCAY 0.12 20141222	12/22/14	12/22/14	12/22/14	390,000,000	390,000,000	0	390,000,000	0
SVENSKA HANDELSBANKTDCAY 0.13 20141223	12/23/14	12/23/14	12/23/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.12 20141224	12/24/14	12/24/14	12/24/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.13 20141229	12/29/14	12/29/14	12/29/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.13 20141230	12/30/14	12/30/14	12/30/14	395,000,000	395,000,000	0	395,000,000	0
SVENSKA HANDELSBANKTDCAY 0.13 20141231	12/31/14	12/31/14	12/31/14	395,000,000	395,000,000	0	395,000,000	0
<b>Total Maturities</b>				<b>32,980,700,000</b>	<b>32,980,700,000</b>	<b>0</b>	<b>32,980,700,000</b>	<b>0</b>
<b>Sells</b>								
ILLINOIS FINANCE AUTHORITY	11/01/38	12/02/14	12/02/14	57,525,000	57,525,000	2,364	57,527,364	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/01/14	12/01/14	27,499,114	27,499,114	0	27,499,114	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/02/14	12/02/14	747,904	747,904	0	747,904	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/02/14	12/02/14	87,177,880	87,177,880	0	87,177,880	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/04/14	12/04/14	722,443	722,443	0	722,443	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/04/14	12/04/14	2,881,967	2,881,967	0	2,881,967	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/04/14	12/04/14	1,850,888	1,850,888	0	1,850,888	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/08/14	12/08/14	176,142	176,142	0	176,142	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/08/14	12/08/14	559,653	559,653	0	559,653	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/08/14	12/08/14	180,075	180,075	0	180,075	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/11/14	12/11/14	61,699	61,699	0	61,699	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/11/14	12/11/14	6,930,106	6,930,106	0	6,930,106	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/11/14	12/11/14	9,079,262	9,079,262	0	9,079,262	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/11/14	12/11/14	63,946,327	63,946,327	0	63,946,327	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/15/14	12/15/14	175,500	175,500	0	175,500	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/18/14	12/18/14	162,598	162,598	0	162,598	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/18/14	12/18/14	18,537	18,537	0	18,537	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/18/14	12/18/14	3,707,150	3,707,150	0	3,707,150	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/18/14	12/18/14	128,036,267	128,036,267	0	128,036,267	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/22/14	12/22/14	1,094,415	1,094,415	0	1,094,415	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/22/14	12/22/14	502,419	502,419	0	502,419	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/26/14	12/26/14	692,686	692,686	0	692,686	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/26/14	12/26/14	843,648	843,648	0	843,648	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/26/14	12/26/14	1,271,440	1,271,440	0	1,271,440	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/26/14	12/26/14	415,192,225	415,192,225	0	415,192,225	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/31/14	12/31/14	1,474,658	1,474,658	0	1,474,658	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/31/14	12/31/14	1,758,404	1,758,404	0	1,758,404	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/31/14	12/31/14	2,239,037	2,239,037	0	2,239,037	0
DREYFUS GOVT CASH MGMT FUND	06/01/18	12/31/14	12/31/14	14,383,829	14,383,829	0	14,383,829	0
<b>Total Sells</b>				<b>830,891,275</b>	<b>830,891,275</b>	<b>2,364</b>	<b>830,893,639</b>	<b>0</b>

# FUND B

## FUND B FACTS

### INVESTMENT OBJECTIVE

Fund B's primary objective was to maximize the present value of distributions from the Fund.

### COMPOSITION

Fund B principally consisted of Segregated Securities, which were securities originally purchased for the LGIP that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization (NRSRO) that provides Florida PRIME's AAAM rating. On September 26, 2014, Apollo completed the sale of all Fund B collateral assets.

### DISTRIBUTIONS

Participants in Fund B received periodic distributions to the extent that Fund B received proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken until all principal was returned.

### ACCOUNTING

Fund B is accounted for as a fluctuating NAV pool, not a 2a-7-like money market fund. That is, accounting valuations reflect estimates of the market value of securities rather than their amortized cost.

### STATUS OF INVESTMENTS

Florida East and West: Restructured from KKR. Underlying assets sold and position closed August 2014.

Florida Funding I: Restructured from Ottimo (Issuer Entity). Underlying assets sold and position closed in May 2014.

Florida Funding II: Restructured from Axon. Underlying assets sold and position closed October 2014.

## COMMENTARY ON PORTFOLIO MANAGEMENT

As of September 2014, \$2,009,451,941, or 100 percent of the original participants principal was returned. Fund B participants did not realize any losses on their original principal balances.

For information on the historical performance of Fund B, see prior month's PRIME Monthly Summary Reports.

The Fund B Surplus Funds Trust Fund will continue to hold the remaining reserve until directed by the SBA Trustees to distribute proceeds. Although a direct transfer from Fund B to Florida PRIME™, with a subsequent distribution to pool participants, is viewed as legally compliant with Florida Statutes, Council members and Trustee staff have indicated a preference for the SBA to work towards a distribution based on the participant account listing as of November 2007 (effectively distributing all Fund B remaining reserves as the unallocated November 2007 interest earnings). The SBA has begun to work with Trustee staff, Legislative staff, and relevant stakeholder groups to achieve the preferred method of allocating the final distribution of Fund B reserves.

### LEGAL ISSUE

As noted in previous reports, the SBA asserted that Lehman Brothers (which is now in liquidation) sold the SBA certain unregistered secured notes that were not exempt from registration under the Securities Act of 1933. On August 20, 2014, the parties participated in a mediation which resulted in a settlement of the matter. On September 30, 2014, the Court approved and ordered that the settlement stipulated by the parties be an allowed claim in the Lehman Brothers insolvency proceeding. The SBA received an initial distribution from the Trustee and then sold the remainder of the allowed claim resulting in a total recovery of \$13,482,785.97, which has been distributed to Fund B. This matter is now closed.

### DISCLOSURE OF MATERIAL IMPACTS

There were no developments during December 2014 that had a material impact on the liquidity or operation of Fund B.

# FUND B

## HOLDINGS, COMPLIANCE AND TRADING ACTIVITY

### INVENTORY OF HOLDINGS - AS OF DECEMBER 2014

Security Name	Type	Rate Reset	Par	Current Yield	Amort Cost	Mkt Value	Unrealized Gain (Loss)
Dreyfus Government Cash Management Fund OVNMF	OVERNIGHT MUTUAL FUND		41,784,760	0.00	\$ 41,784,760	\$ 41,784,760	\$ -
<b>Total Value of Investments</b>			<b><u>41,784,760</u></b>		<b><u>\$41,784,760</u></b>	<b><u>\$41,784,760</u></b>	<b><u>\$0</u></b>

### COMPLIANCE WITH INVESTMENT POLICY - DECEMBER 2014

Investment Policy Statement (IPS) Compliance is conducted on Fund B by SBA Risk Management and Compliance and reported on a monthly basis to the Investment Oversight Group. Portfolio activity is reviewed to ensure that transactions and holdings are in compliance with the guideline requirements stipulated in the IPS. Since the principal holdings in the fund were the notes issued by the four Fund B special purpose entities, and no deposits or withdrawals are permitted by participants, transactions were limited to 1) the receipt cash flows from the underlying note collateral, 2) the investment of these cash flows in AAAM money market funds, and 3) distributions to participants. Since all collateral sales have been completed, and 100% of principal has now been returned to participants, the cash reserve balance will remain in Fund B and will be invested in AAAM money market funds pending final distributions. For the month of December 2014, Fund B was in compliance with its Investment Policy Statement.

### TRADING ACTIVITY - DECEMBER 2014

Security Description	Trade Date	Settlement Date	Par or Shares	Principal	Traded Interest	Settlement Amount	Realized Gain (Loss)
<b>Buys</b>				\$	\$	\$	\$
DREYFUS GOVERNMENT CASH MANAGEMENT	12/02/14	12/02/14	240	240	0	240	0
DREYFUS GOVERNMENT CASH MANAGEMENT	12/03/14	12/03/14	8,456,115	8,456,115	0	8,456,115	0
<b>Total Buys</b>			<b><u>8,456,355</u></b>	<b><u>8,456,355</u></b>	<b><u>0</u></b>	<b><u>8,456,355</u></b>	<b><u>0</u></b>
<b>Sells</b>							
DREYFUS GOVERNMENT CASH MANAGEMENT	12/01/14	12/01/14	56	56	0	56	0
DREYFUS GOVERNMENT CASH MANAGEMENT	12/12/14	12/12/14	274	274	0	274	0
<b>Total Sells</b>			<b><u>330</u></b>	<b><u>330</u></b>	<b><u>0</u></b>	<b><u>330</u></b>	<b><u>0</u></b>

## Our Mission

Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.



**Federated**





**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

**1801 HERMITAGE BOULEVARD  
TALLAHASSEE, FLORIDA 32308  
(850) 488-4406**

**POST OFFICE BOX 13300  
32317-3300**

**RICK SCOTT  
GOVERNOR  
AS CHAIRMAN  
JEFF ATWATER  
CHIEF FINANCIAL OFFICER  
PAM BONDI  
ATTORNEY GENERAL  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

March 24, 2015

Honorable Dan Raulerson  
Alternating Chair  
Joint Legislative Auditing Committee  
405 House Office Building  
402 South Monroe Street  
Tallahassee, Florida 32399-1100

Honorable Joseph Abruzzo  
Alternating Chair  
Joint Legislative Auditing Committee  
222 Senate Office Building  
404 South Monroe Street  
Tallahassee, Florida 32399-1300

Dear Representative Raulerson and Senator Abruzzo:

Section 218.409(9), Florida Statutes, requires the Trustees to report to the Joint Legislative Auditing Committee that they have reviewed the Auditor General's Annual Financial Audit (Report No. 2015-054) of the Local Government Surplus Funds Trust Fund (now known as Florida PRIME). The fund's Financial Audit for the fiscal years 2014 and 2013 was completed in December 2014. The Trustees are also required to certify that any necessary item(s) are being addressed by corrective action by the State Board of Administration (SBA). The Auditor General did not report any material material deficiencies.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, reading "Ashbel C. Williams".

Ashbel C. Williams  
Executive Director & CIO

ACW/db  
Attachment

cc: Honorable Debbie Mayfield  
Honorable Amanda Murphy  
Honorable Ray Wesley Rodrigues  
Honorable Cynthia Stafford  
Honorable Lizbeth Benacquisto  
Honorable Rob Bradley  
Honorable Audrey Gibson  
Honorable Wilton Simpson  
Ms. Kathy Dubose, Coordinator

**STATE OF FLORIDA  
STATE BOARD OF ADMINISTRATION  
LOCAL GOVERNMENT SURPLUS  
FUNDS TRUST FUND  
(FLORIDA PRIME)  
(AN EXTERNAL INVESTMENT POOL)**

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**Financial Audit**

For the Fiscal Years Ended  
June 30, 2014, and 2013



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA



## STATE BOARD OF ADMINISTRATION

The State Board of Administration's Board of Trustees is composed of the Governor, as Chair, the Chief Financial Officer, and the Attorney General. The Trustees delegate administrative and investment authority to an appointed Executive Director. Mr. Ashbel Williams served as Executive Director during the audit period.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Barbara St. George, CPA, and the audit was supervised by Allen G. Weiner, CPA. Please address inquiries regarding this report to Kathryn D. Walker, CPA, Audit Manager, by e-mail at [kathrynwalker@aud.state.fl.us](mailto:kathrynwalker@aud.state.fl.us) or by telephone at (850) 412-2781.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

STATE BOARD OF ADMINISTRATION  
LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME)  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements prepared by the State Board of Administration (SBA) present fairly, in all material respects, the net position of the Local Government Surplus Funds Trust Fund (Florida PRIME) and the changes in net position thereof in accordance with prescribed financial reporting standards.

### Summary of Report on Internal Control and Compliance

Our audit did not disclose any deficiencies in internal control over Florida PRIME's financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

### Audit Objectives and Scope

Our audit objectives were to determine whether the SBA had:

- Presented Florida PRIME's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;
- Complied with the various provisions of laws, rules, regulations, contracts, and Florida PRIME's investment policy that are material to the financial statements; and
- Taken corrective actions for findings disclosed in our report No. 2014-096.

The scope of this audit included an examination of Florida PRIME's basic financial statements as of and for the fiscal years ended June 30, 2014, and 2013. We obtained an understanding of the SBA's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and Florida PRIME's investment policy.

### Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent SBA records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund (Florida PRIME), as of and for the fiscal years ended June 30, 2014, and 2013, and the related notes to the financial statements, which collectively comprise the Florida PRIME's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of Florida PRIME as of June 30, 2014, and 2013, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only Florida PRIME and do not purport to, and do not, present fairly the financial position of the State of Florida as of June 30, 2014, and 2013, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the SBA's internal control over financial reporting relating to Florida PRIME and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SBA's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA  
November 26, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013

The State Board of Administration (SBA) is responsible for the management of the Local Government Surplus Funds Trust Fund (Florida PRIME).<sup>1</sup> The SBA was established on June 21, 1929, pursuant to Chapter 14486, Laws of Florida (1929). The SBA was subsequently created as a constitutional body corporate on January 1, 1943, by Article IX, Section 16 of the State Constitution of 1885, as amended. The SBA was subsequently continued as a body corporate by Article IV, Section 4(e) of the State Constitution (1968), as amended. The SBA is governed by the Governor, as Chair, the Chief Financial Officer, and the Attorney General.

As management of the SBA, we offer readers of Florida PRIME's financial statements this overview and analysis of Florida PRIME's financial results and position for the fiscal years ended June 30, 2014, and 2013. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements, which begin on page 7.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements provide financial information about Florida PRIME as an investment trust fund, a fiduciary fund type. Investment trust funds are accounted for using an economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue when earned, and expenses are recorded when a liability is incurred.

The SBA presents the following Florida PRIME basic financial statements: Statements of Net Position and Statements of Changes in Net Position. The Statements of Net Position present information about the nature and amounts of Florida PRIME's assets and liabilities, with the difference reported as net position. The Statements of Changes in Net Position report the increase or decrease in net position during the year as a result of investment activities and participant contributions and withdrawals.

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<sup>1</sup> As of August 3, 2009, SBA began using the name "Florida PRIME" when referring to the Local Government Surplus Fund Trust Fund.

## FINANCIAL SUMMARY

Summaries of Florida PRIME's financial statements are presented below for each of the last three fiscal years.

### Condensed Statements of Net Position (in thousands)

	As of June 30,		
	2014	2013	2012
Total assets	\$ 7,252,017	\$ 7,279,239	\$ 6,754,150
Total liabilities	60,598	1,146	1,706
Net position	<u>\$ 7,191,419</u>	<u>\$ 7,278,093</u>	<u>\$ 6,752,444</u>

### Condensed Statements of Changes in Net Position (in thousands)

	For the Fiscal Year Ended June 30,		
	2014	2013	2012
Changes in net position:			
Interest income	\$ 14,310	\$ 20,815	\$ 21,402
Investment expenses	(2,232)	(2,216)	(1,737)
Net income from investing activity	<u>12,078</u>	<u>18,599</u>	<u>19,665</u>
Distributions paid and payable	(12,078)	(18,599)	(19,666)
Participant contributions	15,058,443	14,875,298	15,223,699
Reinvested distributions	12,083	18,586	19,671
Participant withdrawals	(15,258,585)	(14,513,855)	(15,371,147)
Investment transfer from Fund B	<u>101,385</u>	<u>145,620</u>	<u>56,300</u>
Changes in net position	<u>(86,674)</u>	<u>525,649</u>	<u>(71,478)</u>
Net position, July 1	<u>7,278,093</u>	<u>6,752,444</u>	<u>6,823,922</u>
Net position, June 30	<u>\$ 7,191,419</u>	<u>\$ 7,278,093</u>	<u>\$ 6,752,444</u>

## FINANCIAL ANALYSIS

### Assets

Total assets at the end of fiscal years 2014, 2013, and 2012 were \$7.25 billion, \$7.28 billion and \$6.75 billion, respectively. The decrease in total assets and net position in fiscal year 2014 was due primarily to participant withdrawals exceeding contributions and investment transfers from Fund B by \$98.8 million. The increase in total assets and net position during fiscal year 2013 was mainly the result of participant contributions and transfers from Fund B exceeding withdrawals by \$507.1 million.

### Liabilities

Total liabilities at the end of fiscal years 2014, 2013, and 2012 were \$60.6 million, \$1.1 million, and \$1.7 million, respectively. Liabilities increased by \$59.5 million in fiscal year 2014 following a decrease of \$560 thousand in fiscal year 2013. The increase in fiscal year 2014 was due to an increase in pending investment purchases of \$59.5 million. The decrease in fiscal year 2013 was due to a \$1.1 million decline in unregistered deposits (deposits sent without prior notification to the SBA), partially offset by a \$498 thousand increase in other accrued payables, including a cash overdraft payable of \$396 thousand caused by a participant not sending in a registered deposit. Deposits sent in



without being registered by participants are recorded as liabilities until the depositor is identified and credit is awarded to the participant. Registered deposits that are not remitted by the participant result in a cash overdraft when the funds are invested in anticipation of timely receipt.

### **Net Position and Changes in Net Position**

Florida PRIME's net position decreased by \$86.7 million (1 percent) to \$7.19 billion at June 30, 2014, from \$7.28 billion at June 30, 2013, following a \$525.6 million (8 percent) increase in the previous fiscal year from \$6.75 billion.

Net income from investing activity of \$12.1 million for the fiscal year ended June 30, 2014, was \$6.5 million lower than the \$18.6 million earned for fiscal year 2013, primarily due to lower investment yields. Net income from investing activity for fiscal year 2013 was \$1.1 million lower than the \$19.7 million earned for fiscal year 2012 due to the lower investment yields and increased investment expenses. The Federal Reserve continued a monetary policy stance (that began in the latter part of the 2009 fiscal year) to keep overnight interest rates to nearly zero in an effort to help stabilize global financial markets. As a result of this policy, other Federal government economic stimulus measures, and slow economic growth, short-term interest rates remained at historic lows during recent fiscal years.

Investment transfers from Fund B for fiscal year 2014 were \$101.4 million, a decrease of \$44.2 million from fiscal year 2013. The \$145.6 million received for fiscal year 2013 was \$89.3 million more than the transfers received from Fund B for fiscal year 2012. Favorable market conditions allowed the Fund B manager to liquidate a portion of the Fund B investments from late 2012 to mid-2013, and again from late 2013 to mid-2014. Excluding these liquidations, investment transfers from Fund B have declined mainly because principal reductions in Fund B assets caused by refinancing activity have slowed year over year as mortgage rates have declined.

Total investment expenses of \$2.2 million increased approximately \$16 thousand, or less than 1 percent, during fiscal year 2014. The increase was a result of increased bank fees, which were partially offset by decreases in investment management fees and administrative service charges. Investment expenses increased approximately \$479 thousand, or 28 percent, during fiscal year 2013 over 2012. This increase was due in large part to the increased value of the assets under management on which the fees are based and the adjustment from 0.6 basis points to 1.0 basis point for the SBA's administrative service charge to more accurately match the resources required to administer Florida PRIME. Total investment expenses, in each year, were about 3 basis points, or 0.03 percent of average assets under management.

### **FINANCIAL HIGHLIGHTS**

Florida PRIME is governed by Chapters 215 and 218, Florida Statutes, and SBA Rules, Chapter 19-7, Florida Administrative Code. The purpose of Chapter 218, Part IV, Florida Statutes, is to promote, through State assistance, the maximization of net interest earnings on invested surplus funds of units of local government, based on the principles of investor protection, mandated transparency, and proper governance, with the goal of reducing the need

for imposing additional taxes. The primary investment objectives, in priority order, are safety, liquidity, and competitive returns with minimization of risks.

Units of local government eligible to participate in Florida PRIME include, but are not limited to, any county, municipality, school district, special district, clerk of the circuit court, sheriff, property appraiser, tax collector, supervisor of elections, state university, state college, community college, authority, board, public corporations, or any other political subdivision or direct support organization of the State.

For the fiscal year ended June 30, 2014:

- Participant contributions increased 1.0 percent compared with the prior fiscal year, while participant withdrawals increased 5.1 percent, resulting in net withdrawals of \$200.1 million.
- Net income from investing activity decreased \$6.5 million over the prior fiscal year; resulting in an average participant yield for the fiscal year of 0.17 percent, which was lower than the average participant yield of 0.25 percent of the prior fiscal year. The decrease in net income from investing activity was due to the continuing lower investment yields experienced throughout the fiscal year, and a slight decline in average participant balances.
- The number of active participants grew to 862 from 850.

For the fiscal year ended June 30, 2013:

- Participant contributions declined 2.3 percent compared with the prior fiscal year, while participant withdrawals decreased 5.6 percent, resulting in net participant contributions of \$361.4 million.
- Net income from investing activity decreased \$1.1 million over the prior fiscal year; resulting in an average participant yield for the fiscal year of 0.25 percent, which was lower than the average participant yield of 0.28 percent of the prior fiscal year. The decrease in net income from investing activity was due to the lower investment yields experienced mainly throughout the second half of the fiscal year. Average daily participant balances increased 9 percent over the prior fiscal year, and remained about 9 percent higher at June 30, 2013, over the prior fiscal year-end.
- The number of active participants grew to 850 from 843.

### CONTACT INFORMATION

These financial statements reflect only the transactions and balances for Florida PRIME. For additional information on Florida PRIME, please contact the State Board of Administration, Chief Operating & Financial Officer, 1801 Hermitage Boulevard, Suite 100, Tallahassee, Florida 32308 or visit SBA's website at <https://www.sbafla.com/prime/>.

# BASIC FINANCIAL STATEMENTS

## STATE BOARD OF ADMINISTRATION LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME) STATEMENTS OF NET POSITION As of June 30, 2014, and June 30, 2013 (In Thousands)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 350,614	\$ -
Investments:		
Certificates of deposit	2,868,091	3,079,203
Commercial paper	1,170,421	1,566,576
Repurchase agreements	1,150,000	800,000
Money market funds	843,737	1,057,510
Domestic corporate bonds and notes	701,591	674,273
Municipal bonds and notes	15,000	99,450
Foreign corporate bonds and notes (\$ denom)	90,912	-
Foreign government notes (\$ denom)	14,016	-
U.S. Treasury bills	34,496	-
Total investments	<u>6,888,264</u>	<u>7,277,012</u>
Investment sales receivable	10,100	-
Interest receivable	3,017	2,204
Prepaid fees	20	20
Undistributed expenses	<u>2</u>	<u>3</u>
<b>Total Assets</b>	<u>7,252,017</u>	<u>7,279,239</u>
<b>LIABILITIES</b>		
Investment purchases payable	59,503	-
Accounts payable and accrued liabilities	422	827
Distributions payable	59	65
Due to local governments	<u>614</u>	<u>254</u>
<b>Total Liabilities</b>	<u>60,598</u>	<u>1,146</u>
<b>NET POSITION</b>		
Held in trust for pool participants	<u>\$ 7,191,419</u>	<u>\$ 7,278,093</u>

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

**STATE BOARD OF ADMINISTRATION**  
**LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME)**  
**STATEMENTS OF CHANGES IN NET POSITION**  
**Years Ended June 30, 2014, and June 30, 2013**  
**(In Thousands)**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>ADDITIONS</b>		
Income from investing activity:		
Interest income	\$ 14,310	\$ 20,815
Investment expenses:		
Investment management fees	(1,263)	(1,289)
Administrative service charges	(733)	(752)
Bank fees	(136)	(69)
Compliance review fees	(60)	(67)
Standard and Poor's rating maintenance fees	(40)	(39)
Investment expenses	<u>(2,232)</u>	<u>(2,216)</u>
Net income from investing activity	<u>12,078</u>	<u>18,599</u>
<b>Total Additions</b>	<u>12,078</u>	<u>18,599</u>
 <b>DEDUCTIONS</b>		
Distributions paid and payable	<u>12,078</u>	<u>18,599</u>
<b>Total Deductions</b>	<u>12,078</u>	<u>18,599</u>
 <b>SHARE TRANSACTIONS</b>		
Participant contributions	15,058,443	14,875,298
Reinvested distributions	12,083	18,586
Participant withdrawals	(15,258,585)	(14,513,855)
Investment transfer from Fund B	<u>101,385</u>	<u>145,620</u>
<b>Net Increase (Decrease) Resulting from Share Transactions</b>	<u>(86,674)</u>	<u>525,649</u>
 Increase (decrease) in net position	<u>(86,674)</u>	<u>525,649</u>
 Net position, beginning of year	<u>7,278,093</u>	<u>6,752,444</u>
Net position, end of year	<u><u>\$ 7,191,419</u></u>	<u><u>\$ 7,278,093</u></u>

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

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**NOTES TO FINANCIAL STATEMENTS**

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**STATE BOARD OF ADMINISTRATION  
LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME)  
Years Ended June 30, 2014, and June 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following summary of the significant accounting policies of the Local Government Surplus Funds Trust Fund (Florida PRIME) is presented to assist the reader in interpreting the financial statements. These policies should be viewed as an integral part of the accompanying financial statements.

**a. Reporting Entity**

The State Board of Administration (SBA) is responsible for the management of Florida PRIME. The SBA was established on June 21, 1929, pursuant to Chapter 14486, Laws of Florida (1929). The SBA was subsequently created as a constitutional body corporate on January 1, 1943, by Article IX, Section 16 of the State Constitution of 1885, as amended. The SBA was subsequently continued as a body corporate by Article IV, Section 4(e) of the State Constitution (1968), as amended. The SBA is composed of the Governor, as Chair, the Chief Financial Officer and the Attorney General.

The Local Government Surplus Funds Trust Fund was created by act of the Florida Legislature effective October 1, 1977, (Chapter 218, Part IV, Florida Statutes). The law allowed the SBA to manage investments on an individual basis or to establish a pooled account. The funds were managed on an individual basis until January 1, 1982. On August 3, 2009, the SBA began using “Florida PRIME” when referring to the Local Government Surplus Funds Trust Fund.

Sections 218.40 through 218.415, Florida Statutes, and State Board of Administration Rules 19-7.002 through 19-7.016, Florida Administrative Code, promulgated pursuant to Section 218.405(4), Florida Statutes, govern the operation of Florida PRIME.

The assets and liabilities of Florida PRIME are included in the Comprehensive Annual Financial Report (CAFR) of the State of Florida. The accompanying financial statements present only Florida PRIME and are not intended to present fairly the financial position of the State of Florida and the results of its operations in conformity with generally accepted accounting principles.

**b. Regulatory Oversight**

Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with those required of an SEC Rule 2a-7-like fund. An SEC Rule 2a-7-like external investment pool is one that is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with SEC Rule 2a-7, which governs the operation of SEC regulated money market funds.

**c. Basis of Presentation**

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles.

Florida PRIME is reported as an investment trust fund, a fiduciary fund type.

**d. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when the recognition of revenues and expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. Under this method, earnings on investments, including interest income, are recognized as revenue when earned, and expenses are recognized when a liability is incurred.

**e. Cash and Cash Equivalents**

Florida PRIME reports as “Cash and cash equivalents” all cash on hand and on deposit in banks, including demand deposits, time deposits, and non-negotiable certificates of deposit.

**f. Investments**

Florida PRIME’s investments are recorded at amortized cost, consistent with GASB Statement No. 31. Fair values, for note disclosures, are calculated using quoted market prices. If quoted market prices are not available, the discounted cash flow model and broker quotes are used to price securities.

**g. Method Used to Determine Participants’ Shares Sold and Redeemed**

In a manner similar to that used for SEC Rule 2a-7 money market funds, participants’ shares are sold and redeemed in Florida PRIME using the amortized cost method, which is consistent with the method used to report Florida PRIME’s investments. The amortized cost method calculates an investment’s value by adjusting its acquisition cost for the accretion of discount or amortization of premium over the period from purchase to maturity.

**h. Legally Binding Guarantees**

The SBA has not provided or obtained any legally binding guarantees during the fiscal years ended June 30, 2014, and June 30, 2013, for Florida PRIME.

***i. Involuntary Participation***

There is no requirement under Florida Statutes for any local government or state agency to participate in Florida PRIME.

***j. Frequency of Determining Fair Value of Shares***

The fair value of the investments of Florida PRIME is determined on a daily basis. SEC Rule 2a-7 requires that a periodic comparison be made between amortized cost and fair value. If the two values differ by more than .50 percent, the SBA is permitted to suspend redemptions and postpone payment of redemption proceeds in an orderly liquidation of Florida PRIME if, subject to other requirements, the SBA determines that the deviation between the Florida PRIME's amortized cost per share and its current fair value per share may result in material dilution or other unfair results to participants. As of June 30, 2014, and June 30, 2013, the ratios of fair value to amortized cost were 100.00 percent and 100.01 percent, respectively.

***k. Fees and Administrative Service Charges***

Federated Investment Counseling (Federated) is the investment manager for Florida PRIME. Federated charges an annual investment management fee based on the average daily net assets (i.e., average daily amortized cost) of Florida PRIME (excluding Federated money market fund balances), as follows:

First \$1 billion in Account Assets	3.5 basis points
Next \$1.5 billion in Account Assets	3.0 basis points
Next \$2.5 billion in Account Assets	2.5 basis points
Balance of Account Assets over \$5 billion	2.0 basis points

This fee is taken out of monthly earnings prior to the allocation of net earnings to participant balances. Total investment management fees incurred by Florida PRIME in the fiscal years ended June 30, 2014, and June 30, 2013, were \$1,262,672 and \$1,289,223, respectively.

In accordance with SBA Rule 19-3.016(17), Florida Administrative Code, the SBA charges an administrative service charge to recover its costs related to operating Florida PRIME. The charge is taken out of the monthly earnings prior to the distribution of net earnings to participant balances each month. Currently the SBA service charge is 1.0 basis point (.0001) on total Florida PRIME assets. Total administrative service charges incurred by Florida PRIME for the fiscal years ended June 30, 2014 and 2013, were \$733,421 and \$751,779, respectively.

Various bank fees (including transaction charges), custody fees, performance analytics, and consulting fees are incurred by Florida PRIME. These fees are taken out of the monthly earnings prior to the distribution of net earnings to participant balances each month. The total bank fees incurred by Florida PRIME for the fiscal years ended June 30, 2014, and June 30, 2013, were



\$136,299 and \$69,525, respectively. Bank fees increased in fiscal year 2014 with the inception of a new contract with the custodian bank in November 2013. Standard and Poor's (S&P) rating maintenance fees were \$39,496 and \$38,946 for the fiscal years ended June 30, 2014, and 2013, respectively. Compliance review fees were \$59,927 and \$67,241 for those same years. The compliance review service fees resulted from the provisions of Section 218.405(3), Florida Statutes, which require that the trustees annually certify to the Joint Legislative Auditing Committee that Florida PRIME is in compliance with Florida law.

#### ***I. Fund B Surplus Funds Trust Fund***

Pursuant to Section 218.417, Florida Statutes, the Fund B Surplus Funds Trust Fund (Fund B) was created in May 2008. Amounts credited to Fund B consist of the investments, interest earned, and reserve in Fund B of Florida PRIME. Fund B of Florida PRIME was originally formed as part of a restructuring of the Local Government Surplus Funds Trust Fund in December 2007 to hold certain securities with limited liquidity.

Fund B is administered by the SBA and the SBA distributes cash holdings to Florida PRIME as they become available from maturities, sales, investment interest, and other income received from assets in Fund B. These distributions are recorded on the Statement of Changes in Net Position as a Transfer from Fund B.

#### ***m. Reclassifications***

In the financial statements and notes, certain prior year amounts have been reclassified to conform to the current year presentation, which was changed to provide more detail regarding share transactions.

### **2. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT**

In fiscal year 2013, Florida PRIME implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective for financial statements for periods beginning after December 15, 2011. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of net position. Although Florida PRIME did not have any deferred outflows of resources or deferred inflows of resources to report, the change in format of the financial statements was incorporated into Florida PRIME's 2013 financial statements. There was no effect on beginning net position as a result of this change.

### **3. DEPOSITS AND INVESTMENTS**

#### ***a. Deposits***

Cash is held in deposit accounts at various financial institutions. These deposits totaled \$350,613,406 at June 30, 2014, and \$0 at June 30, 2013. Chapter 280, Florida Statutes, generally requires public

funds to be deposited in a bank or savings association designated by the State of Florida Chief Financial Officer (State CFO) as a qualified public depository (QPD).

The State CFO determines the collateral requirements and collateral pledging level for each QPD following guidelines outlined in Department of Financial Services Rules, Chapter 69C-2, Florida Administrative Code, and Section 280.04, Florida Statutes. Eligible collateral includes Federal, federally-guaranteed, state and local government obligations; corporate bonds; and letters of credit issued by a Federal Home Loan Bank. Other collateral may be eligible, with the State CFO's permission.

At June 30, 2014, Florida PRIME held an overnight time deposit of \$350 million that was exposed to custodial credit risk because it was uninsured and uncollateralized. Under the investment policy for Florida PRIME, the investment manager is allowed to invest in unsecured interest bearing deposits with banks if they have capital, surplus, and undivided profits of over \$100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund or the Savings Association Insurance Fund which are administered by the Federal Deposit Insurance Corporation. This time deposit was held in a bank that met the \$100,000,000 requirement for capital, surplus, and undivided profits. All other deposits in Florida PRIME were covered by Federal insurance or the State's collateral pool pursuant to Chapter 280, Florida Statutes.

***b. Investment Authority and Compliance***

The SBA has the authority to administer and invest the funds of Florida PRIME in accordance with Chapter 218, Part IV, Florida Statutes. The statute states the SBA shall invest the moneys of Florida PRIME in the same manner and subject to the same restrictions as are set forth in Section 215.47, Florida Statutes, which identifies all authorized securities.

Section 215.47, Florida Statutes, includes a broad range of instruments to enable the SBA to administer its varied investment responsibilities. The Investment Policy Statement for Florida PRIME lists the following authorized principal investments:

1. United States (U.S.) Treasury obligations.
2. U.S. Government Agency obligations.
3. Government securities, which are defined as any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.
4. Insurance contracts, including guaranteed investment contracts, funding agreements, and annuities.
5. Corporate debt securities, such as notes, bonds, debentures, commercial paper, interests in bank loans to companies, and demand instruments.

6. Bank instruments (including Yankee and Eurodollar), such as bank accounts, time deposits, certificates of deposit, and bankers' acceptances. Yankee instruments are denominated in U.S. dollars and issued by U.S. branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.
7. Asset-backed securities, which may be in the form of commercial paper, notes, or pass-through certificates.
8. Municipal securities issued by states, counties, cities, and other political subdivisions and authorities.
9. Foreign securities (i.e., U.S. dollar-denominated securities of issuers based outside the U.S.).
10. Mortgage-backed securities representing interests in pools of mortgages. Mortgages may have fixed or adjustable interest rates.
11. Private placements of securities – The SBA has determined that Florida PRIME constitutes (i) an “accredited investor” as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933, as amended (the Securities Act), as long as Florida PRIME has total assets in excess of \$5,000,000 and (ii) a “qualified purchaser” as defined in Section 2(a)(51)(A)(iv) of the Investment Company Act of 1940 (1940 Act), as long as Florida PRIME in the aggregate owns and invests on a discretionary basis not less than \$25,000,000 in investments, but does not constitute a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act. Florida PRIME is restricted from purchasing or acquiring securities or investments that would require Florida PRIME to represent in connection with such purchase or acquisition that it is a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act.
12. Shares of registered investment companies that are money market mutual funds, including those that are affiliated with Federated (Investment Manager).
13. Special transactions, including repurchase agreements and delayed delivery transactions. Repurchase agreements are transactions in which Florida PRIME buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. Delayed delivery transactions, including when-issued transactions, are arrangements in which Florida PRIME buys securities for a set price, with payment and delivery of the securities scheduled for a future time but no later than seven days in the future.

The primary investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. This is accomplished by structuring the portfolio consistent with Part 270 of the 1940 Act (17 CFR 270.2a-7, Money Market Funds). In buying and selling portfolio securities for Florida PRIME, the Investment Manager will comply with the diversification, maturity, and credit quality conditions imposed by Rule 2a-7 under the 1940 Act; with the requirements imposed by any nationally recognized statistical rating organization (NRSRO) that rates Florida PRIME to ensure that it maintains a AAAm rating (or the equivalent); and with the investment limitations imposed by Section 215.47, Florida Statutes.

When the deviation between the fair value and amortized cost of Florida PRIME exceeds 0.25 percent, the Investment Policy Statement requires that the Investment Manager establish a formal action plan. The Investment Policy Statement also requires that the Investment Oversight Group review the formal action plan and prepare a recommendation for the Executive Director's consideration.

When the deviation between the fair value and amortized cost of Florida PRIME exceeds 0.50 percent, Section 218.409(8), Florida Statutes, authorizes the Executive Director to promptly consider what action, if any, should be initiated. Where the Executive Director believes the extent of any deviation from Florida PRIME's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, he will cause Florida PRIME to take such action as he deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

### c. **Summary of Investment Holdings**

The following tables provide a summary of the par value or share amount, carrying amount, fair value, range of interest rates, and range of maturity dates for each major investment classification as of June 30, 2014, and June 30, 2013 (expressed in thousands):

<b>As of June 30, 2014</b>					
Investment Type	Par	Carrying Value	Fair Value	Range of Interest Rates <sup>1</sup>	Range of Maturity Dates
Certificates of deposit	\$ 2,868,200	\$ 2,868,091	\$ 2,868,119	.10%-.48%	7/1/14-7/2/15 <sup>2</sup>
Commercial paper	1,170,770	1,170,421	1,170,485	.10%-.43%	7/2/14-6/17/15 <sup>2</sup>
Money market funds	843,737	843,737	843,737	.01%-.02%	N/A <sup>3</sup>
Domestic corporate bonds & notes	698,702	701,591	701,589	.14%-4.90%	7/28/14-7/1/29 <sup>2, 4</sup>
Municipal bonds & notes	15,000	15,000	15,000	.05%	5/1/42 <sup>4</sup>
Foreign corporate bonds & notes (\$ denom)	90,790	90,912	90,905	.40%-5.20%	7/10/14-5/1/15
Foreign government notes (\$ denom)	14,000	14,016	14,014	.38%	4/1/15
Repurchase agreements	1,150,000	1,150,000	1,150,000	.10%-.15%	7/1/14
U.S. Treasury bills	34,500	34,496	34,499	.11%	8/14/14
<b>Totals</b>	<b>\$ 6,885,699</b>	<b>\$ 6,888,264</b>	<b>\$ 6,888,348</b>		

<sup>1</sup> The coupon rate in effect at June 30, 2014, is reported. If a security is discounted, the purchase yield is reported. The 7-day yield as of June 30, 2014, is reported for the money market funds. The yields fluctuate daily.

<sup>2</sup> Florida PRIME has the option to extend the maturity date on several positions in certificates of deposit on a monthly basis until the final maturity dates of May 26, 2015, and October 4, 2018. The maturity dates on these positions as of June 30, 2014, are December 24, 2014, and July 2, 2015.

Florida PRIME has the option to extend the maturity date on a position in commercial paper on a monthly basis until the final maturity date of November 4, 2014. The maturity date on this position as of June 30, 2014, is October 3, 2014.

Florida PRIME has the option to extend the maturity date on several positions in domestic corporate bonds on a monthly basis until the final maturity dates of July 7, 2015, July 20, 2015, and July 22, 2015. The maturity dates on these positions as of June 30, 2014, are July 20, 2016, July 20, 2018, October 20, 2018, and March 7, 2019.

<sup>3</sup> Money market funds do not have a specified maturity date.

<sup>4</sup> Florida PRIME has several positions in these bonds and notes that it may tender for 100 percent of the principal amount, plus accrued interest (if tendered between interest payment dates) with a minimum of 7 days prior notification to the trustee of the bonds or notes.

As of June 30, 2013					
Investment Type	Par	Carrying Value	Fair Value	Range of Interest Rates <sup>1</sup>	Range of Maturity Dates
Certificates of deposit	\$ 3,079,200	\$ 3,079,203	\$ 3,079,873	.12%-.38%	7/1/13-7/3/14 <sup>2</sup>
Commercial paper	1,567,135	1,566,576	1,566,652	.09%-.42%	7/2/13-12/4/13 <sup>3</sup>
Money market funds	1,057,510	1,057,510	1,057,510	.01%-.05%	N/A <sup>4</sup>
Domestic corporate bonds & notes	670,254	674,273	674,229	.14%-.5.90%	7/12/13-7/1/29 <sup>5</sup>
Municipal bonds & notes	99,450	99,450	99,450	.04%-.08%	1/1/28-12/1/42 <sup>5</sup>
Repurchase agreements	800,000	800,000	800,000	.15%-.25%	7/1/13
Totals	<u>\$ 7,273,549</u>	<u>\$ 7,277,012</u>	<u>\$ 7,277,714</u>		

<sup>1</sup> The coupon rate in effect at June 30, 2013, is reported. If a security is discounted, the purchase yield is reported. The 7-day yield as of June 30, 2013, is reported for the money market funds. The yields fluctuate daily.

<sup>2</sup> Florida PRIME has the option to extend the maturity date on several positions in certificates of deposit on a monthly basis until the final maturity dates of May 26, 2015, October 4, 2018, and April 1, 2019. The maturity dates on these positions as of June 30, 2013, are December 24, 2013, July 1, 2014, and July 3, 2014.

<sup>3</sup> Florida PRIME has the option to extend the maturity date on one position in commercial paper on a monthly basis until the final maturity date of November 4, 2014. The maturity date on this position as of June 30, 2013, is December 4, 2013.

<sup>4</sup> Money market funds do not have a specified maturity date.

<sup>5</sup> Florida PRIME may tender these bonds and notes for 100 percent of the principal amount, plus accrued interest (if tendered between interest payment dates) with a minimum of 7 days prior notification to the trustee of the bonds or notes.

#### **d. Investment Credit Risk and Concentration of Credit Risk of Debt Securities**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer.

Pursuant to the Investment Policy Statement, investment credit risk and concentration of credit risk of debt securities will be managed as follows:

1. The Investment Manager will purchase short-term, high-quality fixed income securities. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more NRSROs, or be deemed to be of comparable quality thereto by the Investment Manager, subject to Section 215.47(1)(j), Florida Statutes.
2. The Investment Manager will perform a credit analysis to develop a database of issuers and securities that meet the Investment Manager's standard for minimal credit risk. The Investment Manager will monitor the credit risks of all Florida PRIME's portfolio securities on an ongoing basis by reviewing the financial data, issuer news and developments, and ratings of designated NRSROs.
3. The Investment Manager generally will comply with the following diversification limitations that are additional to those set forth in SEC Rule 2a-7. First, at least 50 percent of Florida PRIME assets will be invested in securities rated "A-1+" or those deemed to be of comparable credit quality thereto by the Investment Manager (i.e., so long as such deeming is consistent with the requirements of the NRSRO's AAAM (or equivalent) rating criteria), subject to Section 215.47(1)(j), Florida Statutes. Second, exposure to any single non-governmental issuer will not

exceed 5 percent (at the time a security is purchased) and exposure to any single money market mutual fund will not exceed 10 percent of Florida PRIME assets.

In the event that a security receives a credit rating downgrade and ceases to be in the highest rating category, or the Investment Manager determines that the security is no longer of comparable quality to the highest short-term rating category (in either case, a “downgrade”), the Investment Manager will reassess whether the security continues to present minimal credit risk and will cause Florida PRIME to take any actions determined by the Investment Manager to be in the best interest of Florida PRIME. The Investment Manager will not be required to make reassessments if Florida PRIME disposes of the security (or the security matures) within five business days of the downgrade.

In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a determination that the security no longer presents minimal credit risks, or other material event (affected security), the Investment Manager must dispose of the security as soon as practical consistent with achieving an orderly disposition of the affected security, by sale, exercise of a demand feature or otherwise. An affected security may be held only if the Executive Director has determined, based upon a recommendation from the Investment Manager and the Investment Oversight Group, that it would not be in the best interest of Florida PRIME to dispose of the security taking into account market conditions that may affect an orderly disposition.

Florida PRIME's credit quality ratings were as follows at June 30, 2014, and June 30, 2013 (fair values expressed in thousands):

Ratings <sup>1</sup>		Fair Value of Florida PRIME Investments as of June 30, 2014					
S&P	Moody's	Total	Certificates of Deposit	Commercial Paper	Money Market Funds	Corporate & Municipal Bonds & Notes	Foreign Corp. & Govt. Bonds & Notes (\$ denom)
AAA		\$ 843,737	\$ -	\$ -	\$ 843,737	\$ -	\$ -
AA		679,056	185,013	-	-	389,524	104,519
A		27,493	-	-	-	27,093	400
Not rated <sup>1</sup>	Aa	240,009	225,009	-	-	15,000	-
A-1		1,170,485	-	1,170,485	-	-	-
Not rated <sup>1</sup>	Not rated <sup>1</sup>	2,743,069	2,458,097	-	-	284,972	-
		<u>\$ 5,703,849</u>	<u>\$ 2,868,119</u>	<u>\$ 1,170,485</u>	<u>\$ 843,737</u>	<u>\$ 716,589</u>	<u>\$ 104,919</u>
Not rated <sup>2</sup>	Not rated <sup>2</sup>	1,150,000	Repurchase agreements				
Not rated <sup>3</sup>	Not rated <sup>3</sup>	34,499	U.S. Treasury bills				
		<u>\$ 6,888,348</u>	Total				

<sup>1</sup> Ratings for investments are presented using S&P credit ratings. If S&P did not rate a security, then Moody's ratings are presented. All of the investments presented as "Not rated" had short-term issuer credit ratings that met Florida PRIME's investment and SEC Rule 2a-7 guidelines.

<sup>2</sup> Repurchase agreements are not negotiable instruments and do not carry individual security ratings.

<sup>3</sup> U.S. Treasury instruments do not carry individual security ratings.

Ratings <sup>1</sup>		Fair Value of Florida PRIME Investments as of June 30, 2013				
S&P	Moody's	Total	Certificates of Deposit	Commercial Paper	Money Market Funds	Corporate & Municipal Bonds & Notes
AAA		\$ 1,057,510	\$ -	\$ -	\$ 1,057,510	\$ -
AA		677,866	398,236	-	-	279,630
A		54,650	-	-	-	54,650
Not rated <sup>1</sup>	Aaa	11,400	-	-	-	11,400
Not rated <sup>1</sup>	Aa	500,225	375,227	-	-	124,998
A-1		1,566,652	-	1,566,652	-	-
Not rated <sup>1</sup>	Not rated <sup>1</sup>	2,609,411	2,306,410	-	-	303,001
		<u>\$ 6,477,714</u>	<u>\$ 3,079,873</u>	<u>\$ 1,566,652</u>	<u>\$ 1,057,510</u>	<u>\$ 773,679</u>
Not rated <sup>2</sup>	Not rated <sup>2</sup>	800,000	Repurchase agreements			
		<u>\$ 7,277,714</u>	Total			

<sup>1</sup> Ratings for investments are presented using S&P credit ratings. If S&P did not rate a security, then Moody's ratings are presented. All of the investments presented as "Not rated" had short-term issuer credit ratings that met Florida PRIME's investment and SEC Rule 2a-7 guidelines.

<sup>2</sup> Repurchase agreements are not negotiable instruments and do not carry individual security ratings.



With respect to the concentration of credit risk, at June 30, 2014, and June 30, 2013, Florida PRIME had exposure of 5 percent or more to each of the following issuers (carrying values and fair values expressed in thousands):

As of June 30, 2014				
Issuer Name	Carrying Value	Percent of Portfolio Carrying Value	Fair Value	Percent of Portfolio Fair Value
Bank of America - Corporate notes <sup>1</sup>	\$ 200,000	2.90%	\$ 200,008	2.90%
Bank of America - Repurchase agreements <sup>2</sup>	750,000	10.89%	750,000	10.89%
Bank of America Total	<u>\$ 950,000</u>	<u>13.79%</u>	<u>\$ 950,008</u>	<u>13.79%</u>
Deutsche Bank - Certificates of deposit <sup>1</sup>	\$ 100,000	1.45%	\$ 99,987	1.45%
Deutsche Bank - Repurchase agreements <sup>2</sup>	400,000	5.81%	400,000	5.81%
Deutsche Bank Total	<u>\$ 500,000</u>	<u>7.26%</u>	<u>\$ 499,987</u>	<u>7.26%</u>
Sumitomo Mitsui Banking Corp. - Certificates of deposit <sup>3</sup>	<u>\$ 355,000</u>	<u>5.15%</u>	<u>\$ 354,996</u>	<u>5.15%</u>

<sup>1</sup> For purposes of the SEC Rule 2a-7 exposure restriction calculations, the Bank of America corporate notes are considered a separate issuer position from the Bank of America collateralized repurchase agreements, and the Deutsche Bank certificates of deposit are considered a separate issuer position from the Deutsche Bank collateralized repurchase agreements.

<sup>2</sup> For purposes of SEC Rule 2a-7 exposure restriction calculations, acquisitions of repurchase agreements may be deemed to be acquisitions of the underlying securities, provided the obligation of the seller is fully collateralized. These agreements are fully collateralized. Consequently, they are not subject to SEC Rule 2a-7 issuer exposure restrictions.

<sup>3</sup> These percentages were calculated based on the holdings of the investment portfolio in accordance with GASB Statement No. 40. If the percentages were adjusted to consider the effects of a \$350 million time deposit, the percentage would have dropped to 4.9 percent, or .1 percent below the 5.0 percent threshold.

## As of June 30, 2013

Issuer Name	Carrying Value	Percent of Portfolio Carrying Value	Fair Value	Percent of Portfolio Fair Value
Deutsche Bank - Certificates of deposit <sup>1</sup>	\$ 110,000	1.51%	\$ 110,010	1.51%
Deutsche Bank - Repurchase agreements <sup>2</sup>	750,000	10.31%	750,000	10.31%
Deutsche Bank Total	<u>\$ 860,000</u>	<u>11.82%</u>	<u>\$ 860,010</u>	<u>11.82%</u>
Bank of Montreal - Certificates of deposit <sup>3</sup>	<u>\$ 405,000</u>	<u>5.57%</u>	<u>\$ 405,135</u>	<u>5.57%</u>
Royal Bank of Canada - Certificates of deposit <sup>3</sup>	<u>\$ 398,000</u>	<u>5.47%</u>	<u>\$ 398,236</u>	<u>5.47%</u>
Sumitomo Mitsui Banking Corp. - Certificates of deposit <sup>3</sup>	<u>\$ 385,000</u>	<u>5.29%</u>	<u>\$ 385,003</u>	<u>5.29%</u>

<sup>1</sup> For purposes of the SEC Rule 2a-7 exposure restriction calculations, the Deutsche Bank certificates of deposit is considered a separate issuer position from the Deutsche Bank collateralized repurchase agreements.

<sup>2</sup> For purposes of SEC Rule 2a-7 exposure restriction calculations, acquisitions of repurchase agreements may be deemed to be acquisitions of the underlying securities, provided the obligation of the seller is fully collateralized. These agreements are fully collateralized. Consequently, they are not subject to SEC Rule 2a-7 issuer exposure restrictions.

<sup>3</sup> Under SEC Rule 2a-7, liquidations are not required for exposures over 5 percent if the overage is caused by participant account movements (i.e., withdrawals). The excess exposure to Bank of Montreal, Royal Bank of Canada and Sumitomo Mitsui Banking Corp. were caused by participant account movements.

#### **e. Investments, Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the SBA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The SBA's policy is that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third-party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments, and collateral be held in accounts in the SBA's name, separate and apart from the assets of the custodian banks.

The SBA engaged BNY Mellon (Custodian) to provide asset safekeeping, custody, fund accounting, and performance measurement services to Florida PRIME. At June 30, 2014, and June 30, 2013, all investments, except those in money market funds in which the SBA invests (i.e. in commingled funds with other investors), were held in the SBA's name by the SBA's custodial bank.

#### **f. Investments, Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Pursuant to the Investment Policy Statement, the Investment Manager will target a dollar-weighted average maturity (DWAM) range for Florida PRIME based on its interest rate outlook. The Investment Manager will formulate its interest rate outlook by analyzing a variety of factors, such as current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board's monetary policy. The Investment Manager will generally

shorten Florida PRIME's DWAM when it expects interest rates to rise and extend Florida PRIME's DWAM when it expects interest rates to fall. The Investment Manager will exercise reasonable care to maintain a DWAM of 60 days or less for Florida PRIME. For purposes of calculating DWAM, the maturity of an adjustable rate security generally will be the period remaining until its next interest rate reset date.

Presented below are the investments held in Florida PRIME at June 30, 2014, and June 30, 2013, at fair value (expressed in thousands), with the DWAM for each security type:

As of June 30, 2014		
Investment Type	Fair Value	Dollar Weighted Average Maturity (in Days) <sup>1</sup>
Certificates of deposit <sup>2</sup>	\$ 2,868,119	56
Commercial paper <sup>2</sup>	1,170,485	45
Money market funds <sup>3</sup>	843,737	1
Domestic corporate bonds & notes	701,589	101
Municipal bonds & notes	15,000	7
Foreign corporate bonds & notes (\$ denom)	90,905	18
Foreign government notes (\$ denom)	14,014	2
Repurchase agreements	1,150,000	1
U.S. Treasury bills	34,499	45
Total	<u>\$ 6,888,348</u>	
<b>Portfolio dollar-weighted average maturity (DWAM)<sup>4</sup></b>		<b>42</b>

<sup>1</sup> Interest rate reset dates are used in the calculation of the DWAM.

<sup>2</sup> Certificates of deposit and commercial paper include domestic and U.S. dollar-denominated foreign issues.

<sup>3</sup> The DWAM of the underlying securities in the three money market funds at June 30, 2014, ranged from 41 to 52 days. However, the money market funds provided daily liquidity.

<sup>4</sup> The total Portfolio DWAM does not take into account the \$350 million held in a time deposit at June 30, 2014. If the time deposit had been included, the total Portfolio DWAM would have been 40 days.

As of June 30, 2013		
Investment Type	Fair Value	Dollar Weighted Average Maturity (in Days) <sup>1</sup>
Certificates of deposit <sup>2</sup>	\$ 3,079,873	47
Commercial paper <sup>2</sup>	1,566,652	51
Money market funds <sup>3</sup>	1,057,510	1
Domestic corporate bonds & notes	674,229	102
Municipal bonds & notes	99,450	8
Repurchase agreements	800,000	1
Total	<u>\$ 7,277,714</u>	
<b>Portfolio dollar-weighted average maturity (DWAM)</b>		<b>40</b>

<sup>1</sup> Interest rate reset dates are used in the calculation of the DWAM.

<sup>2</sup> Certificates of deposit and commercial paper include domestic and U.S. dollar-denominated foreign issues.

<sup>3</sup> The DWAM of the underlying securities in the three money market funds at June 30, 2013, ranged from 43 to 52 days. However, the money market funds provided daily liquidity.

**g. Investments, Foreign Currency Risk**

Investment policy guidelines prohibit the Investment Manager from purchasing investments denominated in foreign currency, therefore all Florida PRIME securities are U.S. dollar denominated. Florida PRIME was not exposed to foreign currency risk during the fiscal years ended June 30, 2014, and June 30, 2013.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund (Florida PRIME), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Florida PRIME's basic financial statements, and have issued our report thereon dated November 26, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant

deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

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

### Purpose of the Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the SBA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SBA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA

November 26, 2014



## **Michael F. Price**

Michael F. Price earned his bachelor's degree in 1973 from the University of Oklahoma. In 1999 the University of Oklahoma honored him with a Doctor of Humane Letters.

Michael F. Price was chairman of the board of Franklin Mutual Advisers and Franklin Mutual Series Fund. He had been associated with both entities and their predecessor organizations since 1975. At that time the adviser was known as Heine Securities Corp and the fund was Mutual Shares Fund. Michael was Vice President of the fund from 1975 until 1986. From 1986 until November 1, 1998 he was CEO, President and Chairman of the Board of the adviser and the fund, which came to be known as Mutual Series Fund.

Presently, Michael is the President of The Price Family Foundation, Inc.; Managing Member of MFP Investors LLC; and Managing Partner of MFP Partners, L.P. He also serves as a Director of Liquidnet Holdings, an Investment Advisory Council Member to the Florida State Board of Administration and on Boards for Jazz at Lincoln Center and Johns Hopkins Berman Institute of Bioethics.



## **Leslie B. Daniels**

Les Daniels was a founding partner of CAI Managers & Co., L.P. in 1989. He was previously President of Burdge, Daniels & Co., Inc., a company engaged as a principal in venture capital and buyout investments, as well as the trading of private placement securities. Mr. Daniels was responsible for financing, overseeing and disposing of investments made on behalf of the Company. Prior to forming Burdge, Daniels, Mr. Daniels was a Senior Vice President of Blyth, Eastman, Dillon & Co., having responsibility for the corporate fixed income sales and trading departments.

Mr. Daniels is currently a Member of Florida's State Board of Administration, Investment Advisory Council (IAC) as well as Commissioner for the Palm Beach County Health Care District. He's a former Director of AeroSat Corporation, Aster-Cephac SA, Bioanalytical Systems, Inc., Douglas Machine & Tool Co., Inc., IVAX Corporation, MIM Corporation, MIST Inc., Mylan Laboratories Inc., NBS Technologies Inc. and Safeguard Health Enterprises Inc. Mr. Daniels also served as Chairman of TurboCombustor Technology Inc. and Zenith Laboratories, Inc.

Mr. Daniels has had substantial experience investing as a principal in the health care, aviation and aerospace industries. Over the last twenty five years, Mr. Daniels has invested in numerous startup, venture capital and buyout transactions in various sectors across the health care spectrum including health maintenance organizations, generic drug companies, pre-clinical and clinical contract research organizations and pharmacy benefit companies. More recently Mr. Daniels has had a concentration on the aviation and aerospace industries, He is a resident of Palm Beach, Florida.

Mr. Daniels is a graduate of Fordham University.

**MINUTES  
INVESTMENT ADVISORY COUNCIL  
December 8, 2014**

A meeting of the Investment Advisory Council (IAC) was held on Monday, December 8, 2014, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida. The attached transcript of the December 8, 2014 meeting is hereby incorporated into these minutes by this reference.

**Members Present:**      **Chuck Cobb, Vice Chair**  
                                 **Peter Collins**  
                                 **Martin Garcia**  
                                 **Will Harrell**  
                                 **Chuck Newman**  
                                 **Michael Price**  
                                 **Gary Wendt**

**SBA Employees:**      **Ash Williams**  
                                 **Lamar Taylor**  
                                 **John Benton**  
                                 **Trent Webster**  
                                 **Scott Seery**  
                                 **Katy Wojciechowski**  
                                 **Steve Spook**  
                                 **John Bradley**  
                                 **Joan Haseman**  
                                 **Michael McCauley**

**Consultants:**          **Steve Cummings, Hewitt EnnisKnupp**  
                                 **Kristen Doyle, Hewitt EnnisKnupp**  
                                 **Brian Birnbaum, Mercer**  
                                 **Rich Dabrowski, Mercer**  
                                 **Jamie Eckert, Mercer**

**WELCOME/CALL TO ORDER/APPROVAL OF MINUTES**

Mr. Chuck Cobb, Vice Chair, called the meeting to order at 1:00 P.M. He asked for a motion to approve the minutes from the September 22, 2014 IAC meeting. Mr. Michael Price made a motion to approve the minutes. The motion was seconded by Mr. Peter Collins and passed without objection.

**OPENING REMARKS/REPORTS**

Mr. Ash Williams, Executive Director and Chief Investment Officer, thanked everyone for coming. Mr. Williams began his presentation with a general statement of year-to-date performance, explaining that the Florida Retirement System Trust Fund was up 6.85 percent through the close of business on the previous Friday, 126 basis points ahead of target and \$4.1 billion greater than where the fund balance was at the beginning of the calendar year, net of distributions.

Mr. Williams discussed the SBA team, explaining that they have been successful in recruiting several new people, thanks in part to the support and attention of the IAC. He briefly discussed succession issues as some senior employees have planned retirement dates. Mr. Williams continued his presentation with a summary of the portfolio, explaining that all of the asset classes are ahead of target,

that risk has stayed within bounds across the portfolio and that the SBA has been able to advance a number of major initiatives. Mr. Williams explained that the SBA is doing things all over the world in different parts of their book as well as doing a number of things in the area of adding greater diversification, efforts that will provide some risk reduction, will assist in the compounding of capital over time, and will boost longer term returns. Mr. Williams discussed closing out the legacy private equity portfolio, and he talked about getting new CTA and currency programs in place. He shared details from the recent OPPAGA audit of the Florida Growth Fund which indicated that the net internal rate of return gained by the Florida Growth Fund from inception is 14.96 percent and that it has created significant economic benefits to the State. Mr. Williams noted the SBA has successfully undergone a number of audits and reviews during the previous calendar year. Mr. Collins asked a question about audits which was answered by Mr. Williams.

Mr. Cobb discussed the new focus on hearing reports from SBA management and let the council know that he had made a request to Mr. Williams that each asset class manager introduce their key team members.

### **GLOBAL EQUITY REVIEW**

Mr. Scott Seery, Senior Investment Officer - Global Equity, introduced the members of his staff who were present, Ms. Alison Romano, Mr. Tim Taylor and Mr. Joe Wnuk. Each team member spoke briefly about their background and current responsibilities.

Mr. Seery began his presentation by describing the asset class structure, the broad objective, and the asset class target. Mr. Seery responded to an IAC member's question about the benchmark. He continued his presentation by discussing the portfolio structure in terms of active and passive exposures and by providing a broad functional overview of the asset class. He elaborated on internal fund management, fund of fund management, internal trading and external trade cost monitoring, providing liquidity, and the specialty consultant's role. Mr. Seery continued by providing an organizational chart of the Global Equity asset class team. He then provided details on asset class performance. In conclusion, Mr. Seery spoke about the implementation of initiatives during the 2014 calendar year which included: funding the Atlas portfolio; funding the currency overlay program; funding a U.S. microcap fund of fund manager; completing a review of currency and equity transaction cost analysis providers; funding a dedicated China A Share manager; and reviewing their emerging markets portfolio.

Mr. Brian Birnbaum, Mercer, began his presentation with a discussion of asset allocation, including regional comparisons as well as active versus passive comparisons. He answered a question about the percentage of total global equity. Mr. Birnbaum discussed performance of the Global Equity asset class and its different aggregates which include the U.S. equity portfolio, the large cap portfolio and the small cap portfolio. He also discussed the non-U.S. side, including non-U.S. equities in total, developed markets, small cap stocks and emerging markets. He summed up performance by explaining that there were strong results across all parts of Global Equity and very consistent, low risk exposures, and he concluded by presenting a breakdown of strategies by rating.

### **FIXED INCOME REVIEW**

Ms. Katy Wojciechowski, Senior Investment Officer – Fixed Income, asked her team members to introduce themselves. Mr. Tom Fernald, Mr. Brian Geller, Mr. Kevin Ceurvorst, Mr. Richard Smith and Ms. Cherie Jeffries spoke briefly about their backgrounds and their responsibilities in Fixed Income.

Ms. Wojciechowski discussed the Fixed Income total fund investment policy allocation as well as their reduction of the benchmark duration by about a year and a half. Ms. Wojciechowski explained that most of the day in Fixed Income is spent managing the active core portfolio but that they also have a \$15 billion passive portfolio which they manage. She briefly discussed their six external managers, and she explained that the asset class has to be ready to maintain liquidity. Ms. Wojciechowski stated that the Fixed Income portfolio is split evenly, with 50 percent managed passively and 50 percent managed actively. She talked about the Fixed Income major initiatives and the current risk posture.

Ms. Wojciechowski discussed U.S. inflation expectations compared to the rest of the world. There was a brief discussion about the Fixed Income trading process. Ms. Wojciechowski responded to questions from IAC members throughout her presentation.

Mr. Birnbaum began his presentation by explaining that within Fixed Income, the SBA utilizes more passive management relative to peers, according to the CEM Benchmarking survey. He discussed performance for the asset class and then for the various aggregates. Mr. Birnbaum presented a breakdown of Mercer's ratings of the managers that are currently in place. He concluded his presentation with a brief overview of recent activity in the Fixed Income asset class.

#### **ASSET CLASS SIOs AND DC PROGRAMS OFFICER UPDATE**

Mr. Steve Spook, Senior Investment Officer – Real Estate, introduced two of his staff members, Ms. Lynne Gray and Mr. Jeff Smith. They each provided details on their backgrounds and explained their responsibilities at the SBA.

Mr. Spook began his presentation with a brief discussion on performance, first for the total real estate portfolio and then for the principal investments and the externally managed portfolio. Questions were posed by the IAC and answered by Mr. Spook. He discussed recent activity which included two industrial investments, one multifamily investment and one student housing investment. Mr. Spook explained that the Real Estate asset class had not closed on any new comingled fund over the last quarter but that they are in legal documentation on three funds. He concluded his presentation by discussing U. S. real estate markets, explaining that there had not been much change over the past quarter. Mr. Spook responded to questions from the IAC.

Mr. John Bradley, Co-Senior Investment Officer – Strategic Investments and Private Equity, introduced two of his staff members, Mr. Wes Bradle and Ms. Luanne Good. Mr. Bradle was traveling on business and therefore not present. Ms. Good spoke about her background and her current responsibilities at the SBA.

Mr. Bradley discussed the private market environment, explaining that it is very competitive today and that private equity firms have been very active sellers. He discussed the portfolio market value, portfolio weights by sector and portfolio weights versus their primary benchmark. Mr. Bradley listed the third-quarter commitments and discussed private equity performance, including by sub-strategy. Mr. Bradley, Mr. Lamar Taylor, Deputy Executive Director, Mr. Williams and Mr. Trent Webster answered follow-up questions from IAC members.

Mr. Trent Webster, Co-Senior Investment Officer – Strategic Investments and Private Equity, introduced two members of his staff, Mr. Subhasis Das and Mr. John Mogg. Mr. Das and Mr. Mogg provided details about their backgrounds and explained their responsibilities at the SBA. Mr. Webster mentioned that another staff member, Mr. Michael Lombardi, was traveling on business.

Mr. Webster began his presentation by describing the four policy objectives for the Strategic Investments asset class. He then discussed the portfolio by strategy weight and by sub-strategy weight. Mr. Webster answered a question from an IAC member. Mr. Webster continued his presentation with a discussion on the Strategic Investments performance and the Sharpe ratio. Additionally, he discussed recent activity and market opportunities. Questions were posed by IAC members and answered by Mr. Webster.

Ms. Joan Haseman, Senior Defined Contribution Programs Officer, asked her staff members to introduce themselves. Mr. Walter Kelleher, Mr. Stephen Tabb, Mr. Daniel Beard and Ms. Mini Watson elaborated on their backgrounds and their current responsibilities. Ms. Haseman also introduced Ms. Cindy Morea.

Ms. Haseman presented an update for the FRS Investment Plan, including assets under management, distributions and the number of Investment Plan retirees. Ms. Haseman also discussed the self-directed brokerage account. IAC members asked questions which were answered by Ms. Haseman, Mr. Williams, and Ms. Kristen Doyle, Hewitt EnnisKnupp.



### **PROPOSED CHANGE TO FRS PENSION PLAN INVESTMENT POLICY STATEMENT**

Mr. Williams discussed the proposed change to the Pension Plan Investment Policy Statement which would lower the investment return assumption from 7.75 percent to 7.65 percent. Questions were posed by IAC members and answered by Mr. Williams. Mr. Gary Wendt made a motion that the change be approved; Mr. Will Harrell seconded the motion. The change passed unanimously.

### **CORPORATE GOVERNANCE AND PROXY VOTING GUIDELINES REVIEW**

Mr. Michael McCauley, Senior Officer – Investment Programs and Governance, introduced staff member Mr. Jacob Williams who discussed his previous experience as well as his current responsibilities.

Mr. McCauley began his presentation with a discussion of the proxy voting guideline amendments which were proposed for 2015. Questions were posed by members of the IAC and answered by Mr. Williams and Mr. McCauley. Mr. McCauley also mentioned typical ballot items, the global voting footprint and partner organizations. Mr. Chuck Newman made a motion to approve the revised guidelines. Mr. Collins seconded the motion, and it passed unanimously. Mr. Cobb recommended that the IAC receive a write-up on SBA proxy voting every second or third meeting in order to be able to review voting in high profile cases. Mr. Williams agreed to keep the IAC informed by adding an agenda item in order to provide an update on the area of proxy voting.

### **MAJOR MANDATE PERFORMANCE REVIEWS**

Ms. Doyle provided a brief overview of the SBA's major mandates performance, including a discussion of the peer comparisons in the CEM Benchmarking annual report. Questions from IAC members were answered by Ms. Doyle, Mr. Williams, and Mr. Taylor. Ms. Doyle spoke briefly about the Florida Hurricane Catastrophe Fund. Questions from IAC members were answered by Ms. Doyle, Mr. Williams, Mr. Taylor and Ms. Wojciechowski. Mr. Cobb suggested that there be further discussion about the CAT Fund, including the issue of statutory flexibility. Additional questions were posed and answered. There was a brief discussion about Florida PRIME.

### **AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURN**

Mr. Gary Wendt asked if there is anything that the IAC could do differently than it does to attain better performance and whether there is there anything that the IAC can do to help the SBA. Mr. Williams responded that they would give it some thought and would respond to Mr. Wendt's questions. Mr. Williams thanked the IAC for the work they had done in the compensation area and let the council know how helpful it had been in recruiting new staff.

As there were no further comments, Mr. Cobb called for a motion to adjourn. Mr. Price made the motion to adjourn; the motion was seconded by Mr. Harrell. The motion passed unanimously, and the meeting adjourned at 3:45 P.M.



**Chuck Cobb, Vice Chair**

25 Feb 2015

**Date**

STATE BOARD OF ADMINISTRATION OF FLORIDA

INVESTMENT ADVISORY COUNCIL MEETING

MONDAY, DECEMBER 8, 2014  
1:00 P.M. - 3:45 P.M.

1801 HERMITAGE BOULEVARD  
HERMITAGE ROOM, FIRST FLOOR  
TALLAHASSEE, FLORIDA

REPORTED BY: JO LANGSTON  
Registered Professional Reporter

ACCURATE STENOGRAPHY REPORTERS, INC.  
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APPEARANCES

IAC MEMBERS:

CHUCK COBB  
MARTIN GARCIA  
CHUCK NEWMAN  
GARY WENDT  
WILL HARRELL  
PETER COLLINS  
MICHAEL PRICE

SBA EMPLOYEES:

ASH WILLIAMS, EXECUTIVE DIRECTOR  
JOHN BENTON  
LAMAR TAYLOR  
TRENT WEBSTER  
KATY WOJCIECHOWSKI  
STEVE SPOOK  
SCOTT SEERY  
JOHN BRADLEY  
JOAN HASEMAN

CONSULTANTS:

BRIAN BIRNBAUM - (Mercer)  
RICH DABROWSKI - (Mercer)  
JAMIE ECKERT - (Mercer)  
STEVE CUMMINGS - (Hewitt EnnisKnupp)  
KRISTEN DOYLE - (Hewitt EnnisKnupp)

ACCURATE STENOGRAPHY REPORTERS, INC.

INVESTMENT ADVISORY COUNCIL MEETING

\* \* \*

MR. COBB: I understand we have a quorum here without anybody on the phone. Is that right, Ash?

MR. WILLIAMS: I believe it is.

MR. COBB: So with a quorum, we'll call the meeting to order. And is there a motion to move the minutes of the previous meeting?

MR. PRICE: Move it.

MR. COBB: Second?

MR. COLLINS: Second.

MR. COBB: All in favor?

(Ayes)

MR. COBB: Motion carries. So, Ash, your opening remarks, please.

MR. WILLIAMS: Thank you, Mr. Chairman, and thank you all for joining us on this cold, gray North Florida day. A couple of things. As usual, we'll open with just a general statement of year-to-date performance. Through the close on Friday, the Florida Retirement System Trust Fund is up 6.85 percent. That's 126 basis points ahead of our target, \$4.1 billion greater than where the fund balance was at the beginning of the calendar year. And that is net of distributions that commonly

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average about \$600 million a month. So clicking ahead nicely there. And performance in all asset classes is ahead of target.

Looking back over the calendar year, I sort of broke down my thoughts into three areas; team, portfolio and control environment. And on the team, thanks in no small part to the IAC support and attention in the not too distance past, we've been successful in recruiting several new people. I want to say at least one person in every asset class. I think that's correct, on a trailing 12-month basis. Which was a lot easier to do with the adjustments we made in comp with your help than it would have been otherwise. And our new hires have worked out very nicely.

We still face some challenges in that regard. We have a couple of senior folks who are on the glide path for planned retirement dates, et cetera, so we're working on succession issues there but are generally hopeful with the direction we are going and think we can keep the ship on course.

Looking at the portfolio, a number of things in a number of different asset classes are good. First of all, the headline news is that all asset classes are ahead of target, which is always good. The

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1 second thing is that risk has stayed within bounds  
2 across the portfolio. The third thing is we've been  
3 able to advance a number of major initiatives. And  
4 you will hear about global equity and fixed income in  
5 some detail today, and we'll also have presentations  
6 from other asset class heads.

7 And I don't want to steal their thunder, but  
8 suffice it to say we're literally doing things all  
9 over the world in different parts of our book, and we  
10 are doing a number of things in the area of adding  
11 greater diversification, things that we think will  
12 give us some risk reduction and assist in the  
13 compounding of capital over time and boost longer  
14 term returns for that reason.

15 We have also done a couple of fairly unusual  
16 transactions. One that we closed, it's a transaction  
17 we did with one of our partners, positions us to earn  
18 some pretty extraordinary returns with some very,  
19 very modest risk, taking a position that we wouldn't  
20 have had had we not had the strategic relationship.  
21 This is one of the firms that we had made an entity  
22 level equity investment in a year or two back, a very  
23 strong relationship that we have confidence in. As a  
24 consequence, we're in a position to put a couple  
25 hundred million dollars to work in an area that was

1 not publicly available.

2 Returns on our entity level investments  
3 generally have been outstanding. We're very pleased  
4 with those. We're also pleased -- you know, things  
5 are not always perfect in the investment business,  
6 and sometimes we strike out, and then we have to  
7 clean up things that don't work. And I'm very  
8 pleased to say that, with a lot of work from Lamar  
9 and John Bradley and others, we've pretty well closed  
10 out the legacy private equity portfolio.

11 As of last Friday night at I believe about 7:00,  
12 we got our final valuation information on that. It  
13 was a nice close to the week. That has been a drag  
14 on private equity performance, which has otherwise  
15 been outstanding, and glad to get that one cleaned up  
16 and off the books. It's been a process we've been  
17 working through for a couple of years.

18 We've got in place new CTA and currency  
19 programs. You'll be hearing about those as we go  
20 through asset class presentations over the course of  
21 the afternoon.

22 And last thing I would offer on the portfolio is  
23 we -- you're all familiar with the Florida Growth  
24 Fund. We recently were audited by the State. Well,  
25 let's see, I'm not sure -- the name of the



1 organization is OPPAGA, which is an acronym for  
2 Office of Program Planning Analysis and something or  
3 other. And at any rate, they're part of the  
4 legislative auditing operation, completely  
5 independent.

6 And their report summary basically notes that  
7 the net internal rate of return gained by the Florida  
8 Growth Fund from inception is 14.96 percent,  
9 distributed \$49.6 million to the Florida Retirement  
10 System. And recognizing that our primary  
11 responsibility is getting returns, which is always  
12 going to be our focus as fiduciaries, sometimes we  
13 can do well by doing good or do good by doing well,  
14 as the saying goes.

15 And the OPPAGA report points out that in the  
16 course of investing \$381.5 million in 27 technology  
17 and growth companies and 24 private equity funds  
18 across 12 Florida counties, in amounts ranging from  
19 roughly 6 million in Lee County to 71 in Palm Beach,  
20 that we've not only earned the return mentioned  
21 earlier, just south of 15 percent, but have also  
22 created significant economic benefits to the State.

23 Companies receiving Florida Growth Fund  
24 investments -- and I'm reading directly from the  
25 audit here -- reported creating 11,125 jobs as of

1 June 30, 2014, including 2,926 in the technology and  
2 growth companies and 8,199 by companies in which  
3 private equity funds were invested. So pretty  
4 positive stuff. And the annual salary on those jobs  
5 is north of \$65,000, which is well above the norm in  
6 Florida. So a nice success story there.

7 Looking at the control environment. In  
8 production of some other documents last week, we were  
9 working on this and we asked ourselves the question,  
10 so how many audits and reviews have we been through  
11 in the calendar year to date? We very appropriately,  
12 given the nature of our duties, operate in an  
13 extraordinarily transparent environment, with  
14 multiple levels of oversight, and we are subject to  
15 audit, not only by our own internal audit team and  
16 our own commercial auditors, but also by the State  
17 auditor general's office, OPPAGA, one of whose  
18 efforts I just read from, et cetera.

19 We actually concluded we had been reviewed, over  
20 the course of the calendar year, 154 different audits  
21 we've been through this year, and not a single  
22 material exception to the State Board of  
23 Administration in any of them, which I think speaks  
24 pretty well to the quality of the control environment  
25 that we're operating. We thank our audit committee.

1 We thank you and our participant local advisory  
2 council for your help in maintaining that culture of  
3 doing the right thing.

4 So with that, unless any of you have any  
5 questions, that's it for me. Thank you.

6 MR. COBB: Good. Thank you. Any questions for  
7 Ash?

8 MR. COLLINS: I have a question.

9 MR. COBB: Yes, sir.

10 MR. COLLINS: Can we get some relief from 154  
11 audits? Really?

12 MR. WILLIAMS: An awful lot of those are  
13 required by statute. For example, you know the joint  
14 meeting we do in June with the Participant Local  
15 Government Advisory Council? That's mandated by  
16 statute. An annual mandate of that fund is mandated  
17 by statute, same with the FRS. We have a lot of --  
18 for example, in the real estate area, we own a lot of  
19 directly held properties. And for each of those we  
20 have a holdco. Each of those holdcos is separate to  
21 its own audit process annually. So there are just a  
22 whole lot of things that roll up.

23 I mean, it's a great deal of money in an awful  
24 lot of places. And keep in mind it's not just the  
25 FRS. You've got the CAT Fund. You've got the Lawton

1 Chiles Endowment. You have all these other legal  
2 entities, each of which has to be audited.

3 And this is exactly the reason why one of the  
4 things that we've been operating on since I got back  
5 tail end of '08 is that what we do well is doing  
6 very, very large scale investing on a very  
7 concentrated basis very cheaply, concentrated meaning  
8 we don't hold large numbers of different client  
9 accounts.

10 When I left the board in '96, I think we had  
11 maybe six or eight client relationships. I got back  
12 and we had 34. That's too many. We're not in the  
13 retail money business. That's better left to  
14 commercial entities. We're good at doing big,  
15 efficient, inexpensive. And that's gradually the  
16 direction we're going. We have to let some of these  
17 other obligations roll off, and we'll be back there.

18 MR. COBB: We've heard several positive comments  
19 about the new focus on hearing reports from our  
20 management vis-a-vis our consultants. We still want  
21 to hear from our consultants, but we want to hear  
22 more from our managers. And in that spirit, I  
23 suggested to Ash that we ask each of our top  
24 management to report and introduce their team.

25 So, Scott, why don't you start out, before you

1 give your equity report, but introduce your key team  
2 players.

3 MR. SEERY: We have three staff members present.  
4 I'll let them introduce themselves, starting with  
5 Alison Romano.

6 MS. ROMANO: Hi. I'm Alison Romano. I'm a  
7 senior portfolio manager in the global equity group.  
8 I've been at the board for about six years. Just  
9 quickly, by way of background, I graduated summa cum  
10 laude with a degree in biomedical engineering from  
11 the University of Pennsylvania and business degree  
12 from Wharton. From there I went to Goldman Sachs,  
13 last as vice-president in the health care investment  
14 banking group, where I led mergers and acquisitions,  
15 financing deals, corporate advisory.

16 After Golden Sachs, I briefly acted as a  
17 consultant to a CEO and CFO of a financials firm that  
18 was private equity owned on strategic initiatives  
19 that they were undertaking. Following that I joined  
20 the State Board. At the time we were the domestic  
21 equity group. Now we're the global equity group,  
22 where I am the team leader for the active team, where  
23 we are essentially fund of fund managers trying to  
24 find alpha and overseeing our external managers and  
25 selecting those managers.

1 MR. COBB: Impressive.

2 MR. TAYLOR: Hi. Good afternoon. My name is  
3 Tim Taylor. I joined the SBA as a portfolio manager  
4 in 1999. After I graduated from FSU, I began my  
5 career in the banking industry in Tampa. And if  
6 you've been in Florida a little while, you'll  
7 remember First Florida Bank and Barnett Bank. You'll  
8 remember those names. That's who I was with. I  
9 joined the State initially in the deferred  
10 compensation 457 program and worked there for about  
11 five years.

12 Once I was at the SBA, again, I joined as a  
13 portfolio manager, I completed my MBA degree also at  
14 Florida State. I became a senior portfolio manager  
15 in 2005. Primarily my responsibilities are looking  
16 after a group of our external investment managers.

17 Also for global equity I'm the key person in  
18 terms of all our contractual issues. For example, I  
19 work with attorneys in our general counsel's office  
20 to negotiate investment management agreements,  
21 amendments and the like. I also work on the  
22 corporate governance group, global equities  
23 representative on our corporate governance group.  
24 And over the last couple of years I've tried to  
25 increase the communication between global equity, our

1 investment managers and corporate governance proxy  
2 group. Thank you.

3 MR. WNUK: My name is Joe Wnuk. I've been with  
4 the State Board 15 years. I'm a senior portfolio  
5 manager. I'm responsible for the internal passive  
6 accounts. We run five accounts, 37, \$36 billion as  
7 of this morning. I would say our biggest  
8 accomplishment is we're positive long-term over 10  
9 years, every one of our accounts is positive.

10 I work with a team of three individuals or  
11 trading staff, assistant portfolio managers and  
12 portfolio managers. And the big one that we rolled  
13 out over the past year is we started the Atlas Fund,  
14 which is a global equities, benchmarked to the MSCI  
15 World. We're coming up on our one-year anniversary.  
16 With that one, it's all positive.

17 And I'm on a couple of boards that are for  
18 Russell Investments and MSCI. Both of them, they  
19 have a fund advisory committee. And on both of those  
20 I'm one of two pension plan advisers that they have.  
21 The rest of them are other industry executives.

22 MR. COBB: Thank you. I think we'll just go  
23 ahead and have you give your report now, and then  
24 we'll do the introductions as each of you come up.

25 MR. SEERY: My presentation is in page three of

1 your booklet. And just starting on the first page,  
2 just a reminder of how we're structured. We are  
3 currently about 60 percent of the total fund, which  
4 equates to about \$85 billion at November 10th, is  
5 when we clocked it last for this presentation.

6 Our broad objective is to exceed the asset class  
7 return within the risk budget of 75 basis points.  
8 Beneath the total asset class we have a dedicated  
9 foreign equity portfolio, a dedicated domestic equity  
10 portfolio and a global equity portfolio, which  
11 combines these opportunity sets and enables investors  
12 to invest across the globe.

13 The asset class target is the MSCI All Country  
14 World Investable Market Index, which is all  
15 countries, all markets, and also includes emerging  
16 markets and small cap. The domestic equity  
17 benchmark, just because of the acceptability of  
18 Russell in the U.S. versus MSCI, we use the Russell  
19 3000, which also is a very broad-based index.

20 On the next page --

21 MR. COBB: I have a question on that.

22 MR. SEERY: Sure.

23 MR. COBB: Is our benchmark the index minus the  
24 kind of fee that a Vanguard would have on an index  
25 fund, or is it just the S&P or whatever the benchmark

1 is?

2 MR. SEERY: It's just the return of the index.  
3 There's no consideration of fees or transaction cost.

4 MR. COBB: Thank you.

5 MR. SEERY: The next page shows the structure of  
6 the portfolio in terms of active and passive. As you  
7 can see, the total asset class is about equally  
8 divided between active and passive. The two  
9 underlying portfolios are very different. The  
10 foreign equity portfolio is about 75 percent active,  
11 25 percent passive, reflective of the perceived  
12 opportunities in non-U.S. markets versus U.S.  
13 markets. The domestic equity is almost the reverse  
14 of that. It's 18 percent active and 82 percent  
15 passive.

16 The next page provides the broad functional  
17 overview of the asset class. As Joe Wnuk just  
18 mentioned, about 40 percent of the total assets are  
19 managed internally. There's three large vehicles,  
20 the Russell 3000, which is the largest at 17 billion,  
21 Russell 1000 at 16 billion, and as Joe mentioned, the  
22 newly created MSCI World, which is about 500 million.

23 In addition we created a de novo portfolio,  
24 which is also a Russell 1000. The objective of that  
25 is to support the currency overlay program, which

1 I'll talk about in a minute. We also have one  
2 internal quantitative small cap active portfolio.  
3 It's about 100 million. That portfolio has been  
4 funded up over time and hopefully target 150 million  
5 in the short to intermediate term. And it has become  
6 fully competitive with our outside managers, very,  
7 very consistent performance.

8 Most of our time and most of the staff is  
9 associated with fund of fund management, which Alison  
10 Romano mentioned. There are several underlying  
11 functions there. First is to identify and select a  
12 manager that we will fund. And from there it's the  
13 oversight, which is both daily in terms of  
14 performance, any issues with the manager. We have a  
15 monthly performance bulletin and market review,  
16 trying to understand where the performance is coming  
17 from, is it consistent with their style, is it  
18 consistent with the market.

19 We also do a detailed quarterly report, which is  
20 probably about a hundred pages, in which we really  
21 delve deeply into the individual managers, into the  
22 aggregates, in terms of understanding where the  
23 returns have come from, is it consistent with the  
24 market environment, are they contributing in the  
25 manner in which we expected, are they competitive

1 versus their peers.

2 We also have a quarterly manager call with every  
3 manager. And given that we have about 58 strategies  
4 currently, that takes up a considerable amount of our  
5 time. And during those weeks of the quarter in which  
6 we're either meeting or talking to managers, it  
7 accounts for virtually all of our time.

8 In addition, we have traditionally and still do,  
9 we require annual visits with managers. Either they  
10 come here or we go there, although the majority of  
11 the time it's them coming here.

12 We also use the liquidity events to allocate,  
13 reallocating with managers. Primarily it's relative  
14 to risk. If we're overweight domestic equity, we  
15 will sell down domestic managers to bring us in line  
16 with the target. If we have a manager that's  
17 underperforming, concerned about them, we may defund  
18 them. Conversely, if we have a manager that's  
19 performing well, think the environment is conducive  
20 to their style, we may allocate a slight bit more to  
21 them.

22 We also have an internal trading group that  
23 supports primarily the internal index funds that Joe  
24 mentioned again, but the other thing that they do  
25 with greater frequency and that we've been paying

1 benefits monthly is to liquidate the holdings of  
2 external managers as well. They've been able to do  
3 that on a very efficient basis. And we have met all  
4 obligations as required.

5 The other thing that they do is evaluate the  
6 trading activity of externally managed portfolios.  
7 We have two external providers that assist us with  
8 this. Are the managers trading in an efficient  
9 manner, in the manner in which we would expect. And  
10 this relates to both equities and foreign exchange.

11 As I mentioned, we are frequently the provider  
12 of liquidity, given the strength of equity markets  
13 over the last several years. We are generally in the  
14 overweight position. To give you an idea of the  
15 magnitude of these liquidations, this year we have  
16 provided over \$5 billion in funds to meet benefit  
17 payments.

18 In these general functions, we are supported by  
19 Mercer, who is our asset class consultant. I think  
20 they have a context that we don't have in terms of a  
21 broad overview of the fund industry, of other funds.  
22 They make us aware of best practices. They help us  
23 evaluate the portfolio structure and our risk  
24 management practices. And we also have a quarterly  
25 watch list which they assist us in structuring and

1 commenting on.

2 The next page is the team. You've met three of  
3 the members, but there are 16 in total. They are all  
4 associated in one way or another with the broad  
5 functions that were referenced on the prior page. We  
6 currently have one vacant positions, I'm sorry, two  
7 vacant positions, one of which we expect to fill in  
8 the next couple of weeks.

9 Performance through the end of September is on  
10 the next page. We have exceeded the benchmark return  
11 across all of these periods. The quarterly returns  
12 are disappointing in an absolute sense, but in a  
13 relative sense, we lost less. For the one year,  
14 three year and since inception, the returns are  
15 strong in both absolute and a relative perspective.

16 Further commenting on what Ash had referenced  
17 earlier, there have been a number of initiatives this  
18 year. In January we funded the Atlas portfolio,  
19 which as Joe mentioned was our first international  
20 internally managed vehicle. And as Joe also  
21 mentioned, it has performed very well. It's tracking  
22 above the benchmark. There have been virtually no  
23 operational issues, so it's been a -- it has worked  
24 well.

25 On March 31st we funded the currency overlay

1 program, which is also a first for the asset class.

2 It has a notional value of about \$2.25 billion.

3 There are currently three underlying strategies. We  
4 anticipate funding a currency option strategy, but  
5 that is contingent upon the finalization of a prime  
6 brokerage agreement, which we are making progress on.

7 That portfolio is supported by our Russell 1000  
8 index portfolio, also managed by Joe Whuk. And what  
9 it does, it invests the gains and funds any losses  
10 associated with the program. In the short history,  
11 since the inception of the currency overlay program,  
12 it has added about \$53 million to the bottom line,  
13 which equates to about six basis points on the total  
14 portfolio.

15 In July -- and we have talked about this  
16 previously -- we funded a U.S. microcap fund of fund  
17 manager. It's currently at about \$125 million, with  
18 five underlying strategies. It has performed well in  
19 that short period, has returned about 7 percent,  
20 which is about two and a half percent above the  
21 benchmark.

22 On the operational side, in August, we completed  
23 a review of our currency and equity transaction cost  
24 analysis providers. The final decision was to renew  
25 the relationship with our domestic equity provider

1 and extend their mandate to include non-U.S. as well  
2 on the equity side. On the FX side, we went with a  
3 new provider. That so far is working well. It's  
4 early days. We're still developing the report  
5 structure, but we believe the experience and depth of  
6 that team will provide us additional depth on our  
7 portfolio.

8 In October we funded a dedicated China A share  
9 manager. A shares are more domestically oriented.  
10 Until very recently they were available only to  
11 domestic investors. It's a small investment, about  
12 100 million. In absolute terms, it has returned  
13 about 20 percent in the couple of months that it's  
14 been up and running.

15 The current initiative, which we are in the  
16 process of wrapping up now, we reviewed our emerging  
17 markets portfolio. We've had success there, but we  
18 think that we can do better. We're looking to add a  
19 couple of concentrated managers, take a slightly  
20 higher level of risk in an area such as emerging  
21 markets, where it is rewarded. And as I mentioned,  
22 the recommendation has been completed, and we intend  
23 to restructure the portfolio in the next several  
24 weeks. And that is my prepared remarks.

25 MR. COBB: Are there any questions before we go

1 to Mercer for their reports? So who wants to handle  
2 this from Mercer?

3 MR. BIRNBAUM: I'm happy to do it, Mr. Chairman.

4 MR. COBB: Thank you.

5 MR. BIRNBAUM: A lot of the or some of the  
6 material, I should say, that we have in our report is  
7 a repeat of what Scott just went through, so I'll go  
8 through these slides rather quickly. I guess  
9 starting on page seven, if we could, this just gives  
10 you a sense as to the asset allocation within global  
11 equity. I'm sorry. Page seven. There it is, right  
12 there, okay.

13 This gives you a sense as to how the assets are  
14 allocated within global equities relative to other  
15 similar peer plans, and so we're comparing the asset  
16 allocation to two peer groups. One are various large  
17 plans, as categorized in the CEM benchmarking survey,  
18 which comes out annually, and then we also compare it  
19 to all U.S. plans.

20 And the only thing worth pointing out here is  
21 you can see we have a slightly higher allocation to  
22 non-U.S. markets, both developed and emerging,  
23 relative to other large peers. The exposures that we  
24 have in place to the different regions of the world  
25 are very much consistent with the market caps



1 globally, in broad global equity market indices.

2 On the next page we look at a --

3 MR. COBB: Just a question on that earlier.

4 That is the percentage of our total global equity.

5 But since our global equity is at 60 percent, or a  
6 little bit higher than our peers, I suspect --

7 MR. BIRNBAUM: Yes.

8 MR. COBB: -- that would affect these  
9 percentages to that effect.

10 MR. BIRNBAUM: These are all listed as a  
11 percentage of total global equities. But you're  
12 right. To the extent that we have more in global  
13 equities than our peers, then we have higher exposure  
14 to these markets at the total fund level, yes.

15 On the next slide, page eight, we look at  
16 similar results here, comparing how much of our use  
17 of active and passive management in the different  
18 markets relative to peers. On the U.S. equity side,  
19 as Scott pointed out earlier, over 80 percent of the  
20 portfolio is passively managed. That's significantly  
21 higher than other plans. And we think, given the  
22 size of the FRS relative to even other large plans,  
23 that's an appropriate place to be in terms of a  
24 higher passive exposure.

25 On the developed side, about a third of the

1 portfolio, developed non-U.S. markets, about a third  
2 of the portfolio is passively managed, two-thirds  
3 active. Slightly greater use of active management  
4 there, though not by a material amount. Emerging  
5 markets were 100 percent actively managed, whereas  
6 peers have about 20 percent of their emerging market  
7 exposure that's passively managed.

8 This is one of the more fruitful markets -- and  
9 Scott sort of alluded to it earlier -- for seeking  
10 alpha and trying to generate greater than benchmark  
11 results, so we think entirely appropriate to be  
12 focused actively in this space. And then on global  
13 equity, by the very nature, global equity strategies  
14 are actively focused in their strategy. And so it's  
15 not surprising to see that basically all of that  
16 exposure is actively managed.

17 On the next few slides we get into performance  
18 of the various -- well, first of the asset class, the  
19 global equity asset class and then the different  
20 aggregates which we monitor and look at. So on page  
21 nine we're looking at the total asset class returns.  
22 And as Scott in his comments suggested, very strong  
23 results over all time periods. You can see the value  
24 added numbers are positive over every measurement  
25 period. But importantly, on an information ratio

1 basis, so risk-adjusted results, these are very, very  
2 strong. So the excess returns have been generated  
3 with very low levels of active risk.

4 On page 10 we take a look at the U.S. equity  
5 portfolio's performance. Right around benchmark over  
6 the year to date and one year periods, stronger than  
7 benchmark results over the three, five and since  
8 inception periods. And those numbers, I know it's  
9 small up there, in parentheses are representative of  
10 the return -- the percentile ranking of that return  
11 in a distribution of similarly managed portfolios.  
12 So not only has staff done a good job of beating the  
13 benchmark historically, but they're ranking  
14 consistently in the top quartile and oftentimes in  
15 the top decile of the universe.

16 On the large cap side, a little bit below  
17 benchmark results over the year to date and one year  
18 period, but very strong results over the longer term  
19 periods, three, five and inception. And, again, that  
20 information ratio, the risk-adjusted performance is  
21 quite good over all periods measured. So that  
22 long-term track record being generated very  
23 consistently with low levels of risk.

24 On page 11 we show the small cap portfolio's  
25 return here in the U.S. You can see the story there.

1 Consistent with the large cap space, a little bit  
2 underperformance over the shorter term periods but  
3 quite strong results over the three, five and  
4 inception period, where we've added over 50 basis  
5 points of value in the small cap space.

6 Moving on to page 12, on the non-U.S. equity  
7 side, it's sort of a recurring theme here, and I'm  
8 starting to sound like a broken record. Very strong  
9 returns both in non-U.S. equities in total and then  
10 below that in developed markets, particularly very  
11 strong results over pretty much all time periods  
12 measured. And, again, that long-term track record  
13 generated at very low levels of risk.

14 Page 13 we look at some of the less efficient  
15 markets. And, again, you can see very similar  
16 results. Non-U.S. small cap stocks have generated  
17 significant alphas over pretty much all periods  
18 measured. And then emerging markets as well,  
19 significant excess returns generated at very, very  
20 low levels of volatility relative to the benchmark.

21 So if I were to sum up performance over, pretty  
22 much over every period measured, and Ash alluded to  
23 this in his comments, Scott did as well in his, very  
24 strong results across all parts of the portfolio in  
25 global equity and very consistent, low risk

1 exposures.

2 The next couple of slides take a look at the  
3 ratings that we assign as an organization to the  
4 external managers that the SBA is using in the global  
5 equity portfolio. There are 66 separate strategies,  
6 and we've rated all of them but two. And those two  
7 will be rated shortly as well. Eighty percent of  
8 those, roughly 80 percent of those receive an A or a  
9 B-plus rating, which are the two highest ratings at  
10 Mercer for active managers.

11 You can think about that as an A or a B-plus  
12 rating is a manager that we have a high level of  
13 confidence in that has a competitive advantage, that  
14 should be able to outperform the market in the  
15 future. So 80 percent of the strategies are the two  
16 highest ratings that we have.

17 We upgraded two strategies during the past year.  
18 We downgraded one. As Scott talked about, there are  
19 three currency managers in place that are running a  
20 currency overlay program against the Russell 1000  
21 index fund. And as Scott noted, it's been successful  
22 in the, oh, six to nine months that that portfolio  
23 has been up and running, generating \$53 million in  
24 extra returns for the system. That chart there on  
25 the bottom or in the middle of page 15 just shows the

1 distribution of ratings of the managers that are  
2 currently in place here at the SBA.

3 And with that, I'll see if there are any  
4 questions. The last page just kind of reiterates  
5 what Scott talked about in terms of the timeline and  
6 things that we've been working on.

7 MR. COBB: Any questions on equity, to  
8 management or Mercer? Not hearing any, we'll go on  
9 to fixed income. And, Kathy, why don't you introduce  
10 your colleagues and then give us your report.

11 MS. WOJCIECHOWSKI: It's Katy.

12 MR. COBB: Katy. Excuse me.

13 MS. WOJCIECHOWSKI: We're set up slightly  
14 differently than global equity. The people that are  
15 in the room here, I'll ask them to introduce  
16 themselves, are largely involved in our active core  
17 portfolio, about 20 percent of the overall 30 billion  
18 in active management internally. So 50 percent of  
19 our 30 billion is in passive, and the other 50 is  
20 active. And these guys are mostly involved in the  
21 active management, also contributing to the passive  
22 portfolio and some other not insignificant funds,  
23 such as the Hurricane Catastrophe Fund, things like  
24 that. So if you guys could just introduce  
25 yourselves.

1 MR. FERNALD: Hi. I'm Tom Fernald. I'm a  
2 senior portfolio manager in fixed income. I've  
3 worked for the SBA for 17 years, all in fixed income.  
4 My current responsibilities include contributing to  
5 the management of our internal active portfolio that  
6 Katy just referred to. And I also monitor and  
7 communicate with all the fixed income external  
8 managers regarding strategies, portfolio holdings,  
9 compliance, operational and business issues. I'm a  
10 CPA and a CFA. Thank you.

11 MR. GELLER: I'm Brian Geller. I'll be with the  
12 SBA now two years come this January. I'm the senior  
13 PM for securitized product. So I manage the money  
14 for the active and the passive portfolio for  
15 residential, commercial and asset-backed securities.  
16 Prior to coming to the board, I spent the majority of  
17 my career at ING Investment Management, roughly 12  
18 years, where I cut my teeth on mortgage derivatives,  
19 being an analyst, working in risk, compliance and  
20 managed -- was a portfolio manager for the last four  
21 or five years there, in the same capacity as here,  
22 managing securitized product for various clients,  
23 third party and insurance money.

24 MR. CEURVORST: I'm Kevin Ceurvorst. I'm a  
25 senior portfolio manager for corporate credit. I

1 have a career starting back in 1980. It's basically  
2 segmented into three parts. I worked for insurance  
3 companies, and I worked for Duff & Phelps credit  
4 rating company and then for the SBA, about equal  
5 number of years across the board on the three  
6 segments.

7 Starting in the insurance companies, I did  
8 private placements first, and then I did equity  
9 analysis for public funds, and then I did some  
10 venture capital analysis overlapped with that for  
11 about two years. And I served on investment  
12 management committees that did the pension asset  
13 allocation for the company's pension plan.

14 And beyond that, I then moved on to Duff &  
15 Phelps credit rating company, where the last four  
16 years I was a group vice-president, with expanded  
17 responsibilities for marketing and revenue  
18 generation, rating criteria review and a voting  
19 member on the rating committees.

20 Here at the SBA I'm a senior portfolio manager,  
21 again, for corporate credit, both short-term and  
22 long-term, the long-term portfolios. The long-term  
23 portfolio is investment grade only. I've been  
24 managing that for about five years now. An  
25 accomplishment there is we did a couple of major

1 revamps. We did a couple of reallocations, most  
2 recently to the intermediate index. And the excess  
3 returns over benchmark have been very good.

4 The short-term portfolio responsibilities, we  
5 did a major revamp after the financial crisis and set  
6 in place a process where the short-term portfolios  
7 now have a robust oversight. I serve on a trading  
8 oversight group for the counterparty reviews, and I  
9 serve on the investment oversight group for the  
10 quality assurance of our long-term portfolios.

11 MR. SMITH: My name is Richard Smith. I've been  
12 with the board 15 years. I manage 22 billion in  
13 internal funds. They include the Hurricane  
14 Catastrophe Fund, the FRS residual cash from all the  
15 asset classes, and mortgage TBAs. Prior to that I  
16 worked in the state treasury, assisting and managing  
17 the checkbook and assisting with the external manager  
18 program.

19 MS. JEFFRIES: Hi. My name is Cherie Jeffries.  
20 I've been here for two years. I'm the director of  
21 fixed income trading. I oversee trading, which  
22 includes trading systems, regulations, a lot of  
23 contractual work. I oversee the short-term  
24 portfolios, the middle office group and the  
25 (inaudible) group.

1 Before I came here, I was at the Treasury as  
2 well, where I oversaw internal investments, and then  
3 that led to overseeing all investments. I was there  
4 for ten years. Before I went to Treasury, I was at  
5 Brown Brothers Harriman in Chicago for nine years,  
6 and I was a vice-president of high net worth.

7 MS. WOJCIECHOWSKI: That's kind of who we are.  
8 We're a very socialistic group, and we get together  
9 every week and set the strategy for our portfolio.  
10 Not a huge amount of risk that we take currently, and  
11 I'll get into that. But this group kind of votes,  
12 and I guess I could be the tiebreaker, but I haven't  
13 had to yet.

14 So our total investment policy allocation, as  
15 you know, we lowered it last year from 24 to 18.  
16 We're currently around 20 percent. We, thank  
17 goodness, haven't had to be the liquidity provider  
18 this year, thanks to equities rising most of the  
19 year. Gotten close a couple of times.

20 Last year, if you remember, we spent a long time  
21 talking about our benchmark. We did reduce our  
22 benchmark duration by about a year and a half, from  
23 the Barclay's Ag to the Intermediate Ag. So that's  
24 about 86 percent of what is considered the investment  
25 grade world, the domestic investment grade world. In

1 doing so, we had to reduce our duration. As Kevin  
2 said, we really lopped off the long end of the  
3 portfolio.

4 The objective in doing that was to reduce  
5 volatility. And I think we have -- we definitely  
6 have achieved that objective. Unfortunately, it's  
7 also been a year when long rates have rallied. And  
8 we talked about that a lot, that we didn't see a lot  
9 of reason that rates needed to rise. But to reduce  
10 volatility to ensure in the case of future possible  
11 rate rises, we reduced the duration. So gave up a  
12 little bit of return, reduced our volatility  
13 slightly. And you'll see that in the performance  
14 numbers going forward.

15 Turn the page. So these guys, as I mentioned,  
16 most of our day is spent managing that active core  
17 portfolio. We also do have a \$15 billion passive  
18 portfolio which we have managed. We've got a great  
19 risk system that has allowed us to over time achieve  
20 the goal with zero outperformance. We're slightly up  
21 on that.

22 We also have six external managers, which we've  
23 done a little bit of shifting back and forth this  
24 year. But we do have six external managers. Each of  
25 those bring a little something different to the

1 table. So some of them might be a certain sector  
2 specialist, corporate or mortgage or asset-backed.  
3 And you bring those together, and the sum of the  
4 parts is greater. And we have had significant  
5 outperformance over time. They're a little bit  
6 challenged this year, but over all our performance is  
7 up versus the benchmark.

8 One other thing that we have to do is be ready  
9 to maintain liquidity. Haven't had to do it this  
10 year, but we feel that with our portfolio -- if you  
11 look at the benchmark five years ago versus now, it  
12 is much more geared towards Treasuries and agencies  
13 and mortgage-backs than it was five, ten years ago.  
14 So we feel that we stand ready to provide liquidity  
15 at any point.

16 That said, you know, banks, trading desks, they  
17 all maintain a lot smaller books than they did 10  
18 years ago. So while we've tried -- we as an industry  
19 have tried to become less correlated, we're probably  
20 more correlated. So it's not unlikely that if  
21 everybody rushes for the door, in case of a crisis or  
22 something, that we might see another liquidity hiccup  
23 in the future.

24 So as I mentioned, our portfolio is split active  
25 passive 50-50. We've stayed pretty close to that.

1 We think this allows us to take maybe a little bit  
 2 more risk in certain areas than we aren't currently.  
 3 But in our active portfolio it allows us to take some  
 4 more risk because we know we have that cushion of  
 5 50 percent that's -- that is about 65 percent in  
 6 Treasuries, agencies and mortgages, liquid mortgages.

7 The active portfolio, we coordinate with our  
 8 external managers. We look at it on a rolled-up risk  
 9 basis to see what our active risks are, that we're  
 10 within our risk budget, which is pretty tight,  
 11 actually. I think that's all I have on that page.

12 So if we could go forward to our initiatives.  
 13 We've looked at some things over time. We've talked  
 14 about them in here; should we go into core-plus and  
 15 what is core-plus, in high yield, in emerging  
 16 markets. We continue to do that research. Does it  
 17 make sense to do non-dollar with fixed income. And  
 18 we've kind of come back to -- when we think about  
 19 what our major objectives are, one of them is to  
 20 provide liquidity and stand ready at a low risk  
 21 basis.

22 We would like to have the opportunity, we do  
 23 have the opportunity to maybe branch into that, but  
 24 we want to do it when it's smart. So we've been  
 25 getting the infrastructure ready. So if it makes

1 sense to move into some more esoteric areas, some  
 2 more structure perhaps or high yield as part of a  
 3 core-plus mandate, that we could do that, but not on  
 4 a dedicated basis.

5 We still -- we think our risk budget is -- at  
 6 50-50 our risk budget is fine right now, but I would  
 7 caution that if volatility creeps up -- it's very  
 8 low. If volatility does pop up, we may hit that  
 9 upper bound, and we discussed that at the last  
 10 quarterly meeting.

11 One thing that I'm a broken record on, but the  
 12 industry is moving a lot more towards clearing,  
 13 standardization of transactions, trying to get swaps  
 14 on books and clear TBAs. Cherie, she talked about  
 15 the trading that she's over. A lot more  
 16 standardization and repo documentation, just all of  
 17 the transactions being cleared and basically people  
 18 not trusting anybody.

19 And a big part of that is trading desks are not  
 20 allowed to commit as much capital of an organization.  
 21 So if they are systemically important, they have shed  
 22 commodity desks. They have reduced their risk  
 23 overall. They hold much smaller books.

24 This year it's been fine. The world has largely  
 25 been fine, because there's a lot of demand for fixed

1 income in the world. And I think that's kept a lid  
2 on rates. But we don't know that that's going to  
3 happen going forward. It seems like everybody kind  
4 of runs for the door at the same time.

5 If you could just flip forward. This is what  
6 our active exposure looks like over the year. I've  
7 mentioned this a couple of times. We don't see a lot  
8 of places to take risk. Where we do we will. So we  
9 saw a little pop-up midyear. We increased our risk,  
10 as did our external managers. So this would only be  
11 our overall exposure. Don't forget 50 percent is  
12 taking zero risk to begin with.

13 MR. PRICE: How large a position would you have  
14 with one issuer?

15 MS. WOJCIECHOWSKI: With one issuer?  
16 Five percent.

17 MR. PRICE: Five percent of the 23 billion or  
18 5 percent of --

19 MS. WOJCIECHOWSKI: Five percent of an issuer in  
20 a portfolio. So if we -- within each portfolio, that  
21 would be the max. So then if you do the math,  
22 overall it would be a max exposure. We have tighter  
23 guidelines on some of our sort-term portfolios, but  
24 in -- in our active core portfolio.

25 In our passive portfolio, if you think about

1 that, that's going to be much smaller concentrations  
2 because that does replicate the index. So very tiny  
3 positions in that area.

4 Now, if correlation goes to one, it really  
5 doesn't matter. Defaults have been very low.  
6 Default predictions going forward are still quite  
7 low. Kevin could talk to you about it for hours.  
8 But feel pretty comfortable with our risk exposure  
9 right now. Believe me, we'd love to see hiccups. So  
10 we saw some interesting things to --

11 MR. PRICE: How much of the fixed income money  
12 is outside the U.S.?

13 MS. WOJCIECHOWSKI: I'm going to say less than  
14 10 percent. We are by and large -- our benchmark is  
15 the Barclay's Intermediate Aggregate, and it is  
16 denominated in the U.S.

17 So just a little bit on our outlook. We've  
18 talked a lot about rates rising, and by gosh, the Fed  
19 is going to tighten sometime soon. We don't  
20 necessarily believe that's going to translate into  
21 long rates rising a lot. We don't see a lot of  
22 inflation. Inflation expectations have come down  
23 over the year. GDP expectations had a horrible  
24 quarter, if you remember the first quarter of this  
25 year, horrible quarter. Going to lead to lower GDP



1 than it probably would have been overall this year,  
 2 but also inflation is very low. At the same time the  
 3 rest of the world is even lower, so we are the high  
 4 yielder for the world right now, if you think about.  
 5 (Inaudible) are at 77 basis points on the 10 year.  
 6 We're at 220, 230. We're pretty high yield.

7 If you just flip forward, one of the -- and it  
 8 seems so obvious, if that's the case, that the curve  
 9 will flatten, because we know, number one, the Fed is  
 10 going to tighten, and we don't see inflation in the  
 11 world. What can happen but the Fed tighten? I'm a  
 12 little concerned about it being a crowded space, but  
 13 that's kind of what we're looking at.

14 And while we're not the -- our style is not to  
 15 express it necessarily in duration, we will structure  
 16 our portfolio accordingly. So we've been looking at  
 17 opportunities for that. You can find trades that  
 18 don't take a lot of risk but can roll down the curve,  
 19 and we should see a benefit from that going forward.  
 20 Again, though, we did lop off 10 years and out out of  
 21 our benchmark, so we may be taking some  
 22 out-of-benchmark trades. And then just --

23 MR. COBB: I have a question on the trades. Are  
 24 they done -- are those trades at our desk, or do we  
 25 do that through a third party brokerage firm?

1 MS. WOJCIECHOWSKI: We transact with -- we have  
 2 27, I think, counterparties, and so we have --  
 3 Richard is one of our two primary traders. We have  
 4 two traders that they trade actually 2 billion a day,  
 5 mostly in short-term but also in long-term, so  
 6 corporate agencies, Treasuries and mortgage-backs.  
 7 We trade everything. And then our external managers,  
 8 of which we have six, they transact also at their  
 9 desks.

10 MR. COBB: But of internally managed, we do all  
 11 of our trades --

12 MS. WOJCIECHOWSKI: Yes.

13 MR. COBB: -- ourself without a commission.

14 MS. WOJCIECHOWSKI: Right. And we've done a lot  
 15 of work on making sure we have good processes for  
 16 straight-through processing. So everything is  
 17 automated from the time we transact right through  
 18 settlement.

19 A lot of people on that page. You met the main  
 20 ones up here. After a year of search, we actually  
 21 will have that vacant position filled in January for  
 22 our new senior portfolio manager. And that's kind of  
 23 how we're set up. That's all I have.

24 And then I didn't overlay our -- also our  
 25 performance. I don't know if you guys want to

1 mention that.

2 MR. COBB: So questions before Mercer gives  
3 their evaluation? If not --

4 MR. BIRNBAUM: Thank you. John, could we go to  
5 page six. So here's a similar comparison of our  
6 fixed income portfolio relative to peers according to  
7 the CEM benchmarking survey. You can see we make a  
8 greater use of passive investment strategies. And I  
9 would say even within the active piece we're much  
10 more risk controlled and lower risk than what peers  
11 might be doing in that space.

12 And for a program whose fixed income portfolio  
13 is designed to be that sort of store of liquidity,  
14 anchor to windward, given all the other exposures we  
15 have in the plan, we think that's an appropriate  
16 place to be.

17 On pages seven and eight, we get into the  
18 performance of the asset class and then the various  
19 aggregates. So the first grouping of numbers there  
20 is the total asset class results. You can see that  
21 over all time periods measured, the return generated  
22 here at the board exceeded the benchmark. I think  
23 it's worth pointing out, you'll see the numbers in  
24 the parentheses don't look terribly good in the  
25 distribution of returns earned by other fixed income

1 portfolios. And I think that's a function of two  
2 things that Katy has alluded to. The first one being  
3 we changed the benchmark. And as interest rates have  
4 been on a bull run over the last several years, the  
5 fact that we shortened duration hurt our absolute  
6 returns to some extent.

7 And then a lot of other plans are investing more  
8 of their assets in things like high yield and  
9 emerging markets. This is an investment -- largely  
10 an investment grade portfolio, highly risk  
11 controlled.

12 Once you adjust for that risk differential and  
13 look at things -- look at results in risk-adjusted  
14 return, information ratio context, which creates a  
15 level playing field for everybody, you can see that  
16 the results stack up much stronger than the  
17 distribution of returns earned by other fixed income  
18 portfolios.

19 On the internal side, right below that, you see  
20 a very similar picture, excess returns over all time  
21 periods measured, strong results on a risk-adjusted  
22 basis and then very similar results on page eight for  
23 the performance of the external managers.

24 On the next slide we show the distribution of  
25 ratings, our ratings of the managers that are

1 currently in place here. There's about 15 separate  
 2 fixed income strategies in place at the plan here.  
 3 Two-thirds received the highest rating categories.  
 4 One is not rated, and we are in the process of rating  
 5 that strategy.

6 And then on page 11, just some recent activity  
 7 which Katy touched on both in terms of the benchmark  
 8 change, analysis and discussion around the  
 9 implementation of core-plus strategies within the  
 10 fixed income portfolio, and then I'm sure you can  
 11 imagine, with the events of six weeks or so ago with  
 12 PIMCO, there's been an awful lot of dialogue and  
 13 discussion ongoing about that. So happy to address  
 14 any questions that you may have.

15 MR. COBB: Questions? Any concluding comments,  
 16 Katy?

17 MS. WOJCIECHOWSKI: No.

18 MR. COBB: Thank you. Good report. Okay.  
 19 We're in Tab 5. Steve, do you want to go first, real  
 20 estate?

21 MR. SPOOK: Good afternoon. I have two of my  
 22 most senior managers in the audience today. I'd like  
 23 for them to introduce themselves, tell y'all what  
 24 they do, Lynne Gray and Jeff Smith.

25 MS. GRAY: Good afternoon. I'm Lynne Gray,

1 senior portfolio manager for real estate's principal  
 2 investment portfolio. I've been with the board for  
 3 21 years. Sixteen of those years have been spent in  
 4 the real estate group. I have an accounting degree  
 5 from Florida State University, and I'm also a CPA. I  
 6 spent a few years out of college in private  
 7 accounting and then joined the board.

8 As senior portfolio manager, I oversee and serve  
 9 as team leader for a group of professionals, and they  
 10 just happen to be in the audience today. I'd like  
 11 for them to stand. Together we manage the board's  
 12 principal investment portfolio, which is a \$6 billion  
 13 nondiscretionary direct investment portfolio. We  
 14 manage from acquisition ultimately to disposition.  
 15 Thank you.

16 MR. SMITH: Hello. My name is Jeff Smith. I'm  
 17 the senior portfolio manager for our externally  
 18 managed investments. I started managing real estate  
 19 investments in '97 on the direct side, managed all  
 20 the property types. I worked through acquisitions in  
 21 the late nineties and then became senior portfolio  
 22 manager in the early 2000s.

23 When we restructured a few years ago, I moved  
 24 into a newly created role for the externally managed  
 25 portfolio, which is a smaller portfolio. Now it's

1 currently about almost half of the real estate  
 2 portfolio, as it's comprised of agricultural  
 3 investments, programmatic joint ventures, pooled  
 4 funds and four separate account REITS. And I've got  
 5 a staff of one portfolio manager, one analyst and one  
 6 intern. Thank you.

7 MR. SPOOK: Thank you, Jeff. Thank you, Lynne.  
 8 So going to slide one, our performance continues to  
 9 be good over all time periods for the total real  
 10 estate portfolio. The one year return, we have  
 11 outperformance of 190 basis points, 300 over three  
 12 year, 190 basis points over the five year, and 440  
 13 basis points over the ten year.

14 I would say that the outperformance is mostly  
 15 due to good individual asset selection on the direct  
 16 side and good fund manager selection on the  
 17 externally managed side of the portfolio.

18 Breaking down the performance a little more,  
 19 first is the principal investments performance, which  
 20 is Lynne Gray's portfolio. Again, you can see  
 21 outperformance over all periods of time and over both  
 22 our primary and our secondary benchmark. The primary  
 23 is the total asset class benchmark, which is the ODCE  
 24 open end diversified core equity index, which is  
 25 maintained by NCREIF. That is a levered index. And

1 the secondary benchmark is the NCREIF national  
 2 property index, which is an unlevered index.

3 Going on to Jeff's portfolio, externally  
 4 managed. Again, outperformance over all periods of  
 5 time. The reason we don't go back more than three  
 6 years is it wasn't its own distinct portfolio until  
 7 that reorganization that Jeff just described. Recent  
 8 activity pretty much reflects --

9 MR. COLLINS: Can I ask you one question real  
 10 quick?

11 MR. SPOOK: Sure.

12 MR. COLLINS: The one year return, how are you  
 13 measuring that? What data are you getting on that?

14 MR. SPOOK: We do quarterly valuations. Three  
 15 quarters are internal valuations done by our  
 16 investment managers, and the fourth one is an  
 17 external appraisal.

18 MR. COLLINS: And is this -- this data here, the  
 19 one year, the 14 percent, that's only on the  
 20 externally managed that Jeff is managing, correct?

21 MR. SPOOK: Right. And that is a combination of  
 22 appraisals. And in the case of funds, we're relying  
 23 on the commingled funds to provide those valuations.

24 MR. COLLINS: And then how are you valuing the  
 25 cash that is committed but not drawn?

1 MR. SPOOK: We don't keep cash at the asset  
2 class level, except for that that we know we need for  
3 immediate operating purposes.

4 MR. COLLINS: Okay.

5 MR. SPOOK: We transfer all that to cash and  
6 central custody.

7 MR. COLLINS: Sorry, Mr. Chairman.

8 MR. SPOOK: The recent activity is meant to  
9 reflect all of the transactions that have occurred  
10 since I last gave you an update. So we've made two  
11 industrial investments. One is a development,  
12 partially development, partially one completed  
13 building that we bought, and then development land to  
14 continue that program.

15 And the second investment was an add-on to an  
16 existing joint venture that we've had for years that  
17 will just slowly grow. We had a multifamily  
18 investment, which is a development deal, and one  
19 student housing investment for 20 and a half million  
20 dollars.

21 Commingled funds, we didn't close on any new  
22 commingled funds over the period since I last  
23 reported to you, but we are in documentation on three  
24 funds totaling 213 million.

25 As far as real estate markets, nothing much has

1 really changed since the last time we spoke. There's  
2 still a lot of capital coming into the sector,  
3 looking for yield. Our expectations are continued  
4 relative low Treasuries, and that capital coming into  
5 the sector and low interest rates should be -- should  
6 continue to be supportive of asset values.

7 It still looks like the market is being fairly  
8 restrained in use of leverage. So that should help  
9 limit downside volatility. Core assets are, as all  
10 of you probably know, very expensive right now. But  
11 I would say that's pretty reflective of all asset  
12 classes at this time.

13 So that leads to a lot of opportunities for  
14 value add strategies that let us acquire an asset at  
15 a good cost basis, and that's code for doing some  
16 development. And we are restricted with how much  
17 development we can do. It's one of our risk  
18 parameters. But we are taking advantage of that  
19 bucket.

20 Market and asset selection is critical. The  
21 price recovery has been uneven, so core has rebounded  
22 very strongly. Non-core, you know, buying something  
23 with a little bit of vacancy or something, has not  
24 rebounded quite as much. And there's a definite  
25 bifurcation between primary markets, gateway markets,

1 and then you go down to the next tier, secondary and  
2 tertiary markets.

3 Demand drivers are strengthening, and there's  
4 very little new construction, other than multifamily,  
5 which is seeing a good amount of supply, but demand  
6 is equally strong. Any questions?

7 MR. COLLINS: Just a couple, Mr. Chairman.

8 MR. COBB: Yes, sir.

9 MR. COLLINS: So on the value add, you said read  
10 that as development. And then you talk about the  
11 development in the last point. So is there anything  
12 besides multifamily that you're involved in  
13 development on today or looking at?

14 MR. SPOOK: Yes. We're doing a couple of  
15 industrial developments, and we recently completed an  
16 office development.

17 MR. COLLINS: And going back to the page before,  
18 where are we relative to target in the asset class?

19 MR. SPOOK: We're at 7.8 percent and target is  
20 10.

21 MR. COLLINS: Right. And so -- I forget from  
22 the last meeting. I think we talked about it, and  
23 you had the timeline for us under your pacing  
24 schedule. But when do we anticipate getting to  
25 target?

1 MR. SPOOK: Well, the pacing model is -- as of  
2 today, it's probably on a four year pace to get  
3 there. Again, we only use that as a guide. We can  
4 speed it up, we can slow it down, as we see the  
5 opportunities.

6 MR. COLLINS: And, finally, are you still  
7 actively selling?

8 MR. SPOOK: We are selectively selling, yes.  
9 It's a good time to prune the portfolio. A lot of  
10 buyers are pricing through defects, just the chase  
11 for core. So it's a good opportunity.

12 MR. COLLINS: I agree. Thank you, Mr. Chairman.

13 MR. COBB: Any other questions on real estate?  
14 And a question for you, Ash. Are we going to ask  
15 Mercer to comment on each asset class as we go  
16 forward, on real estate, or are we going to have them  
17 deal with --

18 MR. WILLIAMS: No. Mercer is primarily a liquid  
19 markets adviser for us.

20 MR. COBB: Right, okay. That's right. I forgot  
21 about that. Okay. So, John, are you going to go  
22 next?

23 MR. BRADLEY: I am. Thank you. So I'll start  
24 by introducing a senior member of our staff. We have  
25 two senior portfolio managers in the private equity

1 asset class. One of them, Wes Bradle, is not here  
2 today. He's currently traveling, visiting with some  
3 prospective managers. Our other senior portfolio  
4 manager, Luanne Good, is here. And I'll turn it over  
5 to Luanne to introduce herself.

6 MS. GOOD: Good afternoon. Luanne Good, senior  
7 portfolio manager in the private equity group. I'm  
8 actually a grad of the University of Nebraska,  
9 Lincoln. Spent a little bit of time with the  
10 comptroller of the currency and then a couple of  
11 years with Centel and then down here with Centel  
12 Florida.

13 That being said, I've spent 28 years here at the  
14 board. Started out with debt service, moved into  
15 accounting. Had the opportunity to move to the  
16 investment side of the business, so spent eight years  
17 in real state, eight years in fixed income, and the  
18 last six years in private equity.

19 I work with a team or a close team of five  
20 people, so we're generalists, so I get an opportunity  
21 to work with all firm and fund sizes, all the  
22 different sub-asset classes, what we call venture,  
23 growth, buyouts and/or secondaries, and across the  
24 globe. Otherwise than that, I work with resource and  
25 diligence, opportunities, monitor existing

1 investments. And then from the top down, we all work  
2 together on strategy as well as portfolio  
3 construction.

4 I'm a CPA, and I also work with the education  
5 committee with the ILPA, which is the Institutional  
6 Limited Partner Association for the private equity  
7 industry. Thank you.

8 MR. BRADLEY: Thank you, Luanne. I'll start  
9 with an update on the private equity market. Not  
10 much has changed since last quarter. The market  
11 remains very competitive, with industry metrics such  
12 as EBITDA multiples, leverage, et cetera, at or  
13 approaching historic highs. This, however, remains  
14 more pronounced at the larger end of the market, with  
15 the small and middle markets trending around  
16 historical averages.

17 Despite endless amounts of available leverage  
18 and growing pools of dry powder in private equity  
19 funds, our general partners have remained disciplined  
20 and continue to be net sellers of assets. Since  
21 June 30, 2012, which covers our last two full fiscal  
22 years plus a few months, we've received net cash  
23 inflows of \$700 million. Over this time period, we  
24 have received 7.3 billion in distributions, an amount  
25 nearly equal to the entire market value of our asset

1 class.

2 As a result, we have a fairly young portfolio  
3 today. The average age of our assets is 3.6 years,  
4 which can be seen on this chart. This graph breaks  
5 down our market value by year in which our portfolio  
6 companies were purchased. So 76 percent of our  
7 assets by market value today were purchased during or  
8 after the global financial crisis, since 2009.

9 Here we have our sector allocations versus our  
10 primary benchmark. Consumer discretionary and IT are  
11 the largest exposures in the portfolio, while the  
12 financial sector makes up our largest underweight.

13 Not much has changed geographically. We remain  
14 heavily weighted towards the U.S. and Canada.  
15 Seventeen percent of our portfolio is in Europe,  
16 while Asia and the rest of the world have a roughly  
17 5 percent allocation.

18 We committed approximately \$500 million to six  
19 funds during the third quarter, 330 million to three  
20 buyout funds, 52 million to two growth equity funds,  
21 and 125 million to one venture fund.

22 As of June 30 the asset class portfolio  
23 continues to perform well over the long-term,  
24 exceeding its benchmark over the last ten years and  
25 since inception. The three and five year returns we

1 show here remain strong on an absolute basis but do  
2 trail the public markets plus a premium over the  
3 respective time periods.

4 And, lastly, we end with performance by  
5 sub-strategy. Our buyout, both U.S. and non-U.S.,  
6 our distressed, secondary and U.S. growth portfolios  
7 continue to perform well and exceed their peer  
8 benchmarks, while our U.S. venture capital and  
9 non-U.S. growth equity portfolios trailed their peer  
10 benchmarks.

11 MR. PRICE: So, John, you said you -- I think  
12 you said at the beginning, Ash, that you cleaned up  
13 last Friday the legacy portfolio. Does that mean you  
14 sold it in the secondary market?

15 MR. BRADLEY: Not in the secondary market, but  
16 one of the final assets in the portfolio was sold.

17 MR. PRICE: Okay. So it's down to just the  
18 single fund.

19 MR. BRADLEY: Correct. It's down to one fund  
20 and two assets, both of which are for sale.

21 MR. TAYLOR: Right. So that was our remaining  
22 largely historic legacy fund, and we're slowly  
23 liquidating the underlying portfolio companies within  
24 that fund, and we sort of just finished that up last  
25 Friday.



1 MR. BRADLEY: And we previously sold every other  
2 partnership in a secondary sale last year in the  
3 legacy portfolio.

4 MR. COBB: I just have a question for Ash, maybe  
5 to both of you gentlemen. My sense is that private  
6 equity and real estate are maybe the most overvalued  
7 in the markets today. And that's just one person's  
8 view. Do we as a team and committee agree with that,  
9 and if we do, should we be changing our allocations  
10 to reflect a concern of overvaluation in private  
11 equity and real estate?

12 MR. WILLIAMS: I don't disagree with your sense  
13 of valuation. I would add to that, though, that I  
14 think U.S. Treasuries are overvalued. One could  
15 raise a question about valuation of certain equities,  
16 notably U.S. probably, relative to the rest of the  
17 world. And I don't think that short-term view would  
18 be a basis for making a change in our policy targets,  
19 for the simple reasons that, number one, we're not  
20 tied to be bang on in our target allocations all the  
21 time, and we do have the tactical flexibility and the  
22 ranges we put around them to reflect current  
23 valuation thinking.

24 Further, if you look at what our experience has  
25 been and the way our implementation has worked, we

1 have the ability to simultaneously tune the portfolio  
2 by selling into strength, as we have done in real  
3 estate and private equity and strategic and a range  
4 of other areas, while adding opportunistically assets  
5 in those same areas that are appealing, because there  
6 are certain corners of that asset class or certain  
7 flavors of the class that we think we can do  
8 something with and that will be, over our holding  
9 period, attractive for us to have.

10 MR. COBB: Do either of you want to add to what  
11 your boss said?

12 MR. BRADLEY: I would agree, and probably also  
13 point out, I mean, I agree with your premise that the  
14 market is expensive. I think that's borne out when  
15 we look at our distributions and the fact our GPs  
16 have been, in this market, net sellers of assets. I  
17 think what you'll see us do at the asset class level  
18 is we could pivot between large market and small  
19 market. And what we've done as of late is to maybe  
20 deemphasize the larger end of the portfolio, that  
21 area that is very highly valued, very highly levered,  
22 move into smaller GPs that less utilize leverage and  
23 are more disciplined in terms of price.

24 MR. WEBSTER: And I believe on an enterprise by  
25 EBITDA basis, the private markets are actually

1 cheaper than the public markets at this time. The  
2 public markets are expensive.

3 MR. WENDT: I have two questions, Mr. Chairman.  
4 On unnumbered page three, which at the top it says  
5 portfolio composition, I'm confused as to what the  
6 percentages on top of the bars are.

7 MR. BRADLEY: That's the percentage by market  
8 value by portfolio company in that specific year.  
9 And so if you look at our portfolio, which is today  
10 around 8 billion in market value, we take 2012 for  
11 example, 18 percent of that market value were  
12 companies purchased in 2012.

13 MR. WENDT: Purchased in that year. So the  
14 amount of purchases you've made in 2014 then is much  
15 less than it was in 2012, so far.

16 MR. BRADLEY: Correct. I think that's just  
17 another statement as to the market environment we're  
18 in in terms of values.

19 MR. WENDT: Secondly, have you added any new  
20 managers this year?

21 MR. BRADLEY: We have. So we've added -- let me  
22 quickly count them. We have added three new  
23 managers.

24 MR. WENDT: Thank you.

25 MR. COLLINS: So the other commitment activity

1 were re-ups?

2 MR. BRADLEY: They were, yes.

3 MR. COLLINS: And so on the portfolio market  
4 value, are you taking committed capital there, or are  
5 you taking invested called capital?

6 MR. BRADLEY: This is invested called capital.

7 MR. COLLINS: So if you were doing committed  
8 capital by percentage of portfolio, would those  
9 numbers change quite a bit, or would it be similar?

10 MR. BRADLEY: They would. They'd be fairly --  
11 they'd be actually fairly even across vintage years.  
12 So since the program really scaled up and matured in  
13 2006 and 2007, we've been between 1.8 and 2.2 billion  
14 a year over the last six to seven years. So it's  
15 been very consistent.

16 MR. COLLINS: And my last question,  
17 Mr. Chairman, going to your question, if you believe  
18 that most of our returns come from asset allocation,  
19 right, but yet we all believe that certain markets  
20 are overvalued or fully valued, right, at this point  
21 in time, do you look at it as a tactical endeavor to,  
22 as you said, pivot between certain things, or is that  
23 just in line with your capital plan? Because I'm  
24 assuming you're below target as well at this point.

25 MR. BRADLEY: Correct. We're at five and a half

1 percent, with a target of six, so --

2 MR. COLLINS: So not as much as real estate, but  
3 you're below target. So do you just look at that and  
4 say, you know what? Pretty fairly valued, pretty  
5 overvalued, whatever. We've made four, almost half a  
6 billion dollars worth of commitments this year.  
7 We're good. Or do you say, well, we're just going to  
8 find different ways or areas that we feel are  
9 undervalued?

10 MR. BRADLEY: We never force the money out. So  
11 I think we at this time give it back to just quality,  
12 and so finding those managers that we think fit in  
13 the portfolio and have shown an ability through  
14 cycles to produce good returns. So what we're not  
15 trying to do is cull the market and say, we think  
16 these will be poor vintage years, understanding that  
17 our funds have four to five years to make  
18 investments, another four to five years to liquidate.  
19 So we leave it to the GP to make those decisions.

20 MR. COBB: Okay. Any other questions on private  
21 equity? If not, Trent, why don't you take over.

22 MR. WEBSTER: Thank you, Ambassador. First I'd  
23 like to introduce two members, two senior members of  
24 the strategic investments asset class, Mr. Subhasis  
25 Das and Mr. John Mogg.

1 MR. DAS: Good afternoon. My name is Subhasis  
2 Das, and I'm a senior portfolio manager in strategic  
3 investments. I've been at the board for 12 years.  
4 My primary responsibilities are research and sourcing  
5 oversight of a variety of hedge fund and activist  
6 equity portfolios, as well as some niche alternative  
7 investment strategies, like healthcare royalty funds.

8 My focus for most of this year has been on CTA  
9 and discretionary global macro type strategies that  
10 have some distinct diversifying characteristics,  
11 which we expect to be very beneficial for the overall  
12 portfolio.

13 Prior to my current role, I was the director of  
14 research in the global equity asset class, where my  
15 responsibilities included analysis of portfolios,  
16 researching portfolio strategies, oversight of  
17 external active managers and internal quantitative  
18 equity strategy and risk analysis at the asset class  
19 level.

20 Before coming to the board, I worked primarily  
21 as a research and business economist, focused on  
22 economic, tax revenue and interest rate forecasting  
23 for a variety of places, like the governor's budget  
24 office, the treasury section of a commercial bank,  
25 and the Florida Legislature.

1 My educational background consists of a Ph.D. in  
2 economics, M.S. in computer science and an MBA  
3 degree. Thank you.

4 MR. MOGG: Good afternoon. My name is John  
5 Mogg. I'm a senior portfolio manager in strategic  
6 investments, and I joined the board in 2011. Prior  
7 to joining the board, I worked for UMWA Health and  
8 Retirement Funds, a large Taft-Hartley pension trust  
9 in Washington, D.C. There I was responsible for  
10 building out the hedge fund portfolio, managing  
11 private equity investments. And I also designed and  
12 implemented an interest rate hedging strategy to  
13 hedge out much of the interest rate risk and the  
14 liability. Prior to that I worked for T. Rowe Price  
15 & Associates in a variety of investment roles.

16 I have an undergraduate degree in finance from  
17 Florida State University and a master's degree from  
18 George Washington University in Washington, D.C. I'm  
19 also a CFA and CAIA charter holder.

20 My responsibilities at the board more generally  
21 include sourcing new investments, performing due  
22 diligence, monitoring our existing portfolio, as well  
23 as working with the team on portfolio construction  
24 and risk management. Some of the projects I've been  
25 involved in more recently include building out the

1 technology infrastructure to support the growth of  
2 strategic investments. That includes a COM system,  
3 which we recently implemented. And also we're in the  
4 process of implementing a risk aggregation system to  
5 help to roll up the underlying risk of our hedge fund  
6 portfolio to better understand the underlying risk.

7 Some other projects I've been involved with  
8 include working with some of our largest investment  
9 managers and understanding some of the strategic  
10 benefits that come from working with them on a bigger  
11 scale. And we're in the process of working with one  
12 of those managers and hope to have that in place  
13 before the end of the year.

14 MR. WEBSTER: Thanks, guys. Also on our senior  
15 team is Mr. Michael Lombardi, who is also a senior  
16 portfolio manager, but he's traveling on business  
17 today.

18 Because we're a little bit different, strategic  
19 investments, I always like to start with this slide  
20 as a reminder of how the asset class fits in the  
21 total FRS. And hopefully this is becoming familiar  
22 with everyone here. So we have four objectives in  
23 policy. The first one is to generate an active  
24 return of 5 percent above the Consumer Price Index  
25 over time.

1 Our second objective in policy is to diversify  
 2 the FRS by investing in alternative streams of  
 3 economic return and to dampen the volatility of the  
 4 fund. Our third objective is to provide a hedge  
 5 against inflation. We don't see much consumer price  
 6 inflation today, but we certainly see a lot of asset  
 7 price inflation.

8 And, finally, we are also to invest  
 9 opportunistically effectively across a variety of  
 10 different alternative asset markets to generate the  
 11 most attractive risk-adjusted returns.

12 This is the portfolio by strategy weight. We  
 13 have six broad strategies, of which we are currently  
 14 invested in debt as our largest, at roughly  
 15 37 percent. We expect that debt will be our largest  
 16 allocation for the foreseeable future, but we do  
 17 expect it to come down over time.

18 Equity, real assets and flexible mandates are  
 19 between 16 and 19 percent, and the flexible mandates  
 20 portfolio currently are primarily multi-strategy and  
 21 event-driven hedge funds. The diversifying  
 22 strategies are strategies which generally have a  
 23 lower correlation or uncorrelation to equity markets.  
 24 We've been spending a lot of time in this area over  
 25 the last 12 to 18 months, and we do expect that to

1 get to the 10 to 15 percent area, hopefully within  
 2 the next year or two.

3 Now, within these six broad strategies we can  
 4 invest in 19 different sub-strategies, of which we  
 5 are currently invested in 16. Our largest allocation  
 6 is in distressed, where we have one in six dollars  
 7 invested in our book. We generally like distressed  
 8 because we think it's a relatively inefficient  
 9 market, albeit a cyclical market, so it will go down  
 10 when asset markets go down. But we do like it  
 11 because we think positive biases create attractive  
 12 risk-adjusted returns in this market.

13 You can see on the left-hand side, you can see  
 14 global macro at 2 percent and CTAs at 3 percent.  
 15 We're working to get those up to somewhere between 6  
 16 and 8 percent, which we would expect over the next 12  
 17 to 18 months.

18 MR. PRICE: What's CTA?

19 MR. WEBSTER: Commodity trading adviser, managed  
 20 futures. And finally, on the pie chart, if you look  
 21 at infrastructure at seven o'clock, it's at zero  
 22 percent. That will rise to somewhere between 3 and  
 23 4 percent, due to a commitment that we had made  
 24 nearly two years ago that got funded in the fourth  
 25 quarter.

1 We generally find core and core-plus  
2 infrastructure to be unattractive from a  
3 risk-adjusted return basis, but there are  
4 opportunities that arise within the infrastructure  
5 area which can be attractive, primarily idiosyncratic  
6 and Steve might say value add.

7 So performance over the near term has been  
8 pretty strong, and we would consider near term to be  
9 one to three years, at roughly 12 and a half percent.  
10 We don't get too excited about near term returns,  
11 just as we don't get too upset if it's working  
12 against us.

13 You can see on the bars on the right, so the  
14 blue bar being the asset class, the red the benchmark  
15 and the green the CPI plus five long-term target, has  
16 lagged the long-term target over time. And if you'll  
17 recall from the meeting, our last meeting, for the  
18 first three years of strategic investments, roughly  
19 three-quarters of the asset class was invested in the  
20 global portfolio, global equity portfolio. And as  
21 equity markets fell, the strategic investments asset  
22 class fell along with it. And we defunded that  
23 portfolio in 2010 and transferred it over to equity,  
24 and so we didn't get the benefit of the rebound in  
25 equity markets.

1 We have an informal target for a Sharpe ratio of  
2 one. And the Sharpe ratio is the return of the  
3 portfolio, less the risk-free return, divided by the  
4 volatility of the portfolio. We think that a  
5 portfolio of alternative investments should generate  
6 a Sharpe ratio at least one over time.

7 And since June 2010, when the global equity  
8 portfolio was transferred to the global equity asset  
9 class, we've generated a Sharpe ratio of just above  
10 four. This has occurred in a very strong market, so  
11 we would expect that to come down over time. But we  
12 do think we should generate a Sharpe ratio of at  
13 least one over the cycle.

14 Recent activity. In the third quarter we had  
15 nearly \$300 million go out the door. We funded three  
16 new funds, with a commitment or investment value of  
17 525 million. This slide is a little out of date.  
18 Since we sent it to you-all, we've had another fund  
19 close. So we've had seven in the fourth quarter to  
20 date, valued at \$1.14 billion. I think that will  
21 probably be the end of the activity, unless something  
22 accelerates, which we don't expect. And thus our  
23 current pipeline is now just over a billion dollars.

24 So for market opportunities, not much has  
25 changed since we last spoke. Most asset markets are

1 expensive or at fair value and perhaps have gotten a  
 2 little bit more so. Still one dominating theme is  
 3 the sale of bank assets from European banks. We've  
 4 seen this accelerate over the last six months. It's  
 5 probably less than what we had thought maybe a year  
 6 or two ago. It's providing decent returns. I  
 7 wouldn't say great or outstanding returns, but  
 8 certainly decent returns.

9 We think the U.S. residential real estate on an  
 10 absolute return basis, outside of primary markets,  
 11 still remains relatively attractive. That's a  
 12 difficult market for institutions such as ours to  
 13 access, but we do have a little bit of exposure  
 14 there.

15 We are always exposed to idiosyncratic  
 16 opportunities, and they pop up from time to time.  
 17 And the one area which has come to us pretty quickly  
 18 that we weren't anticipating a quarter ago, and if  
 19 anybody saw the drop in oil prices from 90 to 65, you  
 20 saw it much faster than we did, but certainly the  
 21 distressed energy market could be very attractive.

22 Something like 17 or 18 percent of the high  
 23 yield market is in energy. And many of these are  
 24 predicated on high energy prices, with very high  
 25 capital structures and high cost structures within

1 the businesses. So if oil stays at \$60 to \$65 or  
 2 \$70 for an extended period of time, we think that  
 3 could be a very active market and attractive market  
 4 for us.

5 Finally, on a relative basis, we think that  
 6 trading and relative value strategies are fairly  
 7 attractive. Are there any questions?

8 MR. WENDT: Trent, without looking back, what's  
 9 the size of your portfolio?

10 MR. WEBSTER: It is just under \$9 billion  
 11 currently.

12 MR. WENDT: And are most of your investments  
 13 made with intermediaries or advisers, outside  
 14 advisers, or do you do most of this yourself? Give  
 15 me the percentage.

16 MR. WEBSTER: All of our investments are through  
 17 funds, of which --

18 MR. WENDT: All within funds.

19 MR. WEBSTER: Yeah, of which -- well, or single  
 20 managed accounts, but we have somebody investing it  
 21 for us, regardless of the structure. And we use  
 22 primarily -- well, Cambridge is our primary  
 23 consultant. We also use Townsend as our consultants  
 24 as well.

25 MR. COLLINS: Can you give us a couple of

1 examples, on your recent activity, of the funds that  
2 you committed to, what type of investment it was?  
3 Not who the manager was, but what are the last couple  
4 of interesting things or, as you would put it,  
5 idiosyncratic opportunities that you've gone after?

6 MR. WEBSTER: Right. So we recently hired a  
7 health care royalty fund, a structured product fund  
8 that will invest in the revenues of health care  
9 royalties, which we find interesting. We've recently  
10 funded up -- now we have funded up two managed  
11 futures programs for us. We have re-upped in a --  
12 with a couple of our distressed managers, including  
13 hiring a new one. And I guess that would be it.

14 MR. COLLINS: Distressed what? The one that you  
15 re-upped, what kind of distressed?

16 MR. WEBSTER: Primarily corporate structured,  
17 corporate securities and structured products, roughly  
18 half in Europe and half in America.

19 MR. COBB: Okay. Hearing no further questions  
20 on our strategic investments, we'll go to Joan to  
21 give us a report on our defined contribution plans.

22 MS. HASEMAN: Good afternoon. I'm going to ask  
23 my team to stand as well. We're a small unit of six.  
24 As it happens, my four seniors are here, and I'd  
25 appreciate if they would take a moment and introduce

1 themselves.

2 MR. KELLEHER: Good afternoon. I'm Walter  
3 Kelleher. I'm the director of educational services  
4 for the State Board. In that role I oversee the  
5 financial guidance program. So this is the program  
6 that's available to all pension plan and investment  
7 plan members.

8 And as part of that role, I oversee a contract  
9 with Ernst & Young, who does financial planning for  
10 our membership. I also oversee a contract with  
11 Financial Engines, who does investment guidance for  
12 the program, also Met Life, who is our lifetime  
13 annuity provider for the program. I also oversee a  
14 contract with Aeon Communications, who does print and  
15 communications for us, and also Itasoft, who is our  
16 Myfrs.com administrator.

17 We've won a number of awards through the  
18 financial guidance program. We've won two Eddy  
19 awards through Pensions & Investments. We've won two  
20 National Association of Government Defined  
21 Contribution Administrators leadership awards. We've  
22 won a Davis Productivity Award, and we've also won  
23 numerous publications and video awards. Thank you.

24 MR. TABB: I'm Stephen Tabb. I'm director of  
25 investment analytics. I oversee all the investment



1 managers, the investment product lineup, and monitor  
2 daily valuations and performance for the investment  
3 plan. I've been with the SBA since 2002. Prior to  
4 that I managed investment portfolios for Texas  
5 Commerce Bank and Farmers Insurance Group.

6 MR. BEARD: Good afternoon. My name is Daniel  
7 Beard. I am the director of administration. In that  
8 role I oversee the contract with Aon Hewitt, who is  
9 our record-keeper, with Bank of New York Mellon, who  
10 is our custodian, as well as the interagency  
11 agreement we have with the Division of Retirement to  
12 handle certain payroll aspects.

13 I've been with the SBA for eight years. Prior  
14 to that I spent 11 years with the Division of  
15 Retirement, in the Bureau of Enrollments and  
16 Contributions. Thank you.

17 MS. WATSON: Hello. My name is Mini Watson. I  
18 am the director of policy, risk management and  
19 compliance. I've been at the State Board for two  
20 months. However, I came from the Florida Department  
21 of Transportation as a human resource analyst. And  
22 prior to that I was with the Division of Retirement  
23 for 14 years in several aspects, including the  
24 contributions area, who receives the retirement  
25 payrolls.

1 In my position now, some of my duties include  
2 responding to complaints and disputes, as well as  
3 monitoring compliance of internal and external  
4 participants.

5 MR. COBB: Thank you.

6 MS. HASEMAN: Thank you. I just want to also  
7 mention that Cindy Morea is with us. She makes up  
8 the sixth member of our team. Cindy keeps us all in  
9 line. I thought it worth noting that she was also  
10 here. So the entire office is sitting down with you  
11 today. Just real quickly -- and, John, are you going  
12 to drive the train for me?

13 MR. BENTON: I can do it for you.

14 MS. HASEMAN: Assets under management as of  
15 October 31 was at 8.89. As of the close on Friday,  
16 we were up to 8.935. Our year to date return,  
17 calendar year to date return is at 4.47 as of  
18 October. And as of the close of November, our year  
19 to date, calendar year to date was at 5.60.

20 I think these are kind of self-explanatory. Our  
21 member accounts are at 157,000-plus members, almost  
22 158,000. 111,400 are our active members. We have  
23 46,000 inactive members, which are members who have  
24 taken a distribution or retired from the plan but  
25 have kept money in the plan itself. Those are what

1 we consider inactive, no longer receiving  
2 contributions.

3 We've had \$785 billion in distributions from our  
4 plan since the inception through October, and that's  
5 quite a significant amount of money going out. The  
6 majority of it is rollovers, which we're always glad  
7 to see that a member is being smart about what  
8 they're doing with their money.

9 We have 86,897 investment plan retirees. These  
10 are members who have taken any amount of distribution  
11 from the plan. Even if they've left money in the  
12 plan, they are considered a retiree under the Florida  
13 Statutes.

14 Our self-directed brokerage account, which  
15 opened up almost a year ago, has 1,332 members.  
16 We've only funded 1,286 of them, for about  
17 \$200 million.

18 MR. COLLINS: I'm sorry. These are the people  
19 that are making their own calls on the investments  
20 that we discussed in the past?

21 MS. HASEMAN: Yes.

22 MR. COLLINS: So the total portfolio of those  
23 people is about 200 million?

24 MS. HASEMAN: Yes.

25 MR. WENDT: How are they doing?

1 MS. HASEMAN: I really don't know.

2 MR. WENDT: Oh, really? You don't keep track of  
3 that?

4 MS. HASEMAN: We do not keep track of what they  
5 are doing or what they're invested in. We do know  
6 what their asset classes are, but we really do not  
7 monitor performance for those individual member  
8 accounts.

9 MR. GARCIA: Do you monitor whether they're  
10 pleased with their own self-directed account or not?

11 MS. HASEMAN: I'm sorry. I couldn't hear.

12 MR. GARCIA: Do you monitor whether they're  
13 satisfied having their own --

14 MS. HASEMAN: We would certainly hear if they  
15 weren't satisfied. I think that no news is always  
16 good news with our members. We've had very minimal  
17 disruption or comments from the members.

18 MR. GARCIA: So do you have a general impression  
19 as to whether they're pleased with this option or  
20 not?

21 MS. HASEMAN: I would say they are overall. The  
22 opportunities that they have is certainly extensive.  
23 I think if we had really reined it back in to say  
24 only mutual funds, we probably would have heard more  
25 noise. It's really been -- I don't want to say a

1 nonevent, but the number of potential -- from that  
2 many people, we would have heard something.

3 MR. GARCIA: Is there a formal process where you  
4 survey them to actually get --

5 MS. HASEMAN: We do send out an annual survey to  
6 all of our members and request feedback from them on  
7 the program itself. That's the opportunity for our  
8 members certainly to do that. We also have a formal  
9 complaint process, which Mini alluded to and spoke  
10 about, where if a member is unhappy and does want to  
11 file any kind of comments, complaints, unhappiness  
12 with a product provider, in this case it would be the  
13 brokerage window provider, they can certainly file  
14 those and bring those to our attention, either  
15 formally or informally.

16 MR. GARCIA: Do you have statistics in terms of  
17 how many of the new employees opt for your plan  
18 versus the other one?

19 MS. HASEMAN: Yes. In fact, if you'll look at  
20 the bottom of my plan choice statistics on the bottom  
21 of the next page -- sorry, one more.

22 MR. COLLINS: Before you answer that question,  
23 because I want to hear that, too, can you go back to  
24 that previous slide? I just want to make sure I'm  
25 looking at it the right way. So it's about 1 percent

1 of the people and it's about two and a half percent  
2 of the assets.

3 MS. HASEMAN: Which is pretty normal, I mean  
4 across -- our research has shown that we expected  
5 between 1 and 2 percent of our membership within a  
6 year to two years. So we're seeing what we would  
7 expect to see. The people that want to get into it  
8 are in it. As new members come in, they certainly  
9 have to have a balance to invest. And they have to  
10 leave 5,000 in their core account in the investment  
11 plan before they can even get into it. So a new  
12 member, we're not going to see it unless they're  
13 rolling money into the plan.

14 MR. COLLINS: So the next page then would get to  
15 Martin's question?

16 MS. HASEMAN: Yeah. The plan choice is the last  
17 bullet on the page. This is the -- from fiscal year  
18 to date, 21 percent of our new hires, people who are  
19 in choice, in other words, they're newly hired,  
20 within their first five months, they make a choice  
21 into the investment plan or into the pension plan.  
22 Sixteen percent are going into the pension plan,  
23 actively making that election, and 61 percent are  
24 defaulting, default into the pension plan if they  
25 make no active choice at all.

1 MR. HARRELL: This is who?

2 MS. HASEMAN: This is new hires. These are  
3 people who are newly hired to the Florida Retirement  
4 System who have not had an opportunity to choose  
5 their retirement plan.

6 MR. HARRELL: But instead of 1 percent choosing,  
7 22 percent of --

8 MR. COLLINS: I don't think that's apples to  
9 apples.

10 MR. WILLIAMS: I think we're answering two  
11 different questions here. What this is is the choice  
12 between defined benefit and defined contribution. I  
13 believe, Martin, your question was, what's the  
14 percentage of people choosing to direct their own  
15 account versus going into the program. And the  
16 answer to that question is the 1 percent.

17 MS. HASEMAN: Correct. There's only 1 percent  
18 of the membership today in the brokerage --

19 MR. COLLINS: Yeah, but Martin's question was,  
20 out of the people that are signing up today, is it 1  
21 percent or is it higher?

22 MS. HASEMAN: No, no. The 1 -- let me back up.  
23 If they're new hires and they're enrolling, it's  
24 unlikely that they could enroll in the brokerage  
25 window, because they have to have a 5,000 minimum

1 balance in the investment plan in order to even have  
2 an account in the brokerage window.

3 MR. WILLIAMS: Mr. Chairman, if I may. One  
4 other detail, Martin, because I see where you're  
5 going, and I think it's the right place to go, which  
6 is to ask the question, so how is this thing working  
7 and are people having good experience or are they  
8 having adverse experience, right?

9 So Joan touched on a couple of places where the  
10 answer to that question would surface. One would be  
11 the annual survey. The other would be if anybody had  
12 had a bad experience and called and complained about  
13 it. No one has complained.

14 I'd say there are two other places this could  
15 show up. One is we have a whole team of Ernst &  
16 Young people advising FRS beneficiaries, from Ernst &  
17 Young's office in Tampa, Florida. And if there were  
18 any sort of pattern evolving where people were having  
19 problems and calling to ask questions of the advisory  
20 team, we would know it. That has not come up.

21 The second thing is that we from time to time do  
22 focus groups with beneficiaries to evaluate how they  
23 perceive various products, various communications, et  
24 cetera, and make sure the right messages are getting  
25 to the right people.

1 One of the things that is very evident from  
2 research is it's very important to help people make  
3 the right choices and make it as simple as possible  
4 to get them to the right choices, because the vast  
5 majority of people we serve and people generally  
6 simply don't want to repeatedly make a series of  
7 investment decisions. It's not a decision area they  
8 feel competent in, it's not something they welcome,  
9 and they'll tend to put it off.

10 And you just have to make it as easy as possible  
11 for them to do something that's largely  
12 self-executing. And that's why we've gone to the  
13 target date funds.

14 MR. GARCIA: I apologize, because I'm still  
15 confused about the numbers at the bottom of this  
16 page.

17 MS. HASEMAN: Those are members in choice; in  
18 other words, those are your new hires. If you were  
19 hired in the month of -- if you were hired today, in  
20 December, you have to the end of May of 2015 to make  
21 a choice between the pension plan and the investment  
22 plan. If you fail to make that choice at the end of  
23 May, you'll default into the pension plan. That's  
24 what those statistics are trying to show you.

25 MR. GARCIA: Thank you.

1 MR. COLLINS: But the self-investment program is  
2 available if you're in either plan, isn't it?

3 MS. HASEMAN: No, it's not.

4 MR. COLLINS: It's only in the defined  
5 contribution plan?

6 MS. HASEMAN: That's correct.

7 MR. COLLINS: Okay.

8 MR. WENDT: This is a question I think more for  
9 Ash, but please take a shot at it if you want to. In  
10 my opinion, I'd like to see more people do the  
11 investment plan and less people do the pension plan.  
12 I think that would be good for the State's budget.  
13 Are we doing anything or can we do anything or should  
14 you do anything to market the investment plan?

15 MR. WILLIAMS: Let me take a shot at that. We  
16 do quite a bit. You heard Walter Kelleher earlier.  
17 Walter travels all over the state appearing at  
18 benefit fairs, educating employees. There are  
19 retirement coordinators in every member employer  
20 within the Florida Retirement System who have very  
21 detailed presentation materials, online materials,  
22 the EY counselors that I mentioned earlier and the  
23 live presentations in employment fairs that we do  
24 with regularity.

25 Generally speaking, what you'll see driving

1 choice is a couple of things. First of all is what  
2 is that employee's perception of their own career.  
3 Increasingly what we're seeing is young people cannot  
4 envision being in a job for eight years, which is  
5 what the vesting requirement is for the Florida  
6 Retirement System right now. Any individual who  
7 holds that belief will choose the defined  
8 contribution option because of the much more  
9 favorable vesting capability.

10 Some individuals whose career choices are such  
11 that they are likely to be government employees  
12 throughout their careers -- school teachers would be  
13 a good example -- are more likely to take a defined  
14 benefit approach because they perceive that they will  
15 be in service long enough to vest.

16 In that case, that individual is likely to do an  
17 analysis of the income replacement capability of one  
18 plan over the other. And for a while, the state  
19 legislature had put in place a program under which  
20 there was an economic incentive for people to go into  
21 defined contribution.

22 And while that was in effect, we did in fact see  
23 a very, very correlated response of election behavior  
24 of employees. They're not insensitive to things.  
25 They're rational economic beings, and they follow the

1 money and were signing up in higher numbers for DC.  
2 The legislature took that funding away after a year,  
3 two years?

4 MS. HASEMAN: In the last three years.

5 MR. WILLIAMS: But some period of time. It was  
6 there for a short period of time. It absolutely had  
7 an effect on decisions. Then they took it away. And  
8 if you look at the incomes of a lot of people --  
9 let's go back to the school teacher example. I  
10 believe starting pay for a school teacher in Florida  
11 is somewhere in the ballpark of 34, \$35,000.

12 And if that individual is putting in 3 percent  
13 of their income, their employer is putting in a like  
14 amount, then you're talking about saving 6 percent of  
15 \$35,000. It's tough to get to a meaningful income  
16 replacement level on that basis, if you're investing  
17 it yourself.

18 MR. WENDT: That's for the direct contribution,  
19 right?

20 MR. WILLIAMS: Correct.

21 MR. WENDT: Thank you for that. So why  
22 shouldn't we market the investment plan harder, is my  
23 question.

24 MS. HASEMAN: I'm going to jump in now, too.  
25 Under statute we are required to provide an unbiased

1 educational program. And that means we can't choose  
2 to distinguish one over the other. And we work very  
3 hard to make sure that our education is fair and it's  
4 unbiased. It's really up to the member at that point  
5 to decide what's best for them.

6 And I agree with you, the idea of having the  
7 members just engaged in choice would be a wonderful  
8 thing. When you see 61 percent are defaulting --

9 MR. WENDT: It's disappointing.

10 MS. HASEMAN: -- 40 percent of that that say,  
11 oh, I took default because I didn't want to make a  
12 mistake in choice, you still have quite a number who  
13 are not actively engaged in their retirement choice.

14 MR. GARCIA: So from the vantage point of the  
15 participants, do we do an analysis to see  
16 collectively how those in the investment plan are  
17 doing relative to the pension plan?

18 MS. HASEMAN: As far as income replacement goes?

19 MR. GARCIA: In terms of performance.

20 MS. HASEMAN: Their performance -- and I may  
21 have Mercer engage in that with me, but I believe  
22 you'll find that our return is less or lower than the  
23 DB plan, but I think you'll find that's true of most  
24 DC plans. I think our performance is very good  
25 overall, but I do think that you find that we don't

1 perform as well, because you're dealing with a  
2 variety of different factors. You have employees  
3 making choices that may not always be the best choice  
4 for them as far as long-term planning and long-term  
5 investment. That impacts the overall return of the  
6 plan itself.

7 MS. DOYLE: So data suggested that in general  
8 defined benefit plans perform better over long  
9 periods of time than do collective DC balances,  
10 simply because of the choice issue. If we did the  
11 comparison here, it wouldn't necessarily be an apples  
12 to apples comparison because the DB plan is  
13 significantly larger, has a lot more opportunities in  
14 terms of alternatives and other areas to invest in.  
15 But collectively that's a true statement.

16 MR. WILLIAMS: Mr. Chairman?

17 MR. COBB: Yes, sir.

18 MR. WILLIAMS: A couple of details on that. In  
19 addition to the fact that you've got individuals  
20 making choices instead of professional investors, you  
21 have a time horizon difference, whereas as  
22 individuals age, their ability to take risk and the  
23 propriety of tolerating illiquidity and volatility  
24 change as we all age. With an institution investing  
25 over essentially a constant long-term horizon as a

1       perpetuity, that's not the case. So structurally you  
2       would expect to get a higher return from an  
3       institution that's professionally run and investing  
4       as a perpetuity.

5       Then if you add to that the scale advantage that  
6       an institution like us has, we are the lowest cost  
7       major pension fund in North America for the second  
8       consecutive year. That's very tough to compete with.  
9       Costs matter.

10       And even though the products that we offer on  
11       our defined contribution platform are excellent  
12       products that are offered at generous discounts to  
13       what they would otherwise be available to through  
14       retail brokerage channels, et cetera, we're still  
15       cheaper on the DB side.

16       So that scale advantage, professional investing  
17       and investing over essentially a perpetual horizon, I  
18       think -- and Hewitt or Mercer correct me if I  
19       misstate. But I think the generally accepted wisdom  
20       is that over long periods of time DB structurally has  
21       an advantage of at least 100 basis points over DC,  
22       for the reasons I just outlined.

23       MR. WENDT: Perhaps I'm wrong, but correct me.  
24       You seem to be very positive on the defined benefit  
25       program. I think I'd like to see more people in the

1       defined contribution to put less strain on the  
2       budget. Am I wrong about that? Are you so good that  
3       you just need to have the -- the defined benefit is  
4       not a problem?

5       MR. WILLIAMS: Mr. Chairman, may I?

6       MR. COBB: Please.

7       MR. WILLIAMS: Two completely different issues.  
8       I don't disagree with you in terms -- if you're  
9       looking at questions of who bears the risk, what's  
10       the alignment of interest between employer and  
11       employee, when we look at that question in a binary  
12       universe, where the answer is all DB or all DC and  
13       you have to choose one or the other, which is what  
14       we're currently doing, then you have the Hobson's  
15       choice of on the one hand placing all the risk for  
16       market exposure, liability cost, et cetera, on either  
17       the employer or the employee.

18       The better way to align probably is to have  
19       either some sort of hybrid system or what's called a  
20       defined aspiration plan, where the actual benefits  
21       change based on the investment experience. If you  
22       have very good experience over an extended period of  
23       time that's demonstrable, it might have some positive  
24       effect on benefits, and vice versa, so that you don't  
25       end up with one party or the other shouldering the



1 full burden of market risk.

2 MR. WENDT: Well, I want to -- I also have a  
3 great deal of confidence in you and your organization  
4 to do this. And should they ever decide to start  
5 paying salary to the IAC, I am going to go into the  
6 defined benefit program.

7 MR. WILLIAMS: And we would hope to have you  
8 with us long enough to vest.

9 MR. COBB: With that I think we have thoroughly  
10 discussed this subject, and we'll go now to Tab 6.  
11 Ash, please lead us in the discussion of the changes  
12 in the pension plan.

13 MR. WILLIAMS: I shall. We have a very, very  
14 simple revision here. Each year there is a body that  
15 is composed of representatives of the Executive  
16 Office of the Governor, the Florida House of  
17 Representatives and the Florida Senate who sit in  
18 October of each year as an actuarial assumption  
19 advisory conference.

20 They look at the various inputs to the actuarial  
21 valuation of the plan that's done by the State's  
22 independent actuary, Milliman, once a year. And they  
23 decide whether those inputs are appropriate or not.  
24 They use SBA staff and other outside professional  
25 resources as inputs to that public discussion. And

1 they set things like the inflation assumption, the  
2 investment return assumption, et cetera, which are  
3 then used in the valuation and are reflected in  
4 Florida Statute.

5 So this year, you may recall in the prior two or  
6 three years we have recommended in writing to the  
7 legislature that the investment return assumption,  
8 that it would be reasonable to consider lowering the  
9 investment return assumption by 25 basis points or  
10 so, or more.

11 And this year, after some discussion, they  
12 actually did lower the investment return assumption  
13 slightly, from 7.75 percent to 7.65 percent. That is  
14 the change that we have here. So it's not exactly  
15 earth-moving.

16 MR. COLLINS: That's the only change, Ash?

17 MR. WILLIAMS: John, did we have a change on the  
18 inflation assumption as well?

19 MR. BENTON: No. This is the only change.

20 MR. WILLIAMS: There was extensive discussion on  
21 the inflation assumption change but none made.

22 MR. COLLINS: So we're making a 10 basis point  
23 reduction in our plan return assumption.

24 MR. WILLIAMS: And keep in mind, I want to draw  
25 the distinction we always draw. The return

1 assumption that really drives investment  
2 decision-making is not this number.

3 MR. COLLINS: Understood.

4 MR. WILLIAMS: It's the long-term investment  
5 return assumption, which is 5 percent real, and it's  
6 unchanged.

7 MR. GARCIA: Ash, if I understand it correctly,  
8 and I've been confused on this before, this is a  
9 statutorily mandated number, right? I mean it's  
10 legislatively mandated. Excuse me.

11 MR. WILLIAMS: Correct, through a process that's  
12 legislatively established.

13 MR. GARCIA: Okay. So we have no choice.

14 MR. WILLIAMS: Thank you. Thank you, Counselor.

15 MR. COLLINS: Sort of like Gary going into the  
16 defined benefit plan. You've got no choice.

17 MR. WENDT: Well, I will move that we approve  
18 this, since we have no choice.

19 MR. COBB: Is there a second to the motion?

20 MR. HARRELL: I'll second it.

21 MR. COBB: Any more discussion or comments or  
22 questions? If not, all in favor say aye.

23 (Ayes)

24 MR. COBB: Passed unanimously. Okay. Tab 7.  
25 You're going to start off or Michael is going to

1 start off?

2 MR. WILLIAMS: We'll let Mike roll it.

3 MR. McCAULEY: Good afternoon. Before I jump  
4 into the agenda item, I just wanted to provide an  
5 introduction to the senior staff member in the  
6 investment programs and governance unit, Jacob  
7 Williams.

8 MR. WILLIAMS: Good afternoon. Jacob Williams,  
9 corporate governance manager since approximately 2010  
10 and governance analyst the two years -- approximately  
11 two years before that. So I've been with the board  
12 approximately seven years.

13 My primary responsibilities include engagement  
14 with companies in which the SBA has an investment,  
15 equity primarily. We deal with, whenever possible,  
16 boards of directors, company management, on key  
17 shareowner issues, corporate secretaries or lead  
18 directors whenever possible.

19 Another aspect of my duties includes the PFIA  
20 mandate, which is the Protecting Florida's Investment  
21 Act, which is a statute requiring divestment of  
22 certain companies within Sudan or Iran which have  
23 scrutinized activities.

24 Prior to the SBA, I was at the Florida Public  
25 Service Commission in a regulatory capacity, focusing

1 on the telecommunications industry, and worked  
2 closely with the FCC. I was appointed to the staff  
3 of the federal/state joint board for  
4 telecommunications service. Thank you.

5 MR. COBB: Thank you.

6 MR. McCAULEY: And in addition to Jacob, we have  
7 two other analysts. We have four full-time staff  
8 members in the investment program, in the governance  
9 unit, in addition to myself, including myself.

10 So I'd like to spend a little bit time, just as  
11 an introductory footprint for our governance  
12 activities, you know, each year the SBA goes through  
13 a review process and updates its corporate governance  
14 principles and proxy voting guidelines. These  
15 guidelines cover all the voting issues on invested  
16 companies within any of the relevant SBA portfolios,  
17 primarily public equities but some other portfolios  
18 even in the defined contribution plan.

19 Proxy voting is really the core piece of what we  
20 do. We are also involved in engagement on a  
21 regulatory front and as well on the corporate side.  
22 Most recently, since -- largely since the adoption  
23 and implementation of many of the Dodd-Frank  
24 requirements, we spent a greater portion of our time  
25 engaging with companies, both companies that are

1 contacting us as well as companies that we are  
2 reaching out to on more of a proactive basis.

3 So the proposed changes that we have in place  
4 for the 2015 proxy season, really we're proposing a  
5 relatively minor set of guideline amendments. We  
6 have a summary in the meeting materials, in addition  
7 to a full document that has all the track changes  
8 with the page number references back to the summary.

9 At the very highest level, we don't have any new  
10 guidelines, so there's no absolutely new proxy  
11 guidelines, proxy policies. We are proposing one  
12 guideline for deletion. The proposal simply is no  
13 longer submitted for investor ratification, so it's  
14 simply something we don't see anymore, haven't seen  
15 it in several years, so we'd like to remove that.

16 We have several amendments that really don't  
17 materially change the SBA's voting procedure but do  
18 add to either the criteria or some of the qualitative  
19 review that's applied by staff. Those include --  
20 we've referenced these in the summary document, but  
21 the highlights are the unilateral amendment of  
22 corporate bylaws, which add new coverage or recently  
23 seen fee shifting, bylaw changes. This on page 30.  
24 And that was just in addition to an existing  
25 guideline. It doesn't change the actual policy.

1 Second was some additional clarity surrounding  
 2 the factors used by staff to vote on executive  
 3 severance agreements. These are golden parachute  
 4 agreements. Something again that was beefed up in  
 5 the Dodd-Frank Act, and we see more attention on the  
 6 investor front on those proposal -- those ballot  
 7 items. That's on page 64.

8 And then lastly -- and this was in the  
 9 introductory section. We had a new reference to SEC  
 10 guidance that was put out late summer, earlier this  
 11 year. That doesn't change anything. It just  
 12 essentially codifies existing Department of Labor  
 13 regulations and other SEC prior guidance that they've  
 14 supplied. But that was kind of a notable event, so  
 15 we put that into the guidelines.

16 And then last but not least we had just kind of  
 17 numerous new footnotes, empirical citations for  
 18 either market or academic studies that have been  
 19 conducted over the last several years that we've  
 20 either come across recently or have become more  
 21 important to provide a rationale for some of our  
 22 positions on voting policies.

23 So I'll pause there, if anybody has any  
 24 questions on any of the proposed amendments to any of  
 25 the guidelines.

1 MR. COBB: Yes. I have a question, both for you  
 2 and for Ash. On some of these, I can understand why  
 3 you would want to say case by case because it does  
 4 depend on the circumstances. But it seems to me you  
 5 have or we as an organization should have, and I  
 6 think your committee should have, a directional view.  
 7 For example, splitting up the CEO and chairman job.

8 Now, I know on J.P. Morgan we voted to have them  
 9 the same place. But I think the position of this  
 10 team is generally they should be separated. So why  
 11 wouldn't we have a terminology that is maybe not for,  
 12 "for" means maybe 90 percent of the time, and "case  
 13 by case" applies 50-50. But should there be another  
 14 category in between here that is sort of for but case  
 15 by case?

16 MR. WILLIAMS: Maybe the safe summary on that,  
 17 Ambassador, would be that when -- and one of the  
 18 things we're doing with the revision of the policy  
 19 this year is updating all of the research, because  
 20 each of these policies is founded on objective  
 21 quantitative research that goes to the value added  
 22 for the shareholder of a certain policy position.

23 So I think what I would say is, on most of these  
 24 things, even though they may say case by case, there  
 25 is a clear justification for why the guideline is

1       there and why the issue is there based on the  
2       research. And our default position would be to go  
3       with the fiduciary role of maximizing shareholder  
4       value consistent with what the research shows.

5       But just as sure as we're all sitting here, for  
6       every case that fits the mold, there will be one once  
7       in a while in the wood pile that does not. So that's  
8       why we leave ourselves the flexibility.

9       MR. COBB: Doesn't case by case imply 50-50?

10      MR. WILLIAMS: I wouldn't assume that. I would  
11      just say it means preference to do the following,  
12      with flexibility for the occasional exception as  
13      justified. But that's -- maybe we need to clarify  
14      what that means. I don't know.

15      MR. McCAULEY: Just to add to that a little bit,  
16      the guidelines are really not meant to be kind of  
17      rigid, absolute positions. And like Ash said, not  
18      only is there evolution year to year in a lot of  
19      these proposal categories, but you have a lot of  
20      different flavors for proposals, either management or  
21      shareowner proposals.

22      So the guidelines are really -- you know, it's a  
23      written policy that's a guideline. It needs to be  
24      structured in a flexible manner that can cover all  
25      the bases, at least to the extent that we have an

1       expectation that we'll see it or that we have, you  
2       know, a reasonable understanding of what the proposal  
3       can be characterized as.

4       So like on independent chair, that's one where  
5       we do have, I would say, a predominantly, at least  
6       historically, voting pattern that favors the split.  
7       But last year we actually beefed up the performance  
8       overlay for that voting guideline.

9       I don't know if you recall that, but we have  
10      begun to look and examine a company's both short-term  
11      and long-term performance as part of the analysis.  
12      So essentially, if there's some exhibited performance  
13      impact of having those roles split, we'll vote  
14      accordingly, and vice versa.

15      And we do try to provide as much transparency as  
16      we can in each of the voting guidelines. There's a  
17      lot of background narrative. There's a lot of --  
18      like Ash said, a lot of empirical citations that  
19      provide the rationale. And in general, if you stack  
20      up our guidelines compared to the average guideline,  
21      we're going to have a lot more information and  
22      specific qualitative criteria that we're going to  
23      look at, a lot of factors that we actually look at in  
24      order to make that vote.

25      So we try to be as transparent as we can.

1 Someone could essentially reverse-engineer our vote  
2 or have a fairly good idea of why we voted a certain  
3 way at a certain company at a point in time.

4 Generally that will change over time, or it could.

5 MR. COBB: I have a second question. You  
6 referred to a committee several times. Who's on that  
7 committee?

8 MR. McCAULEY: It's one of our investment  
9 oversight group committees. It's a corporate  
10 governance and proxy voting committee. I chair that.  
11 Staff chairs the IOG committee. Very typically Ash  
12 and Lamar will sit in. We have global equity staff  
13 that are on the committee. We have risk management  
14 staff that are on the committee.

15 MR. COBB: It's all management?

16 MR. McCAULEY: Yes.

17 MR. COBB: Is there -- I guess a third question.  
18 If I was a trustee, if I was the governor or chief  
19 financial officer, it seems to me I would want  
20 somebody, my staff person to sit in on those  
21 meetings, because they're -- the implications of that  
22 are significant. Has that ever been discussed by the  
23 trustees?

24 MR. WILLIAMS: What we do is we do have  
25 conversation with trustee staff about these meetings.

1 And one of the things we do, there is turnover from  
2 time to time in trustee staff, and we always try and  
3 have them come over and go through the whole train on  
4 what this area is, because it's completely foreign to  
5 most people who have never been around it before.  
6 And they're always welcome. We encourage them to  
7 come to these meetings as well.

8 MR. COBB: Any other questions or comments?

9 MR. WILLIAMS: One other thing. Anytime we have  
10 a proxy issue that reaches any degree of public  
11 profile, we try and call each of the three offices  
12 separately and keep their staffs informed so they  
13 know there's an issue there. Nobody likes surprises.  
14 And what we don't want to do is leave one of the  
15 trustees in a position that they get a call from some  
16 media outlet somewhere saying, How are you going to  
17 vote on so-and-so, and it's news to them. That's not  
18 how we want to serve our trustees.

19 MR. McCAULEY: And each quarter, at the trustee  
20 level, we have the standing report that covers a lot  
21 of things that Ash just mentioned, some of the  
22 highlighted votes, recent corporate governance  
23 activity, regulatory events and the like.

24 MR. PRICE: Do you employ any of the proxy  
25 advisory firms to advise you on how to vote?

1 MR. McCAULEY: Yes, absolutely, we do. We use  
2 ISS, both on an advisory basis as well as the voting  
3 agent. So we use their system, their platform to  
4 actually execute our votes. We use Glass Lewis.

5 MR. PRICE: But you make up your own mind.

6 MR. McCAULEY: Yes. Ultimately we make our own  
7 decision. We use Manifest. It's a European firm.  
8 And then we use two or three other consultant firms  
9 that really can't be classified as proxy advisers,  
10 per se, but they primarily focus on executive  
11 compensation. They'll have specific models that  
12 we'll use, alongside -- the proxy advisers alongside  
13 our own voting guidelines, that ultimately evolve  
14 into a voting decision.

15 And like Ash said, if there's something, a  
16 Darden scenario or a very high profile vote that has  
17 a lot of visibility, a lot of trash, it might have,  
18 you know, an active overweight within the public  
19 equity, we try to not only receive feedback from  
20 those managers that hold the name, but obviously meet  
21 with the company, right, meet with the board members  
22 if we at all can, proxy solicitors, other investors  
23 and the like, to kind of triangulate and ultimately  
24 make that voting decision.

25 The last few slides, I hadn't intended to spend

1 a whole lot of time on it. This one just covers the  
2 typical ballot items. I think we're fairly familiar  
3 with this. We've covered this in the past. The last  
4 few slides just deal with some of our global voting  
5 footprint and some of the partner organizations, some  
6 of the other investor or member organizations that we  
7 work with, some of them on a significant basis,  
8 others are just at the margin.

9 And it's just been a very dynamic environment  
10 for a lot of reasons, Dodd-Frank, activist funds.  
11 It's a long list of driving factors that have made it  
12 a pretty interesting space to operate in lately.  
13 I'll stop there, and if there are any other  
14 questions.

15 MR. COBB: So Ash has suggested we as a  
16 committee approve these new guidelines. So is there  
17 a motion?

18 MR. NEWMAN: Move it.

19 MR. COBB: Second? I need a second.

20 MR. COLLINS: Second.

21 MR. COBB: Any other discussion, comments? All  
22 in favor say aye.

23 (Ayes)

24 MR. COBB: Not hearing -- passes unanimously.  
25 Ash, I think this is important, and I don't know if

1 we're doing this more than once a year, but I would  
2 recommend maybe every second or third meeting. I  
3 think it's important that we as a committee  
4 understand, at least get a write-up like this so we  
5 can get a review of the high profile cases that we've  
6 been on.

7 MR. WILLIAMS: They tend to be concentrated, as  
8 proxy season is fairly well defined. So what we can  
9 do is keep you informed there.

10 MR. McCAULEY: We've got the quarterly trustees'  
11 reports that hit the highlights, and then we do an  
12 annual summary as well. We're finishing the 2014  
13 annual summary right now. So that will be available  
14 here in a few more weeks.

15 MR. WILLIAMS: So we'll just put an agenda item  
16 on and give you an update on what's going on in the  
17 area.

18 MR. COBB: Great. Okay. Tab 8. Hewitt. Who  
19 is going to --

20 MR. CUMMINGS: Kristen is going to lead us  
21 today.

22 MR. COBB: Okay.

23 MS. DOYLE: Thanks. Good afternoon. So just a  
24 couple of quick comments before I dive in. There are  
25 some key components to implementing an investment

1 program. And the reason I preface the presentation  
2 with these comments is because you're going to see  
3 very, very strong results, and I really want to make  
4 sure that it's clear why those results are the way  
5 that they are.

6 So a couple of things, threefold in my mind, why  
7 the performance is the way that it is across all of  
8 the mandates that we're going to look at. Keeping  
9 cost low, and you're going to see some information  
10 from CEM Benchmarking that validates that.  
11 Efficiently structuring asset classes. So you heard  
12 a little bit of this from the team today, but  
13 thinking about active versus passive and what types  
14 of vehicles should I be invested in, so is a certain  
15 investment opportunity right for an open-end hedge  
16 fund or a long only mandate, or maybe it's better for  
17 a private closed-end fund.

18 And then, lastly, being opportunistic. And you  
19 heard from Trent and some others on how the asset  
20 classes are able to be opportunistic. And the asset  
21 allocation really allows them to be opportunistic.  
22 They're not pigeonholed into certain types of  
23 mandates.

24 So you have a very stellar team. They're  
25 achieving stellar results. I think they should get a



1 lot of credit for that. You got to meet a lot of the  
2 other folks behind the scenes that do a lot of the  
3 portfolio management. So it's a good introduction to  
4 the results you're going to see today. So let me go  
5 ahead and dive in.

6 So first we'll look at the pension plan. Let's  
7 just skip to performance. So performance is very  
8 strong on both an absolute and a relative basis over  
9 all trailing time periods. With the exception of two  
10 time periods, the quarterly results, while negative  
11 in terms of absolute performance, a lot of that being  
12 driven by the international equity markets and the  
13 small cap U.S. markets, was able to preserve about 70  
14 basis points of value relative to its performance  
15 benchmark.

16 And then over on the 15 year period, we continue  
17 to see some underperformance there relative to the  
18 absolute target rate of return, which is the CPI plus  
19 5 percent, but still outperforming its performance  
20 benchmark.

21 And the other thing to note here is we've been  
22 in a very, very strong environment for assets, right?  
23 So we talked about overvaluation. And so the ability  
24 to produce alpha in a period like this is very  
25 difficult to do.

1 Over the longer periods of time, the 20, 25, 30  
2 years -- and we see this chart every quarter. It  
3 continues to remain the same, that the performance of  
4 the actual fund has far outperformed the CPI plus  
5 5 percent long-term return.

6 So we typically look at just one peer comparison  
7 in this presentation. You have more peer comparisons  
8 in the longer performance reports. But today we're  
9 going to look at a little bit more than simply the  
10 TUCS top 10. I mentioned the CEM Benchmarking report  
11 came out, the annual report. So I'm going to spend a  
12 little bit more time on diving a little bit deeper  
13 into some good peer comparisons that are provided by  
14 that organization.

15 But this is the typical peer universe that we  
16 look at. This is the TUCS top 10 defined benefit  
17 plans. And as you can see, from an asset allocation  
18 perspective, the FRS is a little bit overweight to  
19 global equities and a little bit underweight to  
20 alternatives. However, if we were to apply the  
21 targets that were set last year and are now in the  
22 investment policy statement, the differences would be  
23 much more muted.

24 So in terms of performance, you can see here  
25 that -- actually, let me just skip to this slide.

1 It's a little bit easier to see. So over the longer  
2 periods, the three, five, and ten year period, over  
3 the three year period, the performance has been in  
4 the top quartile, as well as over the five year  
5 period, and then the top third over the ten year  
6 period.

7 For the one year period, the performance of the  
8 fund has been the worst performing fund out of the  
9 ten defined benefit plans in this universe. You can  
10 see that when you have a very small sample size, the  
11 range of distribution of returns is extremely,  
12 extremely small. So I just want to make that point.  
13 But what is most likely driving this is the higher  
14 allocation to foreign equities relative to peers,  
15 which has been an area of the market that we all know  
16 has not been performing as well.

17 So CEM provides peer comparisons on a returns  
18 basis for two different universes. The first is a  
19 more concentrated universe of 17 public and corporate  
20 pension plans. So this is going to be a more focused  
21 group, much higher in terms of its median assets  
22 under management, so much more comparative in terms  
23 of circumstances to the FRS, and then a broader  
24 universe that's going to give you a larger sample  
25 size of 59 public pension plans. The median there is

1 going to be about \$15 billion versus the median for  
2 the more tighter universe is about 80 billion.

3 So we'll first look at the peer universe, which  
4 is the more concentrated universe. Results are  
5 somewhat similar to what we just talked about with  
6 the TUCS top 10, higher allocation right now to  
7 global equities, lower allocation to alternatives.  
8 But, again, if we applied the target allocations  
9 here, we would show a 53 percent target to global  
10 equity, a 17 percent target to strategic investments  
11 and private equity, which almost exactly matches that  
12 alternative investments slice there in the light blue  
13 on the right. And then real estate, we talked about  
14 the target there now is 10 percent, and the  
15 allocation within the universe is 10 percent as well  
16 to real estate.

17 So performance relative to this universe, the  
18 FRS has been extremely strong. We show for the one,  
19 three, and five year period. Notably over the five  
20 year period, the FRS was the best performing fund in  
21 this universe.

22 And then so absolute performance is important  
23 but so is value added, so how is the FRS doing in  
24 terms of adding value over its benchmark relative to  
25 its peers, so generating alpha. And you can see here

1 that, over all time periods, in the top 10 percent,  
2 roughly top 10 percent relative to peers on a net  
3 value added basis.

4 And then broadening out the universe to 59  
5 public pension plans with a median size of about  
6 \$15 billion, again, we see a higher allocation to  
7 global equity relative to peers, and that's at the  
8 cost of having allocations within alternatives. But  
9 performance is very strong as well over the one year,  
10 three year and five year periods, above the 50th  
11 percentile. Quite significantly over the longer  
12 period, the five year period, in the top quartile.

13 And, again, some more results for value added  
14 over this time period relative to the broader  
15 universe. In the top third for the one year period  
16 and the top -- almost the top 10 percent for the  
17 three and five year period.

18 And then I mentioned keeping costs low, so this  
19 is a really important measurement. You can see that  
20 total cost, this is investment management and  
21 administrative costs, relative to peers, the FRS is  
22 the lowest cost pension plan in the peer universe,  
23 which is the 17 public pension plans with \$80 billion  
24 median assets under management. And it's also  
25 extremely low for the investment management cost as

1 well as administrative cost.

2 MR. PRICE: That's adding in the outside fees.

3 MS. DOYLE: That's right.

4 MR. PRICE: Two and twenties.

5 MS. DOYLE: Yes. And then this is a little bit  
6 difficult to see on the screen. You can't see the  
7 quadrants. But if you were to draw a vertical and a  
8 horizontal line equally, you would see that you would  
9 want to be in the top left-hand quadrant, where costs  
10 are low and excess return is high. And in fact that  
11 green triangle there is in the top left-hand  
12 quadrant, indicating that relative to peers, the FRS  
13 is able to generate strong returns at very low cost.

14 MR. COLLINS: But the previous page would have  
15 you believe that that triangle should be a little  
16 further to the left.

17 MS. DOYLE: This chart has a broader range of  
18 plans that it's representing via the universe. So  
19 this universe here is only the 17 largest public  
20 pension plans in the sample.

21 MR. COLLINS: Oh, it's relative.

22 MS. DOYLE: Yeah. And this one here just uses  
23 the broader universe.

24 MR. COLLINS: Got you.

25 MS. DOYLE: So if we just showed the 17, you

1 would be right. Actually more of them would be over  
2 to the far right. Any questions on the FRS?

3 MR. GARCIA: Yeah. I have a couple of  
4 questions. The material says that CEM constructs a  
5 custom peer group for each client. Is FRS a client  
6 of CEM's?

7 MS. DOYLE: Yes.

8 MR. GARCIA: And so did they do a custom peer  
9 group review for us?

10 MS. DOYLE: They did. That's where this data is  
11 coming from. They do it on an annual basis, I  
12 believe, so it's refreshed every year.

13 MR. GARCIA: So how do you become a client of  
14 CEM?

15 MS. DOYLE: This is all they do. They provide  
16 peer comparison information across a wide range of  
17 information, and that is their business. And they  
18 work with almost all -- I would say a huge majority  
19 of the public pension plans in the United States.

20 MR. GARCIA: So do they specifically generate a  
21 report relative to FRS?

22 MS. DOYLE: Yes.

23 MR. GARCIA: And are these slides in the  
24 material generated by CEM?

25 MS. DOYLE: They are. That's right.

1 MR. COLLINS: And do we know who we're being  
2 compared to specifically?

3 MS. DOYLE: I don't receive that data. I don't  
4 know if CEM provides that specifically to Florida.

5 MR. TAYLOR: They do. They've asked that we not  
6 share that publicly, but we do have that information.

7 MR. COLLINS: And they're just other large  
8 pension plans like us, public pension plans?

9 MR. TAYLOR: Yes.

10 MR. COLLINS: No private?

11 MR. TAYLOR: There are some corporates within  
12 the CEM universe.

13 MR. COLLINS: There are some corporates.

14 MS. DOYLE: We could probably guess with a  
15 pretty high accuracy rate.

16 MR. COLLINS: Just like everybody who has us in  
17 their universe could guess that we're one of the  
18 ones.

19 MS. DOYLE: That's right, yeah. But that's the  
20 benefit of CEM, is that they do -- it's highly  
21 customized to each program, and that adds value to  
22 the universe comparison.

23 MR. GARCIA: The 17 that were part of the peer  
24 review in the material, is that the peer group that  
25 CEM constructed for FRS?

1 MS. DOYLE: Yes. So they get survey data from  
2 hundreds and hundreds of plans. And then each time a  
3 different plan asks them to provide this benchmarking  
4 report, they customize that huge universe down to a  
5 smaller, more representative sample.

6 MR. GARCIA: Do we get a report with that, Ash?  
7 I mean, is that a report that's generated?

8 MR. WILLIAMS: Yes. We get a -- I'm sorry,  
9 Mr. Chairman. May I? We do get reports from CEM.  
10 They're rather lengthy. We get one for DC and one  
11 for DB. They physically come down to Tallahassee, do  
12 the presentation for us. We have Q and A. That is  
13 the culmination of an extensive process where the  
14 data is gathered and normalized by them across the  
15 various institutions they look at.

16 And the purpose of the custom universe for each  
17 client is to ensure an apples-to-apples comparison.  
18 It wouldn't make a lot of sense, for example, to  
19 compare us to some small town plan in New England,  
20 where there were 27 beneficiaries. It would be a  
21 completely meaningless comp. So they build one  
22 that's appropriate.

23 MR. COBB: Okay. Why don't you continue,  
24 please.

25 MS. DOYLE: So the next plan is the investment

1 plan, so this is the defined contribution plan.  
2 Again, across all trailing time periods, the  
3 investment plan in totality has outperformed the  
4 aggregate underlying benchmarks for each of the fund  
5 options.

6 So collectively all of the fund options are  
7 outperforming their respective benchmarks. We did  
8 refresh the data in the table at the bottom, so this  
9 is also from CEM. So we look at the five year  
10 average return, the net value added over a five year  
11 period, and the cost of the plan.

12 And as you can see, the net value added to the  
13 alpha being generated from the fund options in the  
14 plan is generating more alpha than the peer plans  
15 that are being used in this comparison, at just a  
16 slightly higher level of investment management fees,  
17 but not very material in terms of being above the  
18 peer group.

19 Moving on to the Hurricane Catastrophe Fund,  
20 this fund continues to -- this is invested, if you  
21 remember, in short-term high quality bonds. So these  
22 portfolios continue to outperform their benchmarks  
23 over all trailing time periods.

24 MR. COLLINS: And are we investing this a  
25 hundred percent in-house?

1 MS. DOYLE: Yes. Katy is not here, but that  
2 would be, I believe, on her team.

3 MR. COBB: I have a question for Ash. Should we  
4 recommend a different asset allocation for this fund,  
5 since it is going to last for --

6 MR. WILLIAMS: For the CAT Fund?

7 MR. COBB: Yeah.

8 MR. WILLIAMS: I don't think so. We've recently  
9 revised that allocation, and the CAT Fund's  
10 allocation is very powerfully tilted toward quality  
11 securities, low credit risk, and high liquidity. And  
12 the reason is, if nature goes the wrong way and we  
13 get a real blow and we need that money, we're going  
14 to need it then and we're going to need all of it,  
15 not have it tied up somewhere.

16 So the current allocation or the current  
17 investment policy for the CAT Fund was the subject of  
18 a pretty extensive rewrite just, what, two or three  
19 years ago?

20 MR. TAYLOR: It's been more recent than that. I  
21 think, Katy, our most recent revision of the CAT Fund  
22 investment policy guidelines was within the past six  
23 months, I believe.

24 MS. WOJCIECHOWSKI: The past three months.

25 MR. WILLIAMS: I'll shut my mouth.

1 MR. COBB: I'm not sure it's in the State's best  
2 interest to have a 10 year record of 1.78 percent.  
3 And I understand liquidity and I understand all the  
4 other things you just said. But as one citizen of  
5 the state, I would prefer --

6 MR. WILLIAMS: Understood. I guess maybe the  
7 other explanatory tidbit would be that in, I think it  
8 was 2006 -- and I wasn't here, but somebody who was  
9 correct me if I'm wrong -- the CAT Fund balance  
10 basically went to zero. And there was a rebuilding  
11 exercise.

12 And part of the concern was, after there was as  
13 much dislocation as there was in '08, including a lot  
14 of fixed income instruments that got downgraded and  
15 became illiquid, the thinking was, you know, it is  
16 absolutely a random distribution of what Mother  
17 Nature does, and for that reason we can't make any  
18 presumptions about liquidity tolerance.

19 MR. WENDT: But aren't your global equities very  
20 liquid?

21 MR. TAYLOR: Well, they are, but they're also  
22 volatile. And I think that's the other aspect of the  
23 CAT Fund, is that you want to make sure that the fund  
24 is funded and not volatile. In terms of the period  
25 of time in which the fund could actually deplete,

1       there's been concern that it could deplete with a  
2       large enough storm within six months. And so that's  
3       the kind of risk that they want to make sure that  
4       they're prepared for for the fund.

5       MR. COLLINS: Aren't the two -- the pension fund  
6       and the CAT Fund are two totally separate entities.

7       MR. WILLIAMS: Correct.

8       MR. COLLINS: And so from an equity standpoint  
9       or an asset allocation like the pension fund or the  
10      pension fund providing liquidity, short-term  
11      liquidity or anything, I mean, you can't even think  
12      about that, right?

13      MR. TAYLOR: Correct, no.

14      MR. WENDT: But I think the point the ambassador  
15      was making -- and I agree with him on this -- is that  
16      over 10 years, 1.78 is not a terrific return. And as  
17      you look at the next 10 years, in all likelihood,  
18      it's going to be significantly less than that. So  
19      the risk to me would be, you know, of having a low of  
20      all fixed income securities, because the likelihood  
21      is that you're going to lose money on those in the  
22      next few years. That's an opinion. That's not fact.  
23      Mercer would probably not agree with me. But I think  
24      it's -- I think we're making a mistake here.

25      MR. WILLIAMS: Let me try one other thing, and

1       then I'll let it go. I agree with you completely  
2       about a ten-year horizon. But the way you have to  
3       look at the Florida Hurricane Catastrophe Fund is not  
4       backward looking as a ten-year horizon. It's ten  
5       consecutive one-year investment periods, is what it  
6       is, because each hurricane season is its own discrete  
7       investment event. And each hurricane season has the  
8       capability to call 100 percent of the assets of the  
9       CAT Fund.

10      And the way the CAT Fund works is we -- the  
11      State basically tells the insurance industry what the  
12      maximum liability of the CAT Fund can be. That's the  
13      legislature's decision. We then set rates consistent  
14      with collecting enough money to cover that liability.  
15      And to the extent we have cumulative assets left over  
16      from prior hurricane seasons where there were no  
17      events or events that didn't deplete the fund, then  
18      that's fine. But each single year could call the  
19      entire amount.

20      I guess, in theory, if we ever reached a point  
21      where we had excess capital above and beyond what we  
22      thought the liabilities of the fund would be in a  
23      given year and there was no chance we would issue  
24      bonds, we could pay everything out of pocket and then  
25      some, then any amount over that callable amount in

1 that one-year cycle arguably absolutely should be  
2 invested in something with a higher return profile.

3 The problem is we're locked into that one-year  
4 cycle, and that's why we have the conservative  
5 approach. It's just like any other property and  
6 casualty insurance company. If you look at a  
7 capitalization level of this nature, it would almost  
8 certainly be kept liquid.

9 MR. WENDT: I understand your objectives, but I  
10 don't agree with your approach. I just disagree.

11 MR. HARRELL: Does SBA have unfettered  
12 discretion? I mean, could we sit around this room  
13 and decide we're going to put a hundred percent of  
14 the money into global equities, or is there some  
15 statutory limitation that says, you know, my  
16 goodness, the money better be there when we reach for  
17 it?

18 MR. TAYLOR: Well, there's no statutory  
19 limitation, per se, in terms of the investment of the  
20 fund itself, but there is a requirement under the  
21 fund in terms of the -- the fund's obligation is to  
22 insure that the premiums charged for the reinsurance  
23 services they provide, which that is what the fund  
24 provides, is a reinsurance product, and there is a  
25 statutory requirement that the premiums for that

1 reinsurance product be actuarially sound.

2 And when you take into account the volatility of  
3 the funding, it would have a significant impact on  
4 the actuarial soundness of those rates. And those  
5 rates could themselves be very volatile. And so  
6 there's another side of the CAT Fund that has to be  
7 managed in addition to the investments.

8 And so it's sort of the culmination of the  
9 conservative investment policy favoring the highly  
10 liquid investments, as well as the policy in terms of  
11 ensuring the actuarial soundness.

12 MR. WILLIAMS: That's a key point, because the  
13 motivation for the creation of the CAT Fund, in the  
14 wake of Hurricane Andrew in 1992, was to stabilize  
15 the reinsurance market in Florida. "Stabilize" is a  
16 very important term here. And that means  
17 predictability and not a lot of rate shocks driven by  
18 either adverse loss experience or investment  
19 experience.

20 MS. WOJCIECHOWSKI: Actually, Lamar said it very  
21 well. Think of it like an insurance company. So if  
22 we had excess reserves, we could invest those like we  
23 wanted to, but you have to maintain a certain level  
24 of reserves.

25 MR. TAYLOR: And there is another statutory



1 element to this, which is the fund is obligated to  
2 pay up to \$17 billion in damages, the lesser of  
3 \$17 billion or the amount it can raise either through  
4 its cash funding or through debt financing or a  
5 combination thereof.

6 And so, again, from a policy standpoint of the  
7 State, one of the things that you want to ensure that  
8 you try to do is minimize the extent to which the  
9 State has to go out into the debt markets to fund up  
10 what it doesn't have in cash, another aspect to make  
11 sure that your cash is liquid and safe.

12 MS. WOJCIECHOWSKI: So when we last went out  
13 with a debt issuance -- and you can ask Jack how  
14 difficult it was actually to issue in that market.

15 MR. GARCIA: So from the material, it seems that  
16 those constraints that Ash is talking about would be  
17 defined in our investment policy statement.

18 MR. WILLIAMS: And they are.

19 MR. GARCIA: So we have no -- when you look at a  
20 ten-year period, it looks awful, okay, unless you  
21 look at the specific constraints that we have based  
22 on all these statutory requirements, which are in our  
23 investment policy statement. Right?

24 MR. WENDT: The ambassador just suggested that  
25 we make a recommendation that the restraints be

1 changed. I just happen to agree with him. But it's  
2 okay. The staff is clearly convinced that earning  
3 nothing on this for the next five to ten years is in  
4 the best interest of the State.

5 MS. WOJCIECHOWSKI: By the way, we also work  
6 with a financial adviser. The CAT Fund also has a  
7 financial adviser --

8 MR. WENDT: Oh, I'm sure.

9 MS. WOJCIECHOWSKI: -- that works with them.

10 MR. COBB: Well, I would suggest that -- I think  
11 we're sort of winging it here today, and I know you  
12 have thought about it more than we as a committee.  
13 But I would suggest that we put this as an agenda  
14 item for the future; do we have any flexibility on  
15 the CAT Fund, on the margins, to live within prudence  
16 and to live within liquidity and to live within all  
17 the policy, do we have any -- are there any  
18 recommendations that we would make to the trustees to  
19 slightly change the allocations to get a better  
20 return in the future than the low returns we've  
21 gotten in the last ten years.

22 So are you comfortable coming back and -- so  
23 maybe it's going to be stay the same, stay the  
24 course.

25 MR. WILLIAMS: Totally happy to do that. It's

1 an important public entity. It's worth a look. And  
2 we ought to look at it in the context of its  
3 liabilities.

4 MR. COLLINS: Mr. Chairman, one final point on  
5 that. I'm not sure where the line gets drawn between  
6 us deciding or attempting to effect policy versus  
7 something that the legislature decided for us or  
8 somebody else decided for us. While I agree with the  
9 ambassador, I understand that the constraint is set  
10 up. And the last thing you want to do is be called  
11 on for that money and for some reason you can't  
12 deliver it all or there was even less of it than  
13 nothing or than zero return.

14 I just wonder, in this case, is it a question of  
15 us making a recommendation to the trustees, or is it  
16 us somehow talking to somebody in the legislature,  
17 because it really seems to me to be more of a  
18 legislative thing.

19 And if there's one sort of hot potato in the  
20 legislature, it's insurance. And if there's a big  
21 bull's eye in insurance, it's the CAT Fund. So if we  
22 really want to go out there and talk about it, we  
23 just need to know -- we need to make sure what our  
24 role is.

25 MR. COBB: That would be part of this agenda

1 item that I'm suggesting for a future meeting.

2 MR. HARRELL: Can I ask one question related to  
3 that? Because I think this is a good topic. We've  
4 gone I think some record period of time without  
5 having a hurricane landfall here. I assume that  
6 means we're closer to the next one. I assume,  
7 without really knowing, that a long period of low  
8 hurricane activity might mean it's a good time to  
9 issue hurricane catastrophe bonds.

10 And I don't know if that's -- is that something  
11 we have the flexibility, to work that side of our  
12 balance sheet?

13 MR. TAYLOR: We do and we have, actually. The  
14 CAT Fund obtains its financing in a number of ways.  
15 It can issue post-event bonds. It can issue  
16 pre-event bonds. And we've issued both. I think,  
17 since the inception of the CAT Fund, we've issued and  
18 paid almost a total of \$10 billion in debt. And we  
19 currently have outstanding \$2 billion of pre-event  
20 taxable bonds that are designed to ensure, again,  
21 further liquidity of the fund in the event that it's  
22 necessary to pay a significant portion in damages.

23 So there is the ability to do things like that.  
24 There's reinsurance, is another alternative which  
25 we've looked at from time to time. So there's ways

1 to manage that side of the balance sheet as well.

2 MR. HARRELL: And we make those policy decisions  
3 here, or the SBA?

4 MR. TAYLOR: The SBA does in terms of the debt  
5 financing side of the CAT Fund. There's actually a  
6 separate corporation that issues the debt. It's now  
7 called the State Board of Administration Finance  
8 Corporation. And there is a separate board of that  
9 corporation which makes the decisions in terms of  
10 issuing the debt.

11 MR. COLLINS: Is Ben Watkins on that board?

12 MR. TAYLOR: Yes.

13 MR. GARCIA: As part of this agenda item, Mr.  
14 Ambassador, I want to make sure we understand what  
15 the statutory constraints are, because my  
16 understanding is that we're statutorily constrained  
17 and that's why we're in this situation, and that we  
18 as a body and the trustees don't have this kind of  
19 flexibility.

20 MR. COBB: We're going to find out in this  
21 presentation what our statutory flexibility is, where  
22 we might recommend investment changes and where we  
23 can't. And so, Ash, do you want to respond?

24 MR. WILLIAMS: Sure. We'll provide that for  
25 you. And I think there's another area we ought to

1 look at that thematically is down the same aisle, and  
2 that is perhaps Florida PRIME, because it too has  
3 extraordinary liquidity requirements. It too is a  
4 very large pool of money that we invest. And we're  
5 coming to the review of it shortly, so you'll see it.

6 And it, too, has very low returns in the current  
7 environment because it has very strict credit quality  
8 and liquidity guidelines. And it's a  
9 multi-billion-dollar pool that arguably, if we could  
10 go do a lot of the other things that we do in the  
11 defined benefit long-term pool, we could get a very,  
12 very dramatically higher return in.

13 Mr. McCauley is looking at me, preparing to  
14 throw a glass of water across the room, because he  
15 knows how sensitive the safety and liquidity of that  
16 fund is. And it is in fact an interruption in the  
17 safety and liquidity of that fund in the fourth  
18 quarter of 2007 that's responsible for me sitting  
19 here today. There was very, very significant  
20 controversy that arose out of illiquidity in that  
21 fund back in November of '07.

22 MR. COLLINS: But, Ash, you know, the pendulum,  
23 when it swings, can swing too far. Right? And I  
24 don't know if you're saying that we should look at it  
25 because maybe the pendulum did swing too far and

1 maybe we can relax if it still will have a higher  
2 degree of liquidity than we even did before the event  
3 or what your comment is going at.

4 MR. WILLIAMS: Well, my comment there was simply  
5 along the lines of, if we're looking at things that  
6 have low returns and structurally will continue to  
7 have potentially even lower returns, as Mr. Wendt  
8 correctly points out, in the interest rate  
9 environment we're in, if we want to consider those  
10 and make sure they're properly calibrated, it makes  
11 sense to look at Florida PRIME as well as --

12 MR. WENDT: I find a great deal of difference  
13 between the objective of the Florida PRIME and the  
14 CAT Fund. I'm not suggesting that we study Florida  
15 PRIME. I bring that up as an example of what  
16 something is we can't do. But I don't think that  
17 should diminish our requirements or our desire to  
18 look at the CAT Fund.

19 MR. WILLIAMS: Just offered it up.

20 MR. WENDT: I'm not interested in Florida PRIME  
21 at all.

22 MR. COBB: I agree with what Gary has said. I  
23 think Florida PRIME, we are a fiduciary.

24 MR. WENDT: We're a bank.

25 MR. COBB: And we're almost like a bank, where

1 we have to pay our depositors at will. And I see the  
2 CAT Fund as a longer term that is subject to a little  
3 more risk than PRIME. I don't know. But I'm waiting  
4 for your report, and we'll deal with it when it  
5 comes. Okay. Sorry for interrupting. So take us  
6 through the rest of our investment.

7 MS. DOYLE: The Lawton Chiles Endowment Fund,  
8 performance here through September, outperforming its  
9 performance benchmark over all time periods, with the  
10 exception of the quarter, where we saw both a  
11 negative absolute return, negative relative return.  
12 That is mainly driven by the global equity portfolio,  
13 which is the only active portfolio in the endowment.  
14 They just struggled to outperform their benchmark  
15 during this period. But they have been -- that  
16 particular manager has been responsible for most of  
17 this outperformance that you see here.

18 And lastly, Florida PRIME, again, also  
19 outperforming its performance benchmark, which is a  
20 peer-based benchmark over all time periods since  
21 inception in late 1998. And here we show that in  
22 terms of risk and return, so obviously risk is  
23 extremely important for this fund, and we see that  
24 relative to a universe of other money market funds,  
25 it's performing very well in terms of its absolute

1 return, at a fairly similar level of risk to a lot of  
2 other money market funds that have similar investment  
3 guidelines.

4 And then this is just another picture of that.  
5 So the green dot is the Florida PRIME fund relative  
6 to the universe of other money market funds, and its  
7 return over all trailing time periods shown here is  
8 significantly higher than almost all of the other  
9 funds in the universe.

10 And then a quick update on Fund B. So actually  
11 as of September, 100 percent of the principal balance  
12 that was due to participants has been sent to them.  
13 There's about \$28 million remaining in Fund B at this  
14 time. Any other questions? Thanks.

15 MR. COBB: So are we ready for audience comments  
16 or is there -- or do we go through the quarterly  
17 investment review first? Is there anything --

18 MS. DOYLE: That was that agenda item.

19 MR. COBB: Right. Okay. Hearing no other,  
20 thank you, any other questions, we're ready for any  
21 comments from the audience. Does anybody in the  
22 audience have any comments or suggestions? Hearing  
23 none, does the board have any additional comments?

24 MR. WENDT: Yeah, I have a comment. And this is  
25 going to be a question, which I don't expect an

1 answer to now, but perhaps you could think about it a  
2 little bit. Since we're ending a calendar year now  
3 and getting ready to start a new one, I always think  
4 it's helpful to think about what we could do better.

5 And so I'd like to ask the staff if there's  
6 any -- two things; if there's anything that you think  
7 the IAC could do differently than it does that would  
8 make for better performance, and is there anything we  
9 can do to help you. Let us know. Unsigned e-mails  
10 to the ambassador would be the way to communicate,  
11 and he'll get it to us.

12 We'd like to be more helpful if we can. And  
13 just to sit here and listen to you guys go through  
14 this all the time doesn't give me a great deal of  
15 feeling in my heart that I'm doing any value to the  
16 State of Florida.

17 MR. COBB: So, Ash, are you going to -- why  
18 don't you make a preliminary response to Gary Wendt.

19 MR. WILLIAMS: I think one thing that the IAC  
20 has done already -- and we will think about that, and  
21 we appreciate the offer, and we'll consider it  
22 sincerely and come back to you. But one thing is  
23 something I touched on earlier that you've done that  
24 you shouldn't underestimate the power of, and that's  
25 the work you did in the comp area, because you

1 noticed the number of people that were introduced  
 2 that have come to the SBA fairly recently, and there  
 3 are others that you didn't meet today who have. And  
 4 I don't think we could have done that recruiting  
 5 without the support you provided us a couple of years  
 6 ago, the record it's generated and the sensitivity  
 7 that it's created among the trustees, et cetera.

8 That was really important for this organization  
 9 and the results that we produce. So thank you for  
 10 that, and we'll come back to you with other ideas.

11 MR. COBB: Any other comments? If not, is there  
 12 a motion we adjourn?

13 MR. PRICE: Move it.

14 MR. COBB: Second? Do I get a second on  
 15 adjourning?

16 MR. HARRELL: Second.

17 MR. COBB: All in favor say aye.

18 (Ayes)

19 MR. COBB: The motion passes unanimously. Thank  
 20 you very much, everybody.

21 (Whereupon, the meeting was concluded at 3:45  
 22 p.m.)  
 23  
 24  
 25

1  
 2 CERTIFICATE OF REPORTER  
 3

4 STATE OF FLORIDA )

5 COUNTY OF LEON )  
 6

7 I, Jo Langston, Registered Professional  
 8 Reporter, do hereby certify that the foregoing pages 3  
 9 through 129, both inclusive, comprise a true and correct  
 10 transcript of the proceeding; that said proceeding was  
 11 taken by me stenographically and transcribed by me as it  
 12 now appears; that I am not a relative or employee or  
 13 attorney or counsel of the parties, or a relative or  
 14 employee of such attorney or counsel, nor am I interested  
 15 in this proceeding or its outcome.

16 IN WITNESS WHEREOF, I have hereunto set my hand  
 17 this 21st day of December 2014.  
 18  
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22 \_\_\_\_\_  
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 25



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EXECUTIVE DIRECTOR & CIO**

## **MEMORANDUM**

**To:** Board of Trustees  
**From:** Gary Price, Chairman  
Participant Local Government Advisory Council (PLGAC)  
**Date:** March 9, 2015  
**Subject:** Quarterly Update – Florida PRIME™

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The Participant Local Government Advisory Council (the "Council") last met on December 4, 2014 and will meet next on March 26, 2015. Over the prior quarter, the Council continued to oversee the operations and investment management of Florida PRIME™ and Fund B, reviewing participant transactions, as well as the final disposition of remaining Fund B assets.

### **CASH FLOWS / PERFORMANCE**

- Over the quarter ending December 31, 2014, participant deposits totaled \$7.3 billion; participant withdrawals totaled \$5.6 billion; providing a net increase of approximately \$1.8 billion.
- During the 4<sup>th</sup> quarter, Florida PRIME™ delivered an aggregate \$3 million in investment earnings.
- Performance of Florida PRIME™ has been consistently strong over short and long-term time periods. For the period ending December 31, 2014, Florida PRIME™ generated excess returns (performance above the pool's benchmark) of approximately 11 basis points (0.11 percent) over the last 12 months, 15 basis points (0.15 percent) over the last 3 years, and 15 basis points (0.15 percent) over the last 5 years.
- Through the 5 year period ending December 31, 2014, Florida PRIME was ranked as the highest performing investment vehicle among all registered money market funds within iMoneyNet's First Tier Institutional fund universe.

### **POOL CHARACTERISTICS**

- As of December 31, 2014, the total market value of Florida PRIME™ was approximately \$7.9 billion.
- As of December 31, 2014, the investment pool had a 7 Day SEC Yield equal to 0.164 percent, a Weighted Average Maturity (WAM) equal to 39.8 days, and a Weighted Average Life (WAL or Spread WAM) equal to 73.1 days.

### **FUND B**

- In early September 2014, 100 percent of the original principal balance was returned to participants with no loss of principal.
- As of December 31, 2014, the remaining assets held within Fund B totaled approximately \$41.8 million.
- The SBA, in coordination with key stakeholders, continues to work on a legislative solution providing for an equitable distribution of the remaining reserve.



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ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO

Date: February 23, 2015  
To: Board of Trustees  
From: Rodolfo Engmann, Audit Committee Chair  
Subject: Quarterly Audit Committee Report

A handwritten signature in blue ink, appearing to read "RE", with a checkmark-like flourish to the right.

The State Board of Administration's (SBA) Audit Committee met on February 23, 2015, and discussed the following:

**I. External Audits and Assessments**

Reviewed and discussed the results of the following:

**A. Financial statement audits:**

1. Ernst & Young's financial statement audits of the SBA's eight wholly-owned entities with a September 30, 2014 year-end
2. Ernst & Young's financial statement audits of three SBA's joint ventures with a December 31, 2013 year-end
3. Auditor General's financial statement audit of the Local Government Surplus Funds Trust Fund (Florida PRIME) for the June 30, 2014 year-end

All of the audited financial statements received an unmodified or clean opinion.

**B. Reports on agreed upon procedures, tax compliance, internal control over financial reporting, and compliance with debt covenants.**

1. SBA's eight wholly-owned entities with a September 30, 2014 year-end
2. SBA's three joint ventures with a December 31, 2013 year-end

Ernst & Young reported no findings.

**C. Triennial Governance, Risk Management, and Compliance (GRC) Assessment**

Per its Charter, the Audit Committee is responsible for the commission of a SBA GRC program evaluation and performance improvement analysis to be performed by an external provider no less frequently than every three years.

The Audit Committee approved the engagement of Crowe Horwath to perform the triennial GRC assessment to conclude on the following three objectives:

1. Maturity Advancement and Direction of the GRC Program
2. Independence, Objectivity and Reporting Line of the Compliance Function
3. GRC Protocols and Interaction with Oversight Committees

Conclusions for all three objectives were affirmed with favorable results.



Crowe Horwath also evaluated the SBA's GRC Program in terms of "maturity", moving the overall evaluation from "developed" in 2011 to "advanced" in 2014. Additionally, Crowe Horwath utilized Forrester's GRC Assessment model looking at Oversight, Process, Technology and People to perform a GRC Benchmark Study with eight other public pension plans. As a result of this methodology, Crowe Horwath offered the following eight considerations for the future:

1. Formalize a transformational management program
2. Continue to incorporate enhancements to the risk management framework and processes
3. Continue to document processes and process controls
4. Continue to formalize the SBA's data management function
5. Continue to formalize a third party risk management program for service providers
6. Continue to periodically assess changes to risks associated with incentive programs
7. Formalize the assessment of the risk and compliance culture
8. Consider maintenance items on GRC protocols

The final report was issued on February 18, 2015 and is enclosed as Appendix 2.

## II. Internal Audit

### A. Reviewed the following reports:

1. Office of Internal Audit (OIA) Continuous Audit - Payroll
2. OIA's Insurance Capital Build-up Incentive Program Compliance Audit
3. OIA's Personal Investment Activity Compliance Audit
4. OIA's Travel Services Operational Audit
5. Internet and Web Application Assessments (outsourced to Ernst & Young)
6. Data Loss Prevention Assessment (outsourced to Ernst & Young)
7. Post-Implementation Assessment of the Charles River Investment Management Solution (co-sourced with Ernst & Young)

### B. Received quarterly progress report from the OIA:

1. Status of 2014-15 Annual Audit Plan- All planned work is progressing as scheduled.
2. Status of Open Category A Recommendations  
The table below summarizes the progress made on open Category "A" recommendations as of February 23, 2015.

	As of 11/13/2014	Changes from 11/13 to 2/23	As of 2/23/2015
Total number of recommendations	527	61	588
Closed recommendations	(481)	(20)	(501)
<b>Open recommendations</b>	<b>46</b>	<b>41</b>	<b>87</b>

Of the 87 open recommendations, 11 are considered high risk. The 11 high risk recommendations resulted from the assessments of the SBA's internet and web applications, post-implementation assessment of the Charles River Investment Management Solution, disaster recovery plan, payroll continuous audit, and operational audit of Strategic

Investments asset class. Additional details related to open recommendations are presented in Appendix 1.

Category “A” refers to recommendations made either by internal or external auditors. The OIA monitors and performs follow-up procedures on these recommendations in accordance with The IIA Standard 2500.A1. In certain cases, follow-up procedures are performed by external auditors.

3. OIA Initiatives

As part of the SBA’s initiatives, OIA has recently established its department goals. These goals include activities that will enhance certain processes, add new processes, and fully adopt the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 Framework.

4. Other External Audit and Review of the SBA

As part of its advisory activities, OIA coordinates audits and reviews with the Florida Auditor General (AG) and the Office of Program Policy Analysis & Government Accountability (OPPAGA).

The AG’s Local Government Surplus Funds Trust Fund (Florida PRIME) financial statement audit, OPPAGA’s Florida Growth Fund Review, and the AG’s Operational Audit of the SBA’s Selected Administrative Activities have been completed. The AG’s Statewide Financial Statement Audit (Florida Comprehensive Annual Financial Report) and OPPAGA’s biennial review of SBA’s management of investments are in progress.

5. OIA’s Oversight of Real Estate Entity Tax Compliance

Goose Pond Ag, Inc. (GPA) is a wholly-owned entity of the SBA and all of its income, less expenses, is remitted to the SBA for the benefit of the FRS Pension Plan. Although exempt from federal income tax, GPA files information returns with the federal and state governments.

Recently, the Internal Revenue Service (IRS) notified GPA that its 2013 federal tax return was being audited. On January 23, 2015, the external legal counsel engaged by the SBA submitted a memorandum to the IRS detailing why GPA is exempt from federal income tax. The IRS indicated that even if GPA is exempt, the audit will go forward to confirm that the funds earned by GPA really do flow to the benefit of the FRS Pension Plan. The OIA will continue to monitor and report on this matter.

6. Financial Statement Audits of the FRS Pension and Investment Plans

A two-year extension to Ernst & Young’s contract to provide financial statement audits was executed in December 2014, as approved by the Audit Committee in October 2014.

### **III. Risk Management and Compliance (RMC)**

The RMC unit is re-evaluating its reporting process, continuing to evaluate automated compliance, and preparing for a pension benchmarking forum.

#### **IV. Other Audit Committee Activities**

##### **A. Audit Committee's Annual Independence Statement**

In accordance with the Audit Committee Charter, each Committee member reviewed and signed an annual independence statement, representing that no impairments existed that would inhibit her/his ability to be impartial, or that would give the appearance of not being impartial, during the performance of her/his responsibilities as a member of the SBA's Audit Committee.

##### **B. Election of the Audit Committee's Chair and Vice Chair**

In accordance with the Audit Committee Charter, the Committee annually elects its chair and vice chair by majority vote of the members. The Committee elected Judy Goodman as its chair and Kimberly Ferrell as its vice-chair.

**APPENDIX 1**  
**STATUS OF CATEGORY “A” RECOMMENDATIONS**  
**AS OF FEBRUARY 23, 2015**

**1. OPEN RECOMMENDATIONS BY YEAR & RISK RATING**

Year	Risk Rating				%
	High	Medium	Low	Total	
2012			1	1	1.1%
2013	1	3	1	5	5.7%
2014	5	13	10	28	32.2%
2015	5	27	21	53	61.0%
	11	43	33	<b>87</b>	100%
	13%	49%	38%		

**2. DETAILS OF OPEN RECOMMENDATIONS**

Report Title	Report Date	Risk Rating				Status				%
		High	Medium	Low	Total	NYI	PIRP	OTV	Total	
Accounting Reconciliations Operational Audit (OIA)	9/14/2012			1	1		1		1	1.1%
Strategic Investments Operational Audit (OIA)	8/5/2013	1		1	2	1		1	2	2.3%
Investment Policy & Economics Operational Audit (OIA)	11/1/2013		1		1		1		1	1.1%
Systems/Server Backup Operational Audit (OIA)	11/1/2013		2		2	1		1	2	2.3%
Internet and Web Application Assessments (Ernst & Young)	2/12/2014		3	5	8	8			8	9.2%
Disaster Recovery Plan Assessment 2014 (Ernst & Young)	3/28/2014	2	3	3	8	5		3	8	8.1%
Fixed Income Operational Audit (OIA)	10/15/2014		6	1	7	7			7	2.3%
Payroll Continuous Audit (OIA)	12/5/2014	3	1	1	5	1		4	5	5.7%
Operational Audit of the SBA’s Procurement and Contract Monitoring (Auditor General)	1/1/2015		1	2	3	3			3	3.5%
Insurance Capital Build-up Incentive Program Compliance Audit (OIA)	1/9/2015			1	1	1			1	1.1%
Personal Investment Activity Compliance Audit (OIA)	1/14/2015		3	1	4			4	4	4.7%
Travel Services Operational Audit (OIA)	2/13/2015		9	5	14	5		9	14	16.1%
Internet and Web Application Assessments 2015 (Ernst & Young)	2/13/2015	1	10	10	21	12		9	21	24.1%
Post-implementation assessment of the Charles River Investment Management Solution (Ernst & Young)	2/13/2015	4	3	1	8	7		1	8	9.2%
Data Loss Prevention Assessment 2015 (Ernst & Young)	2/18/2015		1	1	2	2			2	2.3%
		11	43	33	<b>87</b>	53	2	32	<b>87</b>	100%

**Category A** - Recommendations were made by either by internal or external auditors. The OIA monitors and performs follow-up procedures on these recommendations in accordance with the IIA Standard 2500. A.1

**NYI** - Not Yet Implemented

**PIRP** - Partially Implemented and the Remainder is in Progress

**OTV** - OIA to Verify

## State Board of Administration

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Triennial Assessment of the Governance, Risk Management and Compliance (GRC) Programs

February 18, 2015



Crowe Horwath LLP  
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The information, assessment, observations and opinions contained herein reflects work product of Crowe Horwath LLP, prepared at the request of the State Board of Administration. This information is intended solely for the information and use of the State Board of Administration Board of Trustees, Audit Committee and Management, and is not intended to be and should not be used by anyone other than these specific parties.

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## Executive Summary – The SBA’s Risk and Compliance Journey

This report presents the results of the assessment of the maturity, advancement, and direction of the State Board of Administration (SBA) governance, risk management, and compliance (GRC) programs since December of 2009; independence, objectivity and reporting line of the compliance function; and an evaluation of GRC protocols relative to compliance, corporate governance, external auditors, inspector general, internal audit, and risk management, including their interaction with the SBA Audit Committee and SBA Investment Advisory Council.

To provide additional insight, we conducted a benchmarking survey with selected public pension funds and compared their GRC functions to the SBA. To accomplish these tasks, we conducted interviews, surveyed selected public pension funds, documented our observations, and have developed items for the SBA to consider in the future to enhance the overall GRC program. We did not perform testing of controls, procedures or financial data.

The SBA continues to make significant progress since 2008 on its risk and compliance journey and has moved from a perspective where management “manages risk and compliance” to where management designs and monitors a “risk and compliance management system.” This system consists of policies, procedures, controls, assessments and governance structure designed to respond to exceptions and changes in the risk and compliance profile of the organization. At a high level, the SBA has matured many of the risk management and compliance processes from “Developed” toward “Advanced” as the program continues to be enhanced and fine-tuned. Below is a graphical representation of our assessment of where the SBA is on this journey. Many of the SBA’s risk management processes are advanced where they are periodically evaluated and opportunities to optimize are explored.



## Objectives and Conclusions

Outlined below are our conclusions based upon the agreed upon scope of services of the Triennial Governance, Risk, and Compliance Assessment.

### Objective #1

*Evaluate the design maturity, advancement, and direction of the State Board of Administration of Florida governance, risk management and compliance (GRC) programs since December 2009. The evaluation will include the appropriateness of the existing organizational structure and if applicable, recommendations for improvements in the structure.*

Conclusion: The overall maturity of the SBA's GRC program has moved from "Developed" to "Advanced" and we anticipate that it will continue in this direction in the future. The SBA's existing organizational structure is appropriate based on the maturity of its GRC program. In our opinion, the GRC program maturity is balanced between the four GRC domains of Oversight, Process, Technology and People.

### Objective #2

*Using nationally-recognized evaluation standards, formally assess the independence, objectivity and reporting line of the compliance function. In addition, compare the SBA's GRC practices with the top 10 public pension systems in the country.*

Conclusion: Compliance responsibilities reside throughout the three lines of defense as defined by The Institute of Internal Auditors (IIA) position paper: *"The Three Lines of Defense in Effective Risk Management and Control."* Activities that reside in the third line (Office of Internal Audit) are independent, objective, and report directly to the Audit Committee of the Board of Trustees. The SBA's Risk Management and Compliance (RMC) Unit performs as defined within the IIA position paper:

*"Each of these functions has some degree of independence from the first line of defense, but they are by nature management functions. As management functions, they may intervene directly in modifying and developing the internal control and risk systems. Therefore, the second line of defense serves a vital purpose but cannot offer truly independent analyses to governing bodies regarding risk management and internal controls."*

The Chief Risk and Compliance Officer reports to the Executive Director & Chief Investment Officer and is authorized to directly access the Board of Trustees, the Investment Advisory Council and the Audit Committee at any time. The independence, objectivity and practices of the second line of defense are also consistent with the GRC practices of the other pension funds that participated in our survey.

In comparing the SBA's GRC design with the design of the other pension funds who participated in the benchmarking study, it appears that the SBA GRC program is one of the more mature programs.

### Objective #3

*Evaluate the GRC protocols relative to compliance, corporate governance, external auditors, Inspector General, internal audit, and risk management, and their interaction with the Audit Committee and Investment Advisory Council.*

Conclusion: The GRC protocols of the SBA are formal, documented, and evaluated periodically internally and by external, independent third parties. These protocols are managed through a framework of policies and governance committees for the first line and second line of defense. The Office of Internal Audit (OIA) provides an independent third line of defense with reporting to the SBA Audit Committee and reports to the Board of Trustees. The Investment Advisory Council performs an advisory role to the Board of Trustees with a focus on forming investment policies, strategy and procedures. In its role as advisor, the Investment Advisory Council also receives reporting on compliance, corporate governance, external audits, Inspector General, internal audits and risk management.

### Observation Highlights

Highlights of our observations of the SBA include:

1. The SBA has integrated risk management and compliance objectives within the Strategic Plan.
2. Risk and compliance activities are embedded as part of the overall operation of the business through the establishment of a hierarchy of policies, meeting of management committees, and standardized risk and compliance reporting.
3. The SBA performs a self-assessment of its risk and compliance program each year and has an independent assessment performed every three years. These assessments identify opportunities for future enhancement and optimization.
4. Business unit leaders from the entire organization are engaged in the performance of the enterprise risk assessment. The risk assessment assists in the integration of risk management activities and provides insights for the OIA.
5. Significant controls in response to strategic risks and specific actionable risk mitigation steps have assigned ownership, monitoring and reporting.
6. The External Investment Manager Oversight Program continues to mature. Opportunities exist to take learnings from this program and adapt them to a third party services oversight program.
7. The Audit Committee has an important, prescribed role in enabling the Board of Trustees to fulfill their fiduciary duties.
8. The Investment Advisory Council's role is as an advisor to SBA Management and the Board of Trustees.

## **Considerations for the Future**

As the SBA continues to enhance the GRC program, consideration should be given to the following:

- A. Formalize a Transformational Management Program
- B. Continue to Incorporate Enhancements to the Risk Management Framework and Processes
- C. Continue to Document Processes and Process Controls
- D. Continue to Formalize the SBA's Data Management Function
- E. Continue to Formalize a Third Party Risk Management Program for Service Providers
- F. Continue to Periodically Assess Changes to Risks Associated with Incentive Programs
- G. Formalize the Assessment of the Risk and Compliance Culture
- H. Consider Maintenance Items on GRC Protocols

These considerations are explored further in the report. Some of these items could provide greater impact than others and the SBA may wish to prioritize these considerations based on benefits, costs and other constraints.

## **Triennial Assessment of the Governance, Risk Management and Compliance (GRC) Programs**

## Background

In 2008 and 2009 the SBA engaged Deloitte & Touche LLP to assess the SBA's Compliance Program. These two-phase assessments focused on the different governance and compliance control, monitoring, and oversight activities associated with its investment management functions as well as assessing the middle and back office operations of the SBA.

The Results of Phase I were recommendations for strengthening the compliance program at the SBA. The Results of Phase II were providing the base elements of a governance structure, including creating a compliance department within the SBA. In response to the feedback provided by Deloitte the SBA strengthened their compliance program and developed a Risk Management and Compliance department.

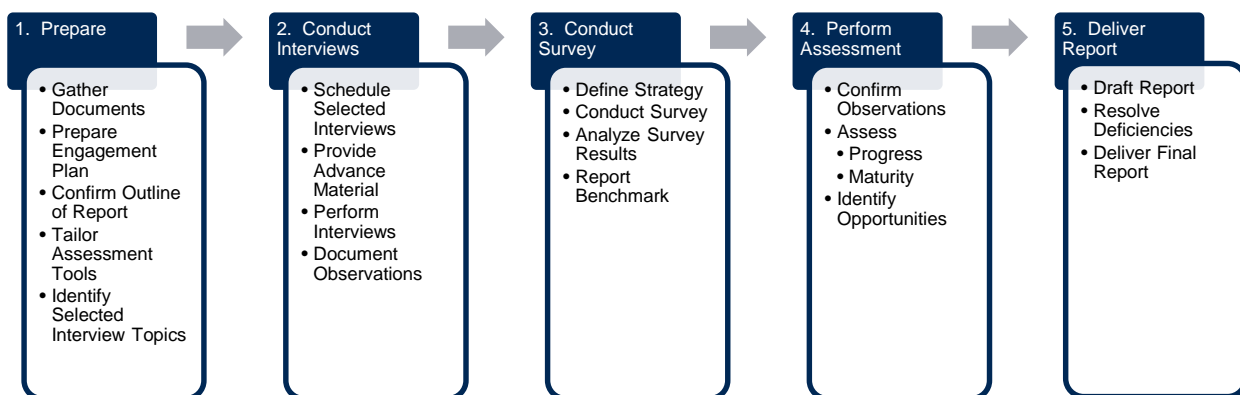
Following the work done in 2008 and 2009 the SBA engaged Crowe Horwath in 2011 to assess the Risk and Compliance functions. The result of that engagement was the development of a practical roadmap that the SBA could use to further develop the SBA's risk and compliance practices.

In mid-2014 the SBA engaged Crowe Horwath LLP to conduct a GRC assessment.

## Methodology

Crowe conducted its evaluation of the SBA GRC functions using a five step process. We prepared, conducted interviews, conducted a benchmarking survey, performed the assessment, and delivered this report. We will go into each in more detail below. It is worth noting that the methodology we used during our assessment is similar to the one used in 2011 with the key difference this time being that Crowe was able to review and examine a greater level of documentation including, policies, reports, and meeting materials.

These are the five steps that we took during our assessment and discussed in this section.



### **Step 1. Prepare**

In preparation for our assessment of the SBA we took four steps: we gathered documentation, prepared an engagement plan, tailored our assessment tool, and identified interview topics. When initially requesting documents we used the 2011 assessment request list as a starting point to determine which documents (or updated version of) would be required. As our assessment continued and our understanding evolved we continued to request the necessary documentation. Along with gathering documentation, we also developed and shared with the SBA an engagement plan detailing the resources used, requirements of the SBA, and a timeline for accomplishing milestones. We also defined maturity model components based on using model components referenced by COSO, OCEG, and Forrester frameworks and maturity models and Crowe's practical experience in consulting with clients and their GRC programs.

### **Step 2. Conduct Interviews**

In order to obtain a full understanding of the different GRC functions at the SBA, we conducted in person interviews. These interviews were with SBA personnel from various roles representing differing levels within the organization. We spoke with over 30 different SBA personnel. A list of those interviewed is included in Exhibit A.

### **Step 3. Conduct Survey**

To better understand GRC practices in the Public Pension Fund market, we developed a series of interview questions based on the tailored GRC framework. We approached the ten largest public U.S. pension funds and asked them to provide us information on their GRC programs through a telephone interview. We then compiled the information and analyzed the results to develop an understanding of how the SBA compares to the other top ten Pension funds.

### **Step 4. Perform Assessment**

In this step, we reviewed all of the information that was collected from documentation as well as the interviews and benchmarking. We then formulated an understanding of where the SBA currently stands in regards to its GRC functions and the direction that it has taken since the assessment conducted in 2011. We also developed items for the SBA to consider in the future to continue along the GRC journey.

### **Step 5. Deliver Report**

Prior to delivering the final report, we provided SBA with a preliminary draft and worked collaboratively with SBA management to confirm our observations and when appropriate, provided additional clarification and understanding. Our intent is for this report to provide useful insights and meaningful items for the SBA to consider in the future.

## Objective #1 - Maturity, Advancement and Direction

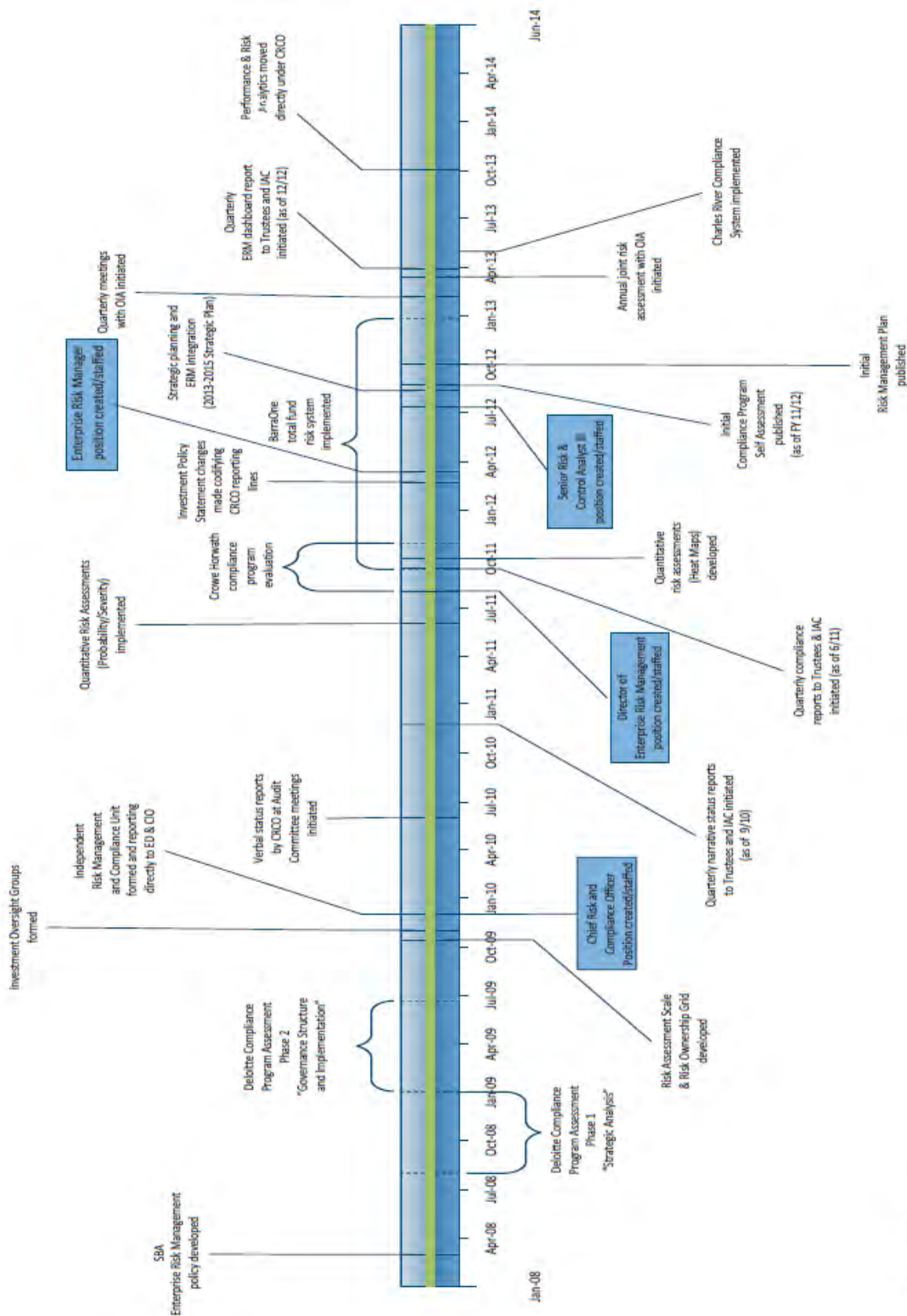
*Evaluate the design maturity, advancement, and direction of the SBA GRC programs since December 2009. The evaluation will include the appropriateness of the existing organizational structure and if applicable, recommendations for improvements in the structure.*

As stated in the Executive summary, the SBA has advanced the maturity of the GRC program from “Developed” to “Advanced.” With a formal GRC framework, continually improving processes, technology, and skills supported by a risk aware culture we expect the program to continue to mature.



Milestones of the SBA's GRC Journey are documented in the FY 2013-2014 Risk Management and Compliance Self-Assessment which is excerpted on the following page.





As of 6-30-2014

We have organized our observations and assessment based upon the four domains defined within the Forrester GRC Maturity Model: Oversight, Process, Technology and People.

Definitions as provided by Forrester are below:

**Oversight** assesses the strategy, vision, and structure of GRC in the organization. This domain provides a framework for the coordination and collaboration of risk, compliance, and audit functions, as well as other departments across the organization such as legal, HR, and operations. By improving oversight, you can manage risk and compliance needs in a holistic manner aligned with the strategic goals of the business. For example, you can determine how best to allocate remediation resources, avoid situations where too many parts of the company are at high levels of risk exposure, and make prudent investments to take advantage of new opportunities.

**Process** describes the core workflows needed to manage compliance and risk. Keys to any GRC program are the policies and procedures that guide how risk, compliance, and audit functions operate in a consistent manner. Organizations should aim for repeatable workflows with continuous improvement to reduce redundancy costs and encourage broader participation. For example, standardized policy management capabilities can support compliance across a wide range of risk domains — such as health and safety, information security, anticorruption, and customer service — even though the content of those policies varies substantially.

**Technology** enables efficient and effective execution of operations and decision-making. Technology supports the other three domains, but it remains autonomous to emphasize that underlying technical capabilities require their own evaluation and ongoing improvement. By actively seeking to mature the state of technology, governance, risk, and compliance professionals can improve the quality and speed by which their programs operate.

**People** establishes the human components that drive success. At the heart of every organization is its people, and it is these individuals who analyze information, make decisions, and take actions with risk and compliance implications. Successful GRC fundamentally relies on people to develop and execute processes and bolster the corporate culture, so the more you can enhance the maturity of GRC efforts among your employees, the more cohesive and resilient your organization will become.

In scoring the maturity of each domain, we used a simplified maturity assessment model.

This model allows us to assess the GRC Domains on a continual scale between “Ad Hoc” to “Advanced.” This scale is further defined below.

Maturity Assessment		
Ad Hoc	Developed	Advanced
Formal processes have not been defined. In some cases, formal processes may not always be executed in the same manner.  Processes are performed usually in response to a request or an event.	Formal processes have been defined and documented. Processes are consistently executed. Processes may be consistently executed based on a timetable or in response to a request. (i.e. exception reporting)	Formal processes have been documented and are consistently executed. The performance (effectiveness, efficiency and responsiveness) of these processes are measured allowing management to make enhancements over time. Processes may be executed based on risk measurements approaching certain limits or trigger points.

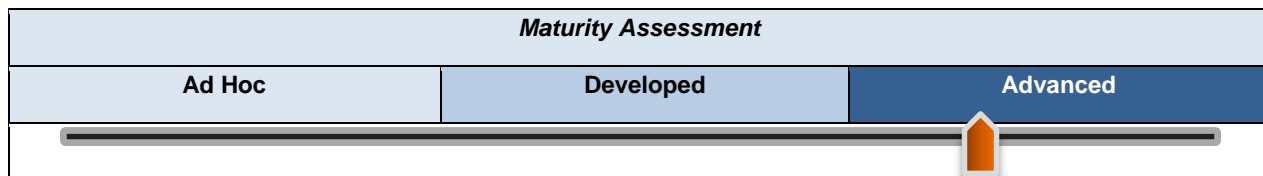
For each domain area, we have also identified considerations for management to evaluate in the future. These are items that the SBA should consider in the context of the SBA's size, complexity and unique risk profile in pursuit of SBA's mission:

*“Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.”*

## Oversight

*“Oversight assesses the strategy, vision, and structure of GRC in the organization. This domain provides a framework for the coordination and collaboration of risk, compliance, and audit functions, as well as other departments across the organization such as legal, HR, and operations. By improving oversight, you can manage risk and compliance needs in a holistic manner aligned with the strategic goals of the business. For example, you can determine how best to allocate remediation resources, avoid situations where too many parts of the company are at high levels of risk exposure, and make prudent investments to take advantage of new opportunities.” – Forrester*

## Assessment



The SBA has taken a proactive and deliberate approach in the design, development and execution of GRC through its Enterprise Risk Management Framework. This framework provides a structure for the SBA to periodically assess its progress along its GRC journey and identify opportunities to make enhancements and optimize processes. It is evident that an effective GRC program is important to the SBA to achieve its mission:

*“Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards.”*

As stated in SBA Policy 10-005 Enterprise Risk Management:

*“A dynamic risk management framework shall be developed and maintained via a risk management plan which will ensure that risks undertaken by the SBA and the applicable risks undertaken by external parties that assist the SBA in performing its duties are identified, understood, assessed and effectively managed.”*

Our assessment of the SBA’s **Oversight** domain of the GRC Program is **Advanced**. This assessment is supported by the following observations:

### Strategy

Formal processes are used to evaluate the GRC program to support ongoing improvement, tie GRC to the overall business strategy and support business decision making.

1. The SBA has a formal two year risk management plan that is communicated throughout the organization and annual self-assessments are performed.
2. The risk management and compliance self-assessments include a narrative of enterprise risk management, compliance program, inspector general, and performance and risk analytics. The self-assessments also provide a view of future risk and compliance program initiatives.

In performing the self-assessment each year, the SBA demonstrates that it is advancing on its risk management journey in a thoughtful and deliberate manner.

3. The strategic plan is linked to the strategic risks identified by the organization aligning the risk management program with the business strategy and objectives.
4. Risk management and compliance is integrated into business decision making through the various management oversight committees (and subcommittees) including the Senior Investment Group, Senior Operations Group and the Risk and Compliance Committee.
5. A timeline documenting the SBA's GRC journey is prepared as part of the annual self-assessment.

### **Governance**

Risk levels and budgets are established, risk and compliance resources managed and industry/peer information is referenced to monitor performance.

6. The Risk Management and Compliance (RMC) unit plays an active role as new products, markets, regulatory requirements or other external factors are identified through participation on various management committees.
7. In the spirit of continuous improvement, the SBA conducts benchmarking, considers the adoption of new standards (i.e. COSO 2013 Framework on Internal Control principles), and assesses its performance through a survey of employees (as part of the Risk Management and Compliance Self-assessment) and the use of external consultants.
8. The SBA has a formal budgeting and planning process that includes GRC resourcing.

### **Framework**

An advanced framework spans the various functions of the organization and has consistency in language, methodologies and decision making processes.

9. The scope of the risk management and compliance framework extends from the Florida Statutes, the Board of Trustees, and SBA management to the oversight of external third parties.
10. GRC consistency is supported through the adoption of standard tools including: Risk Framework Definitions, Residual Risk Profile Heat Maps, Risk Assessment Scale Definitions, ERM Policy and the ERM Risk Ownership Grid.
11. Operational risks that are specific to the Florida Hurricane Catastrophe Fund (FHCF) program and the Defined Contribution program (Florida Retirement System Investment Plan) have been defined and monitored distinctly from the other risk categories in the framework.
12. Decision making has been aligned to the organization through the various management and oversight groups and formally documented in the ERM Policy.

## ***Integration***

There is a single risk management function, Risk Management and Compliance, which provides guidance and oversight of compliance management efforts across the enterprise.

13. GRC is sponsored at the highest levels of the organization as demonstrated by the Executive Director & CIO, the Audit Committee, the Investment Advisory Council and the Board of Trustees.
14. The RMC Unit has responsibility for collecting, aggregating, and analyzing risk and compliance data and reporting to various stakeholders.
15. The annual risk assessment questionnaire is issued by the OIA and the Enterprise Risk Management function within the RMC Unit. The OIA uses this information in its annual risk assessment to develop an annual audit plan.

## **Considerations for the Future**

### **A. Formalize a Transformational Management Program**

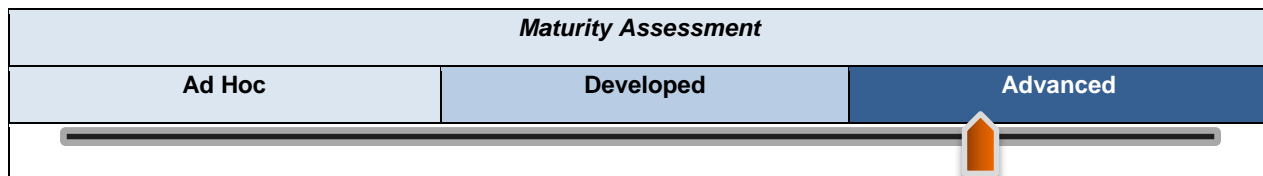
There may be an opportunity for the SBA to further formalize change management (or transformation) capabilities to help drive strategic initiatives through program management. Some current activities that could be coordinated from this program include:

1. Formalizing internal communications and protocols.
2. Formalizing standards for reporting on strategic initiatives.
3. Maintaining documentation standards and an inventory of business processes and supporting controls.
4. Monitoring the alignment between strategy and risk management activities.

## Process

*“Process describes the core workflows needed to manage compliance and risk. Keys to any GRC program are the policies and procedures that guide how risk, compliance, and audit functions operate in a consistent manner. Organizations should aim for repeatable workflows with continuous improvement to reduce redundancy costs and encourage broader participation. For example, standardized policy management capabilities can support compliance across a wide range of risk domains — such as health and safety, information security, anticorruption, and customer service — even though the content of those policies varies substantially.” - Forrester*

## Assessment



The SBA's ERM Policy defines the responsibilities of the RMC Unit, the Business Units, and the Risk and Compliance Committee. Included in the policy are the planning, monitoring, and reporting processes to the Audit Committee, the Investment Advisory Council, and the Board of Trustees.

Our assessment of the SBA's **Process** domain of the GRC Program is **Advanced**. This assessment is supported by the following observations:

### **Risk Management**

Risk management practices include formalized processes for identifying, measuring, controlling and reporting on relevant risks to support decision making.

1. The value of the Risk Management function is understood and efforts are ongoing to continue to optimize the function.
2. Responsibilities are defined for the first and second lines of defense as documented in the Enterprise Risk Management Policy (10-005). Policies and procedures that are relevant to risk management responses are documented in the risk management plan. Responsibilities for the third line of defense (OIA) are defined in the OIA charter,
3. There is a demonstrated and consistent ability to identify, classify and evaluate risks.
4. There are standard risk reporting processes that include indicators of change in risk exposure.
5. A risk management plan is prepared on at least a biennial basis. This includes the identification of enterprise-wide risks, business unit risks, including likelihood, severity and velocity and planned mitigation strategies. This plan is approved by the Executive Director & CIO and communicated to the Audit Committee.
6. Risk appetite is not formally defined, but the risk management plan does specify which risks have a “risk mitigation gap.”



## ***Compliance Management***

Compliance management processes identify new requirements, translate requirements into policy, implement procedures and controls, and provide reporting on adherence to the requirements.

7. There is a clear process for the identification, documentation, approval and maintenance of policies. Policies are actively reviewed annually and updated when appropriate.
8. Policies include coverage of, but are not limited to, the Executive Director and Chief Investment Officer, Asset Classes, Personnel, Administrative Services, Information Technology, Investment Policy and Economics, Risk Management and Compliance and other business units. Investment policies are also contained in Investment Policy Statements and Investment Portfolio Guidelines.
9. Annually, the SBA identifies any Florida legislation passed that affects the SBA which may have new and/or additional compliance requirements. There is an awareness that regulatory activities that impact the SBA's business partners may also have an impact on the SBA.
10. Policies are maintained on the SBA intranet.
11. There is a dedicated Investment Policy Officer role with responsibility for monitoring asset allocations and active risk budget, ensuring sufficient liquidity and that the SBA remains within the general investment policy statements.
12. Significant Controls have been documented for identified risks within the SBA ERM Framework and the controls are verified on a periodic basis.
13. Policy 10-042 Internal Controls and Fraud states:

*SBA managers and supervisors will be responsible for evaluating and testing internal controls on a periodic basis and will develop companion policies, guidelines and procedures as necessary to implement and document the SBA's system of internal controls.*

The business unit, as the first line of defense has responsibility for testing. The RMC Unit, as the second line of defense, looks for evidence that the controls are in place, as evidenced in the Risk Management Plan.

14. Automated compliance systems enable surveillance of public market portfolios and compliance with investment policies and guidelines.
15. Compliance metrics are reported to the appropriate management and oversight bodies of the SBA and are refined, as necessary.



## ***Audit and Assurance***

Audit and assurance activities are coordinated with internal and external entities, ensuring consistent and proactive response to company activity and external regulatory requests.

16. The SBA has a mature internal audit (OIA) department using external parties when specialized skills are required (i.e. audits of IT security).
17. The OIA considers the Enterprise Risk Assessment in the development of the internal audit annual plan, but ultimately, the audit plan is independently developed through the OIA risk assessment process and then approved by the Audit Committee and Executive Director.
18. Responses to internal audits and third-party assessments are consistently monitored, tracked, and reported by OIA.
19. OIA engages external parties to assess IT-related processes including change control, network security, data loss prevention and disaster recovery plans.
20. The OIA engaged a third party to perform a Quality Assurance Review under the guidelines of The Institute of Internal Auditors. This review provided an assessment and recommendations for future enhancements of the internal audit function.
21. The State Auditor General conducts operational and financial audits. The OIA conducts operation audits and advisory services and oversees various external financial statement audits.
22. The OIA coordinates audits of the State Auditor General, OPPAGA, and other third parties.
23. EY currently performs annual financial statement audits of the Florida Retirement System (FRS) Trust Fund, and the FRS Investment Plan Trust Fund. EY currently perform audits of the wholly-owned and joint venture real estate investments. KPMG currently performs annual financial statement audits of the Florida Hurricane Catastrophe Fund.
24. Florida PRIME receives an Annual Best Practices Review (last performed by Hewitt EnnisKnupp in June 2014) and a Legal Compliance Review (last performed by Lewis, Longman & Walker, PA in June 2014.)
25. Florida PRIME receives an Annual Review and approval of Investment Policy Statements by the Participant Local Government Advisory Council, Investment Advisory Council, and Board of Trustees.
26. OIA's risk assessment support and process maps are maintained in OIA departmental files and provided to auditee management; RMC's risk assessments and process maps are widely available.

## **Considerations for the Future**

### **B. Continue to Incorporate Enhancements to the Risk Management Framework and Processes**

Considerations for enhancement could include:

1. Refine additional quantitative metrics for monitoring strategic and operational risks. For example, “Service Provider Risk” metrics shared in the quarterly report do not appear to quantify the types of service provider risk in the semi-annual risk assessment.
2. Consider the formalization of risk appetite and/or risk tolerance concepts and reporting as part of the quarterly reporting.
3. Continue to identify opportunities for simplified risk and compliance reporting to the Audit Committee and the Investment Advisory Council.
4. Consider including a roadmap of future milestones within the risk management plan and any additional resource requirements.

### **C. Continue to Document Processes and Process Controls**

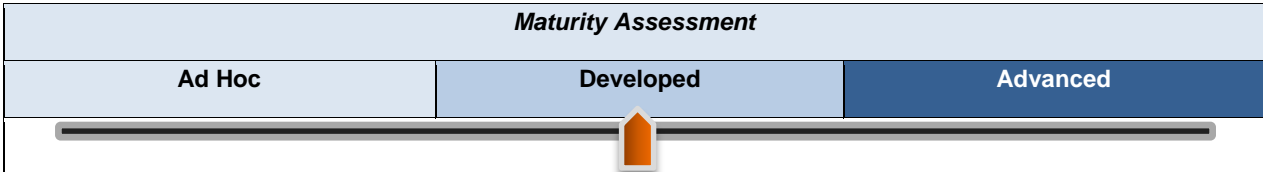
The SBA has completed the documentation of many of its business processes and controls using various methods and levels of detail. Lessons learned should be gathered from these exercises and where appropriate, should be applied to the documentation of other processes and control areas.

Where appropriate, process and controls documentation should describe the role of the business unit (first line of defense) and the RMC (second line of defense).

# Technology

Technology enables efficient and effective execution of operations and decision-making. Technology supports the other three domains, but it remains autonomous to emphasize that underlying technical capabilities require their own evaluation and ongoing improvement. By actively seeking to mature the state of technology, governance, risk, and compliance professionals can improve the quality and speed by which their programs operate. - Forrester

## Assessment



The SBA has a strategy of implementing best in class systems to meet specific business requirements. Knowledge of how to use these systems is resident throughout the organization. The focus of the IT/Data Center department is on managing the network, security and supporting users of the SBA. The Financial Operations department has responsibility for the accounting systems operations.

Our assessment of the SBA’s **Technology** domain of the GRC Program is **Developed**. This assessment is supported by the following observations:

### Technology and Data Integration

GRC data (risks, controls, assets) may reside in different systems without a common data structure for integrated information and business process sharing.

- 1. There are a wide variety of systems and in some cases, data may be transformed as it moves from one system to another. Data transformation controls may not all be documented.
- 2. Integration tasks and interfaces utilize the tools that are supported by the various system vendors.
- 3. Controls and risks are understood by system owners with varying levels of documentation. There is not a single, common data taxonomy across all systems.
- 4. Compliance systems (Bloomberg, BNY Mellon and Charles River) monitor compliance on a periodic basis and are targeted to specific requirements in selected areas.

### Project Resource Management

Project management processes are documented and governed by appropriate oversight groups based upon project types.

- 1. IT projects are managed with the oversight of the IT Steering Group and the Senior Operations Group.

2. There are formal processes for the independent approval and testing of all program changes to production environments (Policy 20-407).
3. There is not a formal, centralized enterprise wide Program Management Office (PMO) within the organization.

### ***Content and Data Management***

There are recognized repositories for managing GRC-related content with basic management and control capabilities.

4. Access control to various applications is maintained within the respective systems.
5. Data is transferred between systems using a variety of automated and manual techniques. Manual techniques are not ad hoc, but are automated scripts that are executed “on demand”, when needed.
6. Reconciliation of select financial and accounting data is performed periodically including daily and monthly. There are many system verification and reconciliation procedures for data integrity, content, and management.
7. In the industry, data is more easily accessible for public market asset classes than private equity and strategic investments.

### ***Reporting and Analytics***

There are capabilities to display data from many sources in reports and dashboard with analytics to identify trends, anomalies, or other points of information to support good decisions.

8. The RMC unit has multiple systems and tools for reporting and analytics.
9. The implementation of Total Fund Risk Model (TFRM), BarraOne, provides the ability to aggregate, analyze, and report on investment risks across all asset classes.
10. The investment performance reporting process is formally documented. Occasionally, assistance is required from more experienced staff to perform special reporting.
11. In addition to regular reports, ad hoc reports are prepared to meet the requests of various managers for GRC decision making.
12. The SBA has the ability to perform stress testing using BarraOne stress testing scenarios. Results of these tests are shared in the Enterprise Risk Management and Compliance Quarterly Report.
13. Each asset class has risk and performance reporting technology available to it. PACE is replacing the Economics reporting system.

## **Considerations for the Future**

### **D. Continue to Formalize the SBA's Data Management Function**

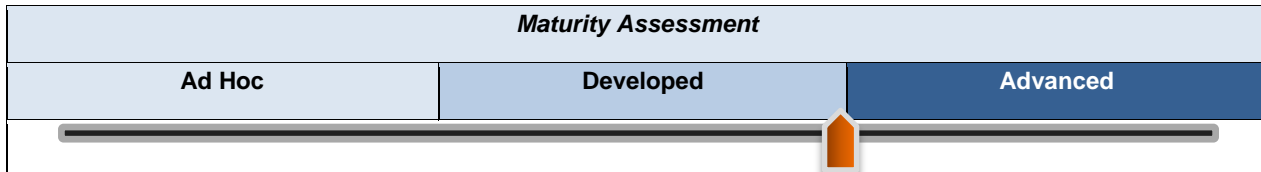
As the web of systems utilized by the SBA continues to increase in complexity, there is an opportunity to develop a master data management function. Standards could be developed in:

1. Documenting the usage, definition, purpose and life cycle of data.
  - a. Collection – quality and standards
  - b. Management – integration, architecture and systems
  - c. Protection – identification, classification, and access control
2. Develop standards for the maintenance and management of data models including stress testing and various scenario models.
3. Publish data management standards for third party service providers.

## People

*People establishes the human components that drive success. At the heart of every organization is its people, and it is these individuals who analyze information, make decisions, and take actions with risk and compliance implications. Successful GRC fundamentally relies on people to develop and execute processes and bolster the corporate culture, so the more you can enhance the maturity of GRC efforts among your employees, the more cohesive and resilient your organization will become. - Forrester*

## Assessment



Based upon our interviews with managers throughout the organization, we believe there is a strong risk aware culture and appropriate "tone from the top." Communication between executive management and the Audit Committee, Investment Advisory Council, and Board of Trustees is formal and fosters a spirit of cooperation and understanding. Most all interviewees lauded the culture of the SBA and pointed to the amount of experience of the staff at all levels.

Our assessment of the SBA's **People** domain of the GRC Program is **Developed**. This assessment is supported by the following observations:

### GRC Culture

Fostering a GRC Culture is consistently stated as a top initiative by top executives with stated objectives to support ongoing improvement.

1. A revised incentive compensation program for employees has been designed and may be implemented in fiscal year 2015-16. Consideration has been given in the design of this program to potential new risks.
2. The SBA does conduct surveys of its workforce through various methods, but the surveys are not solely designed to obtain information on GRC awareness, sentiment and issues.
3. A Fraud Hotline is in place for anonymous reporting of suspected fraud, theft or financial misconduct.
4. Performance metrics are monitored daily to ensure risk budgets are maintained.
5. All employees are required to complete annual policy training.
6. Managers/Supervisors are assessed via an appraisal process that includes a section on "Risk Management, Compliance and Audit."
7. The Executive Director & CIO places an emphasis on maintaining an awareness of GRC culture when communicating with staff, Board of Trustees, Audit Committee, Investment Advisory Council and others.

### ***GRC Skills and Staffing***

GRC skills and staffing decisions follow documented processes for regular evaluation to address current and future staffing needs with a defined set of training tools.

8. There is a formal training program for new employees of the RMC Unit.
9. As part of the semi-annual risk assessment process, risk management staff hold training/guidance sessions for management. Materials include definitions of RMC taxonomy.
10. The SBA performs research and obtains knowledge from various third parties on GRC.
11. The SBA has a focus on cross training and skill development. A Strategic Professional Certification Program is also in place offering incentives for attaining certain certifications / credentials including GRC credentials. To encourage employees to obtain professional certifications (and associated technical skills) that are deemed strategically important to the SBA's mission, fiduciary responsibilities and/or succession planning, the SBA has implemented a strategic professional certification program to maximize the development of its employees. (Training and Development Policy (20-271))
12. SBA professionals who play a part in managing investment and operational risk are assigned 10 mandatory training courses per year from a curriculum of finance and investment courses. An advisory group, which includes RMC staff, determines required investment courses for each level of staff.
13. The budget process identifies needs and allocates resources for additional staffing; budget resources are allocated for needed training.
14. SMART goals are developed for each employee and there are various performance management tools including annual performance evaluations.

### ***Business Relationship and Integration***

There is formal support, coordination, communication and interaction between GRC and organization leaders.

15. GRC aligns with other business functions through the engagement of the internal oversight groups and committees including: Senior Investment Group, Senior Operations Group and the Risk and Compliance Committee.
16. The SBA publishes an Enterprise Risk Management and Compliance Quarterly Report to the organization, the Board of Trustees, the Investment Advisory Council, and the Audit Committee.
17. There is a formal External Investment Manager Oversight (EIMO) Program requiring public market class external managers to submit an annual certification. The Private Equity, Strategic Investment and Real Estate external managers are requested to submit an annual certification. Last year, the EIMO reported reviewing over 500 contracts. EIMO staff keeps an ongoing log of contracts reviewed.

18. The EIMO Program maintains risk rankings for both public and private external managers, which is a factor in determining which managers will receive a site visit. At any time, a special evaluation, either off-site or on-site, may be completed if the manager/fund has any significant issues or changes.
19. The strategic plan is integrated with the strategic risks identified by the organization in the annual risk assessment.
20. The organization uses various service providers beyond external investment managers that are important to operations. SBA regularly holds meetings with service providers and in some instances serves on client advisory boards.
21. GRC/RMC is routinely involved throughout the procurement process. The procurement policy describes the approval of staffing for evaluation teams as:

*The COO/CFO, in consultation with other Executive Service staff and the SOO-AAS, will approve staffing for Evaluation Teams. A member of the Procurement staff will be appointed to all Evaluation Teams. The Procurement Manager will be responsible for documenting all activities of the Evaluation Team.*

*Evaluation Teams will be composed of a minimum of three members possessing the technical background, knowledge and expertise to competently evaluate competitive proposals and their associated respondents. Evaluation Teams may include outside experts and non-SBA public employees. Evaluation Team members should be drawn broadly from the organization in order to incorporate input from materially affected areas.*

Risk management and compliance personnel are also included in these evaluation teams when appropriate.

22. The SBA understands that risk and compliance professionals need to have knowledge and understanding of the investment and operational areas of the organization. Employees are encouraged to develop these skills and to fill roles in the organization as opportunities are available.



## **Considerations for the Future**

### **E. Continue to Formalize a Third Party Risk Management Program for Service Providers**

Below are some relevant leading practices that the SBA may wish to consider to improve its third party risk management efforts for entities outside of the External Investment Manager Oversight Program. The SBA should consider its procurement policies and procedures when continuing the formalization of a third party risk management program.

#### **Risk Assessment of Service Providers**

1. The best organizations focus first on risk by categories or risk type (security, resiliency, etc.) then use various methods to filter and manage the large population of servicers.
2. The best organizations adapt their assessments to focus on emerging issues or address findings in assurance activities.
3. High performing companies in this area are able to leverage organizational and external data to assist in the effort.

#### **Ongoing Risk Management & Assurance**

1. Assurance activities need to be matched against risk, assurance needs, and reward.
2. The best organizations monitor the return on investment of servicer audits and become laser focused on areas that drive the most value or reduce, transfer, or eliminate risks
3. Internal audit often “recommends” the approach that other assurance functions in the company take to assist in monitoring risk. (i.e., compliance, IT)

### **F. Continue to Periodically Assess Changes to Risks Associated with Incentive Programs**

With the possible implementation of a revised incentive compensation program, a risk assessment should be developed to identify any potential undesirable behavior that might be encouraged by drivers in the revised incentive program. (i.e., short term performance incentives that might drive negative long term performance or inappropriate levels of investment or operational risk) The SBA can then monitor for these unacceptable levels of investment or operational risk and respond should the need arise.

### **G. Formalize the Assessment of the Risk and Compliance Culture**

Current leadership (Board of Trustees, Committees and Executive Management) of the SBA has been effective in establishing an appropriate “Tone at the Top” and culture within the organization. If leadership changes in the future, the SBA could be at risk of losing its risk and compliance culture.

In the Financial Stability Board's Introduction to "Guidance on Supervisory Interaction with Financial Institutions on Risk Culture, A Framework for Assessing Risk Culture," the following information is shared:

*Culture can be a very complex issue as it involves behaviors and attitudes. But efforts should be made by financial institutions and by supervisors to understand an institution's culture and how it affects safety and soundness. While various definitions of culture exist, supervisors are focusing on the institution's norms, attitudes and behaviors related to risk awareness, risk taking and risk management, or the institution's risk culture.*

*Weaknesses in risk culture are often considered a root cause of the global financial crisis, headline risk and compliance events. A financial institution's risk culture plays an important role in influencing the actions and decisions taken by individuals within the institution and in shaping the institution's attitude toward its stakeholders, including its supervisors.*

*A sound risk culture consistently supports appropriate risk awareness, behaviors and judgments about risk-taking within a strong risk governance framework. A sound risk culture bolsters effective risk management, promotes sound risk-taking, and ensures that emerging risks or risk-taking activities beyond the institution's risk appetite are recognized, assessed, escalated and addressed in a timely manner.*

A discussion on the Risk and Compliance Culture could be an agenda item for discussion between the Executive Director & CIO and the various oversight groups.

## Objective #2 - Independence and Objectivity of the Compliance Function

*Using nationally-recognized evaluation standards, formally assess the independence, and objectivity and reporting line of the compliance function. In addition, compare the SBA's GRC practices with the top 10 public pension systems in the country.*

As defined by The Institute of Internal Auditors (IIA) position paper: "The Three Lines of Defense in Effective Risk Management and Control" compliance responsibilities reside throughout the three lines of defense. The SBA's RMC unit performs as defined within the IIA position paper:

*"Each of these functions has some degree of independence from the first line of defense, but they are by nature management functions. As management functions, they may intervene directly in modifying and developing the internal control and risk systems. Therefore, the second line of defense serves a vital purpose but cannot offer truly independent analyses to governing bodies regarding risk management and internal controls."*

Although the structure of other pension funds may be different, the independence and objectivity of the second line of defense is consistent with the GRC practices of the other pension funds that participated in our survey.

At the January 20, 2012 Investment Advisory Council meeting, the members unanimously agreed to direct staff to amend the Investment Policy Statements for the FRS Pension Plan, FRS Investment Plan, and Lawton Chiles Endowment Fund to include language changing the reporting relationship of the Chief Risk and Compliance Officer (CRCO). The language was approved by the Board of Trustees on February 9, 2012.

*"The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions."*

The Chief Risk and Compliance Officer reports to the Executive Director & Chief Investment Officer providing an appropriate level of authority. In discussions with the Acting Chief Risk and Compliance Officer we confirmed that she agreed and understood that she could address the Investment Advisory Council, Audit Committee and Board of Trustees whenever she feels necessary.

Activities that reside in the third line (OIA) are independent, objective, and report directly to the Audit Committee of the Board of Trustees. The Third Line of Defense (OIA) has independence defined in its charter as:

*Organizational Placement. To provide for the independence of the OIA, its personnel report to the Chief Audit Executive (CAE), who in turn reports functionally to the Audit Committee and administratively to the Executive Director & CIO.*

*The CAE shall freely discuss audit policies, findings and recommendations, audit follow-up, guidance issues, and other matters as necessary.*

*Professional Standards Independence. The CAE shall periodically discuss standards of professional audit independence with the Audit Committee. The standards of independence used as benchmarks are mentioned in the Professional Standards section of this document.*

*Potential Impairment of Independence. The CAE shall discuss any potential issues regarding impairment of independence and/or conflicts of interest and their mitigation(s) with the Audit Committee as soon as practicable.*

As observed, the OIA performs an independent risk assessment and develops an independent internal audit plan approved by the Audit Committee.

## **Benchmark Pension Funds: Observations**

As part of this engagement, we conducted a survey of select GRC Programs of Public Pension Funds and drafted a report entitled “U.S. Public Pension Funds: Survey of Selected Governance, Risk Management and Compliance (GRC) Programs” and is available to the participants of the benchmarking survey.

To gather this information, Crowe interviewed management representatives from each of the selected funds and reviewed information available from public sources with a focus on understanding the design of the fund’s governance, risk and compliance program. We did not perform testing of controls, procedures or financial data, nor did we perform any validation of the information received from the participants. This report summarizes the observations from these survey activities.

Each of the pension funds included in this survey have a unique organization structure, mandate and operating environment. In many cases, the design of the GRC program is defined in state statutes. Even though each pension fund has a unique GRC program, there is a spirit of collaboration and sharing of best practices between the funds.

## **Observations**

### **1. GRC Programs Vary in Structure**

As one survey participant pointed out “once you’ve seen one Pension Fund governance structure, you’ve seen one Pension Fund governance structure.” Our nine survey participants’ governance structures varied but generally fall into one of three categories:

1. An integrated investment management and pension benefits administration organization with a single fiduciary board. (4 funds)
2. Separate investment management and pension benefits administration organizations, each reporting to its own board. (2 funds)
3. The pension fund is managed as part of the overall state financial governance structure (state treasurer or comptroller) typically with one or more advisory boards. (3 funds)

We also noted that the individuals who participated in the survey had varied job titles and perspectives. The following job titles of individuals who participated in our survey included:

Chief Risk and Compliance Officer,

Chief Investment Officer,

Deputy Chief of Staff and Legal Counsel,

Director of Risk Management and Strategic Planning,

Enterprise Risk Analyst,

Chief Risk Officer,

Risk Management Director,  
Chief, Office of Audit Services, and  
Director of Operations.

One of the organizations that participated in the survey did not oversee investment risks, but rather these risks are managed by the City Comptroller's Bureau of Asset Management.

We also noted that in conducting the survey, language and terminology used by the various funds may also vary. Terminology with various definitions included:

Risk Assessment vs. Control Assessments,  
Responding vs. Controlling,  
Monitoring vs. Testing, and  
The Three Lines of Defense.

## **2. Governance, Risk and Compliance is Viewed as Strategic**

Seven of the nine funds appeared to have established a strategic process for managing risk and compliance while the remaining two funds have initiatives in place to develop a more strategic process. All funds have efforts underway to continue to enhance their risk and compliance programs.

Eight of nine funds include a view of risk in the development of their strategic plan.

Five of nine funds document the tie between the strategic plan and their enterprise level risks.

Five of nine funds use a type of framework for benchmarking. All participants will share information with other public pension funds in peer groups. Three of nine funds use an outside advisor to help benchmark their program.

## **3. Funds Use Cross Functional Management Risk Committees**

All of the funds have risk management committees composed of senior managers of the organization who meet on a regular basis to identify, discuss and respond to risks. The level of detail discussed in these meetings may vary by fund as well as the types of topics: strategic vs. operational vs. compliance.

## **4. Reputation Risk is Top of Mind**

Most funds have identified Reputation Risk as one of their top risks. One fund uses reputation as one measure of impact within the risk assessment methodology. Reputation risk is acknowledged to be one of the most difficult to assess and monitor. Political risks may be monitored within the fund's communications or external affairs department.

## **5. Three Lines of Defense Concepts are Gaining Acceptance**

Most participants have an awareness of the concepts of three lines of defense (3LD) although there is not a formal framework that is documented and communicated to all employees using the 3LD terminology. Reporting lines for the first line and third line are relatively consistent across the participating funds. There are a number of reporting lines in place for the second line of defense.

## **6. Whistle Blower/Fraud Hotlines Are Available**

All of the funds have hotlines available. Three of nine are administered by a 3<sup>rd</sup> party. Level of usage varies and some funds said that they could do better in promoting the hotline to employees and others.

## **7. Risk Assessment Methodologies Vary**

The funds surveyed have varying levels of sophistication to the risk assessment methodology in place. In general, investment risk is assessed and monitored through investment policies. Most funds prepare a heat map with Impact and Likelihood of risks as part of their risk assessment. Inherent risk, Residual risk, Appetite and Tolerance concepts and terminology are sometimes used by the risk and compliance function, but in most cases, are not used by most funds as part of the overall enterprise risk and compliance process throughout the organization. Only one fund shared that they use risk and control self-assessments (RCSA) as part of their risk assessment methodology.

## **8. Increased Coordination of Internal Audit with Risk and Compliance**

Six of nine surveyed link their Internal Audit plan to the enterprise risk assessment. With most funds, there are efforts to identify ways to coordinate the risk assessment activity, while maintaining the independence of the Internal Audit function.

## **9. Policy Management Processes are Maturing**

Many of the funds have efforts underway to enhance their business processes for managing the policy life cycle. Some funds use policy management software to manage investment and compliance policies and procedures.

## **10. Investment Policy Controls and Monitoring are Prevalent**

The survey found that most of the funds use automated software to monitor compliance with investment policies. Typically this software is chosen based upon the asset type and/or the third party custodian. Several participants have identified opportunities for continued enhancement of their compliance monitoring capabilities.

## **11. Internal Audit Function Prevalent**

All of the funds have an Internal Audit department that has responsibility for compliance and operational audits while a State Auditor may have oversight of the financial statement reporting and audit. Three of nine funds have an Inspector General with primary focus on ethics, fraud and appropriate employee and consultant disclosure requirements.

## **12. System Modernization Efforts Drive Formal Data Management Programs**

Four of those surveyed have recently implemented or are currently implementing new enterprise systems. As part of these efforts, these funds have formalized their enterprise data management and governance functions.

## **13. Program Management Office Functions Becoming More Strategic**

Seven of nine funds have at least one formal program management function. Three funds have this function in the Information Technology department. Three funds have this in business and operations. Three funds have this function as part of their overall strategy and transformation designs.

## **14. Increased Awareness of the Linkage of Culture with Risk Management**

Surveys of employee engagement are completed by all surveyed funds. These surveys have not been designed to assess the organization's risk culture, but do provide some insight. Five of the funds have compensation ties to performance for some of their employees (typically in the investment management functions). Two of the funds are considering the implementation of some incentive compensation program. Funds are being thoughtful in understanding risks that might be inherent in these types of programs.

## **15. GRC Training Informal for Risk and Compliance Employees**

The survey revealed that while there may be formal training for new employees to the risk and compliance functions, most training is obtained through seminars, conferences and peer networking for experienced employees. The more mature funds in this area, provide additional compensation for GRC related professional certifications and are building comprehensive talent management strategies for risk and compliance professionals.

## **16. Third Party Oversight Dependent on Type of Service**

Asset Managers within the funds typically have the primary responsibility for oversight of investment managers. Many of the funds have formal processes in the second and third lines of defense to provide a level of additional level of review or assurance. Processes are less formal in the second and third lines of defense for oversight of other types of third parties (i.e. Data processing providers).



## Objective #3 – Evaluate GRC Protocols

*Evaluate the GRC protocols relative to compliance, corporate governance, external auditors, Inspector General, internal audit, and risk management, and their interaction with the Audit Committee and Investment Advisory Council.*

Conclusion: The GRC protocols of the SBA are formal, documented, and evaluated periodically internally and externally by independent third parties. These protocols are managed through a framework of policies and governance committees for the first line and second line of defense. The OIA provides an independent third line of defense with reporting to the SBA Audit Committee who reports to the Board of Trustees. The Investment Advisory Council performs an advisory role to the Board of Trustees with a focus on forming investment policies, strategy and procedures. In this role as advisor, the Investment Advisory Council also receives reporting on compliance, corporate governance, external audits, Inspector General, internal audits and risk management.

### Observations

#### Risk Management & Compliance

1. The Acting CRCO provides a written Trustee Update to the Executive Director & CIO. An update is presented to the Audit Committee and the Investment Advisory Committee.
2. The RMC unit provides a quarterly report to the Audit Committee and the Investment Advisory Committee. Topics include: Semi-Annual Risk Assessment Results, Investment Management Risk, Governance/Management Risk, Compliance Risk, Fraud/Misconduct/Internal Controls Risk, Service Provider Risk, Operational Risk, Human Capital Risk and Security Risk.
3. The RMC unit prepares an annual self-assessment of the Risk Management and Compliance program. The risk management and compliance self-assessments include a narrative of enterprise risk management, compliance program, inspector general, and performance and risk analytics. The self-assessments also provide a view of future risk and compliance program initiatives.

#### Corporate Governance

4. The SBA publishes the “Corporate Governance & Proxy Voting Guidelines” for each upcoming year and the “Annual Governance & Proxy Voting Summary” each year. The Guidelines are approved by the Board of Trustees.

5. As a subcommittee of the Senior Investment Group, the SBA's Proxy Committee is tasked with:
- i) deliberate on specific proxies as it deems appropriate to ensure the independence and integrity of the voting process (particularly in the case of controversial or unique voting circumstances), ii) adopt the Corporate Governance Principles & Proxy Voting Guidelines, which set forth the SBA's views with respect to certain corporate governance and other issues that typically arise in the proxy voting context, iii) monitor annual reports regarding the specific proxy votes, corporate governance and proxy voting trends, and iv) routinely review and/or evaluate relevant risks identified through periodic risk assessments or by group members on an ad-hoc basis.*
6. The Senior Officer, Investment Programs and Governance provides a written memorandum to the Executive Director & CIO that is also provided to the IAC, the Audit Committee and the Board of Trustees.

### **External Auditors**

7. External auditors are engaged by the Audit Committee. The Audit Committee has the following responsibilities:
- Search, select, and engage external audit firms by approving: Scope of work for competitive solicitations, selection process and final engagement letters (for execution by the Executive Director and CIO)*
  - Meet, as needed, with the representatives of the Auditor General and other external auditors regarding the proposed scope and approach of their external auditing functions and subsequently the results of their audit of the SBA.*
  - Meet, as needed, with representatives of OPPAGA regarding its review of the performance of the SBA.*
  - Review with management the results of all audits, including any difficulties encountered by the auditors or disputes with management during the course of their audit. External auditors will be consulted, as needed.*
8. External auditors who are chosen for the audit pool must agree to specific terms and conditions relative to Standard Performance using applicable professional standards, Conflict of Interest and the Fraud Hotline.
9. A revised policy is being drafted on oversight of real estate audits.

### **Inspector General**

10. The Inspector General provides a written memorandum to the Board of Trustees. Topics include: Ethics and Training, Investment Protection Principles Compliance, SBA Fraud Hotline, Financial Disclosure Forms and Internal Investigations.

11. In the Senior Operations Group (10-055) Policy, it states that “the Inspector General may periodically review and assess the activities of the Senior Operations Group to monitor conformance with policies and procedures and to evaluate the effectiveness in meeting objectives.” In practice, the Inspector General performs reviews and assesses activities only when there is some type of allegation that may warrant an investigation.

### **Internal Audit**

12. OIA provides written reports to the Audit Committee.

13. The OIA Charter includes the authority to:

*Have SBA Management negotiate contractual rights to enable the OIA, other auditors, and specialists to access relevant third party records and personnel of vendors and contractors doing business with SBA and other relevant third party stakeholders including employers, members, retirees and beneficiaries of the SBA to carry out the audit function consistent with this Charter. All contracts with vendors and contractors shall contain the SBA’s standard audit language.*

### **Audit Committee**

14. The role of the Audit Committee is defined in Charter of the Audit Committee as:

*The Committee shall serve as an independent and objective party to monitor processes for financial reporting, internal controls and risk assessment, audit processes, and compliance with laws, rules, and regulations.*

15. The chair of the Audit Committee prepares a written report to the Board of Trustees. This information is also communicated to the IAC. Topics include: External Audits and Assessments, Internal Audit, Enterprise Risk Management and Compliance.
16. The Audit Committee substantially follows the Government Finance Officers Association best practice recommendations regarding the establishment of audit committees by state and local governments.

### **Investment Advisory Committee**

17. The IAC’s role was created in Florida Statute and reads as:

*215.444 Investment Advisory Council.—*

*(1) There is created a six-member Investment Advisory Council to review the investments made by the staff of the Board of Administration and to make recommendations to the board regarding investment policy, strategy, and procedures. Beginning February 1, 2011, the membership of the council shall be expanded to nine members. The council shall meet with staff of the board at least once each quarter and shall provide a quarterly report directly to the Board of Trustees of the State Board of Administration at a meeting of the board.*

*(2) The members of the council shall be appointed by the board as a resource to the Board of Trustees of the State Board of Administration and shall be subject to confirmation by the*

*Senate. These individuals shall possess special knowledge, experience, and familiarity with portfolio management, institutional investments, and fiduciary responsibilities. Members shall be appointed for 4-year terms. A vacancy shall be filled for the remainder of the unexpired term. The council shall annually elect a chair and a vice chair from its membership. A member may not be elected to consecutive terms as chair or vice chair.*

*(3) The council members must undergo regular fiduciary training as required by the board and must complete an annual conflict disclosure statement. In carrying out their duties, council members must make recommendations consistent with the fiduciary standards applicable to the board.*

*(4) The council may create subcommittees as necessary to carry out its duties and responsibilities.*

*History.—s. 1, ch. 83-270; s. 2, ch. 84-94; s. 53, ch. 86-152; s. 2, ch. 86-236; ss. 1, 3, ch. 93-23; s. 1151, ch. 95-147; s. 8, ch. 2010-180.*

18. The role of the IAC is further defined in the Investment Policy Statement for the Florida Retirement System Defined Benefit Plan as:

*An Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance.*

19. The role of the IAC is defined in the Investment Policy Statement for the Florida Retirement System Investment Plan (Defined Contribution) as:

*The Board appoints a nine-member Investment Advisory Council (IAC). The IAC reviews the IPS and any proposed changes prior to its presentation to the Board of Trustees. The Council presents the results of its review to the Board of Trustees prior to the Trustees' final approval of the statement or any changes.*

20. The role of the IAC as defined in the Investment Policy Statement for the Local Government Surplus Funds Trust Fund is:

*The Trustees appoint an Investment Advisory Council and a Participant Local Government Advisory Council. Both Councils will, at least annually, review this Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in Applicable Florida Law.*

## **Considerations for the Future**

### **H. Consider Maintenance Items on GRC Protocols**

In our review, we identified a number of items that can be addressed by the SBA. These items include:

1. Leverage the Enterprise Risk Management Policy (10-005) when defining the scope of the Risk Management and Compliance self-assessment.

2. Confirm the definition for the Inspector General role within ERM and other Policies as “the Inspector General may periodically monitor conformance with policies and procedures as part of performing its responsibilities.”
3. Using the risk categories, document the risks that will be reviewed with the IAC and the risks that will be reviewed with the Audit Committee.
4. Confirm the protocol for appointing and approving the acting CRCO.
5. Consider having the Inspector General provide a written report to the Audit Committee on a regular basis as part of documented policy.
6. Consider enhancing the external auditors reporting requirements to Title Holding Company (THC) boards and the reporting of THCs to the SBA Audit Committee using guidance within the AICPA Audit Committee Toolkit: Not-for-Profit Organizations section on “Required Communications with the External Auditors: What to Expect.” This may include required escalation of “Audit Adjustments” and “Disagreements with Management.”
7. Harmonize the documented role of the IAC across the Investment Policy Statements.

**Exhibits**

## Exhibit A - SBA Interviews

The table below shows the SBA personnel interviewed, his/her title, and the date the interview was conducted.

Name	Position	Date
Belinda Dixon	Director of External Investment Manager Oversight	18-Nov
Karen Matthews Chandler	Acting Chief Risk and Compliance Officer	18-Nov
Ken Chambers	Inspector General	18-Nov
Angela Millard	Enterprise Risk Manager	19-Nov
Sheilah Smith	Director of Public Market Compliance	19-Nov
Katherine Whitehead	COO & CFO	19-Nov
Kelly Marsey	Director of Performance & Risk Analytics	20-Nov
Rolf Engmann	Audit Committee Chair	20-Nov
Lamar Taylor	Deputy Executive Director	20-Nov
Michael McCauley	Sr. Officer - Investment Programs & Governance	2-Dec
Trent Webster	Senior Investment Officer - Strategic Investments	3-Dec
John Bradley	Senior Investment Officer - Private Equity	3-Dec
Katy Wojciechowski	Senior Investment Officer - Fixed Income	3-Dec
Scott Seery	Senior Investment Officer - Global Equity	3-Dec
Stephen Spook	Senior Investment Officer - Real Estate	3-Dec
Jeffrey Smith	Senior Portfolio Manager – Ext. Managed Real Estate	3-Dec
Jack Nicholson	Chief Operating Officer of FL Hurricane Catastrophe Fund	4-Dec
Joan Haseman	Senior Defined Contribution Program Officer	4-Dec
Daniel Beard	Director of Administration, Defined Contribution	4-Dec
Mini Watson	Director of Policy, Risk Management and Compliance, Defined Contribution	4-Dec
John Benton	Senior Investment Policy Officer	4-Dec
Maureen Hazen	General Counsel	9-Dec
Florida Rivera-Alsing	Chief Audit Executive	9-Dec
Greg Mathes	Director of Information Technology	9-Dec
IT team + Jane Zody	IT/ Accounting Information Systems Manager	9-Dec
Dennis MacKee	Director of Communications	10-Dec
Ash Williams	Executive Director & CIO	10-Dec
Lori Guido	Senior Operating Officer Financial Operations	10-Dec
Audit Committee	Notes from Audit Committee Quarterly Meeting	11-Dec
Les Daniels	Investment Advisory Council	16-Dec

## Exhibit B – Documents Reviewed

Request Item	Documents Reviewed
List of all Audit & Consultant Recommendations FY to June 2014	<ol style="list-style-type: none"> <li>1. Confidential – 8/31/14 Open Category A Confidential Recommendations</li> <li>2. 8/31/14 Open Category A Recommendations by Status</li> <li>3. Confidential – 7/31/14 Open Category A Confidential Recommendations</li> <li>4. 7/31/14 Open Category A Recommendations by Status</li> <li>5. Confidential – 9/30/14 Open Category A Confidential Recommendations</li> <li>6. 9/30/14 Open Category A Recommendations by Status</li> </ol>
Audit Committee meeting minutes, most recent	<ol style="list-style-type: none"> <li>1. Minutes – Audit Committee Meeting, February 17, 2014</li> <li>2. Minutes – Audit Committee Meeting, April 21, 2014</li> <li>3. Minutes – Audit Committee Meeting, May 27, 2014</li> <li>4. Minutes – Audit Committee Meeting, November 18, 2013</li> </ol>
Barclays Global Advisors LLC Investment Management Agreement	Amended and Restated Investment Management Agreement dated November 28, 2006
Biennial Risk Management Plan	Risk Management Plan, July 1, 2014 – June 30, 2016
BNY Mellon Custodial Contracts	<ol style="list-style-type: none"> <li>1. Master Custodian Agreement Between The Bank of New York Mellon and State Board of Administration, Florida, on behalf of the Florida Retirement System Trust Fund and Certain Other Funds for Which the SBA Acts as Investment Fiduciary and/or Trustee (November 1, 2013)</li> <li>2. Master Custodian Agreement Between the Bank of New York Mellon and State Board of Administration, Florida, on behalf of the Florida Retirement System Investment Plan Trust Fund, dated November 1, 2013 and Effective as of January 1, 2014</li> </ol>
External Investment Manager Oversight Certifications	<ol style="list-style-type: none"> <li>1. State Board of Administration (SBA) Pooled and Private Market Fund Real Estate Annual Certification</li> <li>2. State Board of Administration (SBA) Private Equity Asset Class Annual Certification</li> <li>3. State Board of Administration (SBA) Public Market Asset Classes Annual Certification</li> </ol>
Core competencies curriculum for RMC staff	Training Curriculum for New or Entry-level Employees in Risk Management and Compliance Unit
Engagement Letter for auditing “The Right to Audit”	State Board of Administration of Florida – Engagement Letter signed (dated November 18, 2014)
Enterprise Risk Management ‘Maturity Assessment Tool’	State Board of Administration, Evaluation and Recommendations Related to the Compliance Program
Executive and CIO Policies	Executive Director and CIO Policies (December 20, 2010)
External Investment Manager Oversight additional documents	<ol style="list-style-type: none"> <li>1. State Board of Administration (SBA) Operational Due Diligence Questions – Private Markets</li> <li>2. State Board of Administration (SBA) Operational Due Diligence Questions – Public Markets</li> </ol>
External Manager Oversight program with annual review process	FY2013-2014 Self-Assessment Risk Management and Compliance



Request Item	Documents Reviewed
External Investment Manager Site Visit 2 most frequently conducted	<ol style="list-style-type: none"> <li>1. State Board of Administration (SBA) External Investment Manager Oversight Public Market Asset Classes – External Investment Manager Summary (BMO Asset Management Corp.)</li> <li>2. State Board of Administration (SBA) External Investment Manager Oversight Public Market Asset Classes – External Investment Manager Summary (William Blair &amp; Company, LLC)</li> </ol>
External Manager Site Visit, most recent for Neuberger	State Board of Administration (SBA) External Investment Manager Oversight Public Market Asset Classes – External Investment Manager Summary (Neuberger Berman – Fixed Income)
Global Equity oversight meeting minutes	<ol style="list-style-type: none"> <li>1. Global Equity Investment Oversight Group Meeting Minutes (August 23, 2013)</li> <li>2. Global Equity Investment Oversight Group Meeting Minutes (October 20, 2014)</li> </ol>
IPE Flowcharts	Performance Measurement and Asset Allocation v7
List of SBA Key indicators, related to risk framework	Enterprise Risk Management and Compliance Quarterly Report, 2 <sup>nd</sup> Quarter 2014
Neuberger Berman Fixed Income, Investment Management Agreement Contract	Amended and Restated Investment Management Contract SBA Contract No. 012-40
Position Description for Director of External Investment Manager Oversight	State Board of Administration Position Description (Director of External Investment Manager Oversight)
Risk Rankings for Private Equity strategy	PESI Risk Ranking FY2014-15
Sampling of IOG Minutes	<ol style="list-style-type: none"> <li>1. Investment Oversight Group Meeting – Fixed Income Minutes (June 26, 2013)</li> <li>2. Investment Oversight Group Meeting – Fixed Income Minutes (May 19, 2014)</li> <li>3. Investment Oversight Group Meeting – Fixed Income Minutes (August 28, 2014)</li> <li>4. Florida PRIME Fixed Income Investment Oversight Group Meeting Minutes (July 30, 2014)</li> </ol>
SBA Most recent Office of Internal Audit Annual Risk Assessment	Annual Audit Plan Development (Excerpt from OIA procedure manual)
SBA Office of Internal Audit Annual Audit Plan, most recent	State Board of Administration Office of Internal Audit, Annual Audit Plan for the Fiscal Year 2014-2015 dated May 27, 2014
SBA Position Description #1, Executive Director and Chief Investment Officer	State Board of Administration Position Description (Executive Director & CIO)
SBA Position Description #215, Deputy Executive Director	State Board of Administration Position Description (Deputy Executive Dir.)
SBA Position Description #242, Chief Risk & Compliance Officer	State Board of Administration Position Description (Chief Risk & Compliance Officer)
SBA Risk Management Depiction, most recent	SBA Risk Management Depiction 0513
Schedule of Compliance Testing for External Managers (Rotation Review Schedule)	<ol style="list-style-type: none"> <li>1. Compliance Review Schedule – 2014</li> <li>2. Compliance Reporting Schedule – Public Equity Portfolios</li> </ol>

Request Item	Documents Reviewed
Senior Investment Group Report	Senior Investment Group Monthly Meeting Report, June 2014 Report for August 28, 2014 Meeting
Strategic Plan from 2012	State Board of Administration of Florida Strategic Plan, Fiscal Years 2013 - 2015

Request Item	Documents Reviewed
Additional Documents Reviewed	<ol style="list-style-type: none"> <li>1. Agenda Investment Advisory Council (IAC) (Monday, Sept. 22, 2014)</li> <li>2. Public Pension Funds Operational Risk of Defined Benefit and Related Plans and Controls to Mitigate those Risks</li> <li>3. GRC Assessment Tools</li> <li>4. OECD Guidelines for Pension Fund Governance</li> <li>5. State Board of Administration – Organizational Chart – Effective 10/2/2014</li> <li>6. 2014-15 PESI Risk Ranking Final</li> <li>7. Enterprise Risk Management and Compliance Quarterly Report, 3<sup>rd</sup> Quarter 2014</li> <li>8. State Board of Administration (SBA) External Investment Oversight Public Market Asset Classes – External Investment Manager Summary (BNY Mellon)</li> <li>9. Compliance Program Self-Assessment FY 2011-2012</li> <li>10. Risk Management and Compliance Program Self-Assessment FY 2012-2013</li> <li>11. State Board of Administration Audit Committee Meeting Agenda (December 11, 2014)</li> <li>12. List of all active contracts as of 10/29/2014</li> <li>13. Risk Budget Reporting Policy (10-060) 08/19/2013</li> <li>14. Procurement Policy (20-101) 06/24/2013</li> <li>15. Vendor Evaluation Form June 2014</li> <li>16. Memo: Process Modifications Relating to Audits and Agreed-Upon-Procedures of Real Estate Title Holding Companies (THCs) and Joint Ventures (JVs), To: Audit Committee, October 10, 2014</li> <li>17. Recommendation Draft v12: Real Estate Audit/Tax process review and Recommendations, January 2015</li> <li>18. Quarterly Audit Committee Report to Board of Trustees, November 19, 2014</li> <li>19. Real Estate Guidelines – Financial Audit and Tax Services and supporting exhibits, January 2015</li> <li>20. Senior Investment Group Meeting Notes, 8/28/2014, 9/26/2014 and 1/5/2015</li> <li>21. IT Steering Group Summary, 9/11/2014 and 12/11/2014</li> <li>22. Senior Operations Group Summary, 11/21/2014 and 12/18/2014</li> <li>23. Florida Retirement System, Defined Benefit Investment Policy Statement, Approved by Trustees December 9, 2014 Effective January 1, 2015</li> <li>24. Florida Retirement System, Investment Plan, Investment Policy Statement, Approved by Trustees on February 6, 2014</li> <li>25. Meeting Material, IAC, 12/9/2013</li> <li>26. Investment Policy Statement, Local Government Surplus Funds Trust Fund (Non-Qualified), Effective July 1, 2014</li> <li>27. Board of Trustees Meeting Material, December 9, 2014</li> <li>28. Minutes from Risk and Compliance Committee Meetings, 8/21/2014, 9/16/2014, 11/24/2014,</li> <li>29. Senior Operations Group Policy (10-055)</li> <li>30. Manager/Supervisor and Employee Appraisal Forms</li> <li>31. Excerpt from Policy 20-271, Training and Development</li> </ol>

## Exhibit C– Resources for Additional Insight

### ***Forrester Governance, Risk, and Compliance Playbook***

Forrester's Governance, Risk, and Compliance playbook helps risk and compliance executives develop practical, mature programs that support organizational objectives, anticipate changes to the risk and regulatory landscape, and protect the organization's ability to grow effectively in an increasingly competitive business environment

<http://www.forrester.com/The+Governance+Risk+And+Compliance+Playbook>

### ***Project Management: 5 Characteristics of 'Transformational' PMOs***

Report from Forrester Research describes the characteristics of next-generation project management offices with real-world advice from leading PMO directors on how to get there.

<http://www.cio.com/article/2409234/project-management/project-management--5-characteristics-of--transformational--pmos.html>

### ***Data Governance for Financial Institutions: Regulatory Compliance Requires More Than Just Technology***

White paper from Crowe Horwath. Financial institutions today face changing regulatory requirements. They also have new ways of generating data and regularly add new data sources. As a result, they typically encounter a variety of data quality, accessibility, and security challenges.

<http://www.crowehorwath.com/ContentDetails.aspx?id=6839>

### ***IIA Position Paper: The Three Lines of Defense in Effective Risk Management and Control***

This paper from the Institute of Internal Auditors describes the Three Lines of Defense. In the Three Lines of Defense model, management control is the first line of defense in risk management, the various risk control and compliance oversight functions established by management are the second line of defense, and independent assurance is the third. Each of these three “lines” plays a distinct role within the organization’s wider governance framework.

<http://na.theiia.org/standards-guidance/Public%20Documents/PP%20The%20Three%20Lines%20of%20Defense%20in%20Effective%20Risk%20Management%20and%20Control.pdf>

### ***Closing the Gaps in Third-Party Risk Management***

Research report from the Institute of Internal Auditors and sponsored by Crowe Horwath. Third-party relationships are growing in importance to all types of organizations in all industries. Helping to manage and control the risks associated with a company's relationships with third parties would seem to be a natural role for an internal audit department.

<http://www.theiia.org/bookstore/product/closing-the-gaps-in-thirdparty-risk-management-defining-a-larger-role-for-internal-audit-1765.cfm>

### ***Guidance on Supervisory Interaction with Financial Institutions on Risk Culture: A Framework for Assessing Risk Culture***

This paper explores ways to assess risk culture at financial institutions and draws on the collective experience and efforts of supervisory and regulatory authorities across the Financial Stability Board membership and insights garnered from market participants through roundtables and bilateral discussions

<http://www.financialstabilityboard.org/2014/04/140407/>

### ***OECD/IOPS Good Practices for Pension Funds' Risk Management Systems***

The Organisation for the Economic Co-Operation and Development and the International Organization of Pension Supervisors guidance. These good practices aim to outline the main features of risk management systems which pension funds employ. They cover the role of management in the risk management process, look in more detail at investment risk, funding risk and operational risk (including outsourcing) control, and the risk management mechanisms which might be in place (including monitoring and reporting).

<http://www.iopsweb.org/principlesandguidelines/46864307.pdf>

### ***Pension Funds' Risk-Management Framework: Regulation and Supervisory Oversight***

Stewart, F. (2010), "Pension Funds' Risk-Management Framework: Regulation and Supervisory Oversight", OECD Working Papers on Insurance and Private Pensions, No. 40, OECD publishing, © OECD. doi: 10.1787/5kmlcz7qq3zx-en

[www.oecd.org/dataoecd/35/43/44633539.pdf](http://www.oecd.org/dataoecd/35/43/44633539.pdf)

### ***Government Finance Officers Association Audit Committees Best Practices***

GFOA recommendations regarding the establishment of audit committee by state and local governments.

<http://www.gfoa.org/audit-committees>

### ***The AICPA Audit Committee Toolkit: Not-for-Profit Organizations***

AICPA guidance that includes “Required Communication with External Auditors: What to Expect.”

[http://www.cpa2biz.com/AST/Main/CPA2BIZ\\_Primary/ManagementAccounting/Management/AuditCommittee/PDOVR~PC-991004/PC-991004.jsp](http://www.cpa2biz.com/AST/Main/CPA2BIZ_Primary/ManagementAccounting/Management/AuditCommittee/PDOVR~PC-991004/PC-991004.jsp)



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**ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

## **MEMORANDUM**

**To:** Ash Williams  
**From:** Michael McCauley  
**Date:** March 9, 2015  
**Subject:** Board of Trustees Meeting – Standing Report / Investment Programs & Governance

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### **CORPORATE GOVERNANCE & PROXY VOTING OVERSIGHT GROUP**

The SBA's Corporate Governance & Proxy Voting Oversight Group (Proxy Committee) met last on December 16, 2014, and will meet next on March 26, 2015. The Proxy Committee continues to discuss ongoing governance issues including the volume and trends for recent SBA proxy votes, company specific voting scenarios, corporate governance policies, governance-related investment factors, major regulatory developments and individual company research related to the Protecting Florida's Investments Act (PFIA).

### **GLOBAL EQUITY PROXY VOTING & OPERATIONS**

For the trailing twelve months ending on December 31, 2014, the SBA voted 10,112 public company proxies covering 94,539 individual voting items. Individual voting items included director elections, audit firm ratification, executive compensation plans, merger & acquisitions, and various other management and shareowner proposals. The table below provides major statistics on the SBA's proxy voting activities through the last 12 months:

<b>Votes in Favor of Directors</b> <b>78.4% (FY2014=79.8%)</b>	<b>Votes with Management</b> <b>79.9% (FY2014=80.6%)</b>
<b>Votes in Favor of Auditors</b> <b>94.8% (FY2014=94.9%)</b>	<b>Total Ballot Items</b> <b>94,539 (FY2014=92,488)</b>
<b># of Meetings with &gt;1 Against Votes</b> <b>69.5% (FY2014=68.6%)</b>	<b>Total Eligible Proxies</b> <b>10,112 (FY2014=10,037)</b>

### **ACTIVE OWNERSHIP**

#### ***United States***

On November 24<sup>th</sup>, SBA staff co-signed a letter to state regulators and major proxy advisors, highlighting concerns surrounding the adoption of "fee-shifting" bylaws. Such bylaws can negatively impact shareowners' ability to access the courts and significantly reduces the accountability of corporate directors and officers. In late 2014, approximately 30 companies unilaterally adopted fee-shifting bylaws without shareowner approval. Although such bylaws are legally

enforceable under Delaware law, they seek to eliminate the feasibility of investor suits for misconduct, no matter how egregious, by shifting a corporation's entire legal bill onto any shareowner that brings a legal action against the corporation, its officers or directors. The bylaw requires suing shareholders to personally cover the corporation's entire legal bill in virtually all cases, including cases involving violations of federal securities laws and breaches of fiduciary duties by corporate executives.

On January 7, 2015, SBA staff co-signed a group investor letter to Titan International asking the board to de-stagger director terms; the effort is in line with our past and current initiatives to remove classified board structures and Titan has significantly underperformed both its peers and broader market benchmarks.

### ***Japan***

On January 30<sup>th</sup>, SBA staff sent a letter to the Japanese Financial Services Agency (FSA) providing comments on the final draft for implementation of Japan's first ever Corporate Governance Code. The SBA encouraged the Japanese regulator to improve the independence of directors, strengthen capital management, improving investor disclosures. The SBA's letter echoed many of the recommendations espoused by the Asian Corporate Governance Association (ACGA), the Council of Institutional Investors, and the International Corporate Governance Network (ICGN), including the presence of at least two independent directors with relevant business experience on every listed Japanese company. Implementation of the Japanese Corporate Governance Code represents a significant milestone towards achieving effective corporate governance and improving long-term value for shareowners. The new Code is expected to go into effect in June 2015.

### ***Australia***

During 2014, a large number of Australian companies allowed voting by a show of hands. Although Australia has a well-developed financial system, Section 250J (2) of the Australian Corporation Act of 2001 allows companies to vote by a show of hands unless poll voting is requested. Voting by a show of hands provides a material disconnect between an investor's economic ownership and their voting rights, with only one vote counted regardless of the shareowner's underlying financial ownership. SBA governance principles and voting patterns have long supported investor rights to vote in proportion to their economic stake in a company and that each share of common stock should have one vote ("one share—one vote").

As in most global equity markets, voters present at the annual shareowner meeting typically comprise only a small proportion of the total voting capital. As a result, the outcome of their show of hands determines whether a resolution is passed. Continuing to vote by a show of hands can easily misrepresent the true intentions of shareowner disposition. Critics of this voting method believe it to be antiquated and easily manipulated. In late 2012, the Corporations and Market Advisory Committee (CAMAC) produced a discussion paper titled "The AGM and Shareholder Engagement" which highlighted that more companies are moving away from voting on a show of hands and finding a healthier and more accurate voting system in the form of a poll.

The SBA recognizes the importance of a proportional vote in relation to share ownership and strongly supports the one share—one vote methodology. In conjunction with TIAA-CREF, the SBA was a signatory on a letter in February to over three dozen companies (half of which are listed on the ASX 100 index of Australia's largest 100 companies) advocating changes to the current rule which allows this type of vote to take place. The letters ask companies to remove this provision in their charters and allow for voting by poll on all resolutions. This communication mimics another SBA letter sent to companies domiciled in Singapore, another jurisdiction in Asia allowing voting by a show of hands.

### **LEADERSHIP & SPEAKING EVENTS**

Staff frequently participates in and/or speaks at investor events, designed to further regulatory commentary and explain the objectives of the SBA's corporate governance activities. Events that include significant involvement by corporate directors, senior members of management, and other key investor stakeholders are targeted. The following items detail involvement at events that occurred recently:

- In late January, SBA staff participated in the Institutional Shareholder Services (ISS) Client Conference in Miami. The conference included panel representation by the Executive Director and other senior staff within the Investment Programs & Governance unit.



- In February, SBA staff participated in the 2015 Institutional Investor/Corporate Issuer Roundtable Forum in Atlanta. The Forum focused on several leading topics within corporate governance, including executive compensation, corporate/investor engagement, and activist fund strategies.

#### **CORPORATE ENGAGEMENT**

During the fourth quarter of 2014, SBA staff conducted engagements with over 60 companies, including Oracle and Chevron. In response to the SBA's letter of November 14<sup>th</sup>, a total of 23 firms have responded to date. The companies were selected based on their governance profile, to be reviewed further based on relative performance compared to industry and market benchmarks. SBA staff assesses, on a case-by-case basis, whether a company has implemented an appropriate governance framework relative to other peer companies and then considers if changes could potentially enhance share value. Companies are encouraged to adopt the following governance practices: declassified board of directors, simple majority voting thresholds for adopting or amending corporate charter or bylaws, and majority voting for the election of directors. The engagement is being conducted by letters, phone calls and in-person meetings with company executives and members of the board of directors. This initiative constitutes one of the main pillars in the SBA's engagement work-plan for 2015-16.

#### **ANNUAL GOVERNANCE REPORT**

In January, the SBA released the 2014 Corporate Governance Annual Summary publication, covering the 2014 fiscal year's proxy voting and corporate governance activities. The summary included narrative on SBA vote decision making, a breakdown of voted markets worldwide, key topics with recent policy research, and corporate engagement efforts. As done with last year's report, the report is structured to conform to the main principles for external responsibilities embraced by the International Corporate Governance Network's (ICGN) Statement of Principles for Institutional Investor Responsibilities, published in early 2013. The ICGN principles establish current best practices on the responsibilities of institutional investors with regard to their external role as investors in companies and other assets. The 2014 Annual Summary includes the following key takeaways:

##### ***SBA Voting Activities***

- During the 2014 fiscal year, the SBA experienced a record volume of global proxy votes – voting at over 10,000 shareowner meetings. This was accomplished by systematically reviewing the corporate governance practices of companies in the SBA's global portfolios and applying the SBA's corporate governance principles.
- Highlights from the 2014 proxy season included the fourth year of say-on-pay in the United States and the first ever binding votes in the United Kingdom regarding executive remuneration policy.
- Investors also continued their strong support for the annual election for directors (de-staggered terms), with 84 companies with management-sponsored proposals for board declassification averaging an impressive 98 percent shareowner support.
- Investor proposals advocating in favor of proxy access (which allow for investor-nominated director candidates) also achieved near-majority levels of support of approximately 45 percent.
- In the U.S., notable votes included full board removal as part of proxy contests at both Darden Restaurants and CommonWealth REIT.
- In the emerging markets space, voting levels significantly increased in Taiwan and India, rising by 10 and 14 percent, respectively. Voting levels significantly increased in the United Arab Emirates (U.A.E.) with their reclassification to emerging market from the frontier category.
- SBA staff cast proxy votes in over 80 countries worldwide, with a focus on the five largest voted equity markets outside the U.S. - Japan, Hong Kong, United Kingdom, Taiwan, and Canada.

##### ***Company Engagement***

- Analysis of and engagement with companies, investors, and other market participants, accelerated during 2014, with staff focusing on key proxy votes including Coca-Cola, Petrobras, Duke Energy, CommonWealth REIT, and Darden Restaurants.
- SBA staff conducted meetings and engagements with over 100 companies, discussing a range of corporate governance issues. Companies included Dupont, Microsoft, NCR, and Chevron, among others.

- Efforts to shift corporate practices away from staggered director terms (and toward annual elections) continued in 2014, achieving high levels of reform among large-capitalization companies in the U.S. market. The SBA sponsored one such proposal at Netflix which passed with 82.3 percent support from other investors.
- Shareowners supported 32 proposals seeking a majority voting standard in director elections with an average of 59.4 percent of votes cast.

#### **Activist Hedge Funds**

- Activist investors, particularly hedge funds, continued to dramatically impact U.S. equity markets. Investment campaigns during 2014 approached record levels and targeted several large-capitalization global firms.

#### **HIGHLIGHTED VOTES**

**Hain Celestial (11/20/14)**—SBA support was withheld from directors on the compensation committee due to continued concerns over the company's executive compensation structure and continued failure to respond to prior shareowner votes regarding say-on-pay. The SBA voted against this year's say-on-pay, executive incentive bonus plan, and omnibus stock plan items. The company received the lowest possible percentile score in terms of reasonableness of pay relative to industry performance from Fariant Advisors. Support was also withheld from an additional director due to concerns regarding related party transactions and the potential for conflict of interests.

**Microsoft (12/3/14)**—SBA declined to support Microsoft's say-on-pay ballot item this year due to out-sized grants and low performance thresholds. Microsoft stood out from its technology peer group with excessive awards granted this year, while exhibiting lagging relative performance. The SBA did support a new type of proxy access proposal that includes an option for a group of 25 or more shareowners to pool holdings to make a required 3 percent combined ownership threshold. We also supported the election of the current non-executive Chairman of the board who faced scrutiny over related party transactions between a small, private technology firm that he leads as CEO and Microsoft; we communicated with the company on the issue and were in agreement with the company's rationale for considering the Chairman to be independent from management.

**Bonduelle (12/4/14)**—SBA declined to support a proposal to authorize the increase of capital through debt and/or equity issuance because the terms of the program were overly broad and had the potential to be used as an anti-takeover device. The company's request included a potential increase of 31.25 percent of outstanding shares and an undisclosed potential maximum amount of debt. The terms of the proposals included authorizing share repurchases, issuing securities at larger than commonly acceptable discounts, and allowing sale of securities both with and without preemptive rights. In accordance with French law, companies can use share buyback programs as part of an anti-takeover defense.

**Pericom Semiconductor Corporation (12/4/14)**—SBA withheld from all board members because the board has not addressed shareowner concerns from 2012 when several board members received less than majority support yet continue to serve as directors (known as "zombie" directors). The SBA also voted against the company's highly-dilutive, omnibus compensation plan featuring inferior vesting terms.

**JDS Uniphase Corporation (12/3/14)**—Activist investor Sandell Assessment Management has pressured the company to sell a unit of its business in order to increase value for shareowners. The SBA voted against two directors and two compensation related items: the firm's say-on-pay ballot item due to poor performance-alignment and also against its proposed amendment to its omnibus stock plan. The company recently changed its bylaws, increasing the notice period for director nominations from 30-60 days up to 60-90 days prior to the upcoming meeting date.

**Micron Technology (3/6/15)**—SBA voted in favor of removing cumulative voting requirements from the issuer's director election voting process. The company has majority voting procedures in place while at the same time allowing investors cumulative shares for director elections. The SBA voting guidelines support the interest of minority shareowners, but opposed the inclusion of cumulative voting alongside the majority voting policy. As well, the SBA withheld support from four directors, three for serving on too many boards simultaneously ("over-boarded"), and the chairman of the nominating and governance committee due to the board's recent adoption of exclusive forum provisions. The SBA voted in favor of all other ballot items.

**Apple Inc. (3/6/15)**—SBA supported all management-recommended ballot items, but voted in favor of a shareowner proposal to implement proxy access that was not supported by management. The SBA also voted against the firm’s say-on-pay proposal due to concerns about stock grants without sufficient performance criteria. The proxy access proposal submitted at Apple conformed to the structure finalized by the SEC, allowing owners of at least 3 percent of a company’s shares, held for at least 3 years, to nominate board candidates using the corporate proxy statement. The vote in favor of the proxy access proposal was consistent with SBA proxy voting guidelines and historical voting patterns. Notably, Apple is the largest individual stock holding within the Florida Retirement System (FRS), at approximately \$1.5 billion.

#### PROXY ACCESS

Proxy access—the ability for shareowners to nominate board candidates on a corporate proxy statement—has become the most significant voting issue of the year as investors head into the 2015 proxy season. Several companies have announced the voluntary adoption of proxy access mechanisms, including General Electric, HCP, and CF Industries. Each company recently amended its bylaws to permit groups of investors to nominate director candidates comprising a maximum of 20 percent of the board. Yum! Brands announced it will implement a proxy access bylaw amendment after extensive engagement with its largest shareowners.

The table below shows a listing of U.S. companies that have various forms of proxy access:

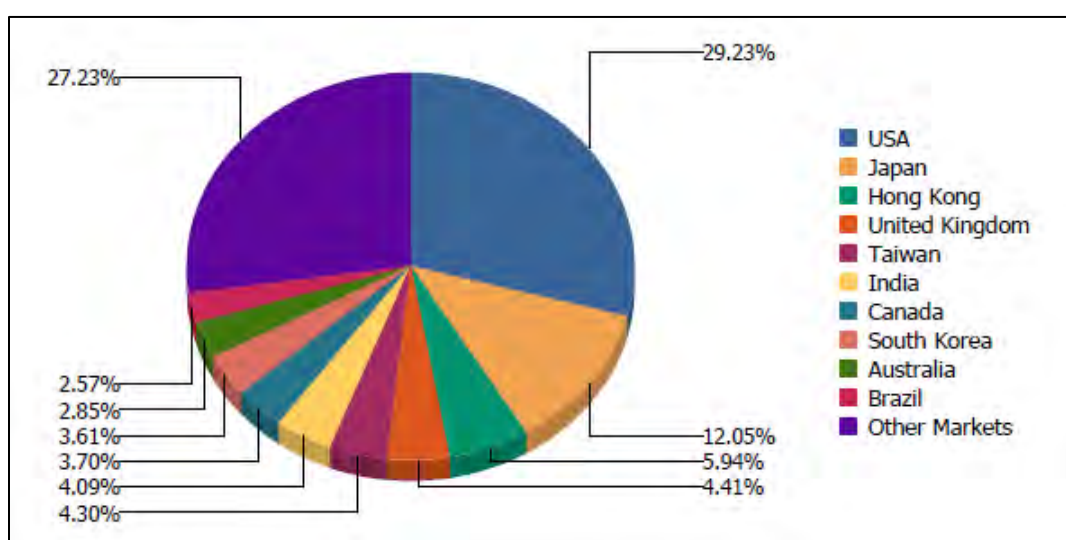
Company	Date of Adoption	Threshold	Holding Period	Groups Allowed?	% of Board
Western Union	March 2013	3%	3 years	Yes, no limit	20%
Hewlett Packard	March 2013	3%	3 years	Yes, up to 20	20%
Verizon	November 2013	3%	3 years	Yes, up to 20	20%
Nabors Industries	April 2014	5%	3 years	No	20% (one nominee per s/h)
CenturyLink	May 2014	3%	3 years	Yes, up to 10	20%
Chesapeake Energy	June 2014	3%	3 years	Yes, no limit	25%
Kilroy Realty	December 2014	5%	3 years	Yes, up to 10	25%
CF Industries	February 2015	5%	3 years	Yes, up to 20	20%
General Electric	February 2015	3%	3 years	Yes, up to 20	20%
HCP, Inc.	February 2015	5%	3 years	Yes, up to 10	20%

Source: Sullivan & Cromwell

A number of additional companies have included management-modified versions of proxy access as alternatives to those originally submitted by investors. For example, Arch Coal included in its proxy materials a proposal that would let shareowners with a 5 percent stock ownership for three years nominate up to one-fifth of its board. Grocery retailer Whole Foods decided to postpone its annual meeting until September 15, 2015, in response to investor pushback on its alternative form of proxy access and the SEC retraction of its December 2014 “no-action” letter that permitted exclusion of a conflicting proxy access proposal under Rule 14a-8(i)(9). In January, SEC Chair Mary Jo White directed the Division of Corporation Finance to review its position on Exchange Act Rule 14a-8(i)(9), which allows a company to exclude a shareholder proposal from its proxy materials if it “conflicts” with the company’s own proposal to be submitted to shareholders at the same meeting. Whole Foods stated, “Given this reversal by the SEC, the postponement of the Annual Meeting is necessary to ensure the Company can meet applicable deadlines and allow the Board adequate time to review and evaluate the Company’s alternatives.” The SEC’s retraction followed Chair White’s statement that she had directed staff to review the shareowner proposal submission rule, and the Division of Corporation Finance’s (Corp Fin) corresponding announcement that it would express no views on the application of the rule during the current 2015 proxy season. As a result of the SEC’s decision, corporate boards may include two competing access proposals on their ballots, or may omit shareowners’ resolutions in favor of their own more restrictive bylaws.

More recently, energy companies including Exxon Mobil, Chevron, AES and Southern Company have all failed in their attempts to exclude shareowner resolutions on proxy access submitted by the New York City pension funds. A few other companies have had proxy access resolutions incorporating the 3 percent ownership and 3 year holding period approved by a majority of their shareowners, including Monsanto and Apache. Current estimates show approximately 100 companies will receive proxy access investor proposals in 2015. Both of the major proxy advisors, Institutional Shareholder Services (ISS) and Glass, Lewis & Co., have indicated they will provide clients with voting recommendations largely supportive of proxy access resolutions exhibiting the 3 percent and 3 year ownership structure, applied on a case-by-case basis. The SBA has historically voted in favor of most proxy access resolutions and expects to support management proposals that meet the 3 percent ownership and 3 year holding period standard and vote against proposals that do not. The SBA may withhold support from individual directors dependent on board action and the structure of any pre-emptive management proposals.

***SBA Proxy Voting, by Country (Calendar Year 2014):***



## REGULATORY DEVELOPMENTS

### ***United States***

The SEC delayed until October 2015 several new disclosure rules required under the 2010 Dodd Frank Act, including one on the pay ratio between top executives and average employees, employee hedging disclosures, and one covering pay-for-performance. The rule covering pay ratios is expected to require companies to disclose in their SEC filings the median of annual total compensation of all employees other than the CEO, the annual total compensation of the CEO and the ratio of these two amounts.

### ***Spain***

In late December, the Spanish Companies Act was amended to improve corporate governance, with most provisions going into effect in January, 2015. A new version of the Spanish Combined Code of Good Governance of Listed Companies is expected sometime in the first half of 2015. Changes to the Act include new provisions for investors to challenge corporate resolutions, strengthen minority rights, lower thresholds for meeting attendance, a business judgement rule covering director responsibility, enhanced board committee membership, and shareowner approval of total compensation restrictions.



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AS SECRETARY

ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO

## MEMORANDUM

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**To:** Ashbel C. Williams, Executive Director & CIO  
**From:** Maureen M. Hazen, General Counsel *Maureen M. Hazen*  
**Date:** March 5, 2015  
**Subject:** Office of General Counsel: Standing Report  
For Period November 18, 2014 – February 28, 2015

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### SBA Agreements.

During the period covered by this report, the General Counsel's Office drafted, reviewed and negotiated: (i) 29 new agreements – including 6 private equity investments, 4 strategic investments, 4 real estate investments and 3 new investment manager agreements for the Global Equity asset class; (ii) 129 contract amendments, addenda or renewals; and (iii) 5 contract or related terminations.

### SBA Litigation.

(a) Passive. As of February 28, 2015, the SBA was monitoring (as an actual or putative passive member of the class) 443 securities class actions. From November 1, 2014 – February 28, 2015, the SBA collected recoveries in the amount of \$3,474,984.08 as a passive member in 31 securities class actions.

(b) Active.

(i) In re Tribune Litigation. On January 24, 2012, the SBA was served a complaint (along with other defendants) now pending in the U.S. Bankruptcy Court, Southern District of New York by the Official Committee of Unsecured Creditors of the Tribune Company alleging damages for fraudulent conveyance and requesting the return of proceeds received by all defendant investors in a leveraged buy-out of the Tribune Company (which subsequently declared bankruptcy). Pursuant to a plan approved in the bankruptcy proceeding, the claim was transferred to the U.S. District Court, Southern District of New York (the "Court") and consolidated with additional parallel cases for multi-district litigation. The SBA received approximately \$11 million in connection with this leveraged buy-out. Pursuant to the Court's master scheduling order, the Court has stayed all answer and motion filing deadlines pending resolution of similar issues in a parallel class case. Several amended complaints have been filed in the action in which the SBA was originally served in January, 2012 (the "FitzSimons Action"). While responses remain stayed in the FitzSimons case, the court has ruled on the pending motions in the related Deutsche



Bank case, and it is expected that a deadline for filing individualized motions to dismiss in FitzSimons will be set by the Court soon. The Court has asked the parties to confer as to how best to proceed with the next round of more individualized motions, which will include motions directed at the FitzSimons case, but no agreement has been reached, and the Court is expected to set out a protocol for dealing with individualized motions to dismiss. There are approximately 1,700 defendants in the FitzSimons case, and the Court has appointed liaison counsel to represent each type of defendant group, including pension fund defendants. At the appropriate time, the SBA plans to seek dismissal on sovereign immunity grounds.

(ii) Lehman Brothers, Inc. – SIPA Claim. On January 29, 2009, the SBA filed a claim in the U.S. Bankruptcy Court, Southern District of New York against Lehman Brothers, Inc. (“LBI”) alleging losses as a result of the sale of unregistered securities by LBI to the SBA on behalf of certain funds (including the Local Government Surplus Funds Trust Fund). This claim is a general unsecured claim and is being administered under the Securities Investor Protection Act (“SIPA”). During the last several years, the LBI estate has been evaluating and administering preferred customer claims as required by SIPA. During the past several months, the LBI estate has started to review and evaluate general creditor claims, such as the one filed by the SBA. During previous periods, the parties exchanged motion papers. On August 20, 2014, the parties resolved the matter in mediation and stipulated that \$36,500,000 would be the Allowed Claim. The Court subsequently approved this Stipulation on September 30, 2014. During the period covered by this report, the SBA liquidated its claims resulting in a total recovery (for Fund B, Cat Fund, and CAMP Restricted) of over \$16,643,000.

(c) FRS Investment Plan. During the period from November 1, 2014 through February 28, 2015, the General Counsel’s Office monitored and/or managed the following cases for the Florida Retirement System Investment Plan (the “Investment Plan”). The SBA issued five (5) Final Orders, received notice of filing of six (6) new cases, and continued to litigate seven (7) cases that were pending during the periods covered by previous reports, including defending five (5) appellate cases.

#### **Other Matters.**

(a) Public Records and Other Requests.

(i) During the period covered by this report, the General Counsel’s Office received 29 new public records requests and provided responses to 26 requests. As of the date of this report, the General Counsel’s Office continues to work on 12 open requests.

(ii) During a previous reporting period, the SBA was served a third-party subpoena in connection with the case styled *United State of America v. The Bank of New York Mellon*. On March 28, 2014, the SBA filed its Responses and Objections with respect to a portion of the Subpoena. During the period covered by this report, the SBA also provided responses to portions of the subpoena not covered by the SBA’s Objection and continued to work with the defendant to narrow other portions of the Subpoena.

(b) SBA Rules.

In January, 2015, the SBA commenced its annual review of all of the rules for the Florida Retirement System Investment Plan. The purpose of this review is to update, clarify, remove unnecessary information and make these rules more user-friendly to the Investment Plan participants. SBA staff will continue to work on this project during the next few months but will not seek to finalize any proposed changes until after the end of the legislative session.



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AS TREASURER  
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ATTORNEY GENERAL  
AS SECRETARY  
ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

**MEMORANDUM**

**DATE:** March 6, 2015  
**TO:** Board of Trustees  
**FROM:** Ken Chambers, Inspector General  
**SUBJECT:** Quarterly Report on SBA Inspector General Activities

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The SBA Inspector General (IG) is responsible for serving as the organization's ethics officer; conducting internal investigations; overseeing investment protection principles (IPP) compliance; and handling special projects as directed by the Executive Director.

**Ethics and Training**

- Mandatory ethics training and certification of compliance are required for all SBA employees on an annual basis. The on-line training covers gifts, conflicts of interest, financial disclosure, outside employment, lobbyist/principal restrictions, honorarium related events, etc. In addition to ethics training, mandatory training is annually required for all employees in the areas of sexual harassment, information security, personal investment activity, and insider trading. The deadline for completing the courses is June 30, 2015.
- During the period November 21, 2014 to March 6, 2015, one instance was reported to the Inspector General concerning non-compliance with the SBA gift policy. The violation was self-reported by the employee, and the provider was reimbursed for the gift in accordance with the policy.

**Investment Protection Principles Compliance**

In September 2002, the Trustees of the SBA adopted Investment Protection Principles (IPPs) for broker-dealers and investment managers in the wake of Wall Street scandals involving tainted equity research and conflicts of interest. The IPPs are geared toward promoting independence, transparency and regulatory compliance, and adherence to the highest standards of ethics and professionalism. On an annual basis, written

certification is required from equity, fixed income and real estate investment managers, and broker-dealers. Additionally, annual certifications have been developed for the investment services related consulting firms engaged by the SBA. These consulting firms are required to certify their compliance with certain independence and disclosure principles.

Consultant Independence and Disclosure Certifications for 2014 were submitted to all applicable SBA consultants in January. The certifications have been received from all consultants, indicating full compliance with the principles. The IPP certifications for the equity, fixed income and real estate investment managers were disseminated in late January. The majority of the certifications have been completed and returned, and the compliance results for all of the investment managers will be included in the next Trustee's report.

### SBA Fraud Hotline

Since July 2006, The Network Inc. has been the independent provider of SBA Fraud Hotline services. Through an 800 number, SBA employees may anonymously report tips or information related to fraud, theft, or financial misconduct. The telephone number and information is prominently displayed on the SBA intranet home page. Additionally, the hotline information is available on the SBA internet site as part of the SBA Internal Control and Fraud Policy.

To date, no reports or tips have been received by the Hotline for 2015.

cc: Ash Williams





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ATTORNEY GENERAL**

**ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO**

DATE: March 6, 2015

TO: Ash Williams, Executive Director & CIO

FROM: Karen Chandler, Acting Chief Risk & Compliance Officer

SUBJECT: Trustee Update – March 2015

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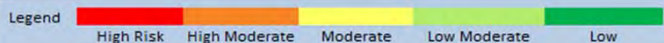
The following is a brief status report of Risk Management and Compliance (RMC) activities and initiatives completed or in progress during the period November 25, 2014 through March 6, 2015:

- As part of the continuous compliance program, there were no material compliance exceptions during the period November 25, 2014 through March 6, 2015.
- The Risk and Compliance Committee (RCC) met on February 19<sup>th</sup>. The RCC reconfirmed management's plans to mitigate risks and added Service Provider Risk as a risk to be further mitigated. Efforts continue in streamlining reporting.
- The Triennial Governance, Risk, and Compliance (GRC) review is now complete and a report was issued February 18<sup>th</sup>. Crowe Horwath reported the SBA continues to make significant progress in GRC efforts and stated the overall maturity of the SBA's GRC program has progressed from a "developed" stage to an "advanced" stage. They offered management eight "considerations for the future" as a continuation of efforts already in progress to further the GRC program along the advanced maturity spectrum.
- Preparation for the upcoming budget year includes evaluation of strategic initiatives and priorities across the SBA. Linkages of the ERM framework to these priorities, new initiatives and resources are being developed as part of the strategic planning process.
- The semiannual risk assessment is underway, beginning with the questionnaire issued jointly by Enterprise Risk Management and the OIA.
- Improvements continue in the automation of compliance efforts, specifically in the Charles River and BNY Mellon compliance systems for Fixed Income and Global Equity. Efforts in this area will be ongoing.

## Semiannual Risk Assessment Results

SBA management has implemented controls designed to reduce inherent risk across all identified risks. Management continues to implement additional risk mitigation initiatives to strengthen controls, improve processes, and/or further mitigate residual risk. Semiannually, risk owners (assigned business unit heads) rank the likelihood (probability), severity, and velocity of risks for which they are responsible for managing. The Enterprise Risk Management team within Risk Management and Compliance aggregates the rankings at the enterprise level. Significant controls and risk mitigation initiatives are included in the 2014-2016 Risk Management Plan.

SBA ERM Framework		Inherent Risk Sept-14	Aggregate Residual Risk Sept-14	Management Plan Feb-15
1	Investment Management Risk			Mitigate Further
2	Governance/Management Risk			Mitigate Further
3	Communication/Public Affairs/Reputational Risk			Mitigate Further
4	Legislative/Political Risk			Accept
5	Compliance Risk			Accept
6	Fraud/Misconduct/Internal Controls Risk			Accept
7	Service Provider Risk			Mitigate Further
8	Client Relationship Risk			Accept
9	Operational Risk			Mitigate Further
10	Human Capital Risk			Mitigate Further
11	Security Risk			Mitigate Further
12	Business Continuity/Infrastructure Risk			Mitigate Further
13	Legal Risk			Mitigate Further



## Semiannual Risk Assessment Results

SBA ERM Framework		Inherent Risk Sept-14	Aggregate Residual Risk Sept-14	Management Plan Feb-15
<b>1 Investment Management Risk</b>				
1.a	Policy Risk			Accept
1.b	Implementation Risk			Mitigate Further
1.c	Inherent Risk			Accept
<b>2 Governance/Management Risk</b>				
2.a	Resource Allocation Risk			Accept
2.b	Governance Policy Design Risk			Accept
2.c	Fiduciary/Ethics Risk			Accept
2.d	Management Execution Risk			Mitigate Further
<b>3 Communication/Public Affairs/Reputational Risk</b>				
3.	Communication/Public Affairs/Reputational Risk			Mitigate Further
<b>4 Legislative/Political Risk</b>				
4.	Legislative/Political Risk			Accept
<b>5 Compliance Risk</b>				
5.a	Laws, Rules, & Regulations			Accept
5.b	SBA Policies			Accept
5.c	Investment Policy Guidelines			Accept
5.d	Contractual Agreements			Accept
<b>6 Fraud/Misconduct/Internal Controls Risk</b>				
6.a	Internal Staff			Accept
6.b	Service Providers			Accept
6.c	External Parties			Accept
<b>7 Service Provider Risk</b>				
7.a	Financial Condition			Mitigate Further
7.b	Service Level Quality			Mitigate Further
7.c	Key Personnel			Mitigate Further
7.d	Premature/ Unexpected Service Termination			Mitigate Further



SBA ERM Framework		Inherent Risk Sept-14	Aggregate Residual Risk Sept-14	Management Plan Feb-15
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## 8 Client Relationship Risk

8.a	Service Delivery			Accept
8.b	Education			Accept
8.c	Communication/Reporting			Accept
8.d	Allocation of Investment Opportunities			Accept

## 9 Operational Risk

9.a	Cash Management			Accept
9.b	Trade Settlement			Accept
9.c	Transaction Processing			Accept
9.d	Asset Reconciliation			Mitigate Further
9.e	Accounting & Financial Reporting			Accept
9.f	Valuation			Accept
9.g	Performance Measurement			Accept
9.h	Internal System Reliability/ Electronic Data Integrity Risk			Mitigate Further
9.i	FHCF Program-Specific Risks			Accept
9.j	DC Program-Specific Risks			Accept
9.k	Proxy Voting			Accept
9.l	External Corporate Governance			Accept

## 10 Human Capital Risk

10.a	Recruitment			Mitigate Further
10.b	Retention			Mitigate Further
10.c	Training & Development			Mitigate Further
10.d	Succession			Mitigate Further

## 11 Security Risk

11.a	Physical Safety/Security			Mitigate Further
11.b	Network/System Security			Mitigate Further
11.c	Information Security & Records Management			Mitigate Further

## 12 Business Continuity/Infrastructure Risk

12.a	Facilities			Mitigate Further
12.b	Communication Systems			Mitigate Further
12.c	Data/System Recovery			Mitigate Further
12.d	Process Recovery			Mitigate Further

## 13 Legal Risk

13.a	Contract Development			Mitigate Further
13.b	Legal Advisory			Mitigate Further
13.c	Litigation			Accept

Legend					
	High Risk	High Moderate	Moderate	Low Moderate	Low



# State Board of Administration of Florida

## Major Mandate Review Fourth Quarter 2014

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1. Executive Summary
2. Pension Plan Review
3. Investment Plan Review
4. CAT Fund Review
5. Lawton Chiles Endowment Fund Review
6. Florida PRIME and Fund B Review
7. Appendix

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# Executive Summary

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## Fourth Quarter 2014

# Executive Summary

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- The major mandates outperformed their respective benchmarks over all longer time periods through December 31, 2014.
- The Pension Plan outperformed its Performance Benchmark over the trailing one-, three-, five-, ten- and fifteen-year time periods.
  - Global Equity has been a consistent source of value added over the trailing one-, three- and five-year time periods. Fixed Income, Real Estate and Strategic Investments have also added value.
- Over the trailing three-year period, the Pension Plan's return ranked in the top quartile of the TUCS Top Ten Defined Benefit Plan universe and ranked in the top half of the universe over the trailing ten-year period.
- The FRS Investment Plan met or outperformed the Total Plan Aggregate Benchmark during the fourth quarter and over all trailing periods.
- The Lawton Chiles Endowment Fund outperformed its benchmark during the fourth quarter and also over the one-, three-, five-, and ten-year periods, primarily due to strong public equity performance.
- The CAT Funds and Florida PRIME continued to outperform their respective benchmarks over both short and long time periods.

# State Board of Administration of Florida Florida Retirement System

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## Pension Plan Review Fourth Quarter 2014

# Executive Summary

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- The Pension Plan assets totaled \$146.6 billion as of December 31, 2014 which represents a \$0.7 billion increase since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, outperformed over the trailing one-, three-, five-, ten- and fifteen-year periods.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan underperformed over the ten- and fifteen-year periods, but has outperformed over the trailing one-, three-, five-, twenty- and twenty five-year time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type and investment strategy.
  - Asset allocation is monitored on a daily basis to ensure that the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Hewitt Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

# FRS Pension Plan Change in Market Value

## Periods Ending 12/31/2014

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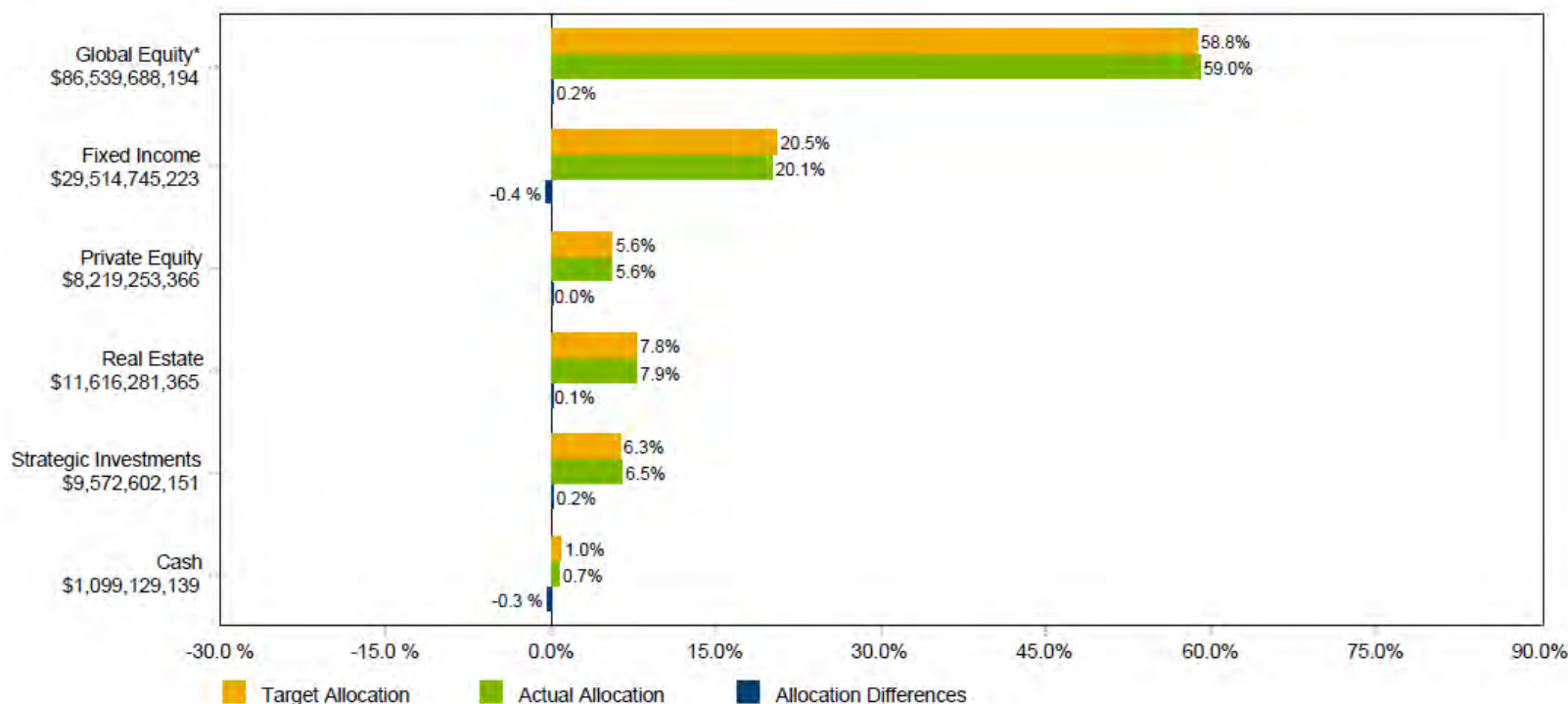
Summary of Cash Flows		
	Fourth Quarter	Fiscal YTD*
<b>Beginning Market Value</b>	\$145,818,875,309	\$149,097,956,343
<b>+/- Net Contributions/(Withdrawals)</b>	(\$1,392,518,012)	(\$3,216,782,691)
<b>Investment Earnings</b>	\$2,135,342,141	\$680,525,787
<b>= Ending Market Value</b>	\$146,561,699,438	\$146,561,699,438
<b>Net Change</b>	\$742,824,129	(\$2,536,256,905)

\*Period July 2014 – December 2014

# Asset Allocation as of 12/31/2014

## Total Fund Assets = \$146.5 Billion

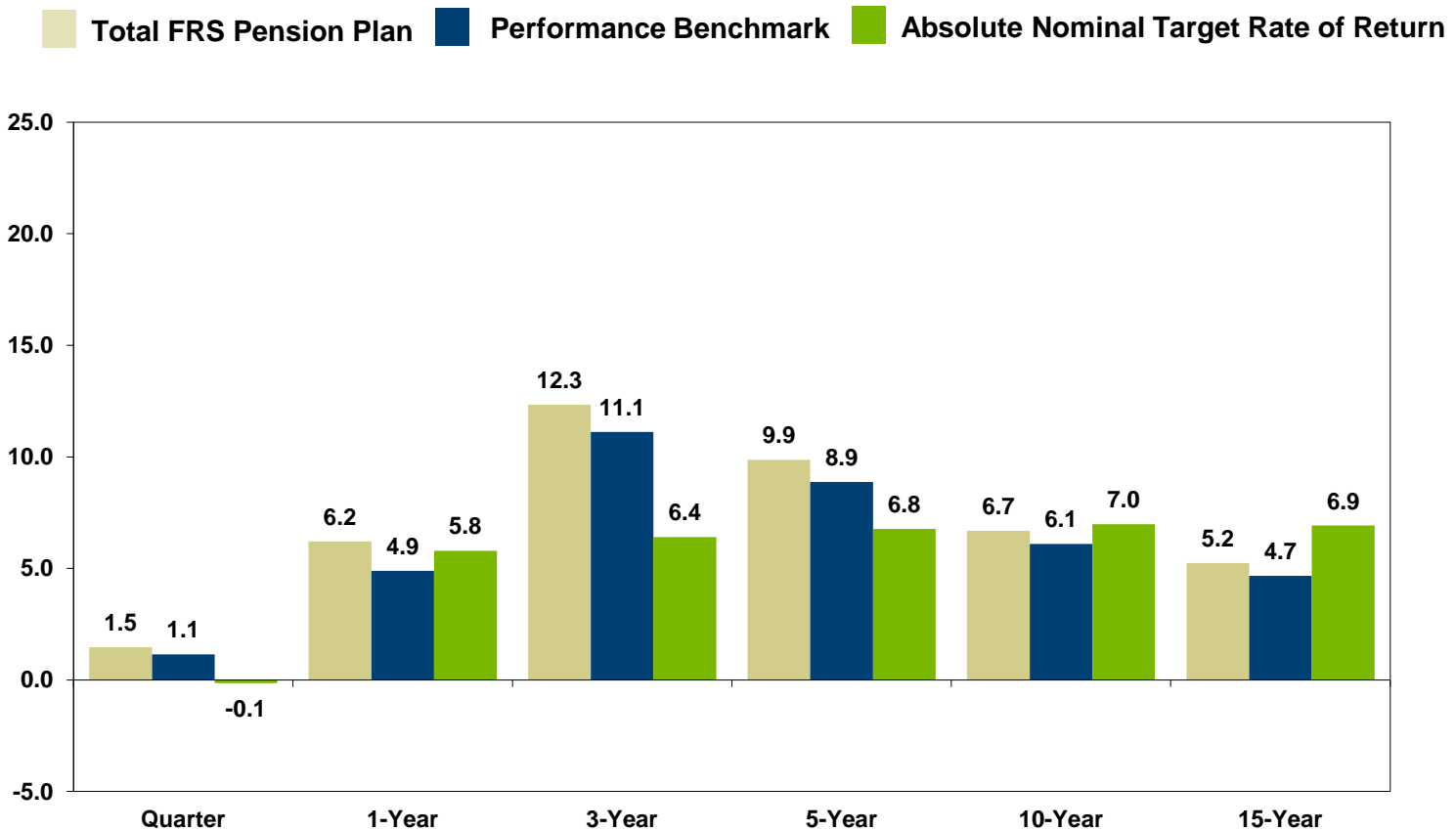
	Market Value (\$)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	146,561,699,438	100.0	100.0		
Global Equity*	86,539,688,194	59.0	58.8	45.0	70.0
Fixed Income	29,514,745,223	20.1	20.5	10.0	26.0
Private Equity	8,219,253,366	5.6	5.6	4.0	16.0
Real Estate	11,616,281,365	7.9	7.8	2.0	9.0
Strategic Investments	9,572,602,151	6.5	6.3	0.0	16.0
Cash	1,099,129,139	0.7	1.0	0.3	5.0



\* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

# FRS Pension Plan Investment Results

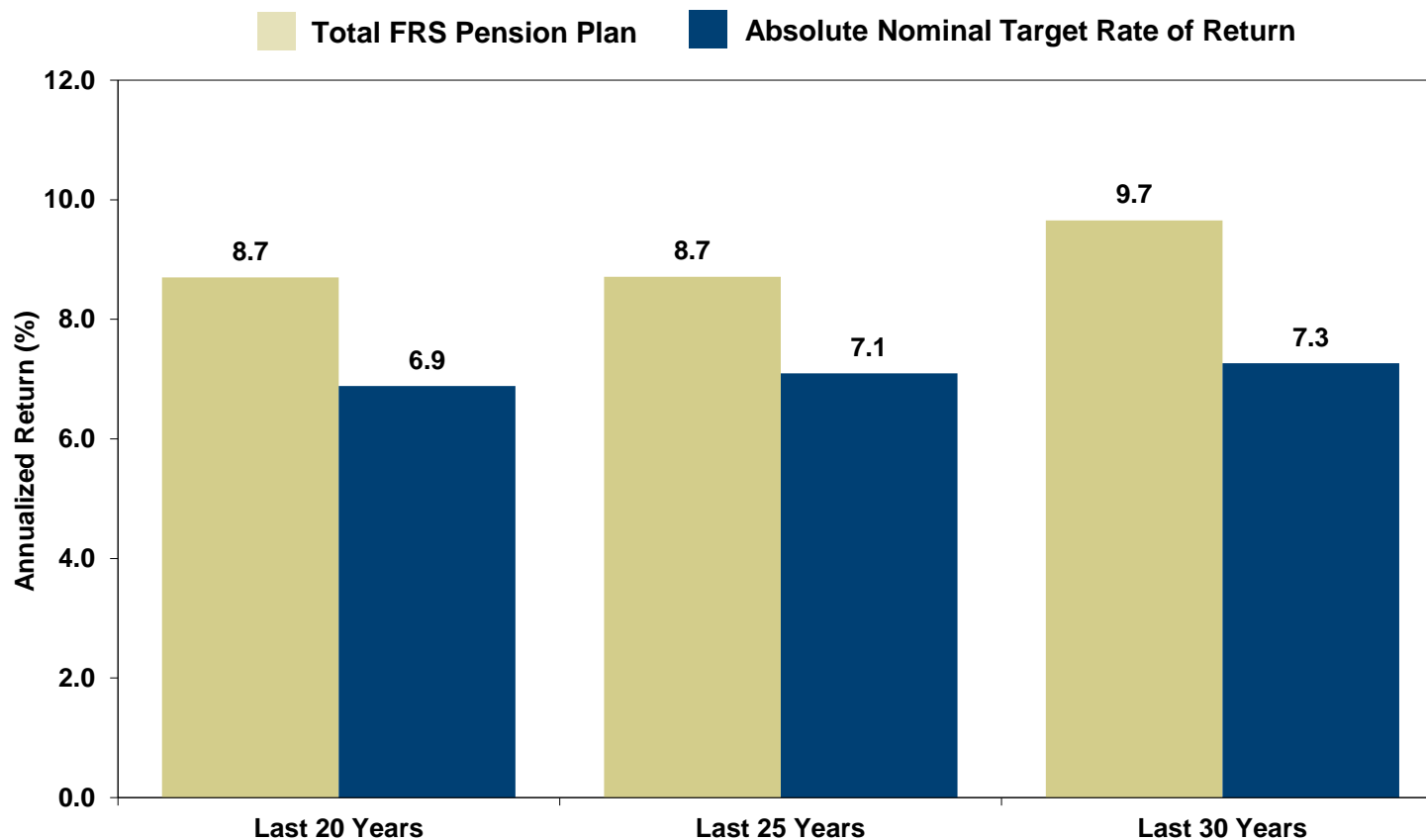
## Periods Ending 12/31/2014



# FRS Pension Plan Investment Results

## Periods Ending 12/31/2014

### Long-Term FRS Pension Plan Performance Results vs. SBA's Long-Term Investment Objective

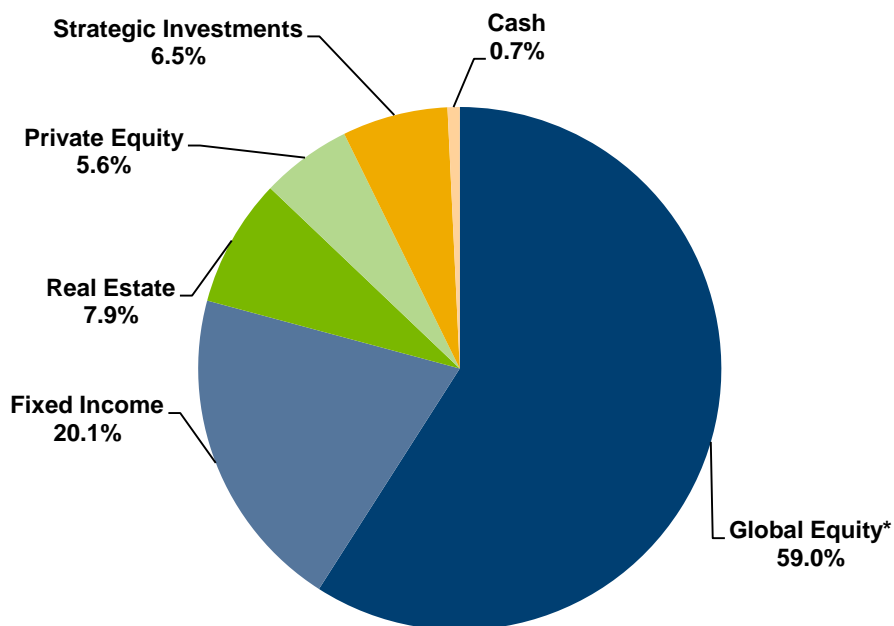




# Comparison of Asset Allocation (TUCS Top Ten) As of 12/31/2014

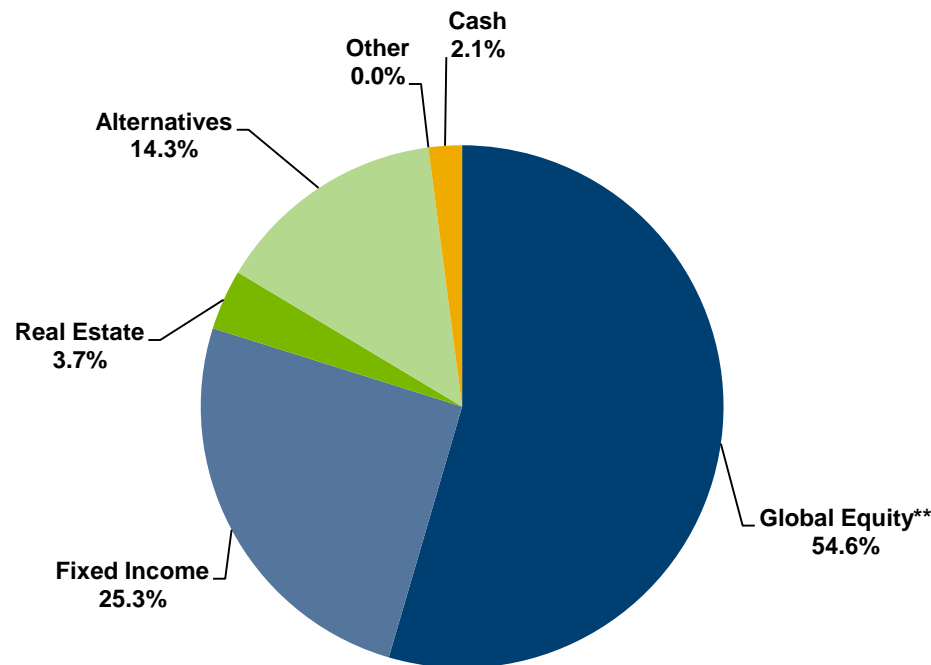
## FRS Pension Plan vs. Top Ten Defined Benefit Plans

FRS TOTAL FUND



\*Global Equity Allocation: 28.9% Domestic Equities; 25.9% Foreign Equities; 4.2% Global Equities. Percentages are of the Total FRS Fund.

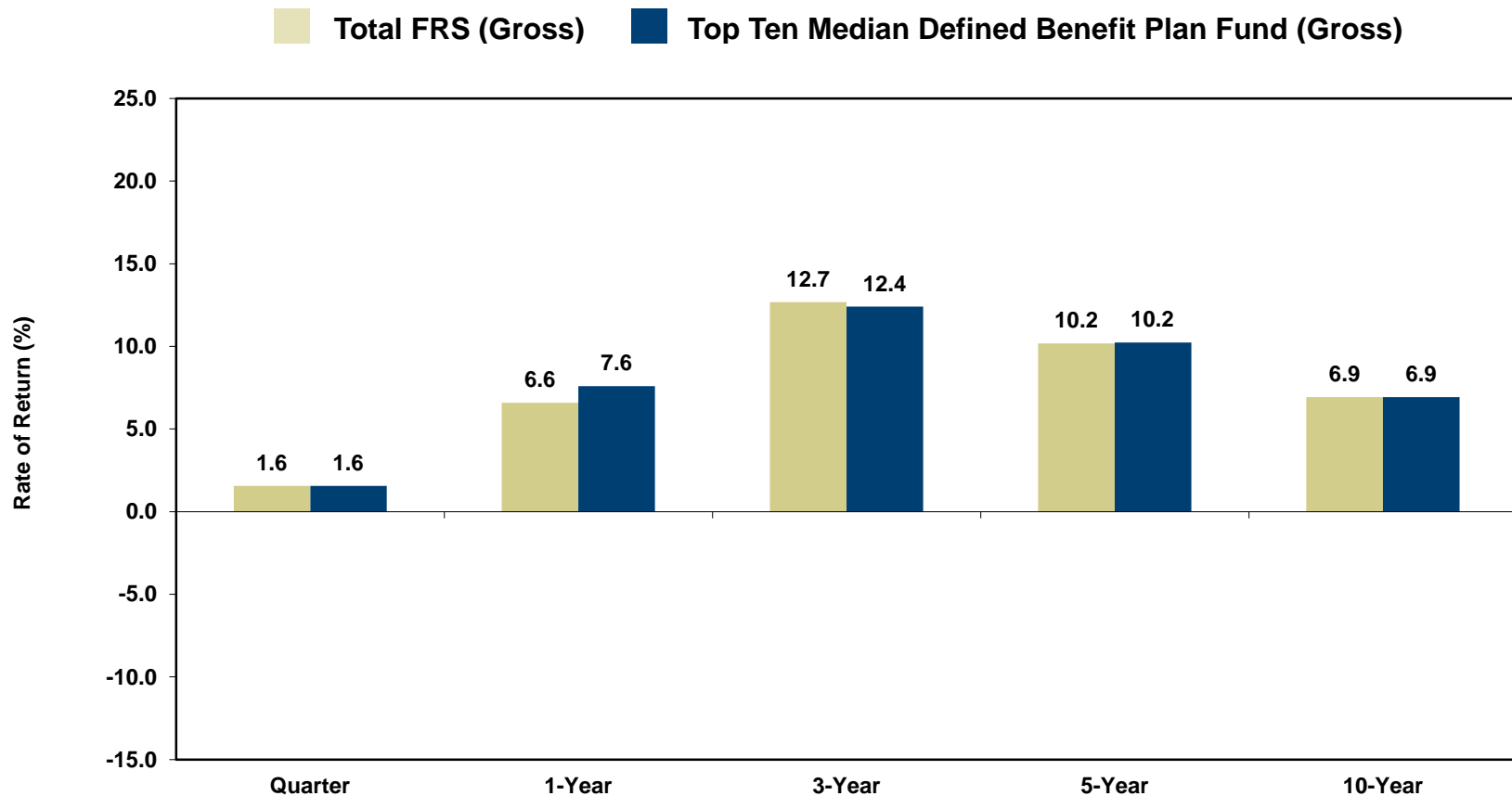
TUCS TOP TEN



\*\*Global Equity Allocation: 35.2% Domestic Equities; 19.4% Foreign Equities.

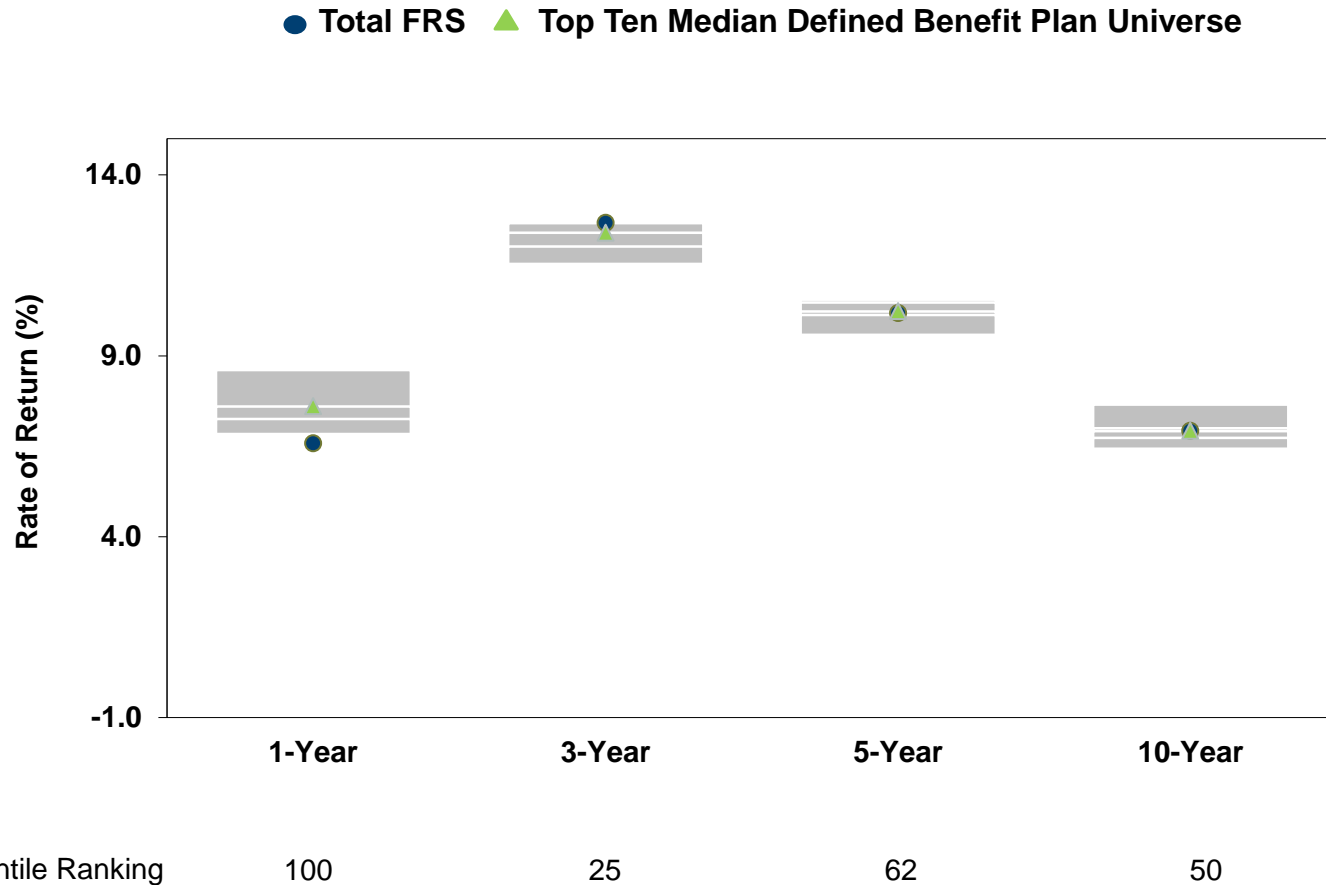
Note: The TUCS Top Ten Universe includes \$1,318.3 billion in total assets. The median fund size was \$129.9 billion and the average fund size was \$131.8 billion.

# FRS Results Relative to TUCS Top Ten Defined Benefit Plans Periods Ending 12/31/2014



Note: The TUCS Top Ten Universe includes \$1,318.3 billion in total assets. The median fund size was \$129.9 billion and the average fund size was \$131.8 billion.

# Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS) Periods Ending 12/31/2014



Note: The TUCS Top Ten Universe includes \$1,318.3 billion in total assets. The median fund size was \$129.9 billion and the average fund size was \$131.8 billion.

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# State Board of Administration of Florida Florida Retirement System

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## Investment Plan Review Fourth Quarter 2014

# Executive Summary

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- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing one-, three-, five- and ten-year periods. This suggests strong relative performance of the underlying fund options in which participants are investing.
- The FRS Investment Plan's total expense ratio is slightly higher, on average, when compared to a defined contribution peer group and is lower than the average corporate and public defined benefit plan, based on year-end 2012 data.
- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.
- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.
- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

# Total Investment Plan Returns & Cost

## Periods Ending 12/31/2014\*

	One-Year	Three-Year	Five-Year	Ten-Year
<b>FRS Investment Plan</b>	<b>4.9%</b>	<b>10.1%</b>	<b>8.3%</b>	<b>5.8%</b>
<i>Total Plan Aggregate Benchmark**</i>	4.9	9.7	8.0	5.3
FRS Investment Plan vs. Total Plan Aggregate Benchmark	0.0	0.4	0.3	0.5

## Periods Ending 12/31/2013\*\*\*

	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
<b>FRS Investment Plan</b>	<b>10.7%</b>	<b>0.6%</b>	<b>0.38%*****</b>
<i>Peer Group</i>	11.9	0.2	0.30
FRS Investment Plan vs. Peer Group	-1.2	0.4	0.08

\*Returns shown are net of fees.

\*\*Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.

\*\*\*Source: 2013 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2013 Survey that included 147 U.S. defined contribution plans with assets ranging from \$52 million to \$46.3 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 19 DC plans including corporate and public plans with assets between \$1.9 - \$16.7 billion.

\*\*\*\*Returns shown are gross of fees.

\*\*\*\*\*The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. These latter costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group utilized above.

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# State Board of Administration of Florida CAT Fund Review

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Fourth Quarter 2014

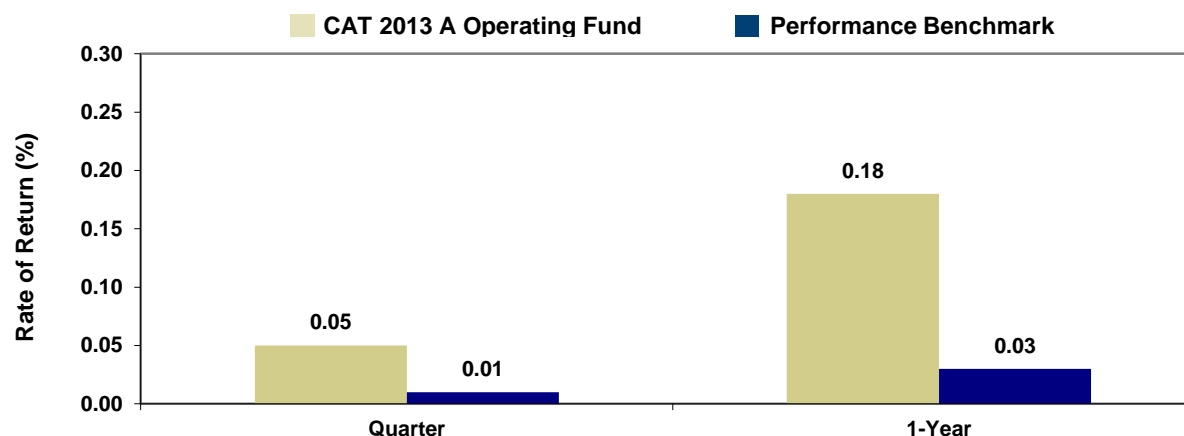
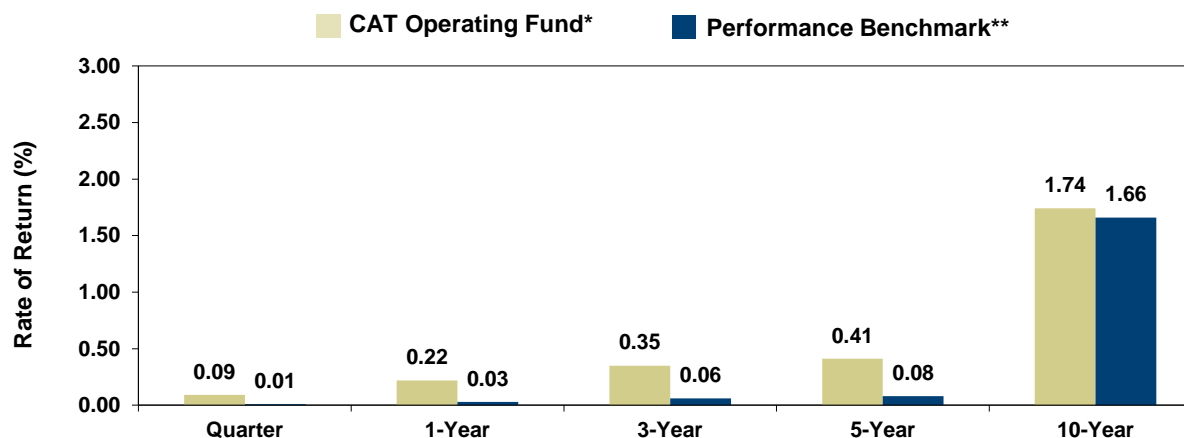
# Executive Summary

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- Performance of the CAT Funds on both an absolute and relative basis has been strong over short- and long-term time periods.
- The CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Policy Statement appropriately constrains the CAT Funds to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the CAT Funds are appropriate, taking into consideration the CAT Funds' goals and objectives.

# CAT Funds Investment Results

## Periods Ending 12/31/2014



\*CAT Operating Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.

\*\*Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. From July 2010 to September 2014, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Net Index. Effective October 2014, it is a blend of the average of the Merrill Lynch 1-Yr US Treasury Bill Index and the iMoneyNet First Tier Institutional Money Market Funds Net Index.

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# State Board of Administration of Florida Lawton Chiles Endowment Fund Review

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Fourth Quarter 2014

## Executive Summary

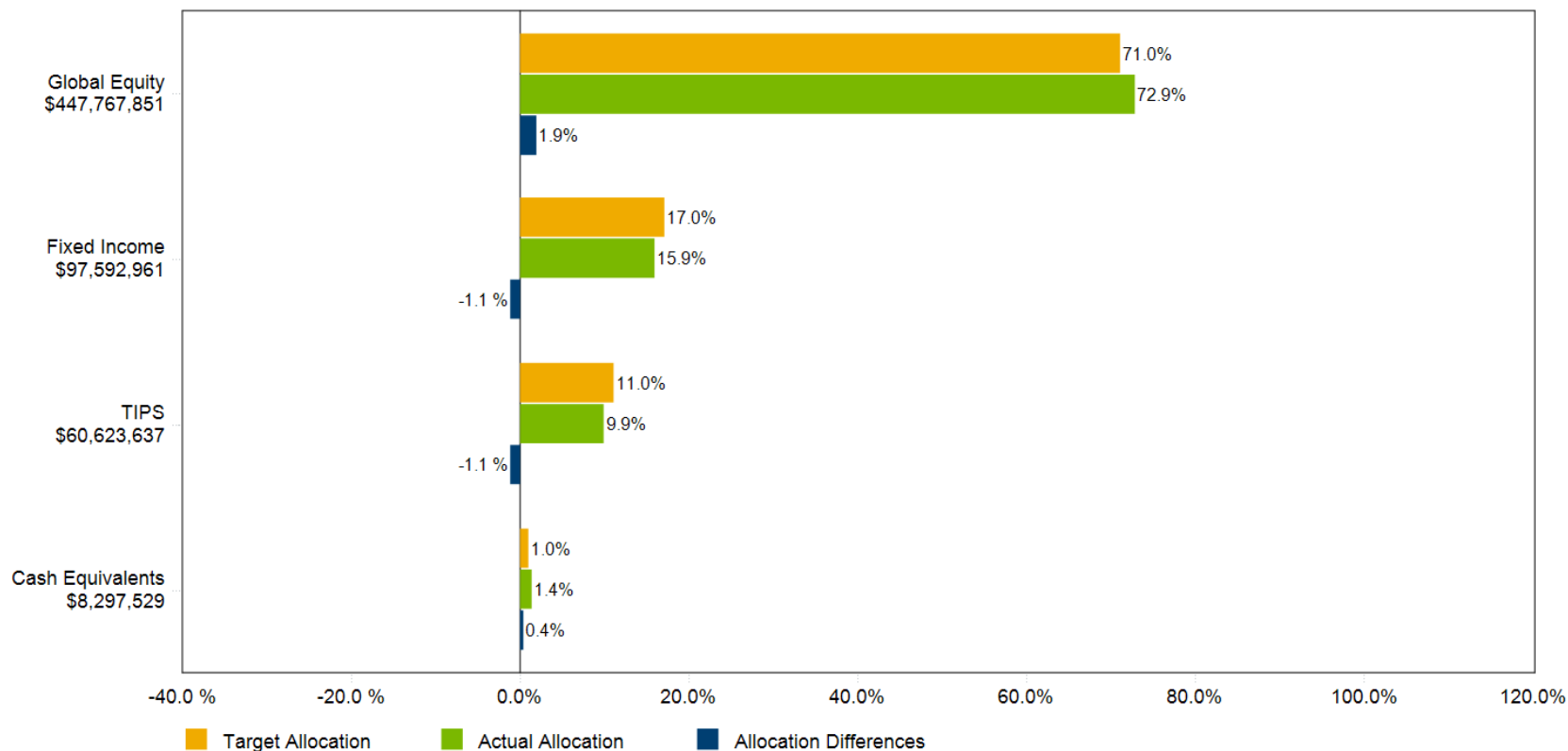
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- Established in July 1999, the Lawton Chiles Endowment Fund (LCEF) was created to provide a source of funding for child health and welfare programs, elder programs and research related to tobacco use.
  - The investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
  - The Endowment's investments are diversified across various asset classes including global equity, fixed income, inflation-indexed bonds (TIPS) and cash.
- The Endowment assets totaled \$614.3 million as of December 31, 2014.
- The Endowment's return outperformed that of its Target during the fourth quarter, trailing one-, three-, five- and ten-year time periods.

# Asset Allocation as of 12/31/2014

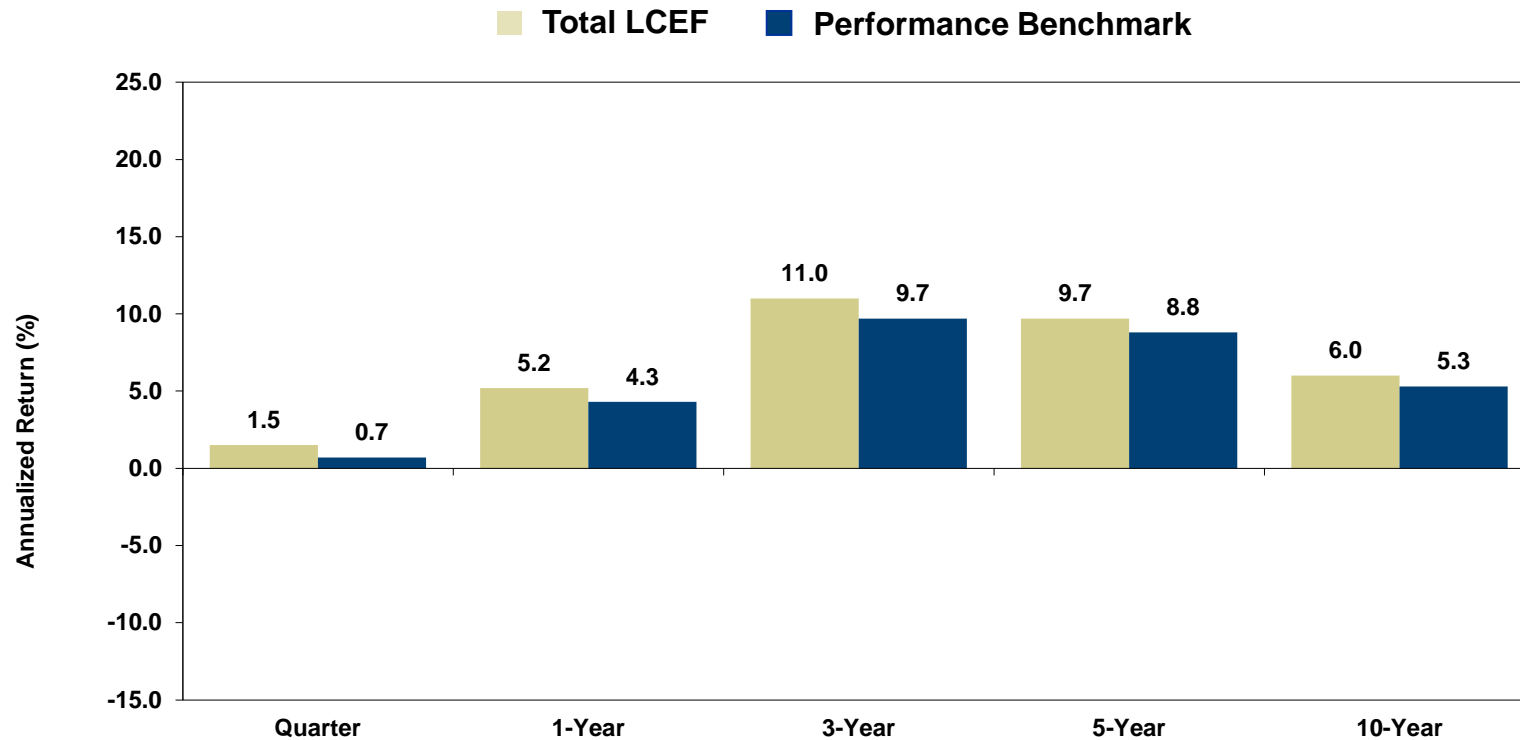
## Total LCEF Assets = \$614.3 Million

	Market Value (\$)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
LCEF Total Fund	614,281,978	100.0	100.0		
Global Equity	447,767,851	72.9	71.0	61.0	81.0
Fixed Income	97,592,961	15.9	17.0	12.0	22.0
TIPS	60,623,637	9.9	11.0	6.0	16.0
Cash Equivalents	8,297,529	1.4	1.0	0.0	10.0



# LCEF Investment Results

## Periods Ending 12/31/2014





# State Board of Administration of Florida Florida PRIME and Fund B Review

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Fourth Quarter 2014

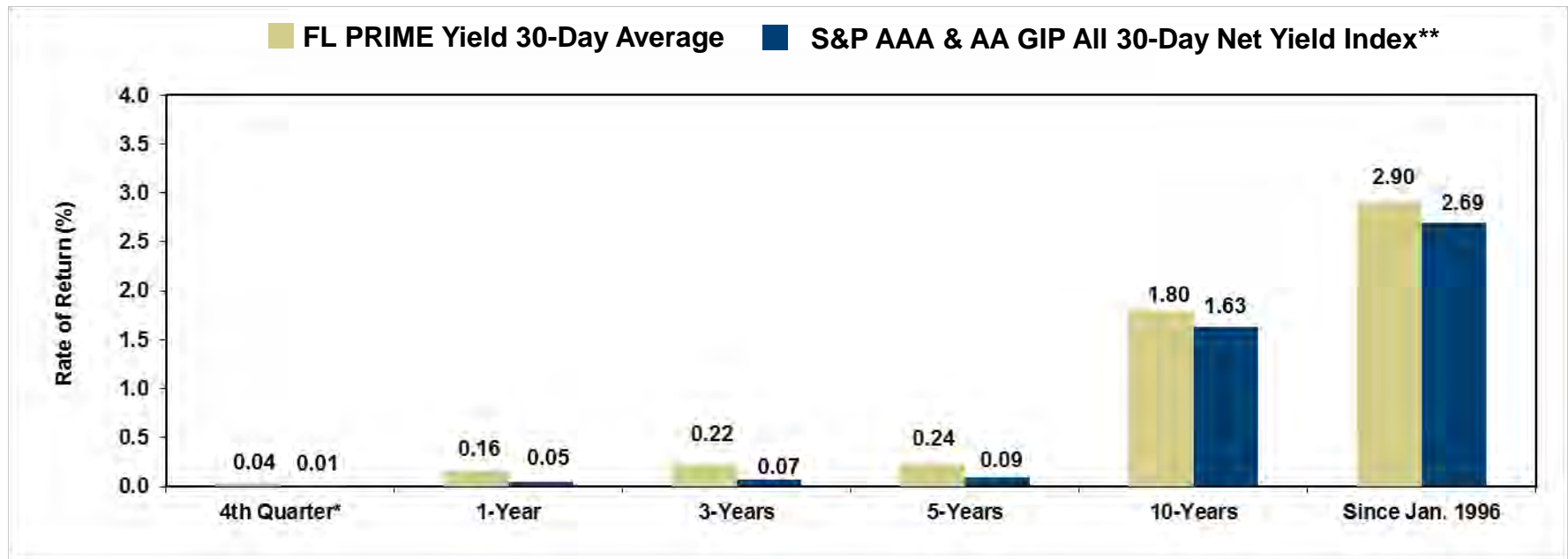
# Executive Summary

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- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market, and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME, on both an absolute and relative basis, has been strong over short- and long-term time periods.
- As of December 31, 2014, the total market value of Florida PRIME was \$7.9 billion.
- Aon Hewitt Investment Consulting, in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

# Florida PRIME Investment Results

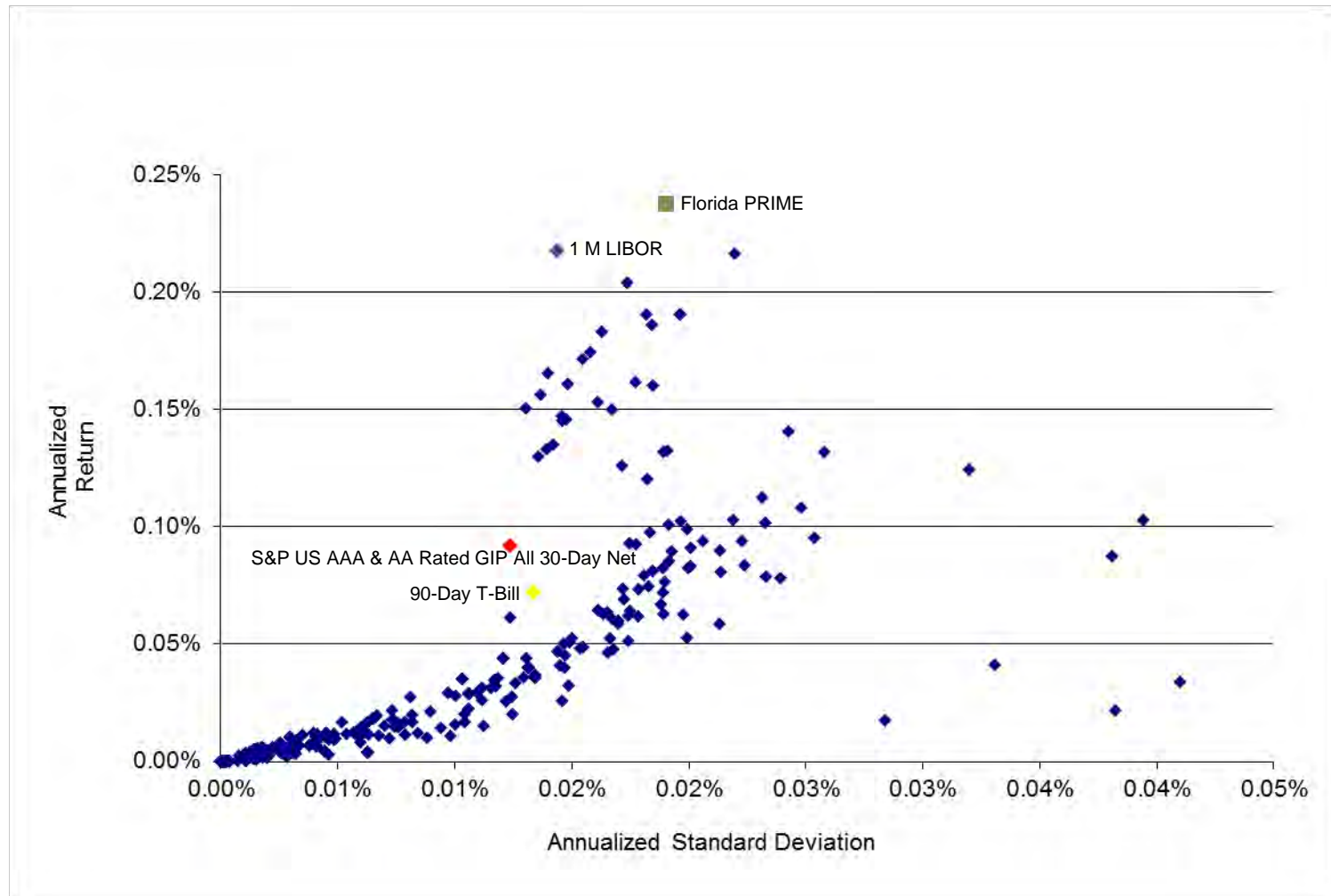
## Periods Ending 12/31/2014



\*Returns less than one year are not annualized.

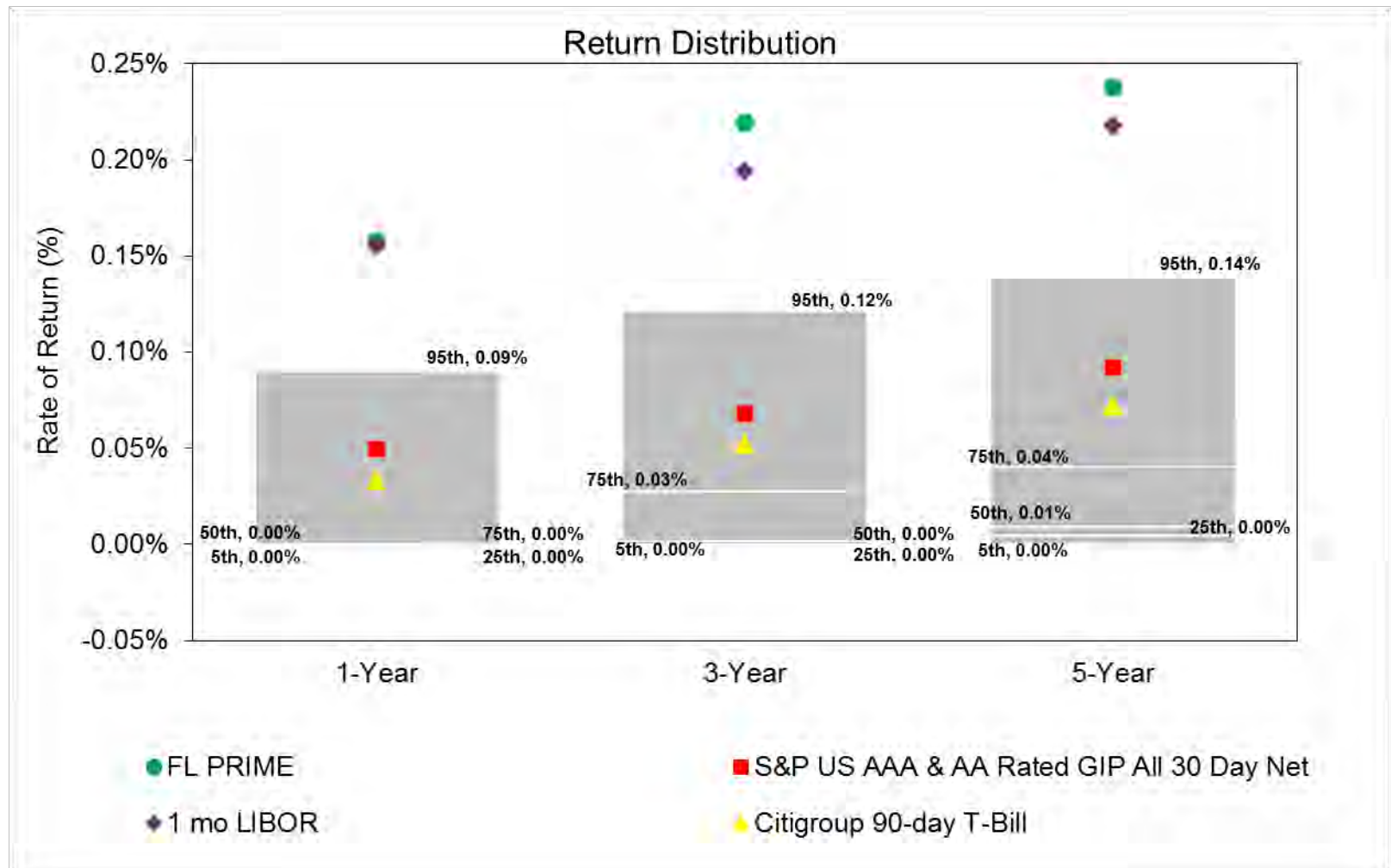
\*\*S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

# Florida PRIME Risk vs. Return 5 Years Ending 12/31/2014

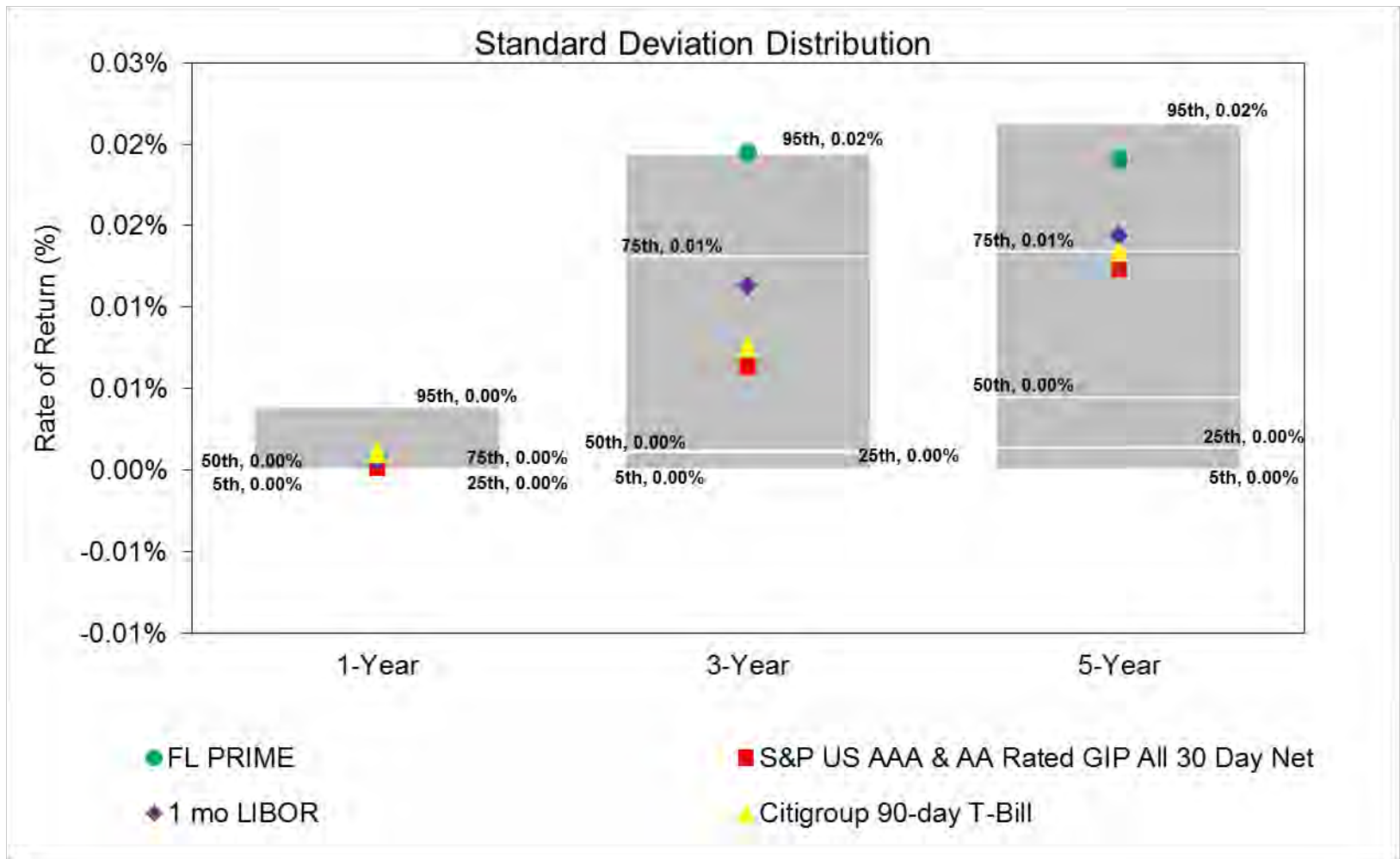


# Return Distribution

## Periods Ending 12/31/2014



# Standard Deviation Distribution Periods Ending 12/31/2014



## Fund B Status Update

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- In early September 2014, 100% of the original principal in Fund B was returned to participants.
- As of December 31, 2014, Fund B continued to hold remaining reserves equal to \$41,784,586.
- SBA staff and other stakeholders are working on a legislative solution to distribute the remaining reserves in an equitable manner.
- Final distribution of the remaining reserve account value is expected to occur near the end of the 2015 fiscal year.
- Once all Fund B account proceeds have been distributed, the Trust Fund will be terminated.

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# Appendix

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## FRS Investment Plan Costs

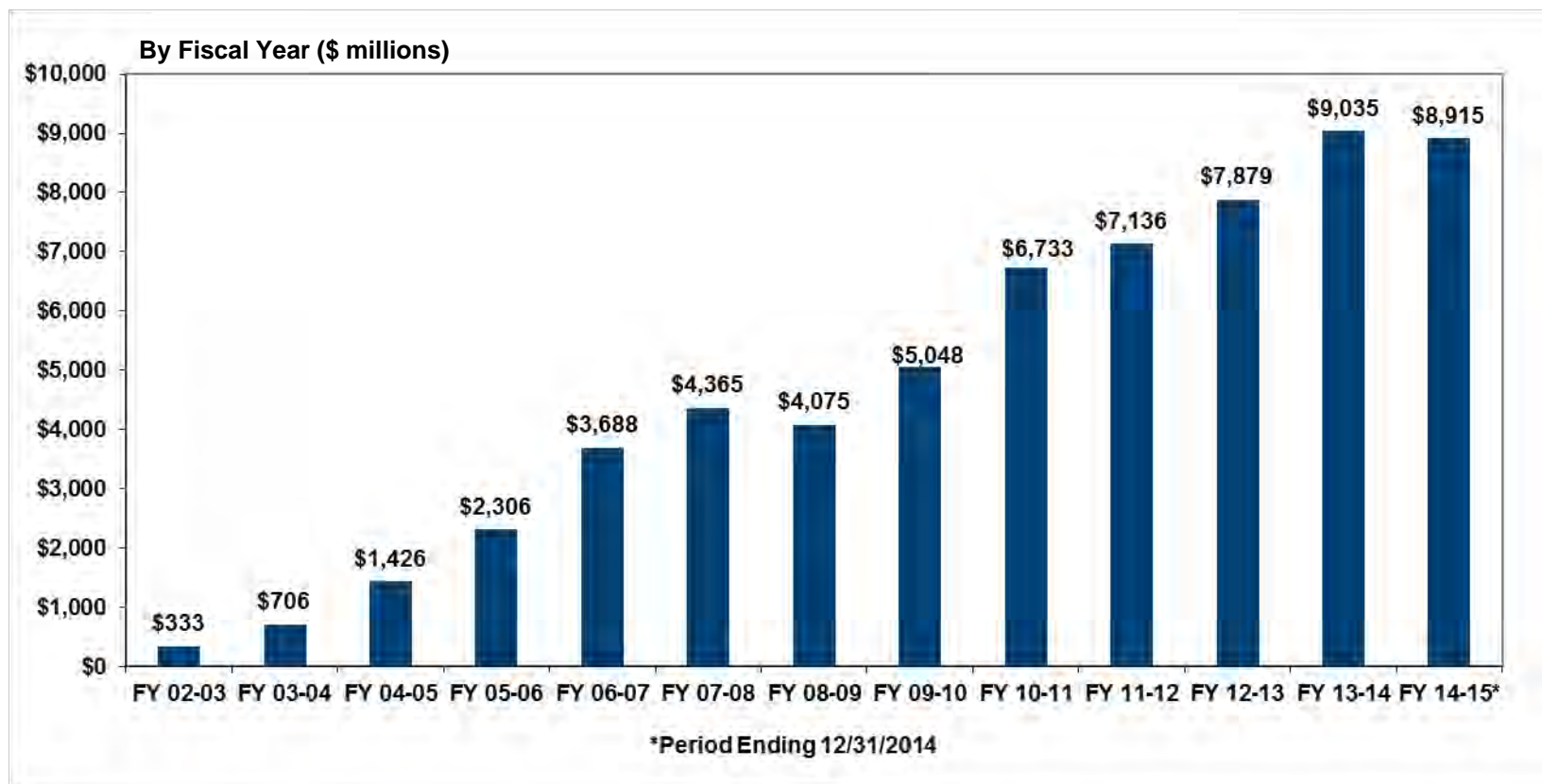
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Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Large Cap Equity	0.23%	0.89%
Small-Mid Cap Equity	0.64%	1.07%
International Equity	0.33%	1.09%
Diversified Bonds	0.12%	0.64%
Target Date	0.07%	0.75%
Money Market	0.06%	0.16%

\*Average fee of multiple products in category as of 12/31/2014.

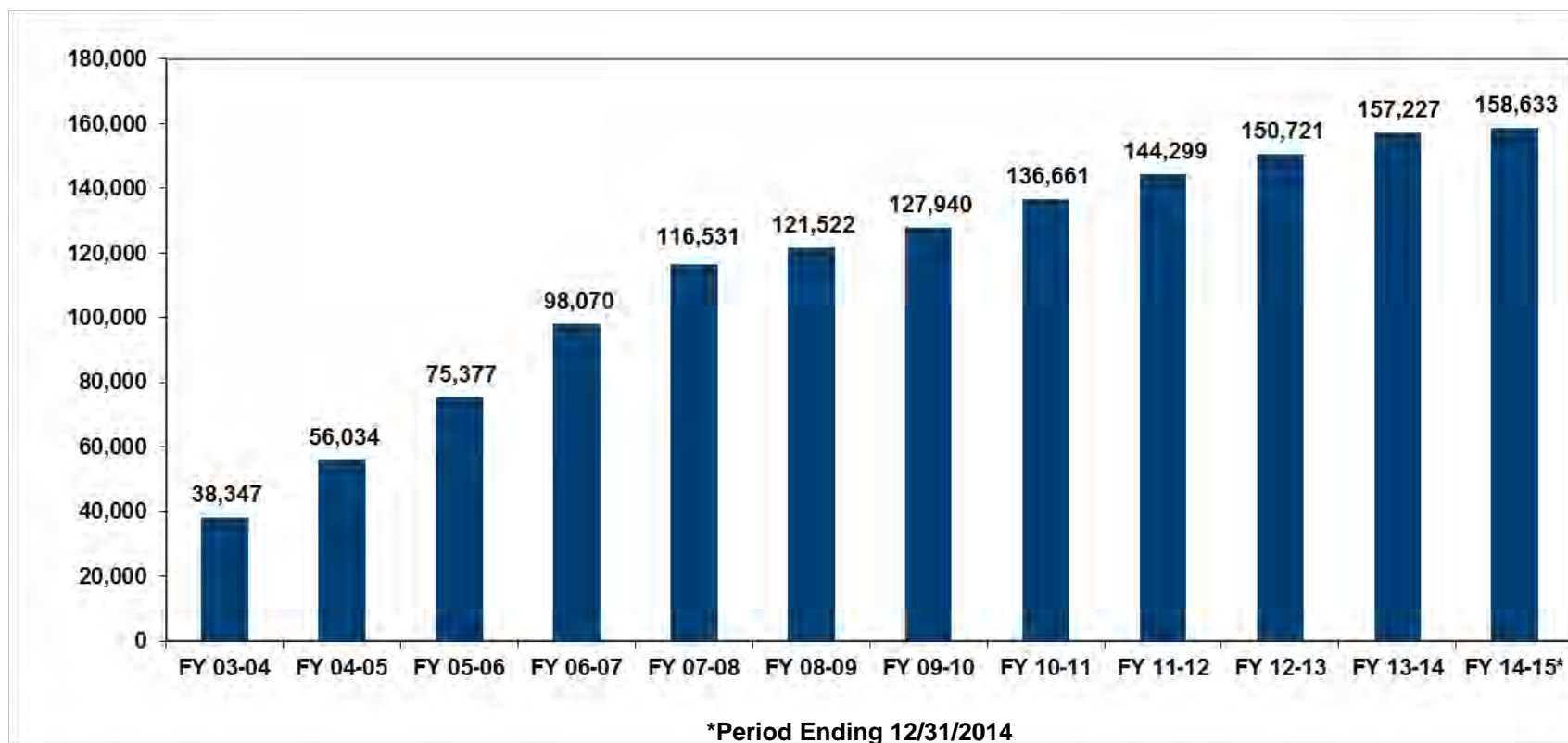
\*\*Source: HEK's annual mutual fund expense analysis as of 12/31/2013.

# Investment Plan Fiscal Year End Assets Under Management



Source: Investment Plan Administrator

# Investment Plan Membership



Source: Investment Plan Administrator

# Florida Hurricane Catastrophe Fund Background

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- The purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.
- Both the CAT Fund (Operating Fund) and the CAT 2013 A Fund are internally managed portfolios benchmarked to a blend of the average of the Merrill Lynch 1-Yr US Treasury Bill Index and the iMoneyNet First Tier Institutional Money Market Funds Net Index.
- As of December 31, 2014, the total value of all FHCF accounts was \$13.0 billion.

# CAT Operating Fund Characteristics

## Period Ending 12/31/2014

<b>Effective Maturity Schedule</b>	
O/N* - 14 Days	8.9%
15 - 30 Days	8.6
31 - 60 Days	10.9
61 - 90 Days	4.6
91 - 120 Days	3.5
121 - 150 Days	0.7
151 - 180 Days	3.3
181 - 210 Days	0.5
211 - 240 Days	2.0
241 - 270 Days	1.5
271 - 300 Days	3.1
301 - 365 Days	2.8
366 - 732 Days	18.3
733 - 1,098 Days	27.2
1,099 - 1,875 Days	4.1
<b>Total % of Portfolio:</b>	<b>100.0%</b>

<b>S &amp; P Credit Quality Composition</b>	
AAA	46.2%
AA	13.0
A	40.7
<b>Total % of Portfolio:</b>	<b>100.0%</b>

\*O/N stands for overnight.

# CAT 2013 A Fund Characteristics

## Period Ending 12/31/2014

<b>Effective Maturity Schedule</b>	
O/N* - 14 Days	4.9%
15 - 30 Days	1.2
31 - 60 Days	9.0
61 - 90 Days	8.9
91 - 120 Days	4.0
121 - 150 Days	2.7
151 - 180 Days	5.6
181 - 210 Days	2.5
211 - 240 Days	5.7
241 - 270 Days	1.2
271 - 300 Days	6.2
301 - 365 Days	9.7
366 - 732 Days	17.5
733 - 1,098 Days	20.8
1,099 - 1,875 Days	0.0
<b>Total % of Portfolio:</b>	<b>100.0%</b>

<b>S &amp; P Credit Quality Composition</b>	
AAA	58.5%
AA	6.2
A	35.3
<b>Total % of Portfolio:</b>	<b>100.0%</b>

\*O/N stands for overnight.

# Florida PRIME Characteristics

## Quarter Ending 12/31/2014

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<b>Cash Flows as of 12/31/2014</b>	<b>Fourth Quarter</b>	<b>Fiscal YTD*</b>
Opening Balance	\$6,123,308,501	\$7,191,418,576
Participant Deposits	\$7,313,457,758	\$9,727,586,527
Transfers from Fund B	\$0	\$30,746,941
Gross Earnings	\$3,012,224	\$6,259,274
Participant Withdrawals	(\$5,558,711,965)	(\$9,074,422,970)
Fees	(\$478,356)	(\$1,000,184)
Closing Balance (12/31/2014)	\$7,880,588,161	\$7,880,588,161
<b>Change</b>	<b>\$1,757,279,660</b>	<b>\$689,169,585</b>

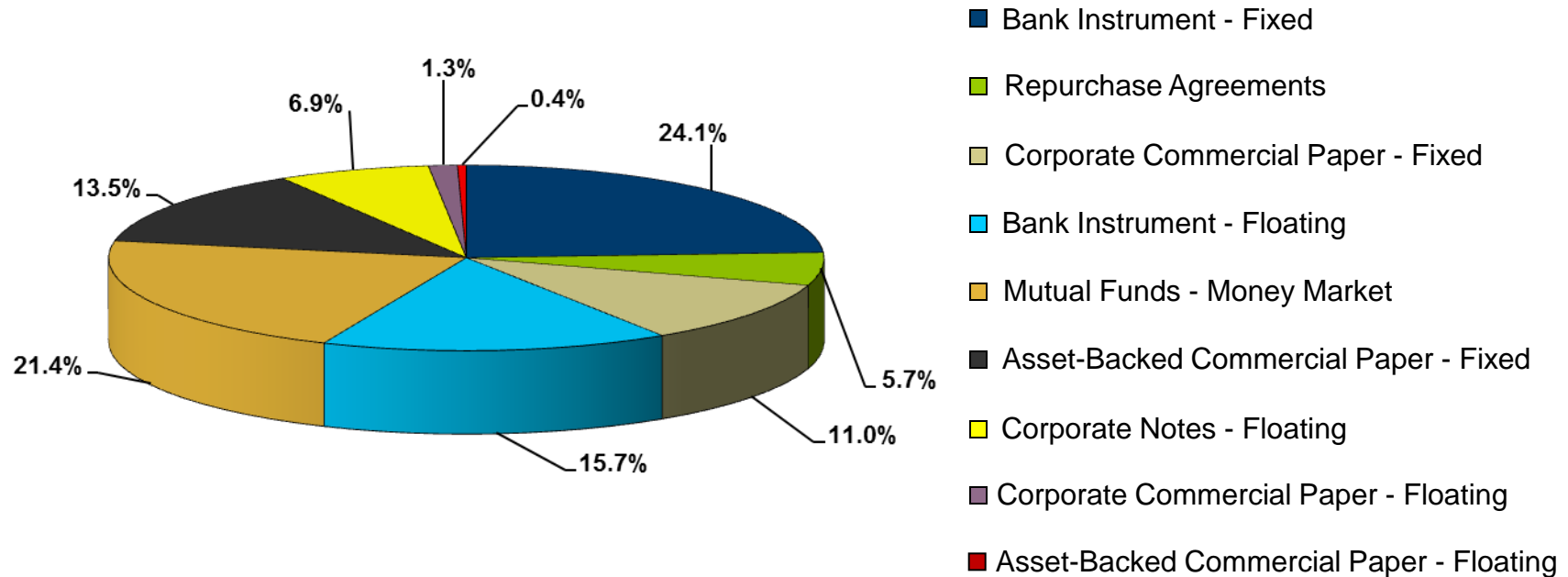
\*Period July 2014 – December 2014



# Florida PRIME Characteristics

## Quarter Ending 12/31/2014

### Portfolio Composition



## Florida PRIME Characteristics

### Period Ending 12/31/2014

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Effective Maturity Schedule	
1-7 Days	39.4%
8-30 Days	18.2
31-90 Days	31.8
91-180 Days	8.1
181+ Days	2.5
<b>Total % of Portfolio:</b>	<b>100.0%</b>

S & P Credit Quality Composition	
A-1+	53.8%
A-1	46.2
<b>Total % of Portfolio:</b>	<b>100.0%</b>



# State Board of Administration of Florida

## Major Mandate Review Fourth Quarter 2014

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2. Pension Plan Review
3. Investment Plan Review
4. CAT Fund Review
5. Lawton Chiles Endowment Fund Review
6. Florida PRIME and Fund B Review
7. Appendix

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## Executive Summary

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### Fourth Quarter 2014

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## Executive Summary

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- The major mandates outperformed their respective benchmarks over all longer time periods through December 31, 2014.
- The Pension Plan outperformed its Performance Benchmark over the trailing one-, three-, five-, ten- and fifteen-year time periods.
  - Global Equity has been a consistent source of value added over the trailing one-, three- and five-year time periods. Fixed Income, Real Estate and Strategic Investments have also added value.
- Over the trailing three-year period, the Pension Plan's return ranked in the top quartile of the TUCS Top Ten Defined Benefit Plan universe and ranked in the top half of the universe over the trailing ten-year period.
- The FRS Investment Plan met or outperformed the Total Plan Aggregate Benchmark during the fourth quarter and over all trailing periods.
- The Lawton Chiles Endowment Fund outperformed its benchmark during the fourth quarter and also over the one-, three-, five-, and ten-year periods, primarily due to strong public equity performance.
- The CAT Funds and Florida PRIME continued to outperform their respective benchmarks over both short and long time periods.

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## Pension Plan Review Fourth Quarter 2014

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### Executive Summary

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- The Pension Plan assets totaled \$146.6 billion as of December 31, 2014 which represents a \$0.7 billion increase since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, outperformed over the trailing one-, three-, five-, ten- and fifteen-year periods.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan underperformed over the ten- and fifteen-year periods, but has outperformed over the trailing one-, three-, five-, twenty- and twenty five-year time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type and investment strategy.
  - Asset allocation is monitored on a daily basis to ensure that the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Hewitt Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

## FRS Pension Plan Change in Market Value Periods Ending 12/31/2014

Summary of Cash Flows		
	Fourth Quarter	Fiscal YTD*
Beginning Market Value	\$145,818,875,309	\$149,097,956,343
+/- Net Contributions/(Withdrawals)	(\$1,392,518,012)	(\$3,216,782,691)
Investment Earnings	\$2,135,342,141	\$680,525,787
= Ending Market Value	\$146,561,699,438	\$146,561,699,438
Net Change	\$742,824,129	(\$2,536,256,905)

\*Period July 2014 – December 2014

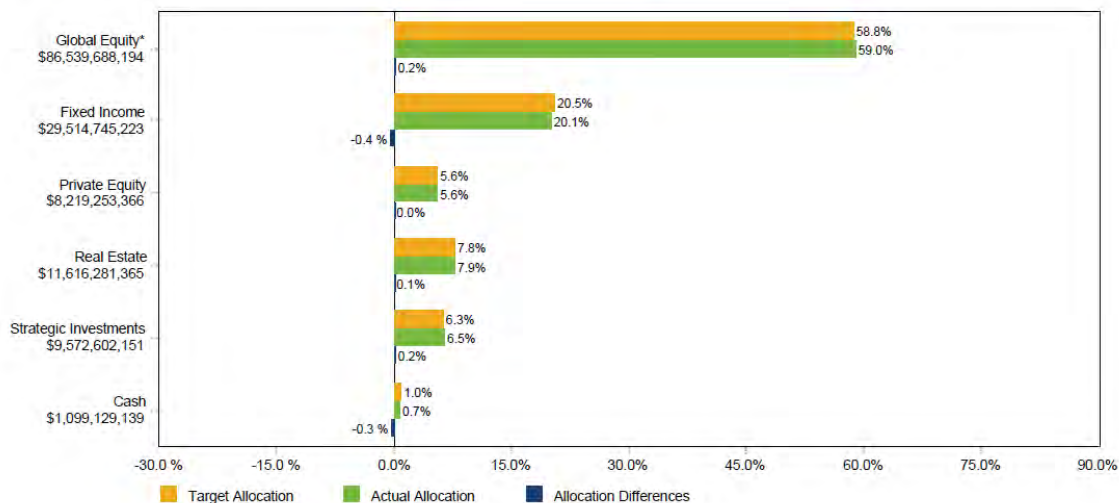
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## Asset Allocation as of 12/31/2014 Total Fund Assets = \$146.5 Billion

	Market Value (\$)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	146,561,699,438	100.0	100.0		
Global Equity*	86,539,688,194	59.0	58.8	45.0	70.0
Fixed Income	29,514,745,223	20.1	20.5	10.0	26.0
Private Equity	8,219,253,366	5.6	5.6	4.0	16.0
Real Estate	11,616,281,365	7.9	7.8	2.0	9.0
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Cash	1,099,129,139	0.7	1.0	0.3	5.0



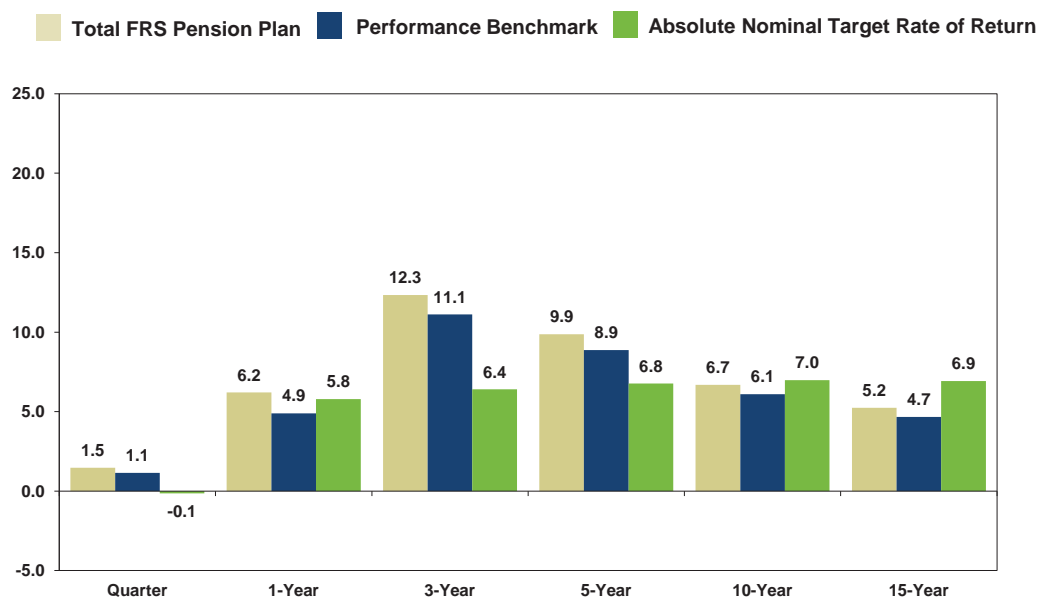
\* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

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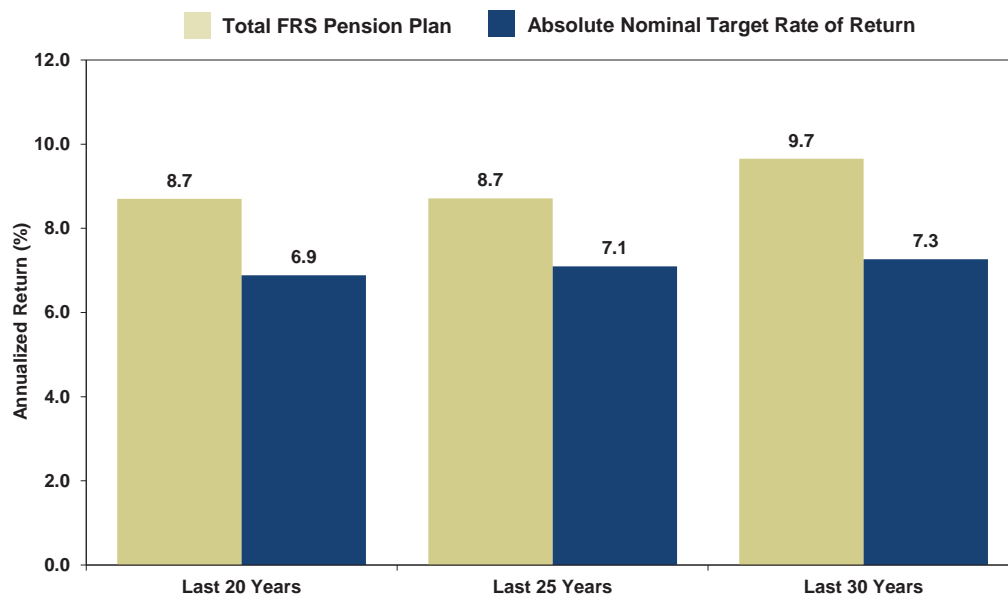


## FRS Pension Plan Investment Results Periods Ending 12/31/2014



## FRS Pension Plan Investment Results Periods Ending 12/31/2014

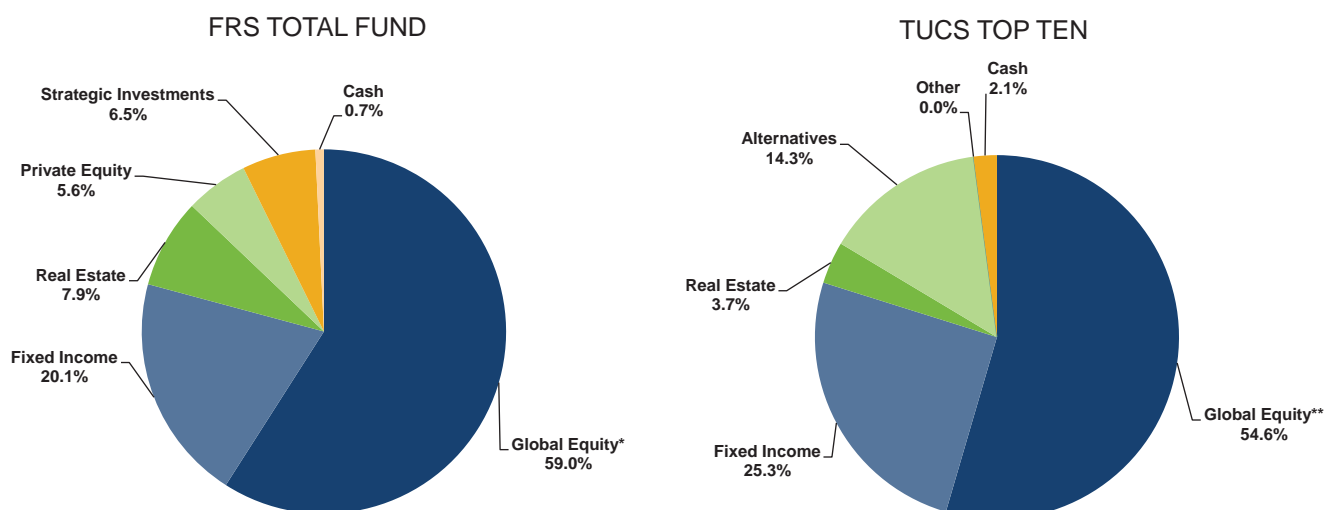
### Long-Term FRS Pension Plan Performance Results vs. SBA's Long-Term Investment Objective





## Comparison of Asset Allocation (TUCS Top Ten) As of 12/31/2014

### FRS Pension Plan vs. Top Ten Defined Benefit Plans



\*Global Equity Allocation: 28.9% Domestic Equities; 25.9% Foreign Equities; 4.2% Global Equities. Percentages are of the Total FRS Fund.

\*\*Global Equity Allocation: 35.2% Domestic Equities; 19.4% Foreign Equities.

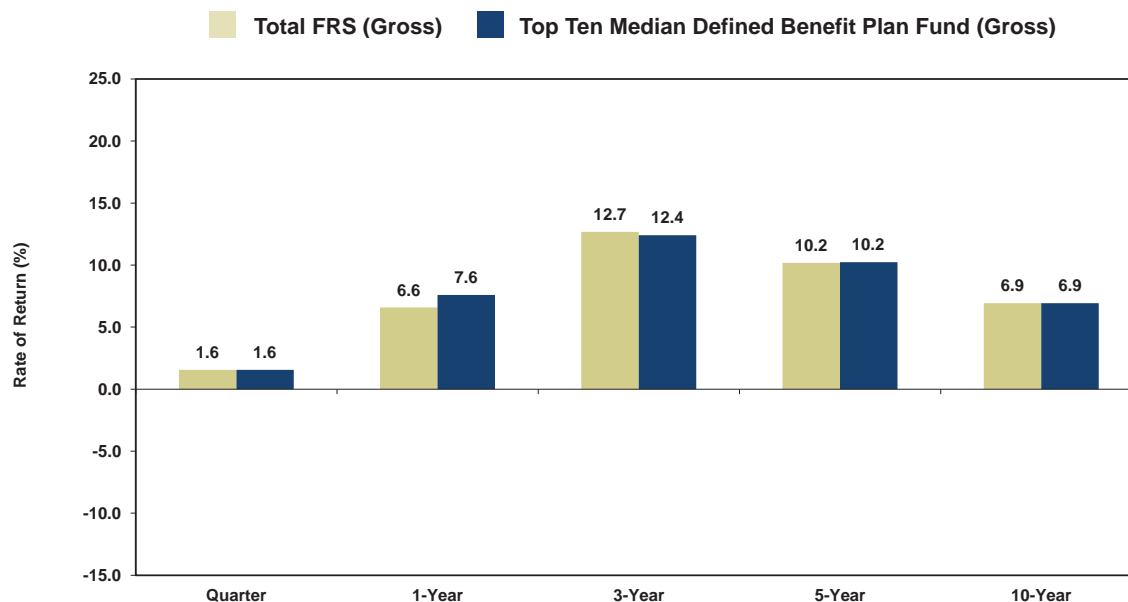
Note: The TUCS Top Ten Universe includes \$1,318.3 billion in total assets. The median fund size was \$129.9 billion and the average fund size was \$131.8 billion.

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## FRS Results Relative to TUCS Top Ten Defined Benefit Plans Periods Ending 12/31/2014



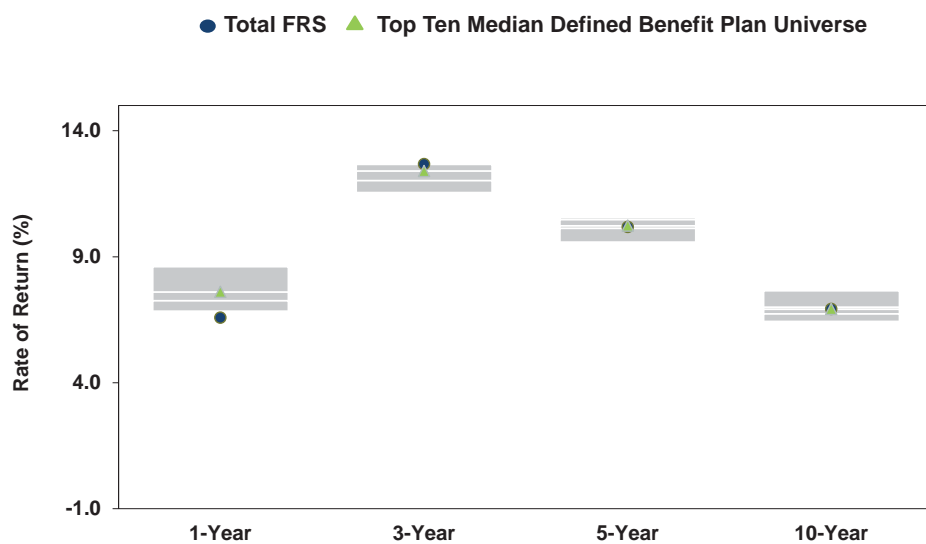
Note: The TUCS Top Ten Universe includes \$1,318.3 billion in total assets. The median fund size was \$129.9 billion and the average fund size was \$131.8 billion.

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# Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS) Periods Ending 12/31/2014



FRS Percentile Ranking      100                      25                      62                      50

Note: The TUCS Top Ten Universe includes \$1,318.3 billion in total assets. The median fund size was \$129.9 billion and the average fund size was \$131.8 billion.

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## Investment Plan Review Fourth Quarter 2014

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### Executive Summary

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- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing one-, three-, five- and ten-year periods. This suggests strong relative performance of the underlying fund options in which participants are investing.
- The FRS Investment Plan's total expense ratio is slightly higher, on average, when compared to a defined contribution peer group and is lower than the average corporate and public defined benefit plan, based on year-end 2012 data.
- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.
- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.
- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

## Total Investment Plan Returns & Cost

### Periods Ending 12/31/2014\*

	One-Year	Three-Year	Five-Year	Ten-Year
<b>FRS Investment Plan</b>	<b>4.9%</b>	<b>10.1%</b>	<b>8.3%</b>	<b>5.8%</b>
<i>Total Plan Aggregate Benchmark**</i>	4.9	9.7	8.0	5.3
FRS Investment Plan vs. Total Plan Aggregate Benchmark	0.0	0.4	0.3	0.5

### Periods Ending 12/31/2013\*\*\*

	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
<b>FRS Investment Plan</b>	<b>10.7%</b>	<b>0.6%</b>	<b>0.38%*****</b>
<i>Peer Group</i>	11.9	0.2	0.30
FRS Investment Plan vs. Peer Group	-1.2	0.4	0.08

\*Returns shown are net of fees.

\*\*Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.

\*\*\*Source: 2013 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2013 Survey that included 147 U.S. defined contribution plans with assets ranging from \$52 million to \$46.3 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 19 DC plans including corporate and public plans with assets between \$1.9 - \$16.7 billion.

\*\*\*\*Returns shown are gross of fees.

\*\*\*\*\*The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. These latter costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group utilized above.

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## Fourth Quarter 2014

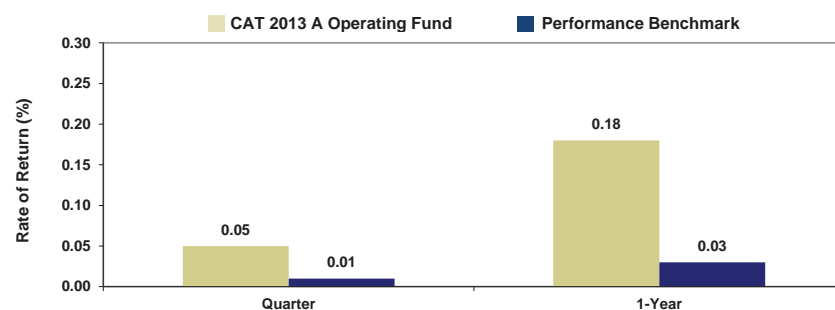
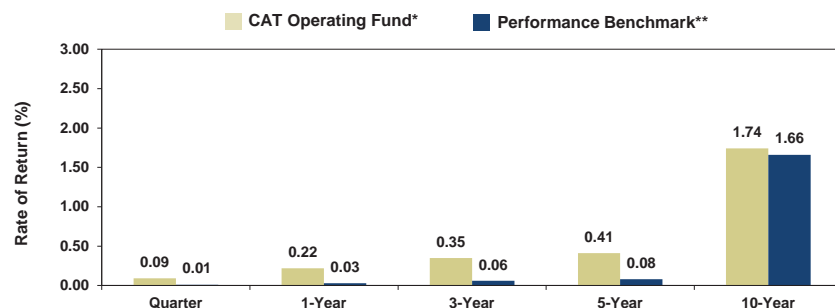
## Executive Summary

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- Performance of the CAT Funds on both an absolute and relative basis has been strong over short- and long-term time periods.
- The CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Policy Statement appropriately constrains the CAT Funds to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the CAT Funds are appropriate, taking into consideration the CAT Funds' goals and objectives.

# CAT Funds Investment Results

## Periods Ending 12/31/2014



\*CAT Operating Fund: Beginning March 2008, the returns for the CAT Fund reflect marked-to-market returns. Prior to that time, cost-based returns are used.

\*\*Performance Benchmark: The CAT Fund was benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. From July 2010 to September 2014, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Net Index. Effective October 2014, it is a blend of the average of the Merrill Lynch 1-Yr US Treasury Bill Index and the iMoneyNet First Tier Institutional Money Market Funds Net Index.

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## Fourth Quarter 2014

## Executive Summary

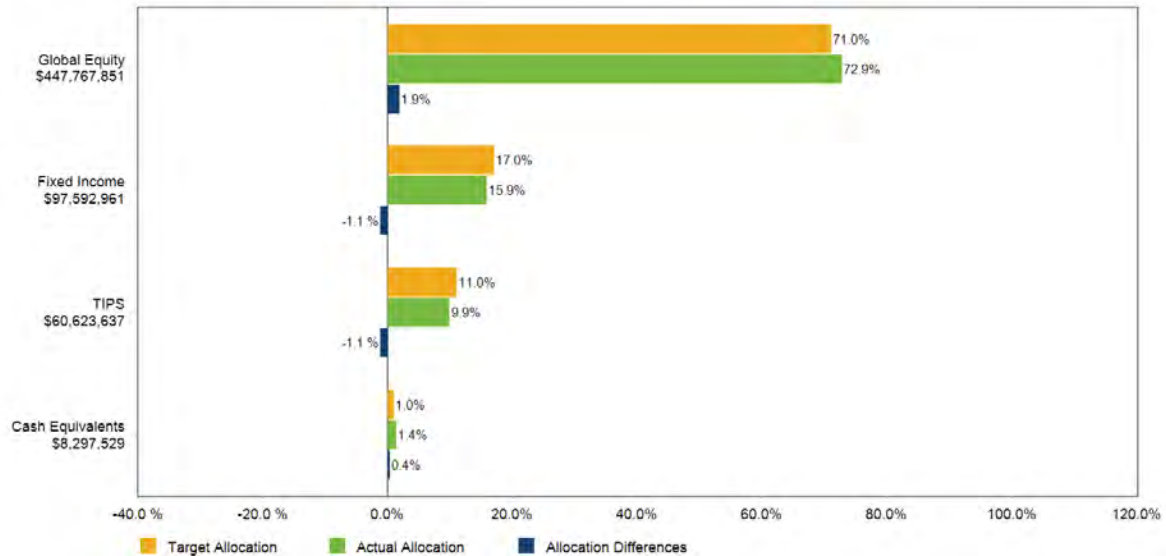
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- Established in July 1999, the Lawton Chiles Endowment Fund (LCEF) was created to provide a source of funding for child health and welfare programs, elder programs and research related to tobacco use.
  - The investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
  - The Endowment's investments are diversified across various asset classes including global equity, fixed income, inflation-indexed bonds (TIPS) and cash.
- The Endowment assets totaled \$614.3 million as of December 31, 2014.
- The Endowment's return outperformed that of its Target during the fourth quarter, trailing one-, three-, five- and ten-year time periods.

## Asset Allocation as of 12/31/2014

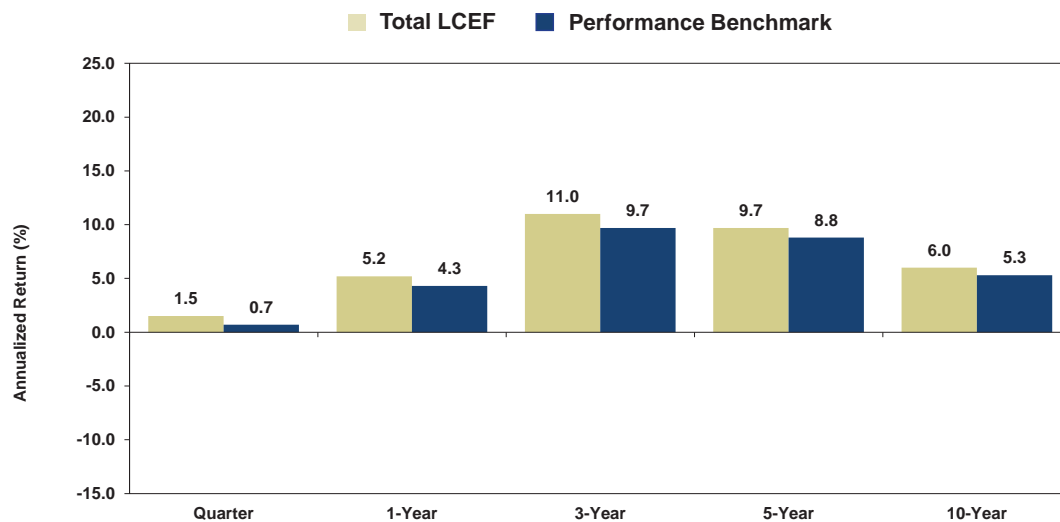
### Total LCEF Assets = \$614.3 Million

	Market Value (\$)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
LCEF Total Fund	614,281,978	100.0	100.0		
Global Equity	447,767,851	72.9	71.0	61.0	81.0
Fixed Income	97,592,961	15.9	17.0	12.0	22.0
TIPS	60,623,637	9.9	11.0	6.0	16.0
Cash Equivalents	8,297,529	1.4	1.0	0.0	10.0



## LCEF Investment Results

### Periods Ending 12/31/2014





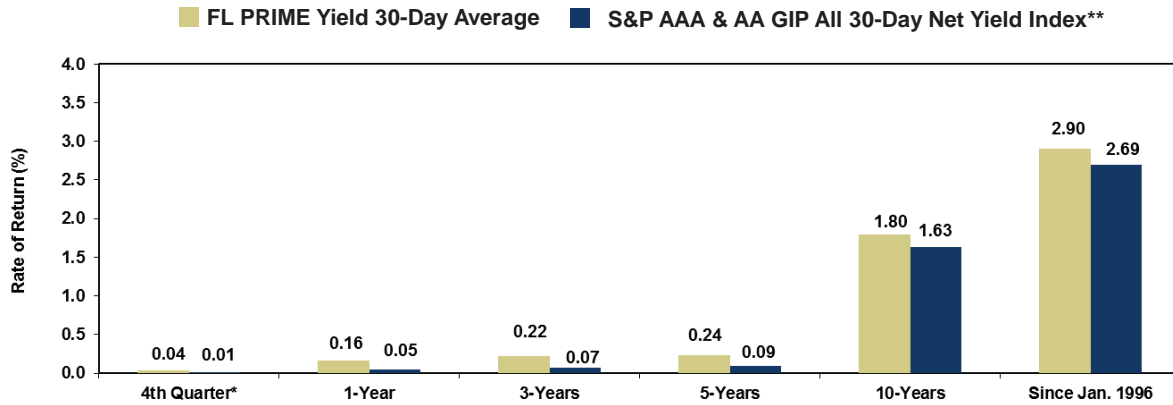
## Fourth Quarter 2014

## Executive Summary

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- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market, and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME, on both an absolute and relative basis, has been strong over short- and long-term time periods.
- As of December 31, 2014, the total market value of Florida PRIME was \$7.9 billion.
- Aon Hewitt Investment Consulting, in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

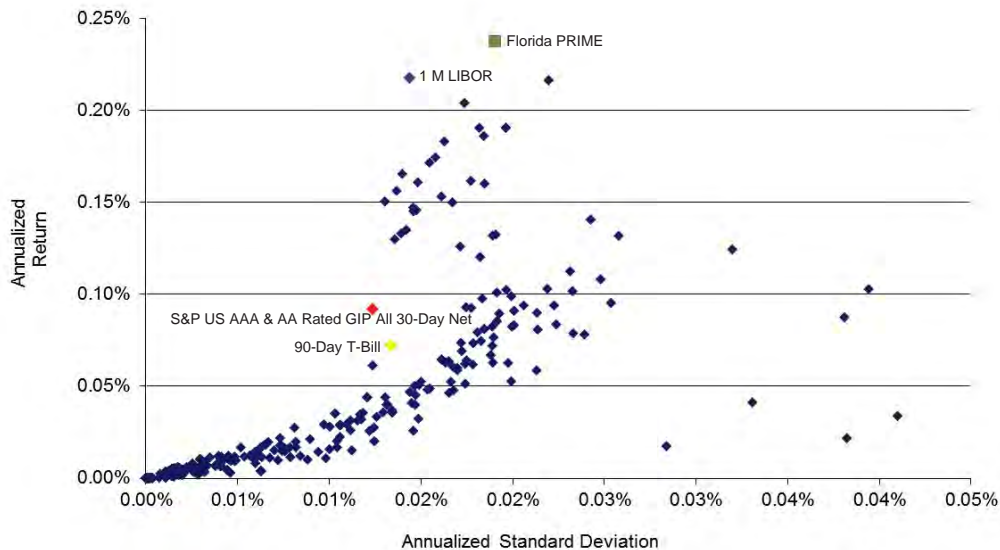
## Florida PRIME Investment Results Periods Ending 12/31/2014



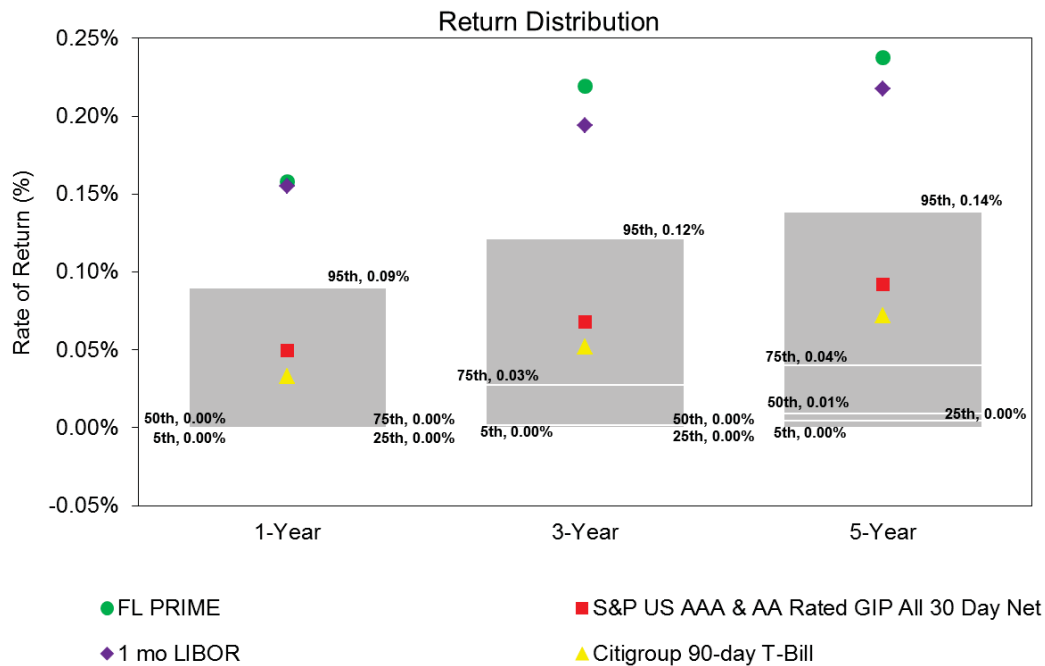
\*Returns less than one year are not annualized.

\*\*S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

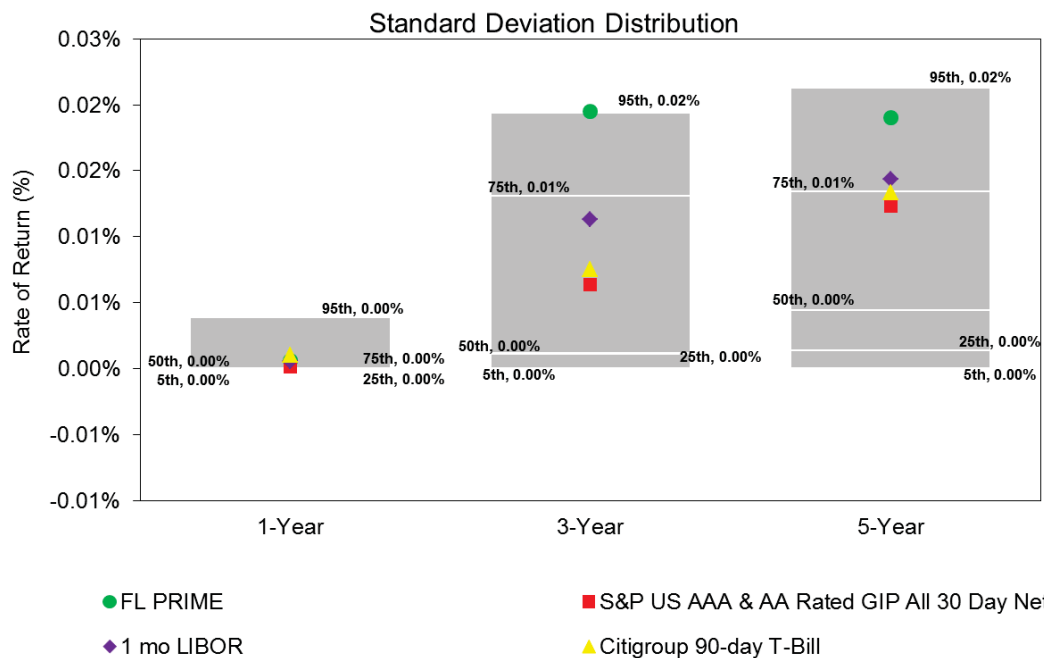
## Florida PRIME Risk vs. Return 5 Years Ending 12/31/2014



## Return Distribution Periods Ending 12/31/2014



## Standard Deviation Distribution Periods Ending 12/31/2014



## Fund B Status Update

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- In early September 2014, 100% of the original principal in Fund B was returned to participants.
- As of December 31, 2014, Fund B continued to hold remaining reserves equal to \$41,784,586.
- SBA staff and other stakeholders are working on a legislative solution to distribute the remaining reserves in an equitable manner.
- Final distribution of the remaining reserve account value is expected to occur near the end of the 2015 fiscal year.
- Once all Fund B account proceeds have been distributed, the Trust Fund will be terminated.

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## Appendix

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## FRS Investment Plan Costs

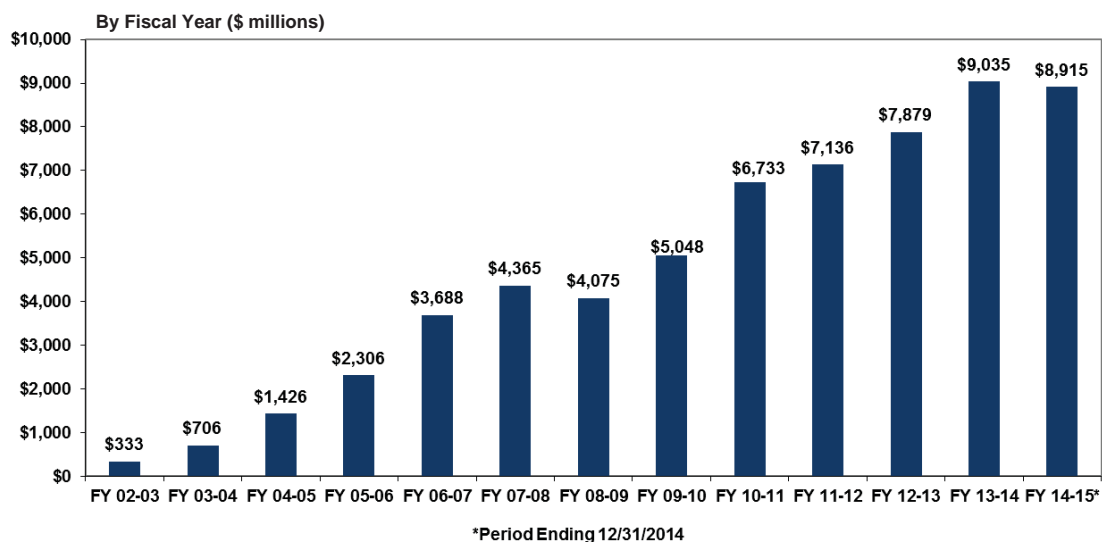
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Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Large Cap Equity	0.23%	0.89%
Small-Mid Cap Equity	0.64%	1.07%
International Equity	0.33%	1.09%
Diversified Bonds	0.12%	0.64%
Target Date	0.07%	0.75%
Money Market	0.06%	0.16%

\*Average fee of multiple products in category as of 12/31/2014.

\*\*Source: HEK's annual mutual fund expense analysis as of 12/31/2013.

## Investment Plan Fiscal Year End Assets Under Management



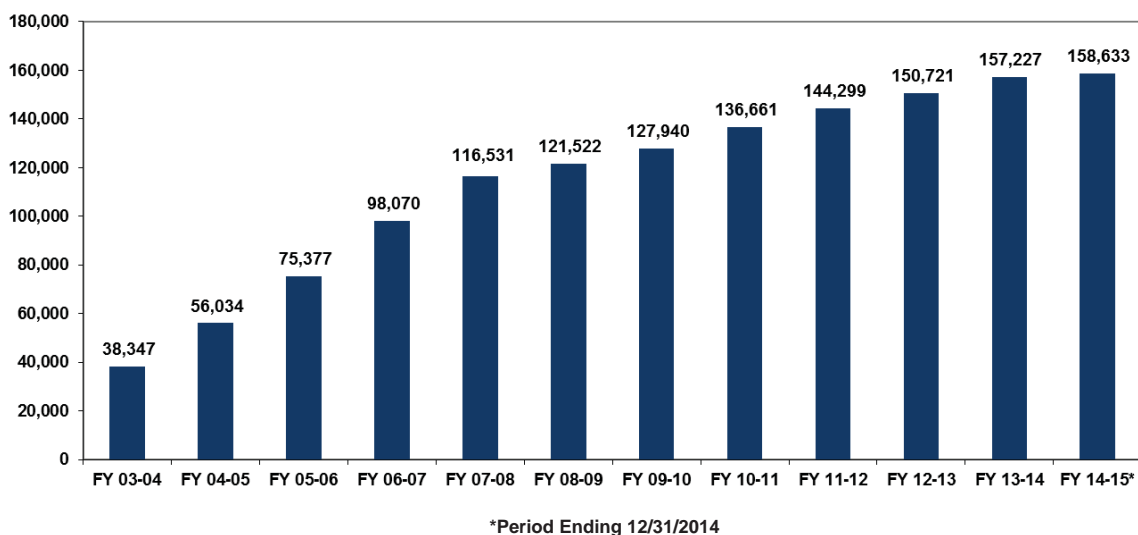
Source: Investment Plan Administrator

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## Investment Plan Membership



Source: Investment Plan Administrator

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## Florida Hurricane Catastrophe Fund Background

- The purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.
- Both the CAT Fund (Operating Fund) and the CAT 2013 A Fund are internally managed portfolios benchmarked to a blend of the average of the Merrill Lynch 1-Yr US Treasury Bill Index and the iMoneyNet First Tier Institutional Money Market Funds Net Index.
- As of December 31, 2014, the total value of all FHCF accounts was \$13.0 billion.

## CAT Operating Fund Characteristics Period Ending 12/31/2014

Effective Maturity Schedule	
O/N* - 14 Days	8.9%
15 - 30 Days	8.6
31 - 60 Days	10.9
61 - 90 Days	4.6
91 - 120 Days	3.5
121 - 150 Days	0.7
151 - 180 Days	3.3
181 - 210 Days	0.5
211 - 240 Days	2.0
241 - 270 Days	1.5
271 - 300 Days	3.1
301 - 365 Days	2.8
366 - 732 Days	18.3
733 - 1,098 Days	27.2
1,099 - 1,875 Days	4.1
<b>Total % of Portfolio:</b>	<b>100.0%</b>

S & P Credit Quality Composition	
AAA	46.2%
AA	13.0
A	40.7
<b>Total % of Portfolio:</b>	<b>100.0%</b>

\*O/N stands for overnight.

## CAT 2013 A Fund Characteristics Period Ending 12/31/2014

Effective Maturity Schedule	
O/N* - 14 Days	4.9%
15 - 30 Days	1.2
31 - 60 Days	9.0
61 - 90 Days	8.9
91 - 120 Days	4.0
121 - 150 Days	2.7
151 - 180 Days	5.6
181 - 210 Days	2.5
211 - 240 Days	5.7
241 - 270 Days	1.2
271 - 300 Days	6.2
301 - 365 Days	9.7
366 - 732 Days	17.5
733 - 1,098 Days	20.8
1,099 - 1,875 Days	0.0
<b>Total % of Portfolio:</b>	<b>100.0%</b>

S & P Credit Quality Composition	
AAA	58.5%
AA	6.2
A	35.3
<b>Total % of Portfolio:</b>	<b>100.0%</b>

\*O/N stands for overnight.

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## Florida PRIME Characteristics Quarter Ending 12/31/2014

Cash Flows as of 12/31/2014	Fourth Quarter	Fiscal YTD*
Opening Balance	\$6,123,308,501	\$7,191,418,576
Participant Deposits	\$7,313,457,758	\$9,727,586,527
Transfers from Fund B	\$0	\$30,746,941
Gross Earnings	\$3,012,224	\$6,259,274
Participant Withdrawals	(\$5,558,711,965)	(\$9,074,422,970)
Fees	(\$478,356)	(\$1,000,184)
Closing Balance (12/31/2014)	\$7,880,588,161	\$7,880,588,161
<b>Change</b>	<b>\$1,757,279,660</b>	<b>\$689,169,585</b>

\*Period July 2014 – December 2014

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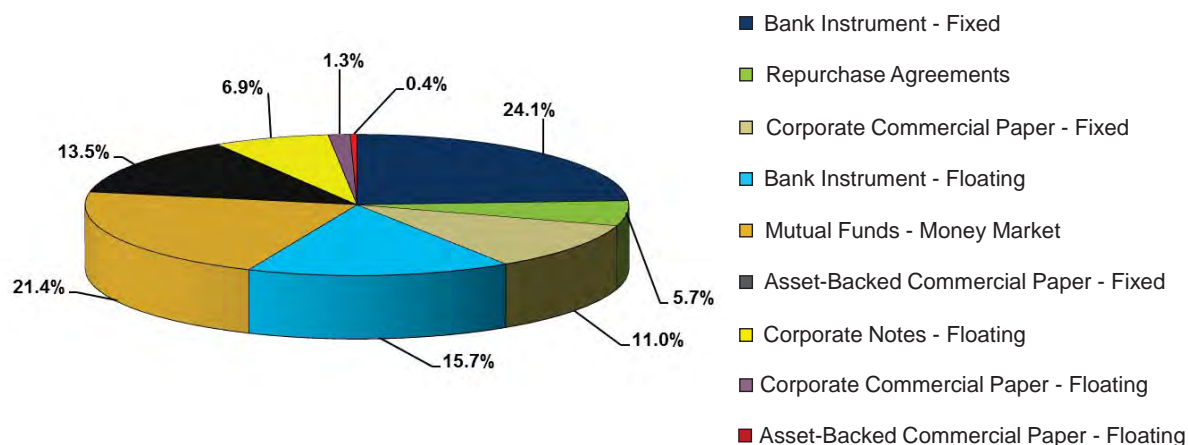
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## Florida PRIME Characteristics Quarter Ending 12/31/2014

### Portfolio Composition



## Florida PRIME Characteristics Period Ending 12/31/2014

Effective Maturity Schedule	
1-7 Days	39.4%
8-30 Days	18.2
31-90 Days	31.8
91-180 Days	8.1
181+ Days	2.5
<b>Total % of Portfolio:</b>	<b>100.0%</b>

S & P Credit Quality Composition	
A-1+	53.8%
A-1	46.2
<b>Total % of Portfolio:</b>	<b>100.0%</b>



FRS Pension Plan | Fourth Quarter 2014

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## Quarterly Investment Review

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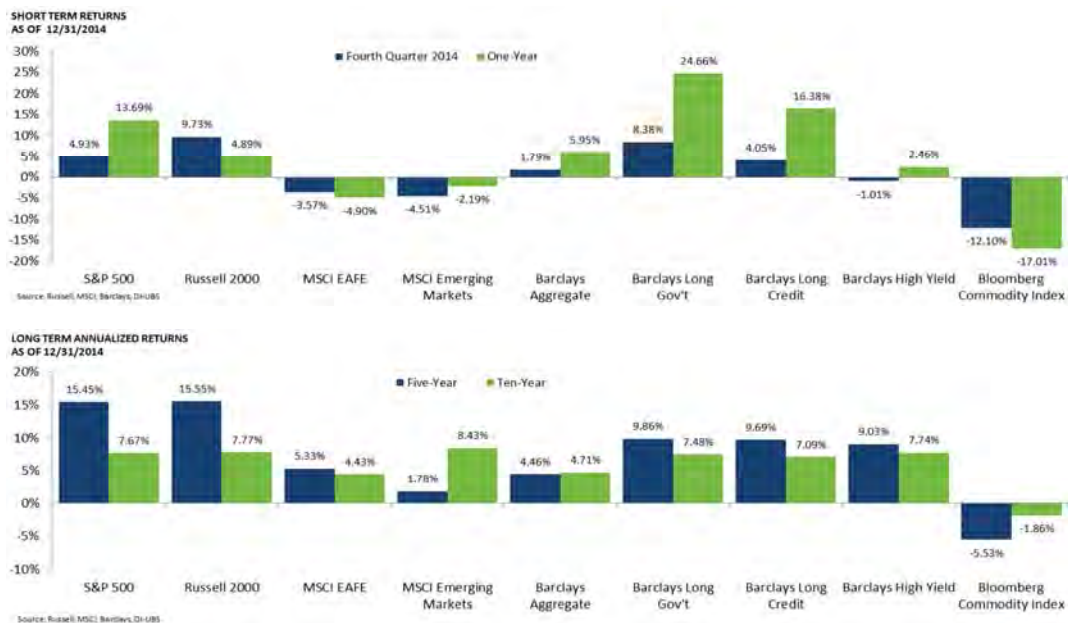
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## Market Environment

1



## Market Highlights



2



## Market Highlights

Returns of the Major Capital Markets					
Periods Ending 12/31/2014					
	Fourth Quarter	1-Year	3-Year	5-Year	10-Year
<b>Domestic Stock Indices</b>					
Dow Jones U.S. Total Stock Market Index	5.22%	12.48%	20.44%	15.72%	8.10%
Russell 3000 Index	5.24%	12.56%	20.51%	15.63%	7.94%
S&P 500 Index	4.93%	13.69%	20.42%	15.45%	7.67%
Russell 2000 Index	9.73%	4.89%	19.21%	15.55%	7.77%
<b>Global Stock Indices</b>					
MSCI All Country World IMI Index	0.59%	3.84%	14.30%	9.48%	6.37%
MSCI All Country World ex-U.S. IMI Index	-3.88%	-3.89%	9.22%	4.71%	5.37%
MSCI EAFE Index	-3.57%	-4.90%	11.06%	5.33%	4.43%
MSCI Emerging Markets Index	-4.51%	-2.19%	4.04%	1.78%	8.43%
<b>Domestic/Foreign Bond Indices</b>					
Barclays Aggregate Bond Index	1.79%	5.95%	2.66%	4.46%	4.71%
Barclays Long Gov't Index	8.38%	24.66%	4.23%	9.86%	7.48%
Barclays Long Credit Index	4.05%	16.38%	7.00%	9.69%	7.09%
Barclays Long Gov't/Credit Index	5.61%	19.32%	5.77%	9.81%	7.37%
Citi Group Non-U.S. WGBI	-2.91%	-2.68%	-1.94%	0.85%	2.64%

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## Global Equity Markets



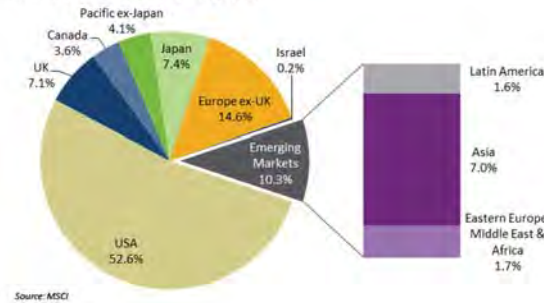
- Global equity markets, driven by positive U.S. equity performance that counteracted struggling markets elsewhere, rose modestly in value during the fourth quarter of 2014.
- Non-U.S. developed equities fell during the fourth quarter. Growth indicators continued to be weak, geopolitical risks remained a factor, and a stronger U.S. dollar held back returns.
- Emerging markets underperformed as well as they struggled with depreciating currencies and a weaker economic environment.

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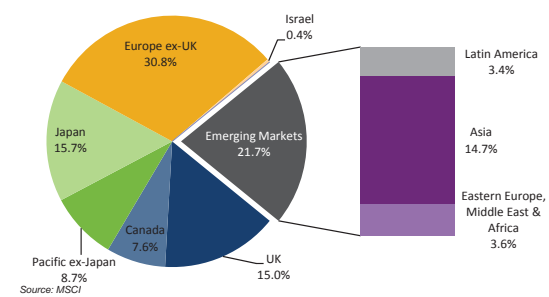


## Global Equity Markets

MSCI ALL COUNTRY WORLD IMI INDEX  
GEOGRAPHIC ALLOCATION AS OF 12/31/2014



MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX  
GEOGRAPHIC ALLOCATION AS OF 12/31/2014



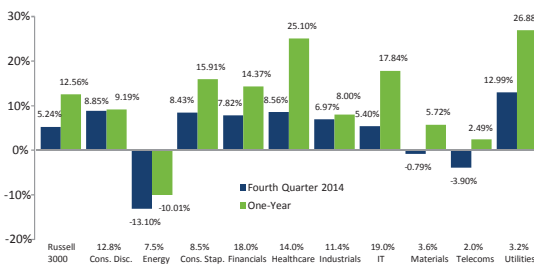
- The two exhibits on this slide illustrate the percentage that each country/region represents of the global equity market as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index.

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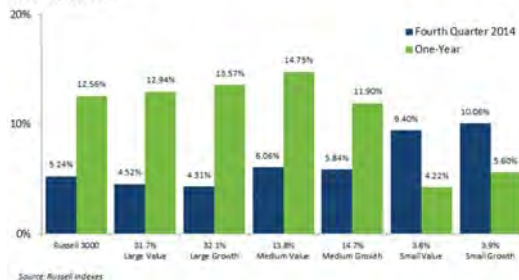


## U.S. Equity Markets

RUSSELL GICS SECTOR RETURNS  
AS OF 12/31/2014



RUSSELL STYLE RETURNS  
AS OF 12/31/2014



- The Russell 3000 Index returned 5.24% during the quarter and returned 12.56% over the one-year period.
- During the fourth quarter, the utilities and consumer discretionary sectors were the strongest performers, posting returns of 12.99% and 8.85%, respectively. The energy and telecommunications sectors were the weakest performers, producing returns of -13.10% and -3.90%, respectively.
- Performance across the market capitalization spectrum was mixed over the quarter. Large cap stocks trailed the smaller segments of the markets, and growth underperformed value across the large and medium capitalizations.

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## U.S. Fixed Income Markets

BARCLAYS AGGREGATE RETURNS BY SECTOR  
AS OF 12/31/2014



Source: Barclays Live

- The Barclays Aggregate Bond Index returned 1.79% in the fourth quarter. Government bonds were the strongest performing index segment, returning 1.86%.
- In the investment grade market, Baa bonds were outperformed by higher quality bonds.
- High yield bonds underperformed investment grade corporate bonds.
- Long duration bonds continued to outperform shorter duration bonds.

BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS  
AS OF 12/31/2014



Source: Barclays Live

BARCLAYS AGGREGATE RETURNS BY MATURITY  
AS OF 12/31/2014

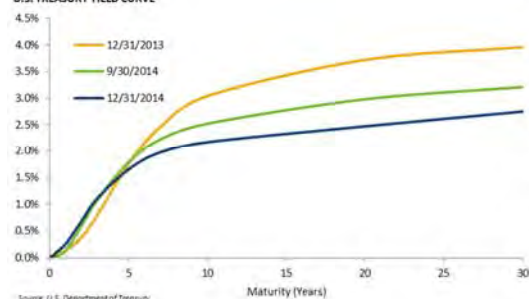


Source: Barclays Live

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## U.S. Fixed Income Markets

U.S. TREASURY YIELD CURVE



Source: U.S. Department of Treasury

U.S. 10-YEAR TREASURY AND TIPS YIELDS

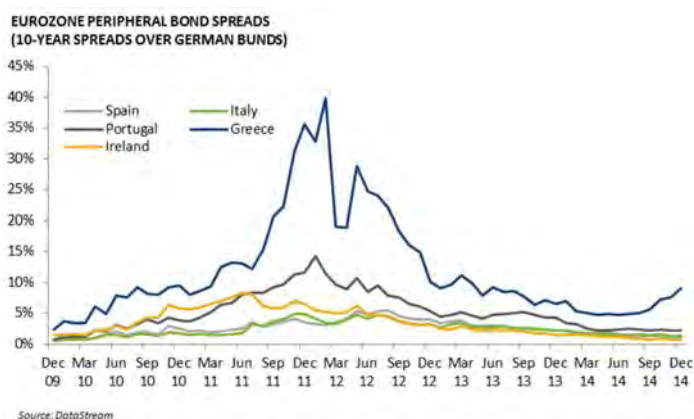


Source: U.S. Department of Treasury

- The Treasury yield curve flattened during the fourth quarter, driven by long bond yields falling and short rates moving higher.
- The 10-year U.S. Treasury yield ended the quarter at 2.17%, 35 basis points lower than its level at the beginning of the quarter.
- The 10-year TIPS yield fell by 6 basis points over the quarter and ended the period at 0.49%.

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## European Fixed Income Markets



- In the Eurozone, bond spreads continued to remain low through 2014 as peripheral tensions have eased. The exception is Greece, where tensions have been increasing due to greater uncertainty over the result of the forthcoming general election.
- Eurozone bond spreads, with the exception of Greek bond spreads, fell over the quarter.

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## Credit Spreads

Spread (bps)	12/31/2014	9/30/2014	12/31/2013	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	48	43	45	5	3
Long Gov't	4	4	6	0	-2
Long Credit	185	164	158	21	27
Long Gov't/Credit	119	106	105	13	14
MBS	27	30	34	-3	-7
CMBS	98	99	126	-1	-28
ABS	58	56	55	2	3
Corporate	131	112	114	19	17
High Yield	483	424	382	59	101
Global Emerging Markets	365	288	298	77	67

Source: Barclays Live

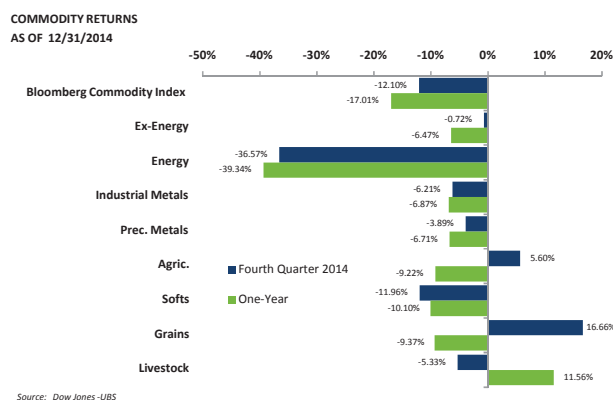
- During the fourth quarter, credit spreads rose across most areas of the bond market.
- Global emerging markets spreads (+77 basis points) rose by the most over the quarter, followed by high yield spreads (+59 basis points).

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## Commodities



- The Bloomberg Commodity Index fell during the fourth quarter with a return of -12.10%.
- Over the quarter, the best performing segments of the market were Grains and Agriculture, returning 16.66% and 5.60%, respectively.
- Energy and Softs were the worst performing sectors of the market during the quarter with returns of -36.57% and -11.96%, respectively.

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## Currency

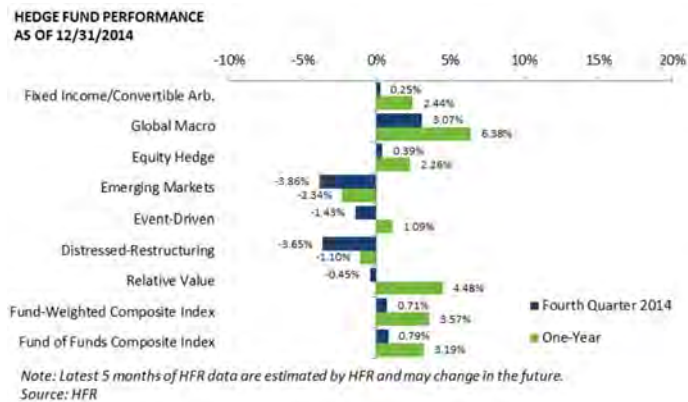


- As measured through the broad trade weighted U.S. dollar index, the U.S. dollar strengthened during the quarter.
- The dollar appreciated against the Euro, Yen, and British Pound Sterling.

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## Hedge Fund Markets Overview



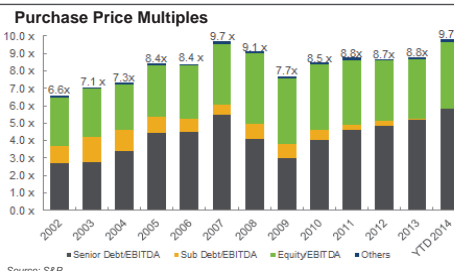
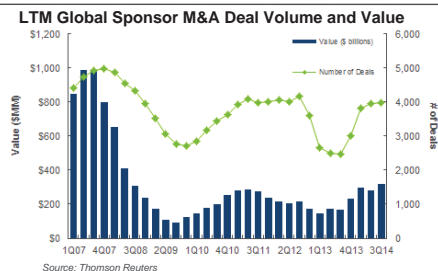
- Hedge fund performance was modestly positive over the quarter.
- The HFRI Fund-Weighted Composite Index and the HFRI Fund of Funds Composite Index produced returns of 0.71% and 0.79%, respectively, during the quarter.
- Global Macro strategies were the strongest performers, gaining 3.07% over the course of the quarter.

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## Private Equity Market Overview



- **Fundraising:** \$87.2 billion of funds were raised in 3Q 2014, bringing LTM capital raised to \$349.3 billion; 14.0% and 44.0% above the same period last year and the ten year average, respectively <sup>5</sup>. Dry powder stands at \$978.9 billion, representing a 9.9% increase from 2013 and a 17.8% increase from the five year average <sup>1</sup>.
- **Buyout:** In 3Q, 1,023 global sponsor-backed M&A deals closed totaling \$96.1 billion, the highest amount closed since 4Q 2010 <sup>5</sup>. 3Q YTD purchase price multiples were 9.8x EBITDA for large cap and 9.6x for mid cap, with both setting new peak levels <sup>3</sup>. European purchase price multiples increased quarter over quarter for all transaction sizes. Small transaction sizes (€499 million and under) exhibited the largest increase over the ten year average, up 1.2x. On a LTM basis, total exit value and number of exits increased to \$453.0 billion and 1,704 exits, respectively, both representing record levels <sup>1</sup>.
- **Venture:** Investment activity remained healthy, although it fell 26.5% by dollars and 9.4% by deals during the quarter. Total investments made YTD of \$33.2 billion have already exceeded FY 2013 levels of \$29.8 billion <sup>7</sup>. This was driven by the influx of capital from non-traditional investors (i.e., hedge funds and mutual funds) and the increase in financing rounds exceeding \$100.0 million. The exit environment is solid and continues to strengthen, evidenced by the fact that there have been 88 venture-backed IPOs YTD, topping the FY 2013 mark of 81 <sup>5</sup>.
- **Mezzanine:** 3Q 2014 mezzanine capital raised increased 170.4% quarter over quarter to \$7.1 billion, the highest amount raised since 3Q 2013 (\$7.5 billion). Dry powder is estimated at \$41.4 billion, roughly equal to the five year average <sup>1</sup>. Capital deployment in 2014 has remained limited due to the continued infiltration of business development companies (BDCs) in the middle market, disintermediating mezzanine funds through the offering of unitranche debt and second lien lending opportunities.
- **Distressed Debt:** High yield default rates were 0.3% in the third quarter with a TTM rate of 2.6%, down from 1.7% and 2.7%, respectively, in 2Q 2014. Excluding the April bankruptcy filing of Energy Future Holdings, the TTM high yield default rate is 1.3% <sup>4</sup>. Default rates are expected to rise due to a combination of energy developments and a slow reversion away from current unsustainably low default rates, but are expected to remain below the 4.6% long-term average <sup>4</sup>.
- **Secondaries:** Fundraising in 3Q 2014 totaled \$2.3 billion, down considerably from the record high of \$11.5 billion in 2Q 2014 <sup>1</sup>. Given that transaction volume is typically the highest in 4Q each year, 2014 transaction volume is likely to exceed the \$26.5 billion completed in 2013. The average discount rate for all private equity sectors worsened slightly quarter over quarter to 8.2%, yet remains very favorable for potential sellers <sup>2</sup>.
- **Infrastructure:** \$8.5 billion closed by fourteen partnerships during 3Q 2014, down from \$9.9 billion closed by nine funds in 2Q 2014 <sup>1</sup>. Dry powder stands at \$106.8 billion (an all-time high) with 48.4% of that targeted for North America. Infrastructure managers completed 156 deals with an estimated aggregate deal value of \$88.0 billion for an average value of \$564.1 million, up 66.1% from the same period last year <sup>1</sup>.
- **Natural Resources:** During 3Q 2014, five funds closed on \$4.7 billion, bringing YTD capital raised to \$9.8 billion, down from \$24.8 billion as of 3Q 2013 <sup>1</sup>. Energy and utilities industry managers completed 61 deals during the third quarter, bringing 2014 YTD estimated deal quantity and aggregate value to 187 and \$27.3 billion, respectively. This represents 91.1% of 2013's FY deal value <sup>1</sup>.

Sources: 1. Preqin 2. UBS 3. Standard & Poor's 4. Aon Hewitt 5. Thomson Reuters 6. Fitch Ratings 7. PWC / National Venture Capital Association (NVCA) MoneyTree Report 8. Thomson Reuters and NVCA  
9. Cooley Venture Financing Report 10. Federal Reserve 11. U.S. Energy Information Administration 12. Bloomberg  
Notes: YTD and LTM is through 09/30/14 unless otherwise noted; FY: Fiscal year ended 12/31; YTD: Year to date; LTM: Last twelve months (aka trailing twelve months); PPM: Purchase Price Multiples: Total Purchase Price / EBITDA

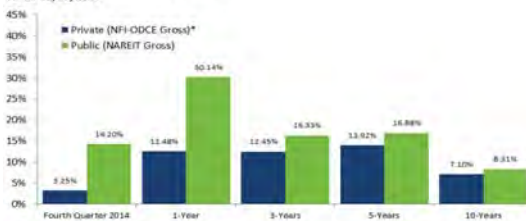
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## U.S. Commercial Real Estate Market

PRIVATE VS. PUBLIC REAL ESTATE RETURNS  
AS OF 12/31/2014



\*Fourth quarter returns are preliminary  
Sources: NCREIF, NAREIT

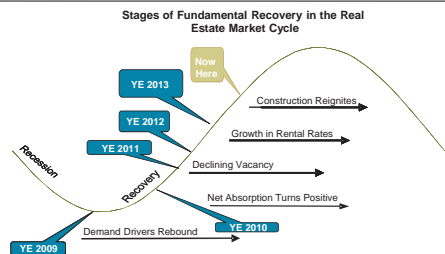
- Private commercial real estate returned 3.3% (NFI-ODCE\* gross of fees) over the quarter, continuing to display a well above average pace. Despite this, return momentum in the private market is slowly waning back toward the sector's long run average as the cyclical recovery further matures. The NFI-ODCE Index gained 12.5% for the year, versus 13.9% in 2013.
- Non-Core investments remain attractive relative to the current point of the real estate cycle, though the peak rebound potential is now past; thus manager/strategy selection is paramount. Access to capital continues to deepen and legacy fund returns generally continue to strengthen as strategies become fully executed and sold into the robust Core investment segment.
- U.S. real estate stocks rallied during the fourth quarter, up 14.2% (FTSE NAREIT Equity REIT Index), though volatility in this segment remained high. Most of the quarter's gain came in October (up 9.9%) as concerns regarding higher interest rates reversed from September's swoon (down 6%). REITs gained 30.1% for the year, buoyed by significant transaction activity, strong operating fundamentals, low interest rates, and the strengthening dollar. The REIT market ended the year trading at roughly a 5% premium to underlying private net asset values. Dividend yields for the sector averaged 3.65% at year end.
- Sector fundamentals continue to rebound beyond the primary markets, helping to support and expand current pricing. As new supply remains generally low, growth in rental rates, which has been modest to-date in all property types except apartments, still has plenty of room for improvement. High expectations exist for improving net operating income supporting on-going attractive cash flow yields – even in the Core sector.
- New supply is expected to rise across most property types, albeit quite modestly, with the Office, Retail, and Hotel sectors remaining well behind Apartment and Industrial. While the demand/supply gap remains favorable in all Core property types except Apartments, market selection will become even more important as new supply will ramp up more quickly in select regions.
- Rising interest rates remain on investors' radar, though timing is highly uncertain. Improving fundamentals should help offset rising rates, though not completely. Portfolio structure and other long-term risk mitigation measures are important to managing the maturing cycle, liquidity, and interest rate risks.

Source: Aon Hewitt, NAREIT US Equity REIT Index, NCREIF

\*Preliminary

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Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.



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## Total Fund

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As of December 31, 2014

### Highlights

#### Executive Summary

- Performance of the Pension Plan, when measured against the Performance Benchmark, has been strong over short- and long-term time periods.
- Performance relative to peers is also competitive over short- and long-term time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
- Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
- Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, or investment strategy.
- Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Hewitt Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

#### Performance Highlights

- Over the trailing one-, three-, and five-year periods, the Total Fund outperformed the Performance Benchmark. During the fourth quarter, the Fund outperformed its Benchmark, returning 1.5%, compared to the benchmark return of 1.1%.

#### Asset Allocation

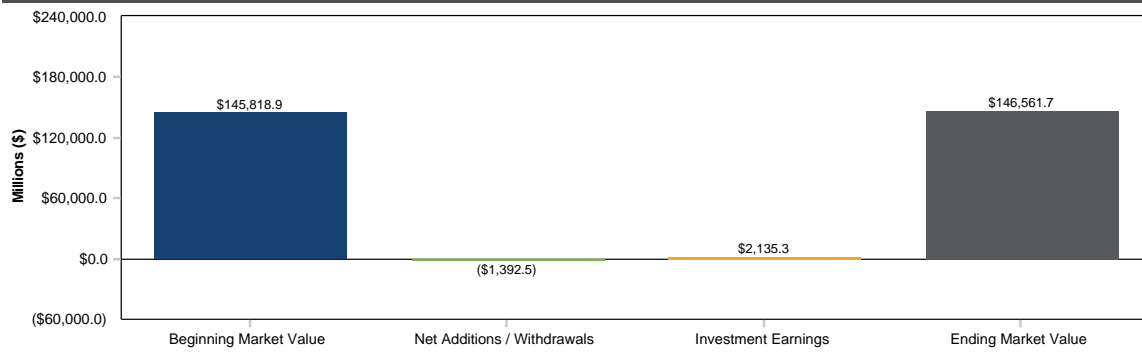
- The Fund assets total \$146.6 billion as of December 31, 2014, which represents a \$0.7 billion increase since last quarter.
- Actual allocations for all asset classes were within their respective policy ranges at quarter-end.
- The Fund was modestly overweight to global equity, real estate, and strategic investments, with corresponding marginal underweights to fixed income and cash.

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**Total Fund**

As of December 31, 2014

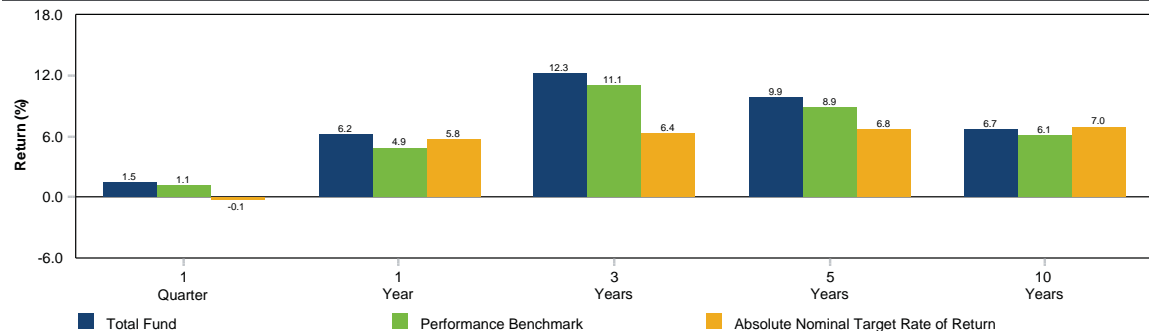
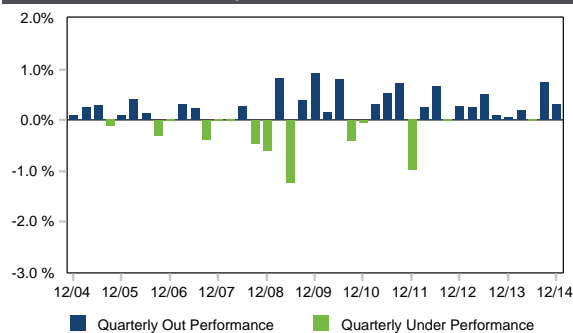
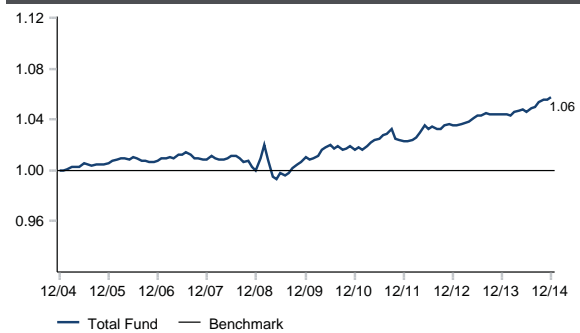
**Total Plan Asset Summary**
**Change in Market Value  
From October 1, 2014 to December 31, 2014**

**Summary of Cash Flow**

	1 Quarter	Fiscal YTD*
<b>Total Fund</b>		
Beginning Market Value	145,818,875,309	149,097,956,343
+ Additions / Withdrawals	-1,392,518,012	-3,216,782,691
+ Investment Earnings	2,135,342,141	680,525,787
<b>= Ending Market Value</b>	<b>146,561,699,438</b>	<b>146,561,699,438</b>

\*Period July 2014 - December 2014

**Total Fund**

As of December 31, 2014

**Total Plan Performance Summary**
**Return Summary**

**Quarterly Excess Performance**

**Ratio of Cumulative Wealth - 10 Years**


As of December 31, 2014

### Asset Allocation & Performance

	Allocation			Performance(%)				
	Market Value (\$)	%	Policy(%)	1 Quarter	1 Year	3 Years	5 Years	10 Years
<b>Total Fund</b>	146,561,699,438	100.0	100.0	1.5 (48)	6.2 (52)	12.3 (25)	9.9 (31)	6.7 (25)
<i>Performance Benchmark</i>				1.1 (60)	4.9 (79)	11.1 (53)	8.9 (73)	6.1 (68)
<i>Absolute Nominal Target Rate of Return</i>				-0.1 (99)	5.8 (60)	6.4 (99)	6.8 (100)	7.0 (14)
<b>Global Equity*</b>	86,539,688,194	59.0	58.8	1.2	4.7	15.6	10.8	6.4
<i>Asset Class Target</i>				0.7	3.9	14.4	9.7	5.8
<b>Domestic Equities</b>	42,386,212,834	28.9		5.3 (47)	12.4 (16)	20.6 (21)	15.9 (31)	8.0 (36)
<i>Asset Class Target</i>				5.2 (49)	12.6 (14)	20.5 (22)	15.6 (36)	7.9 (39)
<b>Foreign Equities</b>	38,021,357,300	25.9		-3.1 (48)	-3.0 (38)	10.7 (47)	6.4 (26)	6.3 (30)
<i>Asset Class Target</i>				-3.7 (79)	-3.7 (63)	9.4 (74)	4.8 (78)	5.3 (63)
<b>Global Equities</b>	6,122,564,703	4.2		1.7	4.9	15.3	9.8	5.9
<i>Benchmark</i>				0.9	4.7	15.1	10.0	6.6
<b>Fixed Income</b>	29,514,745,223	20.1	20.5	1.1 (49)	4.3 (86)	3.0 (73)	5.1 (71)	5.0 (55)
<i>Asset Class Target</i>				1.2 (47)	4.1 (87)	2.0 (93)	4.1 (89)	4.6 (91)
<b>Private Equity</b>	8,219,253,366	5.6	5.6	2.0	19.3	15.5	14.6	9.4
<i>Asset Class Target</i>				2.6	7.6	20.6	17.0	11.0
<i>Secondary Target**</i>				1.8	18.9	16.9	16.5	14.9
<b>Real Estate</b>	11,616,281,365	7.9	7.8	4.1 (31)	13.8 (44)	15.0 (14)	12.8 (25)	8.5
<i>Asset Class Target</i>				3.5 (46)	11.9 (75)	11.8 (74)	11.9 (50)	4.7
<b>Strategic Investments</b>	9,572,602,151	6.5	6.3	1.3	9.9	13.7	11.1	
<i>Short-Term Target</i>				1.1	5.7	8.8	6.8	
<b>Cash</b>	1,099,129,139	0.7	1.0	0.0	0.2	0.3	0.3	0.9
<i>iMoneyNet First Tier Institutional Money Market Funds Net Index</i>				0.0	0.0	0.0	0.1	1.8

Benchmark and universe descriptions can be found in the Appendix.

\* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

\*\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.



As of December 31, 2014

### Asset Allocation & Performance

	Performance(%)									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Total Fund</b>	6.2 (52)	16.9 (28)	14.2 (11)	-0.5 (73)	13.5 (36)	20.8 (32)	-26.7 (48)	9.1 (39)	14.6 (44)	7.8 (66)
<i>Performance Benchmark</i>	4.9 (79)	15.9 (42)	12.8 (55)	-1.2 (85)	12.9 (47)	19.5 (41)	-26.1 (41)	8.9 (41)	14.4 (48)	7.3 (77)
<i>Absolute Nominal Target Rate of Return</i>	5.8 (60)	6.6 (93)	6.8 (99)	8.1 (3)	6.6 (98)	7.9 (97)	5.1 (1)	8.9 (42)	6.6 (99)	7.6 (70)
<b>Global Equity*</b>	4.7	25.2	17.8	-6.5	15.9	33.7	-39.9	8.4	17.5	8.6
<i>Asset Class Target</i>	3.9	23.7	16.5	-7.9	15.1	33.8	-40.4	8.5	18.4	8.7
<b>Domestic Equities</b>	12.4 (16)	34.1 (53)	16.3 (48)	1.6 (21)	17.2 (65)	28.8 (43)	-37.4 (43)	5.3 (42)	14.7 (52)	6.3 (67)
<i>Asset Class Target</i>	12.6 (14)	33.6 (59)	16.4 (41)	1.0 (30)	16.9 (70)	28.3 (55)	-37.3 (40)	5.1 (43)	15.7 (31)	6.1 (77)
<b>Foreign Equities</b>	-3.0 (38)	17.4 (60)	19.3 (27)	-12.9 (45)	15.2 (7)	42.7 (11)	-44.4 (34)	16.1 (31)	26.4 (55)	16.1 (54)
<i>Asset Class Target</i>	-3.7 (63)	16.0 (76)	17.2 (83)	-14.6 (80)	13.0 (42)	43.7 (10)	-46.1 (74)	16.4 (23)	26.7 (49)	16.6 (44)
<b>Global Equities</b>	4.9	26.3	15.6	-5.7	10.4	32.8	-41.8	10.2	20.0	9.4
<i>Benchmark</i>	4.7	25.4	16.0	-6.7	13.1	34.6	-42.1	11.8	21.1	11.3
<b>Fixed Income</b>	4.3 (86)	-1.5 (53)	6.4 (61)	7.5 (47)	9.2 (34)	14.4 (45)	-4.0 (43)	7.1 (32)	4.7 (51)	2.8 (34)
<i>Asset Class Target</i>	4.1 (87)	-2.1 (70)	4.2 (89)	7.8 (37)	6.5 (92)	5.9 (89)	5.2 (5)	7.2 (32)	4.7 (49)	2.5 (48)
<b>Private Equity</b>	19.3	15.0	12.4	8.0	18.6	-12.1	-4.3	16.5	12.2	12.9
<i>Asset Class Target</i>	7.6	36.6	19.4	4.0	19.9	32.8	-32.8	9.6	20.2	10.6
<i>Secondary Target**</i>	18.9	17.0	14.9	14.7	17.2	-9.6	-5.3	30.0	22.6	36.4
<b>Real Estate</b>	13.8 (44)	16.8 (11)	14.4 (7)	14.5 (17)	5.1 (73)	-22.8 (35)	-1.5 (20)	13.6 (61)	22.5 (25)	17.2 (78)
<i>Asset Class Target</i>	11.9 (75)	11.2 (50)	12.2 (25)	15.3 (11)	8.8 (64)	-29.7 (58)	-1.1 (19)	12.1 (82)	6.5 (94)	8.8 (100)
<b>Strategic Investments</b>	9.9	16.1	15.2	5.5	8.9	22.0	-37.4			
<i>Short-Term Target</i>	5.7	11.6	9.1	4.2	3.5	20.8	-33.6			
<b>Cash</b>	0.2	0.2	0.3	0.3	0.4	1.7	-5.8	4.1	5.1	3.4
<i>iMoneyNet First Tier Institutional Money Market Funds Net Index</i>	0.0	0.0	0.1	0.1	0.2	0.7	3.0	5.4	5.1	3.4

\* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

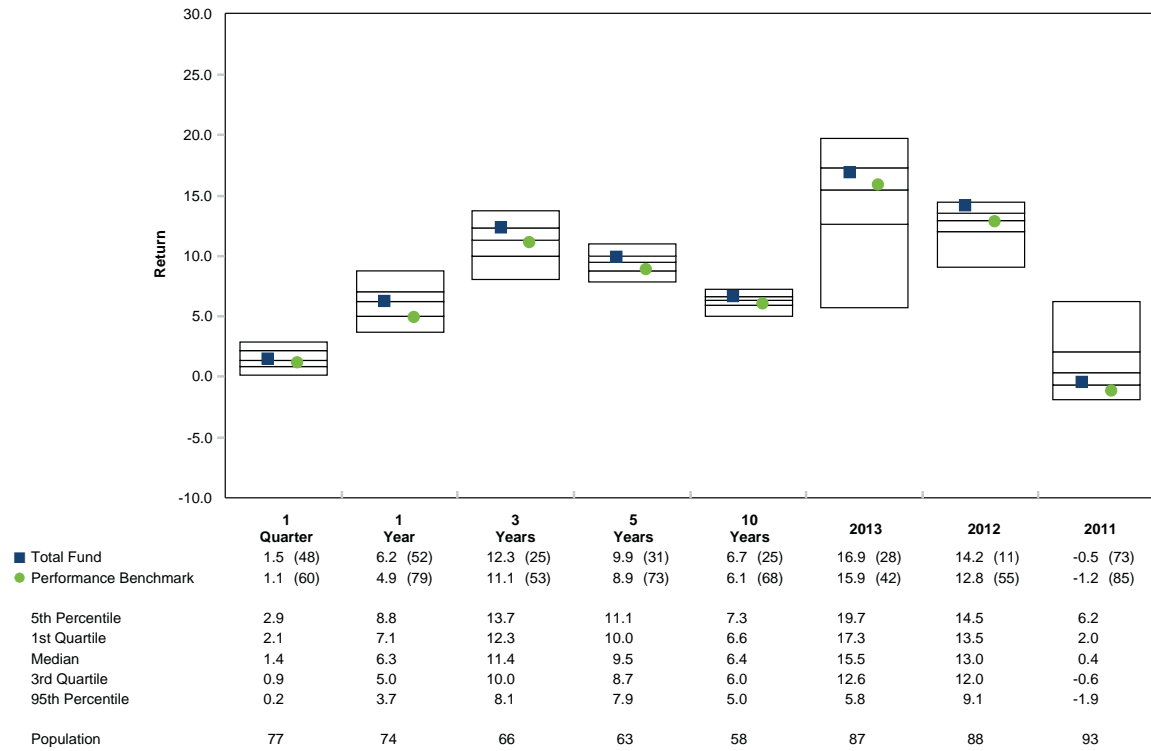
\*\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index.



As of December 31, 2014

## Plan Sponsor Peer Group Analysis

### All Public Plans > \$1B-Total Fund

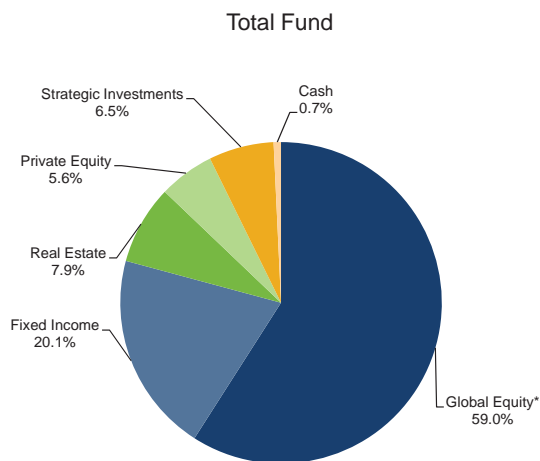


Parentheses contain percentile rankings.  
Calculation based on monthly periodicity.

### Total Fund

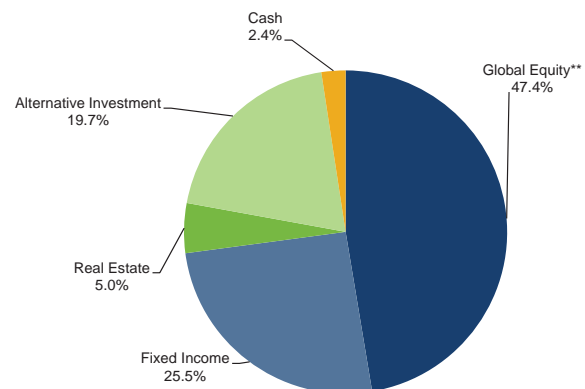
As of December 31, 2014

## Universe Asset Allocation Comparison



\*Global Equity Allocation: 28.9% Domestic Equities; 25.9% Foreign Equities; 4.2% Global Equities. Percentages are of the Total FRS Fund.

### BNY Mellon Public Funds > \$1B Net Universe

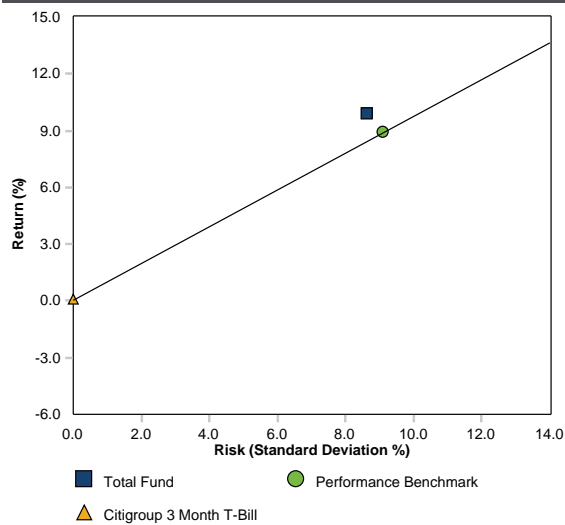


\*\*Global Equity Allocation: 30.4% Domestic Equities; 17.0% Foreign Equities.

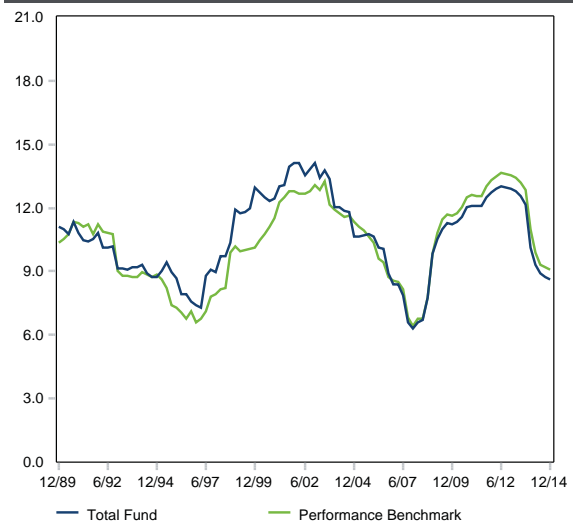
Total Fund

As of December 31, 2014

## Total Fund Risk Profile

Annualized Return vs. Annualized Standard Deviation  
5 Years

Rolling 5 Years Standard Deviation



5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Total Fund	0.88	0.76	1.16	1.00	1.13	1.35	0.95	9.87	8.64	1.00
Performance Benchmark	0.00	0.00	N/A	1.00	0.98	0.00	1.00	8.88	9.10	1.00
Citigroup 3 Month T-Bill	-8.88	9.10	-0.98	0.01	N/A	0.06	0.00	0.07	0.02	0.10

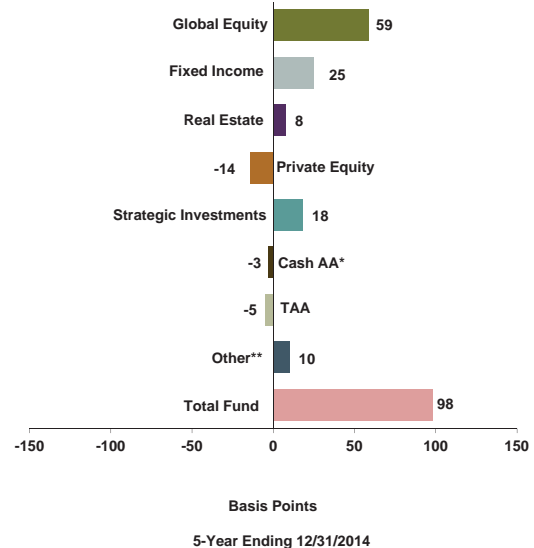
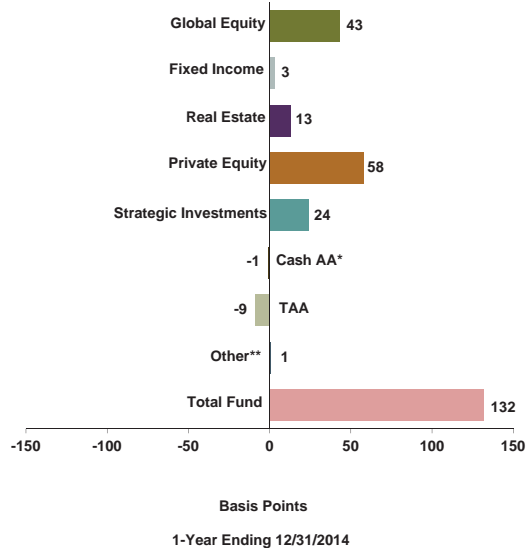
25



Total Fund

As of December 31, 2014

## Attribution



\*Cash AA includes Cash and Central Custody, Securities Lending Account income from 12/2009 to 3/2013 and unrealized gains and losses on securities lending collateral beginning June 2013, TF STIPFRS NAV Adjustment Account, and the Cash Expense Account.

\*\*Other includes legacy accounts and unexplained differences due to methodology.

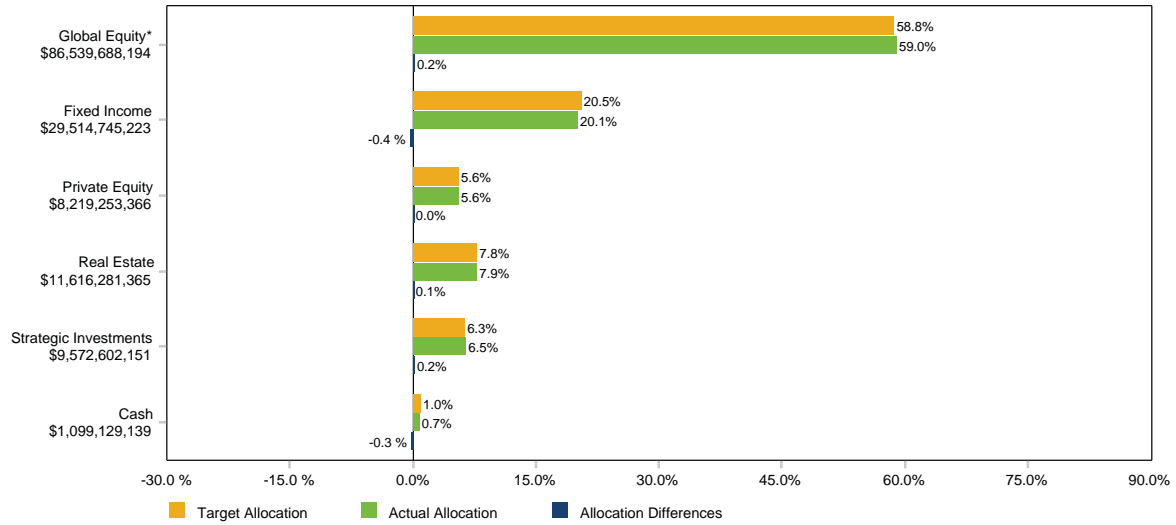
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## Asset Allocation Compliance

	Market Value (\$)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	146,561,699,438	100.0	100.0		
Global Equity*	86,539,688,194	59.0	58.8	45.0	70.0
Fixed Income	29,514,745,223	20.1	20.5	10.0	26.0
Private Equity	8,219,253,366	5.6	5.6	4.0	16.0
Real Estate	11,616,281,365	7.9	7.8	2.0	9.0
Strategic Investments	9,572,602,151	6.5	6.3	0.0	16.0
Cash	1,099,129,139	0.7	1.0	0.3	5.0



\* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.



## Global Equity

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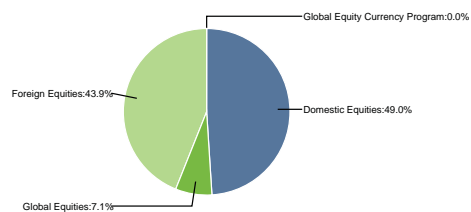
### Global Equity\*

As of December 31, 2014

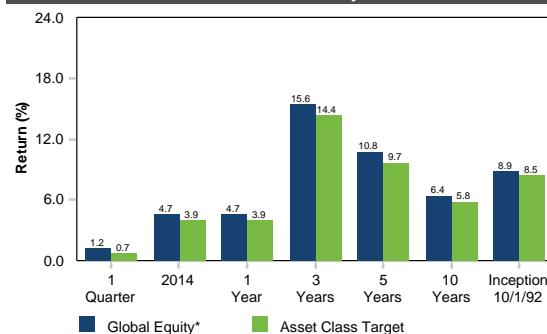
### Global Equity\* Portfolio Overview

#### Current Allocation

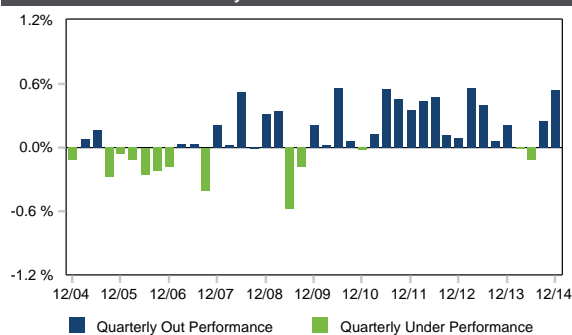
December 31, 2014 : \$86,540M



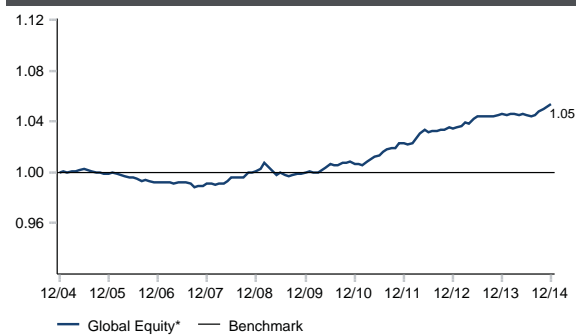
#### Return Summary



#### Quarterly Excess Performance



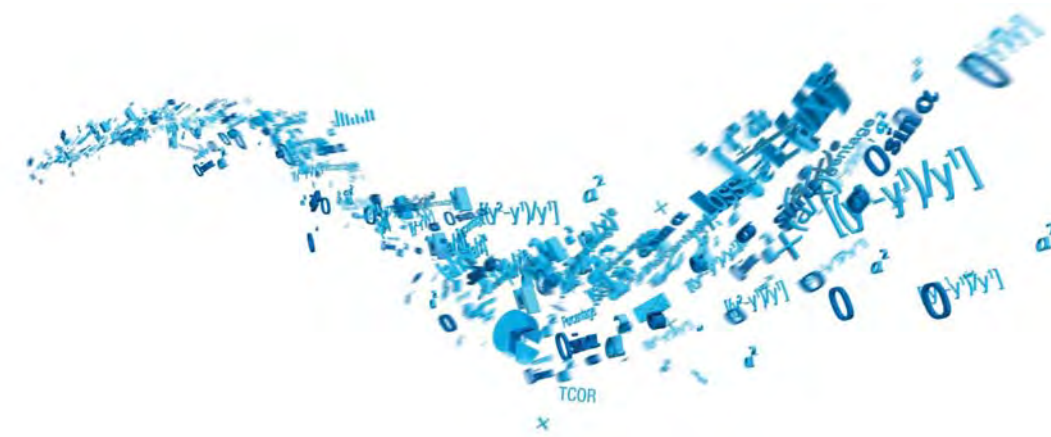
#### Ratio of Cumulative Wealth - 10 Years



\* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

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## Domestic Equities

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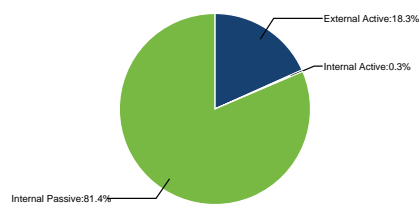
### Domestic Equities

As of December 31, 2014

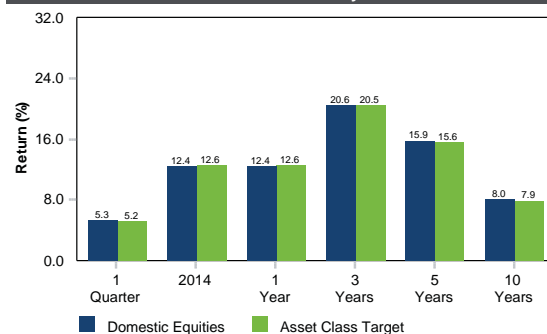
#### Domestic Equities Portfolio Overview

##### Current Allocation

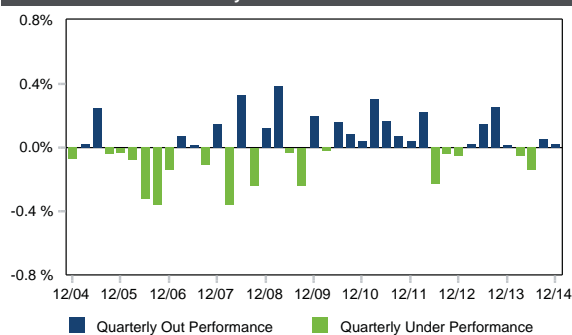
December 31, 2014 : \$42,386M



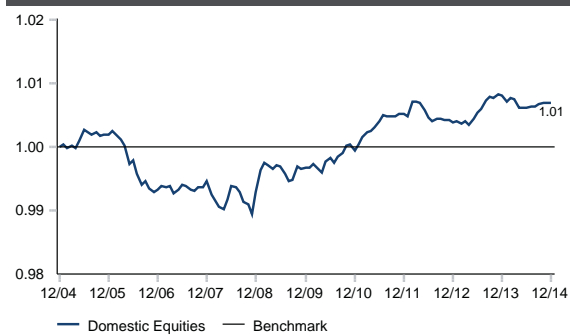
##### Return Summary



##### Quarterly Excess Performance



##### Ratio of Cumulative Wealth - 10 Years



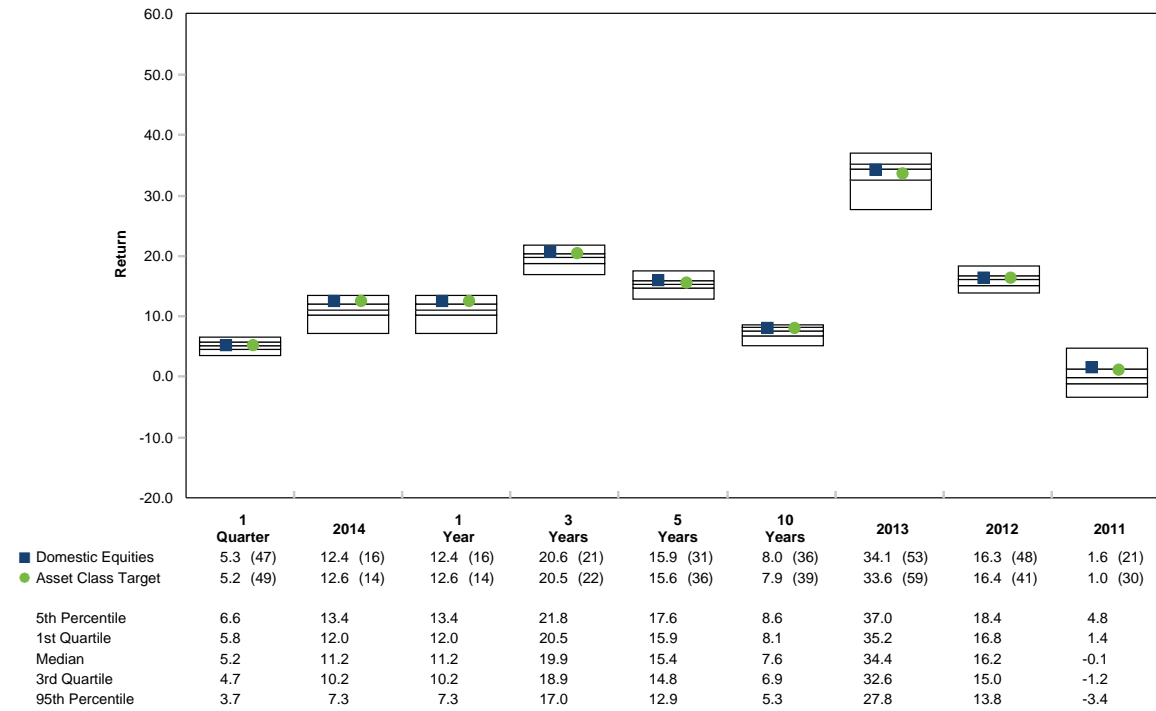
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**AON**  
Empower Results®

As of December 31, 2014

## Plan Sponsor Peer Group Analysis

All Public Plans > \$1B-US Equity Segment



Parentheses contain percentile rankings.  
Calculation based on monthly periodicity.

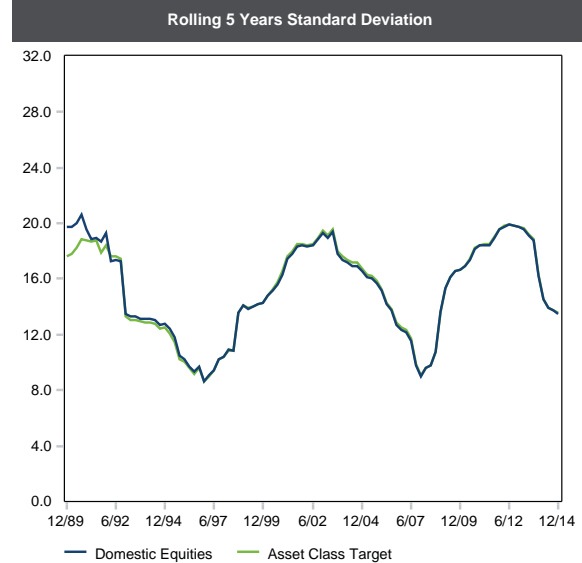
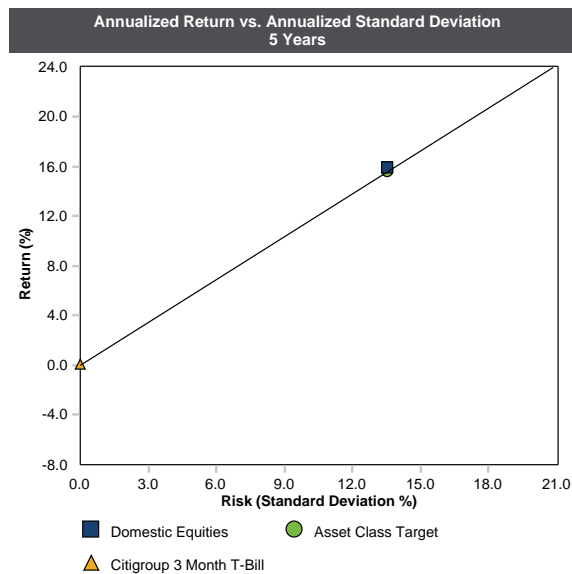
33



## Domestic Equities

As of December 31, 2014

## Domestic Equities Risk Profile



5 Years Historical Statistics										
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Domestic Equities	0.20	0.25	0.82	1.00	1.16	0.23	1.00	15.87	13.53	1.00
Asset Class Target	0.00	0.00	N/A	1.00	1.14	0.00	1.00	15.63	13.55	1.00
Citigroup 3 Month T-Bill	-15.45	13.55	-1.14	0.00	N/A	0.06	0.00	0.07	0.02	0.03

34



## Foreign Equities

35



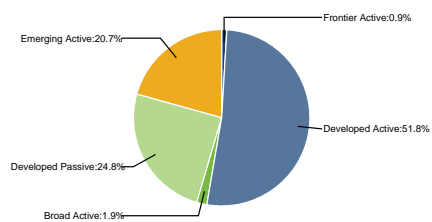
### Foreign Equities

As of December 31, 2014

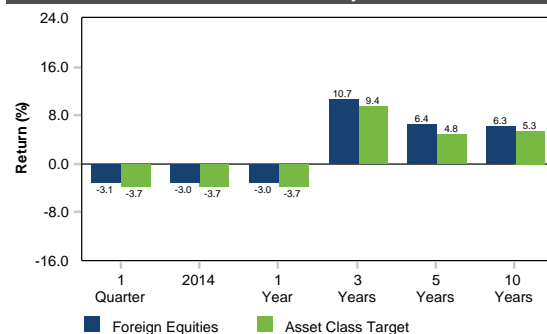
#### Foreign Equities Portfolio Overview

##### Current Allocation

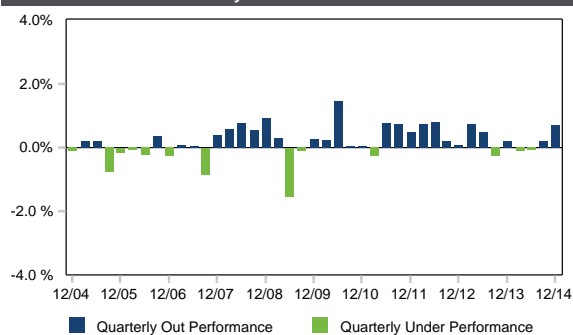
December 31, 2014 : \$38,021M



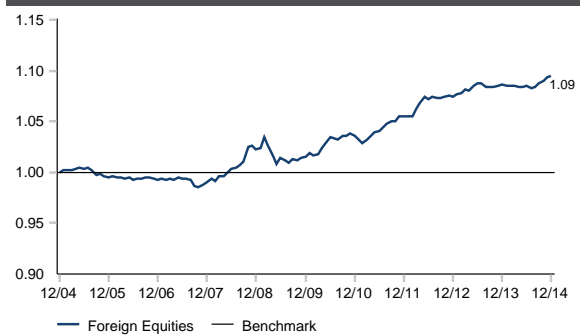
##### Return Summary



##### Quarterly Excess Performance



##### Ratio of Cumulative Wealth - 10 Years



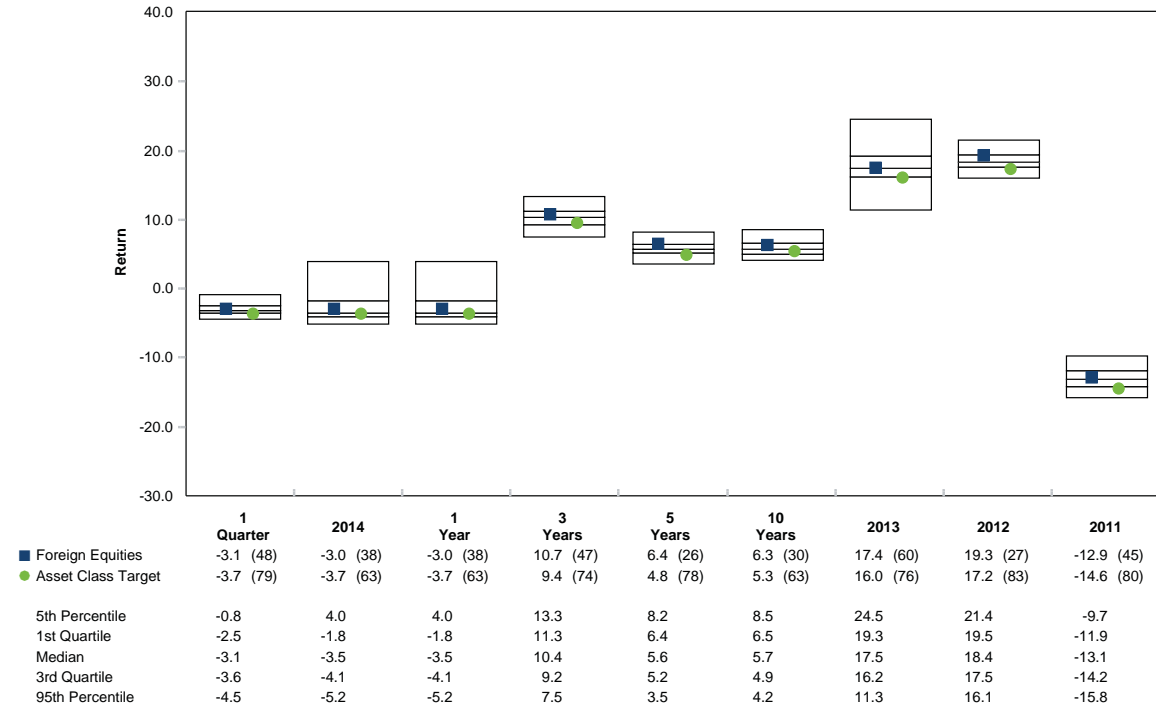
36



As of December 31, 2014

## Plan Sponsor Peer Group Analysis

All Public Plans > \$1B-Intl. Equity Segment



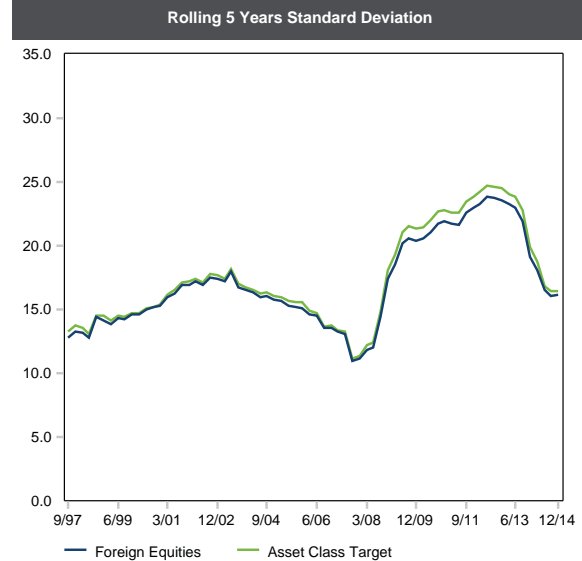
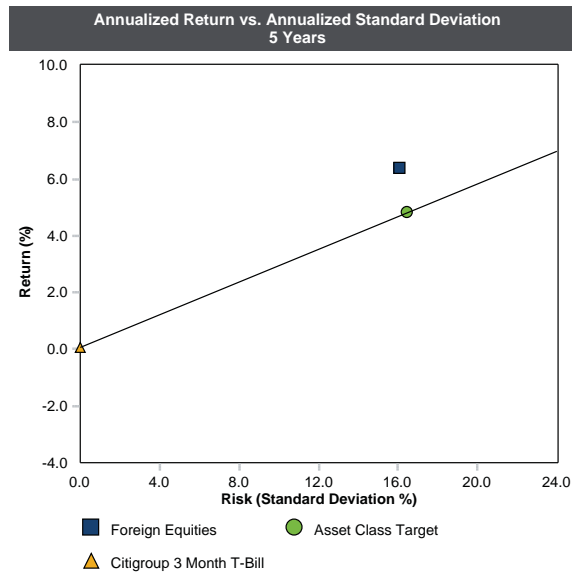
Parentheses contain percentile rankings.  
Calculation based on monthly periodicity.



## Foreign Equities

As of December 31, 2014

## Foreign Equities Risk Profile



## 5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Foreign Equities	1.45	0.88	1.65	1.00	0.46	1.58	0.98	6.37	16.12	1.00
Asset Class Target	0.00	0.00	N/A	1.00	0.36	0.00	1.00	4.80	16.44	1.00
Citigroup 3 Month T-Bill	-5.97	16.44	-0.36	0.02	N/A	0.06	0.00	0.07	0.02	0.15



## Global Equities

39

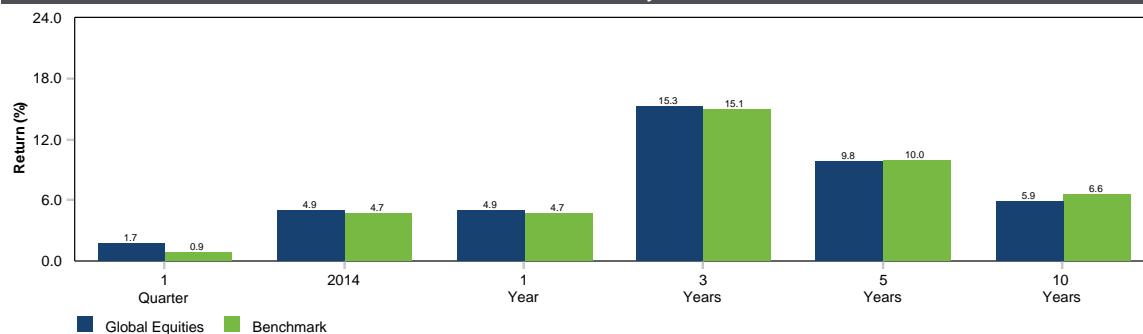
**AON**  
Empower Results®

### Global Equities

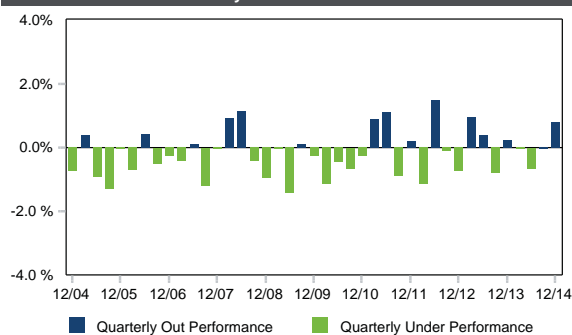
As of December 31, 2014

### Global Equities Performance Summary

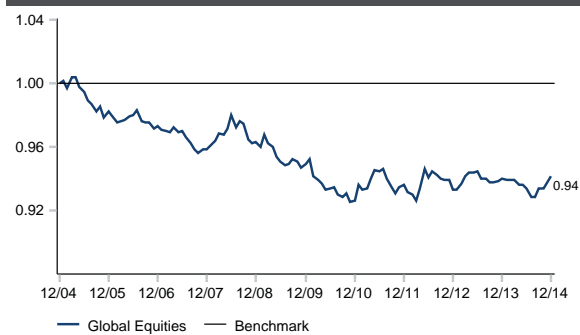
#### Return Summary



#### Quarterly Excess Performance



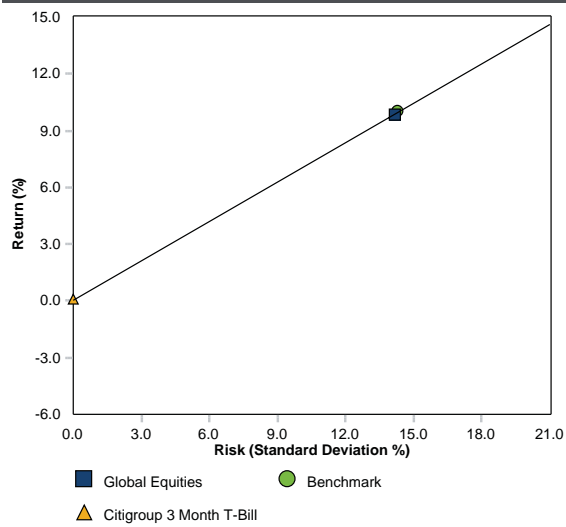
#### Ratio of Cumulative Wealth - 10 Years



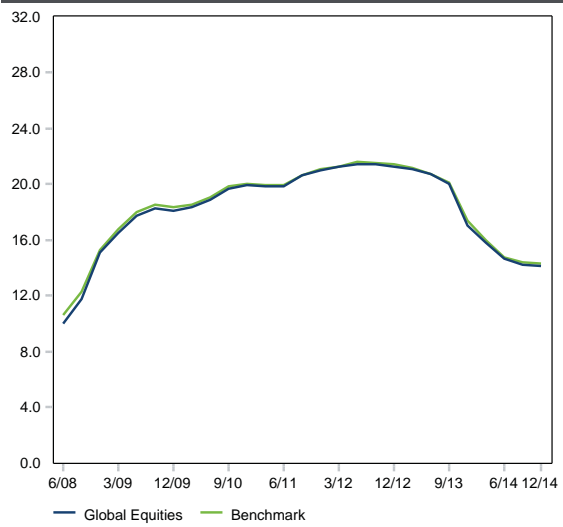
40

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Empower Results®

## Global Equities Risk Profile

Annualized Return vs. Annualized Standard Deviation  
5 Years

Rolling 5 Years Standard Deviation



5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Global Equities	-0.19	1.50	-0.13	0.99	0.73	-0.03	0.98	9.79	14.19	0.99
Benchmark	0.00	0.00	N/A	1.00	0.73	0.00	1.00	9.98	14.33	1.00
Citigroup 3 Month T-Bill	-10.50	14.33	-0.73	0.01	N/A	0.06	0.00	0.07	0.02	0.10

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## Fixed Income

43



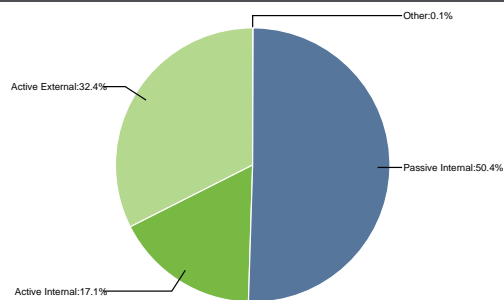
### Fixed Income

As of December 31, 2014

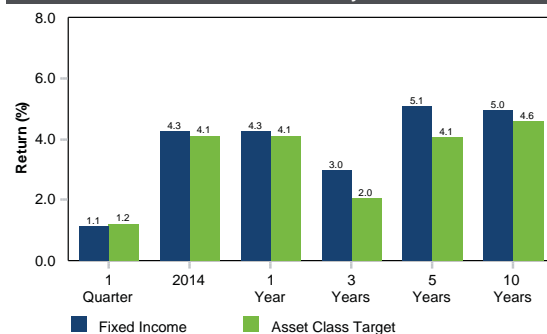
#### Fixed Income Portfolio Overview

##### Current Allocation

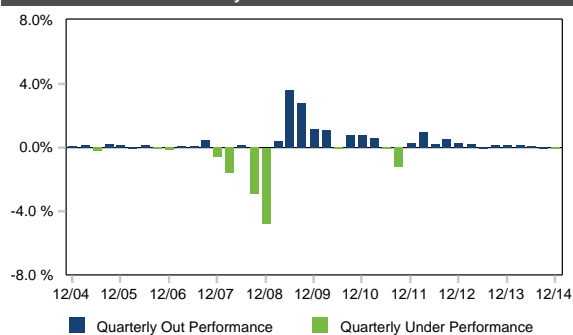
December 31, 2014 : \$29,515M



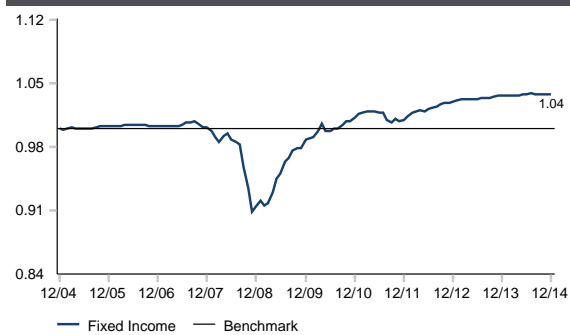
##### Return Summary



##### Quarterly Excess Performance



##### Ratio of Cumulative Wealth - 10 Years



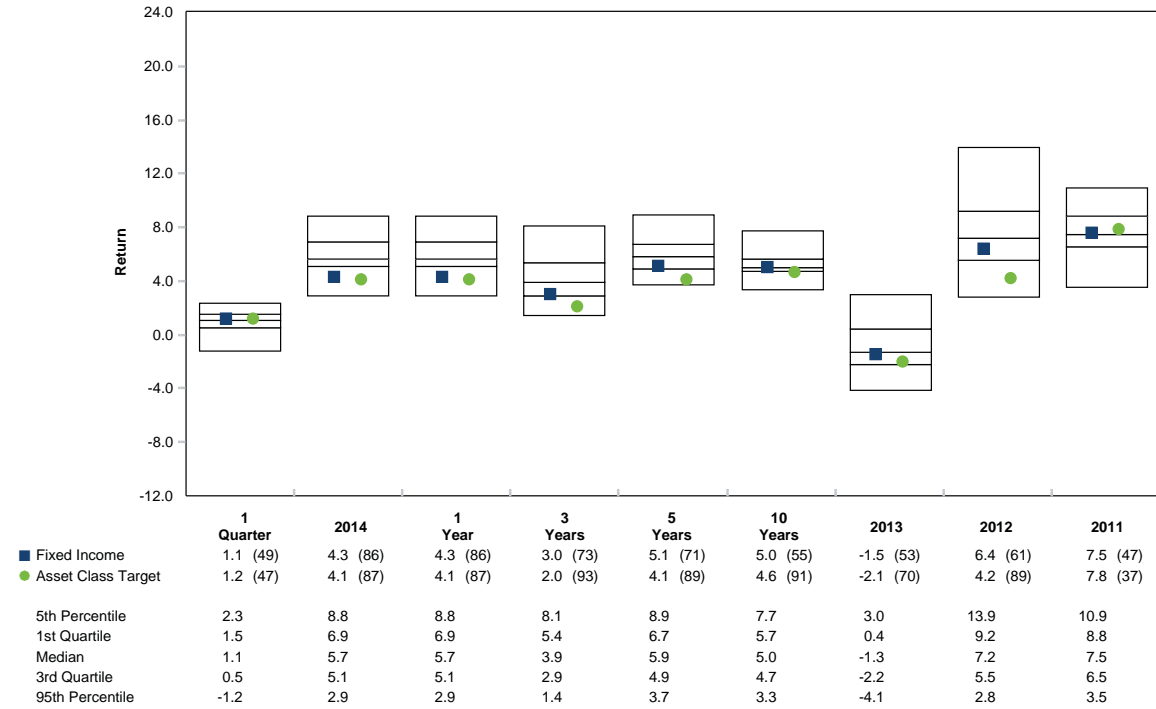
44



As of December 31, 2014

## Plan Sponsor Peer Group Analysis

### All Public Plans > \$1B-US Fixed Income Segment

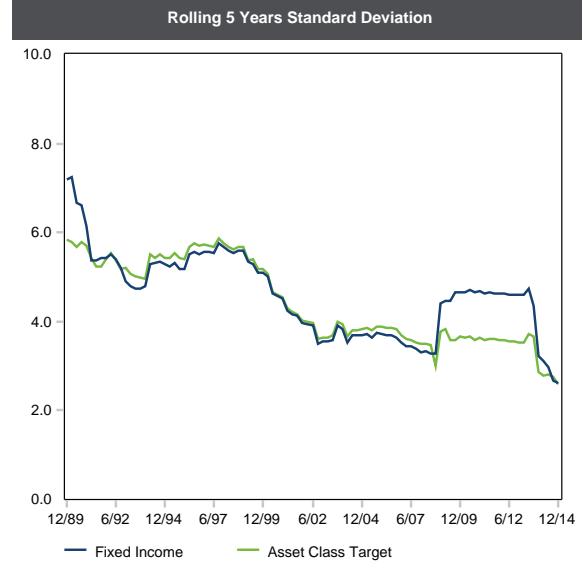
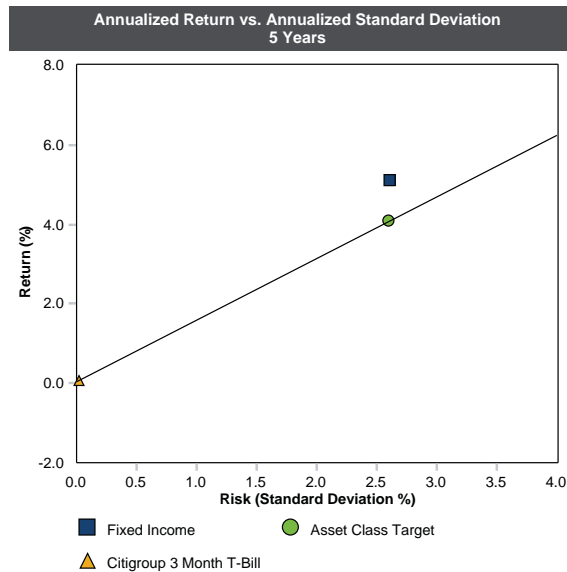


Parentheses contain percentile rankings.  
Calculation based on monthly periodicity.

## Fixed Income

As of December 31, 2014

### Fixed Income Risk Profile



### 5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Fixed Income	0.99	0.86	1.15	0.89	1.90	1.19	0.95	5.10	2.61	0.95
Asset Class Target	0.00	0.00	N/A	1.00	1.53	0.00	1.00	4.08	2.60	1.00
Citigroup 3 Month T-Bill	-3.97	2.60	-1.53	0.00	N/A	0.07	0.00	0.07	0.02	-0.05

## Private Equity

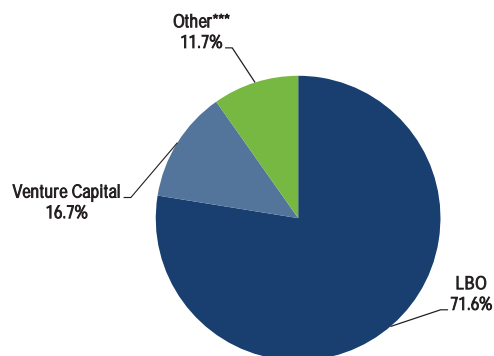
47

Private Equity

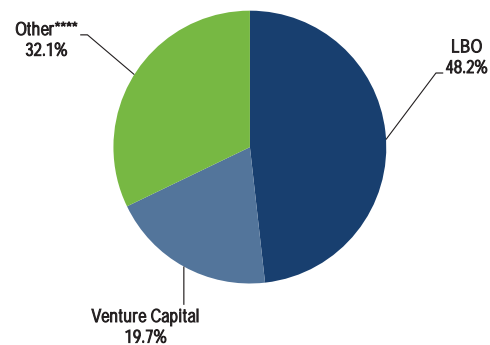
As of December 31, 2014

### Overview

FRS Private Equity by Market Value\*



Private Equity Strategies by Market Value\*\*



\*Allocation data is as of December 31, 2014.

\*\*Allocation data is as of June 30, 2014, from the Preqin database.

\*\*\*Other for the FRS Private Equity consists of Growth Capital, Secondary, PE Cash, and PE Transition.

\*\*\*\*Other for the Preqin data consists of Distressed PE, Growth, Mezzanine, and other Private Equity/Special Situations.

Preqin universe is comprised of 10,000 private equity funds representing \$3.8 trillion.

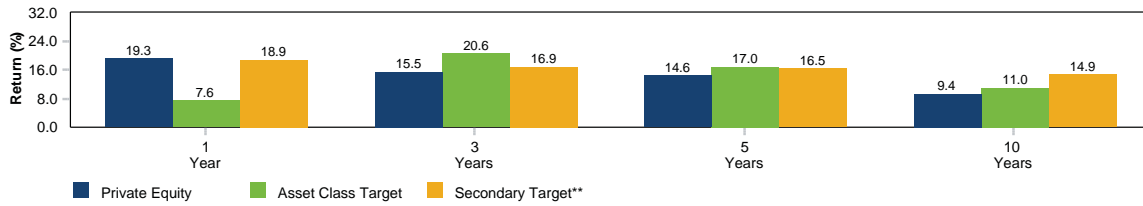
48

Private Equity

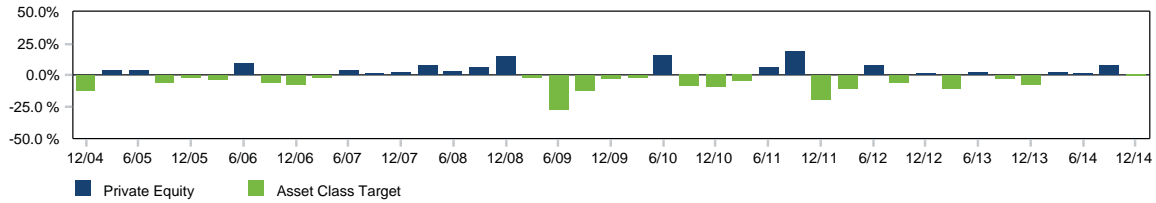
As of December 31, 2014

Time-Weighted Investment Results

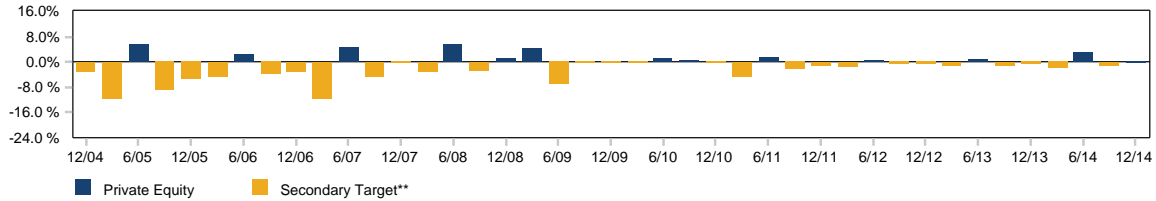
Return Summary



Quarterly Excess Performance vs. Asset Class Target



Quarterly Excess Performance vs. Secondary Target



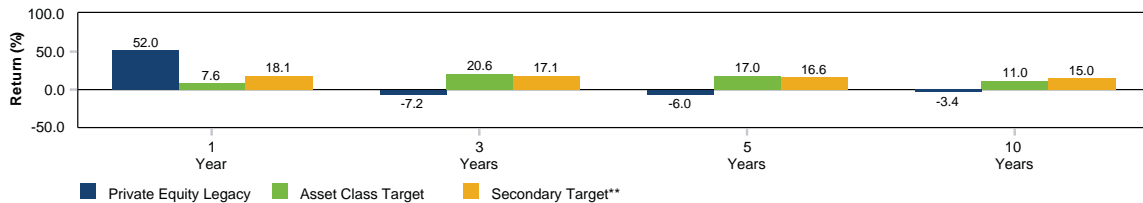
\*\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary target data is on a quarterly lag.

Private Equity Legacy

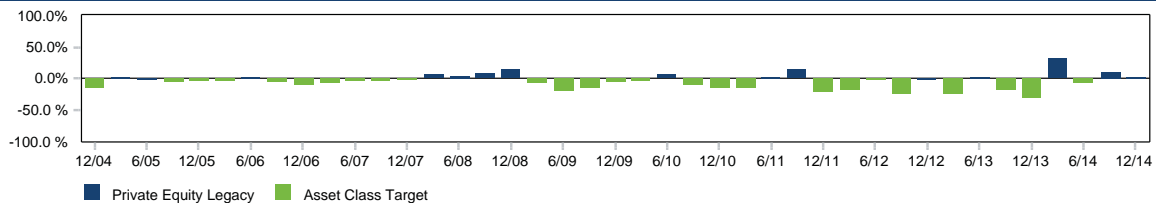
As of December 31, 2014

Time-Weighted Investment Results

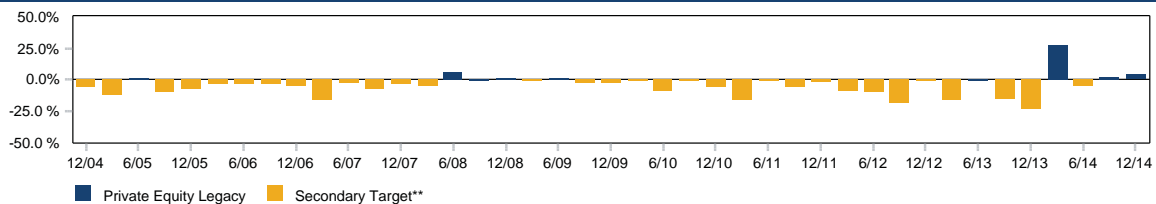
Return Summary



Quarterly Excess Performance vs. Asset Class Target



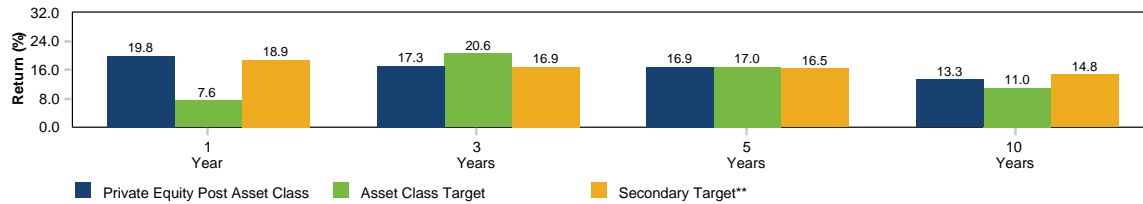
Quarterly Excess Performance vs. Secondary Target



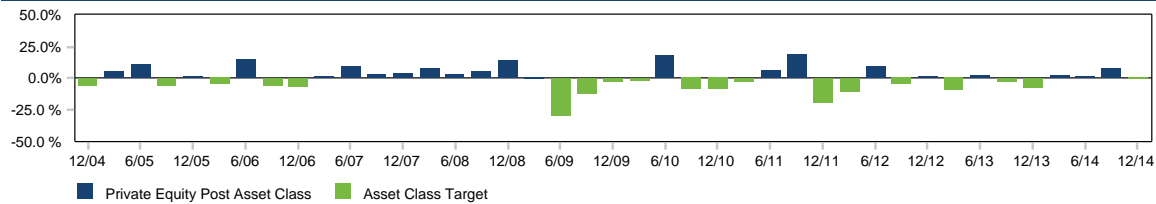
\*\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary target data is on a quarterly lag.

## Time-Weighted Investment Results

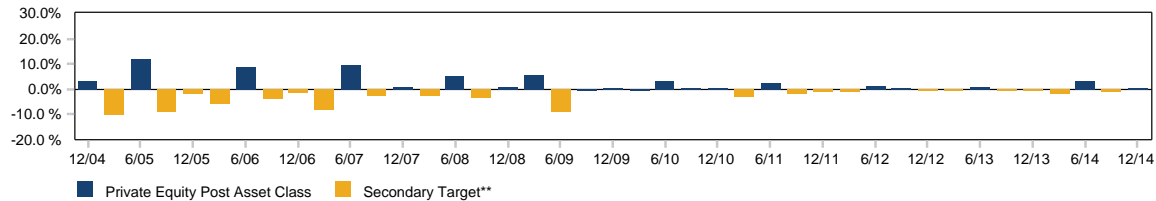
## Return Summary



## Quarterly Excess Performance vs. Asset Class Target



## Quarterly Excess Performance vs. Secondary Target



\*\* The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary target data is on a quarterly lag.



Private Equity Dollar-Weighted Performance  
Cumulative Performance Measures Since Inception Through December 31, 2014

Name	Years Since Inception	Commitment	Net Paid In Cap.	Net Asset Value	IRR
Liberty Partners V	15.85	\$329,664,359	-\$51,534,920	\$0	2.8%
Lexington Capital Partners IV	13.72	\$200,000,000	-\$145,010,160	\$6,996,639	19.4%
Liberty Partners VI	12.97	\$595,484,687	\$192,559,680	\$7,640,008	-6.6%
Lexington Capital Partners V	12.39	\$100,000,000	-\$55,674,578	\$12,202,424	19.0%
Lexington Co-Investment Partners II	12.27	\$500,000,000	-\$536,027,806	\$85,306,365	25.2%
Top Tier Venture Capital II	11.26	\$120,000,000	\$25,624,608	\$66,102,113	4.6%
Gores Capital Partners I	10.95	\$50,000,000	-\$7,749,957	\$14,416,790	10.9%
Platinum Equity Capital Partners I	10.90	\$50,000,000	-\$57,557,007	\$7,389,379	58.0%
Pantheon Venture Partners II	10.89	\$100,000,000	\$46,747,498	\$86,630,721	7.2%
Grove Street Partners Ventures	10.51	\$200,000,000	\$75,397,287	\$166,471,647	7.4%
Kelso Investment Associates VII	10.51	\$50,000,000	-\$29,091,927	\$4,671,147	12.0%
Fairview Ventures Fund II	10.51	\$50,000,000	\$29,129,866	\$36,231,643	2.3%
Hellman & Friedman Capital Partners V	10.06	\$75,000,000	-\$110,099,402	\$4,191,176	27.9%
New Mountain Partners II	9.97	\$50,000,000	-\$32,402,218	\$7,323,512	13.3%
Top Tier Venture Capital III	9.72	\$75,000,000	\$35,491,953	\$59,451,637	5.9%
Carlyle Partners IV	9.68	\$75,000,000	-\$52,817,271	\$20,060,067	12.9%
Warburg Pincus Private Equity IX	9.33	\$75,000,000	-\$31,378,669	\$26,897,850	10.5%
Lexington Co-Investment Partners 2005	9.30	\$500,000,000	\$192,297,949	\$309,118,763	3.9%
Pomona Capital VI	9.30	\$50,000,000	\$6,418,706	\$20,060,300	5.3%
Liberty Partners VII	9.19	\$290,808,542	\$46,325,663	\$14,690,000	-6.2%
Lexington Capital Partners VI B	9.07	\$100,000,000	\$15,683,340	\$51,516,124	7.2%
Apollo Investment Fund VI	9.07	\$200,000,000	-\$35,164,508	\$96,999,719	9.8%
Wellspring Capital Partners IV	8.93	\$75,000,000	\$10,301,385	\$44,376,132	8.1%
Blackstone Capital Partners V	8.80	\$150,000,000	\$24,238,533	\$102,088,100	7.7%
TowerBrook Investors II	8.75	\$75,000,000	-\$8,191,784	\$35,829,781	10.8%
Thoma Cressey Fund VIII	8.74	\$50,000,000	-\$17,823,908	\$53,901,130	16.3%
TPG Partners V	8.52	\$100,000,000	\$49,412,811	\$75,645,612	4.3%
Fairview Ventures Fund III	8.51	\$75,000,000	\$34,422,033	\$78,901,666	14.2%
Permira IV	8.38	€ 50,000,000	\$15,032,033	\$39,988,606	6.7%
Lindsay Goldberg & Bessemer II	8.38	\$100,000,000	-\$25,460,457	\$23,839,662	8.7%
Grove Street Partners Buyouts	8.26	\$150,000,000	\$50,389,510	\$99,368,864	9.2%
Thomas H Lee Equity Fund VI	8.13	\$75,000,000	\$25,844,068	\$58,814,861	7.7%
First Reserve Fund XI	8.13	\$100,000,000	\$48,188,044	\$53,923,874	1.2%
RCP Advisors Fund IV	8.01	\$50,000,000	\$7,247,955	\$34,696,836	11.5%
Hellman & Friedman Capital Partners VI	7.96	\$100,000,000	-\$34,364,458	\$35,558,656	12.6%
Providence Equity Partners VI	7.80	\$50,000,000	\$17,162,605	\$31,762,778	5.7%
Green Equity Investors V	7.67	\$100,000,000	\$14,570,003	\$87,399,932	17.6%



Private Equity Dollar-Weighted Performance (continued)					
Cumulative Performance Measures Since Inception Through December 31, 2014					
<u>Name</u>	<u>Years Since Inception</u>	<u>Commitment</u>	<u>Net Paid In Cap.</u>	<u>Net Asset Value</u>	<u>IRR</u>
Gores Capital Partners II	7.44	\$50,000,000	\$8,688,499	\$25,690,959	9.0%
New Mountain Partners III	7.40	\$100,000,000	\$62,472,228	\$90,498,930	7.7%
Carlyle Partners V	7.26	\$200,000,000	\$42,114,520	\$155,190,331	13.5%
Kohlberg Investors VI	7.23	\$50,000,000	-\$19,138,391	\$11,548,470	16.5%
Apollo Investment Fund VII	7.21	\$200,000,000	-\$93,216,017	\$86,589,885	26.2%
Kelso Investment Associates VIII	7.21	\$100,000,000	\$64,839,348	\$90,254,056	8.7%
Platinum Equity Capital Partners II	7.21	\$75,000,000	-\$3,847,394	\$42,592,876	15.1%
RCP Advisors Fund V	7.16	\$50,000,000	\$20,521,585	\$41,275,389	12.1%
Warburg Pincus Private Equity X	7.12	\$150,000,000	\$58,220,517	\$121,451,174	8.6%
Top Tier Venture Capital IV	6.90	\$100,000,000	\$59,237,026	\$114,248,840	13.9%
TPG Partners VI	6.71	\$200,000,000	\$105,056,363	\$173,323,272	11.0%
Pomona Capital VII	6.52	\$50,000,000	\$7,328,485	\$21,697,994	10.0%
Grove Street Partners Ventures II	6.52	\$200,000,000	\$134,308,754	\$245,383,156	21.2%
Advent International GPE VI	6.49	\$58,000,000	\$19,797,326	\$64,534,128	18.3%
TowerBrook Investors III	6.46	\$150,000,000	\$62,536,022	\$109,271,702	11.9%
CVC European Equity Partners V	6.46	€ 70,000,000	\$35,151,572	\$65,273,311	10.4%
Lindsay Goldberg III	6.46	\$100,000,000	\$59,454,464	\$77,099,580	8.2%
Thoma Bravo Fund IX	6.46	\$50,000,000	-\$36,058,552	\$50,591,491	40.2%
Ares Corporate Opportunities Fund III	6.28	\$100,000,000	\$20,596,298	\$91,463,570	21.5%
RCP Advisors Fund VI	6.24	\$50,000,000	\$31,713,066	\$37,327,927	5.2%
Cressey & Company Fund IV	6.15	\$50,000,000	\$7,032,852	\$30,615,985	19.1%
Blackstone Capital Partners VI	6.15	\$200,000,000	\$107,802,770	\$136,529,131	15.5%
First Reserve Fund XII	6.13	\$200,000,000	\$130,136,344	\$161,965,807	4.3%
Carlyle Asia Growth Partners IV	6.04	\$75,000,000	\$44,874,272	\$57,874,321	6.8%
Top Tier Special Opportunities Fund	5.60	\$12,450,000	\$10,825,588	\$6,419,011	-10.9%
Riverside Capital Appreciation Fund V	5.54	\$75,000,000	\$4,523,705	\$28,378,994	10.1%
Freeman Spogli Equity Partners VI	5.43	\$75,000,000	\$40,573,692	\$80,590,940	17.3%
Energy Capital Partners II	5.42	\$100,000,000	\$48,649,427	\$113,374,145	21.2%
KPS Special Situations Fund III	5.27	\$50,000,000	\$6,984,324	\$31,064,437	21.6%
Gores Capital Partners III	5.26	\$125,000,000	\$78,121,704	\$89,371,883	5.1%
Charlesbank Equity Fund VII	5.19	\$75,000,000	\$36,555,011	\$71,958,773	22.1%
Lexington Capital Partners VII	5.08	\$200,000,000	\$56,965,041	\$125,805,000	17.2%
TA XI	4.43	\$100,000,000	\$44,000,000	\$75,246,862	16.3%
Snow Phipps II	4.39	\$50,000,000	\$28,130,579	\$39,113,669	13.8%
Pantheon Global Secondary Fund IV	4.37	\$100,000,000	\$24,274,828	\$53,875,979	18.8%
JH Whitney VII	4.22	\$75,000,000	\$44,235,442	\$52,319,239	7.7%
Trident V	4.18	\$75,000,000	\$64,017,900	\$74,241,527	7.1%

Private Equity Dollar-Weighted Performance (continued)					
Cumulative Performance Measures Since Inception Through December 31, 2014					
<u>Name</u>	<u>Years Since Inception</u>	<u>Commitment</u>	<u>Net Paid In Cap.</u>	<u>Net Asset Value</u>	<u>IRR</u>
RCP Advisors Fund VII	4.08	\$50,000,000	\$23,512,538	\$26,993,469	6.4%
EnerVest Energy XII A	4.01	\$60,000,000	\$21,933,684	\$45,307,379	13.9%
EnCap Energy Capital Fund VIII	3.87	\$75,000,000	\$40,724,583	\$59,151,470	16.7%
Cortec Group V	3.71	\$50,000,000	\$31,123,043	\$35,794,746	7.6%
Montagu Private Equity Fund IV	3.61	€ 40,000,000	\$26,159,036	\$29,748,700	6.7%
Wellspring Capital Partners V	3.50	\$150,000,000	\$82,358,605	\$78,707,870	-2.9%
Grove Street Partners Buyouts II	3.45	\$200,000,000	\$73,142,991	\$78,096,666	4.5%
Fairview Special Opportunities Fund	3.43	\$35,000,000	\$101,508,996	\$137,067,006	26.3%
ABRY Partners VII	3.40	\$75,000,000	\$59,860,084	\$74,254,398	9.9%
Hellman & Friedman Capital Partners VII	3.39	\$200,000,000	\$125,485,736	\$147,698,041	9.1%
Berkshire Fund VIII	3.35	\$60,000,000	\$29,488,001	\$29,100,970	-0.9%
Strategic Investors Fund V A	3.26	\$125,000,000	\$71,744,641	\$86,221,772	12.2%
Francisco Partners III	3.18	\$75,000,000	\$63,037,131	\$81,234,648	14.9%
TPG Growth II	3.03	\$100,000,000	\$73,505,912	\$94,391,119	23.3%
TrueBridge - FLSBA Special Purpose	2.95	\$50,000,000	\$33,975,000	\$44,926,229	22.0%
TrueBridge - Kauffman Fellows Endowment Fund II	2.95	\$100,000,000	\$77,902,350	\$103,308,459	15.2%
Lexington Co-Investment Partners 2005 II Pool III	2.88	\$500,000,000	\$233,685,493	\$304,287,771	19.2%
Platinum Equity Capital Partners III	2.77	\$200,000,000	\$17,916,655	\$59,426,966	29.7%
Denham Commodity Partners Fund VI	2.75	\$100,000,000	\$35,152,380	\$46,610,712	18.6%
Thoma Bravo Fund X	2.74	\$100,000,000	\$62,330,723	\$102,143,251	25.2%
Providence Equity Partners VII	2.65	\$150,000,000	\$57,204,539	\$57,325,360	0.2%
Warburg Pincus Private Equity XI	2.61	\$200,000,000	\$107,066,585	\$127,020,600	14.1%
AXA Secondary Fund V	2.56	\$100,000,000	\$44,089,838	\$72,676,593	22.4%
Summit Partners Growth Equity Fund VIII A	2.55	\$60,000,000	\$60,989,016	\$68,811,935	10.7%
RCP Advisors Fund VIII	2.51	\$50,000,000	\$12,535,407	\$11,230,014	-8.5%
Strategic Investors Fund V A Opportunity	2.46	\$50,000,000	\$29,756,961	\$32,752,506	7.3%
Carlyle Partners VI	2.19	\$200,000,000	\$62,528,725	\$57,414,119	-14.5%
Grove Street Partners Ventures III	2.19	\$150,000,000	\$37,059,858	\$35,253,754	-7.0%
Apax VIII	2.17	\$157,584,000	\$49,522,714	\$50,508,521	1.9%
Green Equity Investors VI	2.17	\$200,000,000	\$91,041,005	\$94,507,290	4.0%
Ares Corporate Opportunities Fund IV	2.15	\$200,000,000	\$103,082,565	\$107,377,544	5.3%
Advent International GPE VII	2.07	€ 100,000,000	\$60,726,916	\$71,305,223	14.4%
Silver Lake Partners IV	2.02	\$100,000,000	\$22,721,764	\$28,883,660	44.7%
EnCap Energy Capital Fund IX	1.98	\$75,000,000	\$24,109,435	\$27,203,452	15.7%
Lexington Middle Market Investors III	1.96	\$100,000,000	\$13,026,152	\$15,072,022	12.3%
EnerVest Energy Institutional Fund XIII A	1.94	\$100,000,000	\$93,361,970	\$92,866,954	-0.9%
SVB Strategic Investors Fund VI A	1.75	\$125,000,000	\$34,442,478	\$33,010,904	-7.0%

**Private Equity Dollar-Weighted Performance (continued)**  
**Cumulative Performance Measures Since Inception Through December 31, 2014**

<u>Name</u>	<u>Years Since Inception</u>	<u>Commitment</u>	<u>Net Paid In Cap.</u>	<u>Net Asset Value</u>	<u>IRR</u>
TowerBrook Investors IV	1.65	\$190,000,000	\$16,006,069	\$12,363,247	-39.7%
KKR Asia Fund II	1.55	\$100,000,000	\$32,719,335	\$35,444,514	12.6%
TrueBridge - Kauffman Fellows Endowment Fund III	1.52	\$150,000,000	\$35,669,440	\$33,080,599	-9.3%
KPS Special Situations Fund IV	1.51	\$150,000,000	\$13,032,778	\$12,026,005	-12.8%
Riverside Capital Appreciation Fund VI	1.51	\$75,000,000	\$20,142,716	\$17,271,884	-25.4%
TrueBridge - FLSBA Special Purpose III	1.51	\$25,000,000	\$2,158,888	\$2,148,937	-0.9%
Insight Venture Partners VIII	1.51	\$75,000,000	\$63,858,165	\$64,250,096	0.8%
W Capital Partners III	1.40	\$75,000,000	\$18,632,133	\$18,355,683	-1.4%
Thoma Bravo Special Opportunities Fund I	1.36	\$50,000,000	\$24,350,082	\$32,780,370	37.1%
Apollo Investment Fund VIII	1.35	\$200,000,000	\$17,761,131	\$16,096,307	-15.0%
AXA LBO Fund V	1.35	€ 58,000,000	\$43,492,622	\$39,089,033	-10.1%
DCPF VI Oil and Gas Coinvestment Fund	1.25	\$50,000,000	\$10,829,773	\$10,384,734	-6.7%
CVC Capital Partners VI	1.21	\$75,000,000	\$7,487,598	\$5,765,025	-39.2%
Energy Capital Partners III	0.93	\$150,000,000	\$23,527,679	\$21,083,509	N/A
ASF VI	0.92	\$150,000,000	\$35,123,671	\$41,346,068	N/A
Permira V	0.91	€ 73,800,000	\$31,835,664	\$27,666,218	N/A
New Mountain Partners IV	0.91	\$100,000,000	\$14,977,135	\$12,749,734	N/A
Atlas Capital Resources II	0.91	\$20,000,000	\$2,454,083	\$2,034,034	N/A
Post Oak Energy Partners II	0.88	\$25,000,000	\$997,707	\$426,981	N/A
SVB Capital Partners III	0.73	\$22,500,000	\$5,287,465	\$5,295,498	N/A
Asia Alternatives FL Investor	0.64	\$150,000,000	\$5,247,885	\$4,477,081	N/A
RCP Advisors Fund IX	0.64	\$100,000,000	\$1,048,988	\$789,514	N/A
Thoma Bravo Fund XI	0.58	\$150,000,000	\$22,083,442	\$21,855,153	N/A
The Energy & Minerals Group Fund III	0.54	\$85,000,000	\$44,926,868	\$42,852,055	N/A
Rubicon Technology Partners	0.50	\$50,000,000	\$7,766,265	\$6,765,205	N/A
EnCap Flatrock Midstream Fund III	0.48	\$50,000,000	\$1,284,586	\$848,294	N/A
Freeman Spogli Equity Partners VII	0.48	\$100,000,000	\$11,244,563	\$10,579,783	N/A
Trident VI	0.41	\$75,000,000	\$6,667,537	\$6,017,186	N/A
Lexington Capital Partners VIII	0.41	\$200,000,000	\$56,840	\$3,216,635	N/A
Accel-KKR Structured Capital Partners II	0.41	\$25,000,000	\$60,856	\$0	N/A
Charlesbank Equity Fund VIII	0.41	\$100,000,000	\$51,317	\$0	N/A
Strategic Investors Fund VII	0.24	\$125,000,000	\$31,177	\$0	N/A
OpenView Venture Partners IV	0.16	\$30,000,000	\$2,350,690	\$1,908,219	N/A
ABRY Partners VIII	0.06	\$75,000,000	\$60,185	\$0	N/A
Hellman & Friedman Capital Partners VIII	0.06	\$200,000,000	\$41,794	\$0	N/A
Inflexion Partnership Capital Fund I	0.06	£16,700,000.00	\$42,395	\$0	N/A
Inflexion Buyout Fund IV	0.06	£33,300,000.00	\$42,395	\$0	N/A
<b>Private Equity ex Cash ex Transition</b>			<b>\$1,893,563,076</b>	<b>\$8,061,199,865</b>	<b>8.6%</b>

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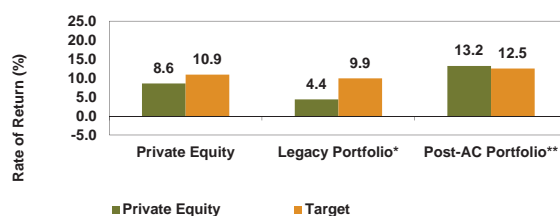


Private Equity

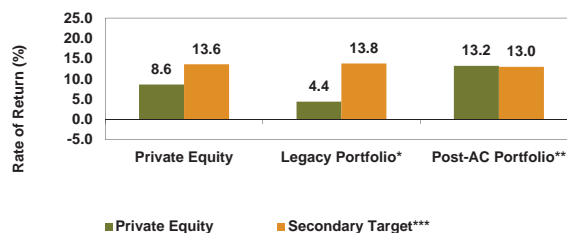
As of December 31, 2014

**Dollar-Weighted Investment Results**

Since Inception



Since Inception



\*The Inception Date for the Legacy Portfolio is January 1989.

\*\*The Inception Date for the Post-AC Portfolio is September 2000.

\*\*\*The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary Target data is on a quarterly lag.

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## Real Estate

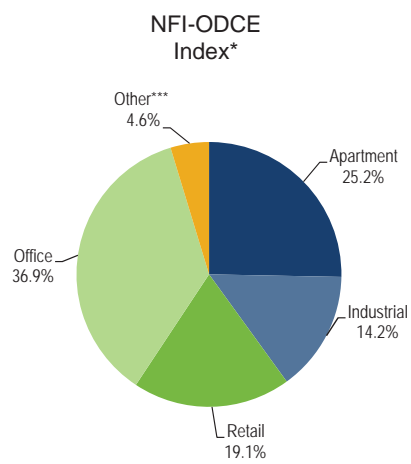
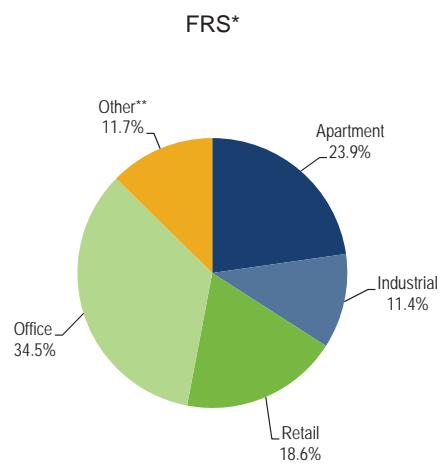
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Real Estate

As of December 31, 2014

### Overview



\*Property Allocation data is as of September 30, 2014. The FRS chart includes only the FRS private real estate assets. Property type information for the REIT portfolios is not included.

\*\*Other for the FRS consists of Hotel, Land, Preferred Equity, Agriculture, Self-Storage and Senior Housing.

\*\*\*Other for the NFI-ODCE Index consists of Hotel, Senior Living, Health Care, Mixed Use, Single Family Residential, Parking, Timber/Agriculture, Land and Infrastructure.

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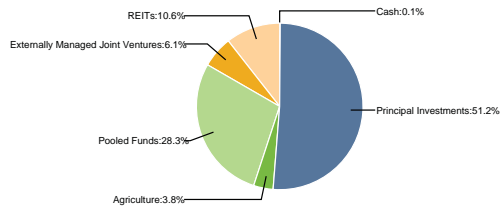




## Real Estate Portfolio Overview

## Current Allocation

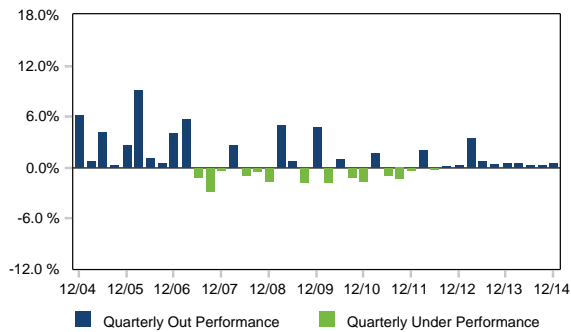
December 31, 2014 : \$11,616M



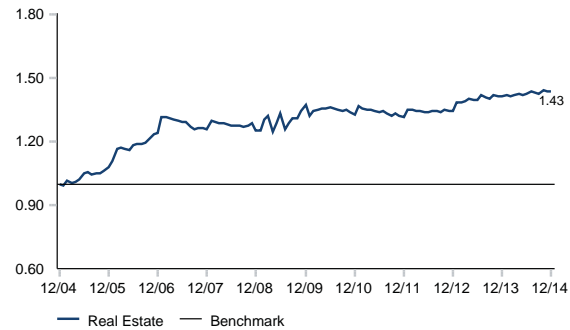
## Return Summary



## Quarterly Excess Performance



## Ratio of Cumulative Wealth - 10 Years

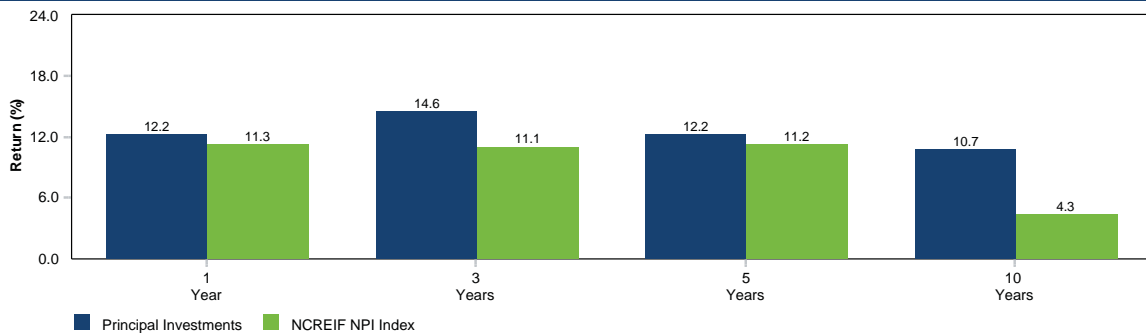


## Principal Investments

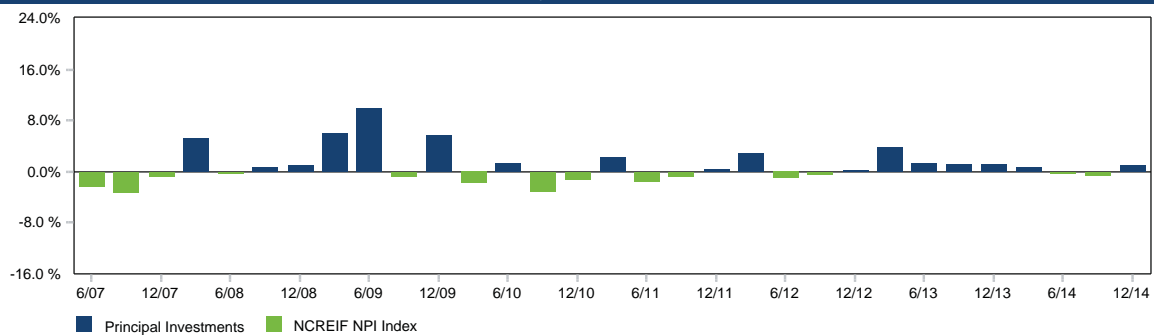
As of December 31, 2014

## Principal Investments

## Return Summary



## Quarterly Excess Performance

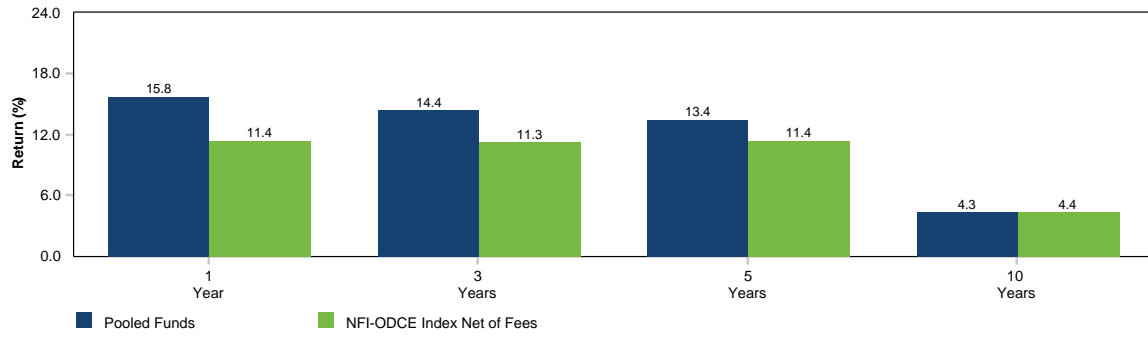


Pooled Funds

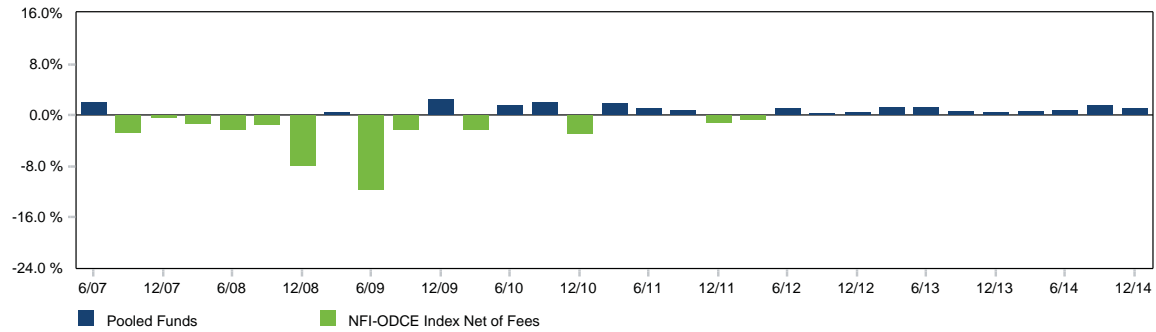
As of December 31, 2014

Pooled Funds

Return Summary



Quarterly Excess Performance

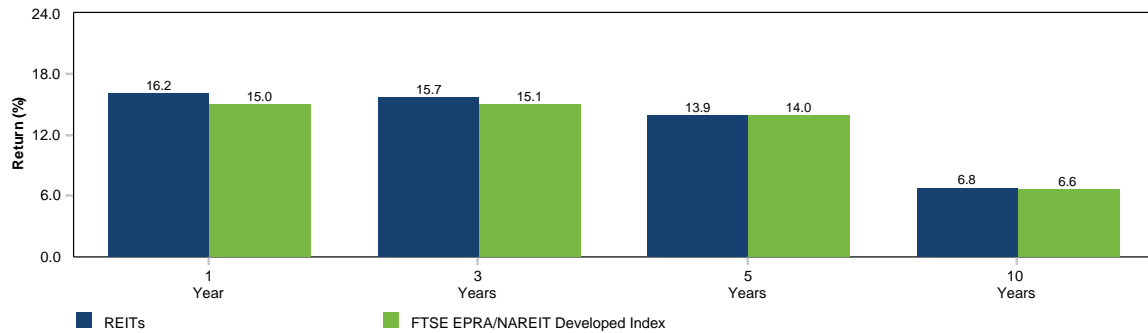


REITs

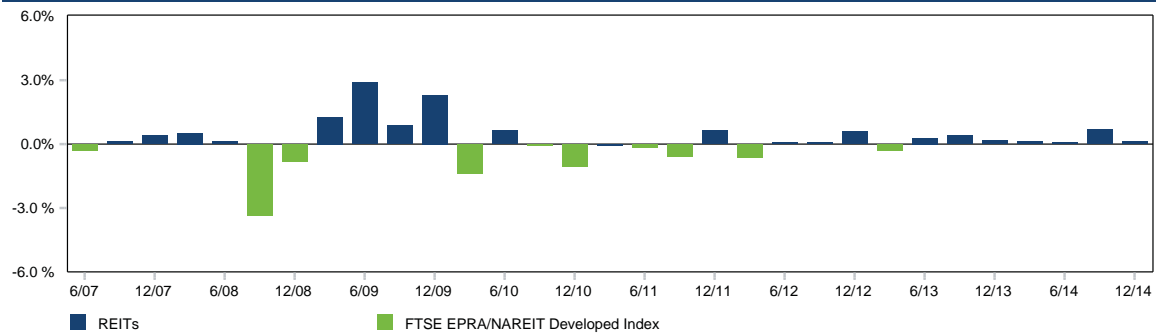
As of December 31, 2014

REITs

Return Summary



Quarterly Excess Performance



**Real Estate Pooled Funds Time-Weighted Performance Measures Through December 31, 2014**

	Inception			Since Inception
Name	Date	Commitment	Net Asset Value	Managed Return
Pooled Funds				
Beacon Capital Strategic Partners Fund V	Sep-07	\$100,000,000	\$24,683,561	-12.0%
Blackstone Asia	Nov-07	\$200,000,000	\$83,642,232	6.9%
Blackstone Real Estate Partners VI	Jan-14	\$200,000,000	\$238,540,389	8.6%
Blackstone Real Estate Partners VII	Oct-07	\$300,000,000	\$313,312,373	25.2%
Brookfield-Fairfield US Multi	May-12	\$50,000,000	\$52,501,519	15.1%
Brookfield-Fairfield US Multi II	Sep-12	\$75,000,000	\$24,817,410	7.8%
CapMan Nordic Real Estate Fund	Feb-14	\$50,000,000	\$0	N/A
Carlyle Realty Partners VI	Feb-12	\$83,000,000	\$56,814,047	21.3%
Carlyle Realty Partners VII	Jan-15	\$50,000,000	-\$85,287	-133.5%
CIM Fund VIII	Aug-06	\$50,000,000	\$0	N/A
Diamond Property Fund	May-07	\$100,000,000	\$27,673,087	-11.4%
Europa Fund IV	Aug-14	€74,000,000	\$19,521,480	-5.1%
Hines US Office Value Added Fund II	Sep-07	\$135,437,699	\$36,558,522	-15.6%
JP Morgan Pooled Fund	Sep-03	\$250,000,000	\$341,827,355	7.9%
JP Morgan Special Situation Fund	Jan-08	\$150,000,000	\$141,984,460	0.1%
Prime Property Fund	Jun-06	\$250,000,000	\$317,920,597	5.8%
Principal Financial Group Pooled Fund	Oct-03	\$175,000,000	\$280,982,263	6.6%
Prudential PRISA	Apr-05	\$250,000,000	\$282,817,899	4.9%
Prudential PRISA Fund II	Sep-07	\$145,000,000	\$156,605,096	0.0%
Prudential PRISA III	Jan-08	\$150,000,000	\$197,847,354	-1.9%
Rockpoint Real Estate Fund III	Jan-08	\$100,000,000	\$17,444,600	-50.1%
Rockpoint Real Estate Fund IV	Jan-13	\$100,000,000	\$49,740,976	54.8%
RREEF America REIT Pooled Fund	Jul-03	\$250,000,000	\$256,025,937	6.3%
Starwood Opportunity Fund IX	Apr-13	\$100,000,000	\$78,283,535	22.0%
Starwood Opportunity Fund X	Sep-14	\$150,000,000	-\$120,590	N/A
Tristan EPISO 3	Mar-14	€55,000,000	\$25,121,023	-14.4%
UBS Pooled Fund	Jul-03	\$200,000,000	\$259,797,452	7.1%
Total Pooled Funds			\$3,284,257,289	4.9%

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## Strategic Investments

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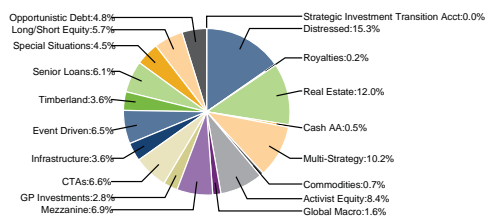
### Strategic Investments

As of December 31, 2014

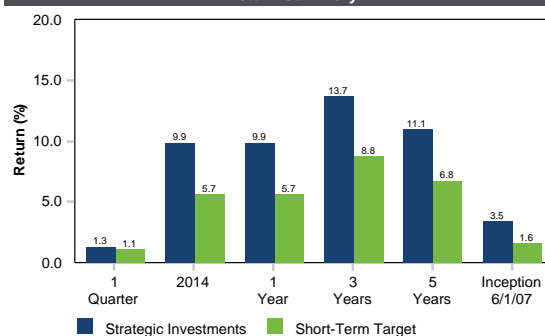
### Strategic Investments Portfolio Overview

#### Current Allocation

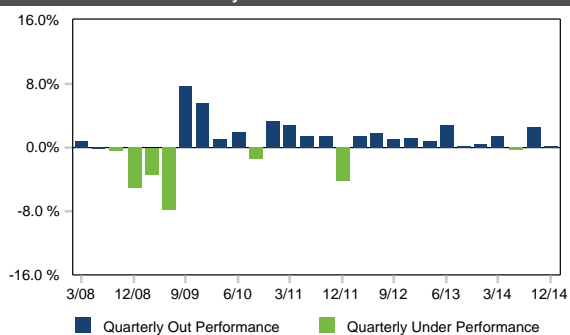
December 31, 2014 : \$9,573M



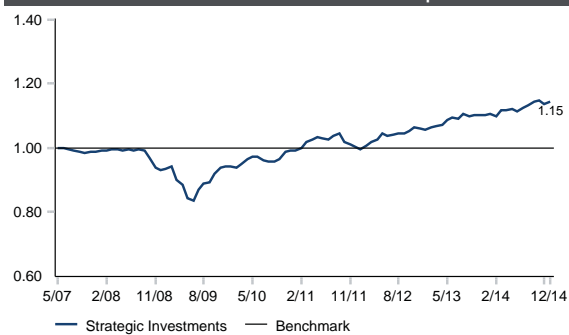
#### Return Summary



#### Quarterly Excess Performance



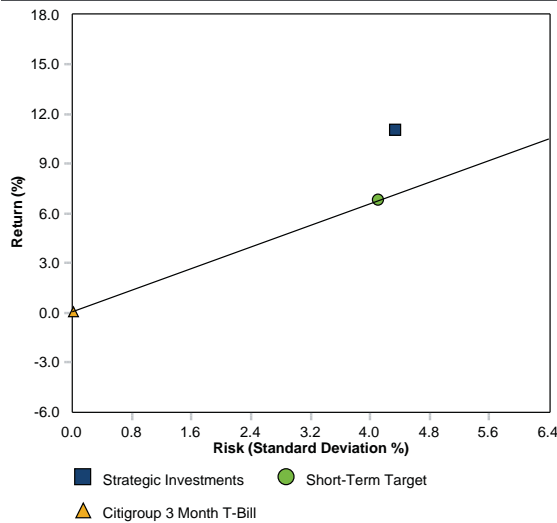
#### Ratio of Cumulative Wealth - Since Inception



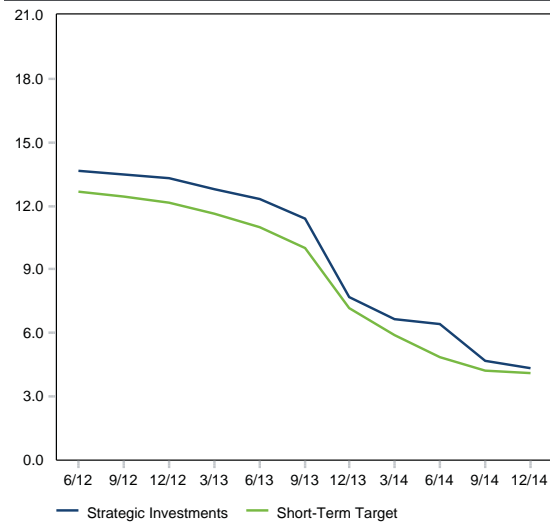
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## Strategic Investments Risk Profile

Annualized Return vs. Annualized Standard Deviation  
5 Years

Rolling 5 Years Standard Deviation



5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Strategic Investments	3.96	3.00	1.32	0.56	2.43	5.47	0.79	11.06	4.35	0.75
Short-Term Target	0.00	0.00	N/A	1.00	1.61	0.00	1.00	6.78	4.11	1.00
Citigroup 3 Month T-Bill	-6.60	4.11	-1.61	0.02	N/A	0.06	0.00	0.07	0.02	0.14

Strategic Investments Value-Added Returns  
For Time Periods Ending December 2014

Style/Manager	Commitment	1 Year			3 Year			5 Year			10 Year			Since Inception		
		Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added
<b>Senior Loans:</b>																
ABRY Advanced Securities Fund	\$150,000,000	44.39%	6.66%	37.73%	42.16%	6.60%	35.57%	26.06%	6.89%	19.17%				24.86%	6.22%	18.64%
ABRY Advanced Securities Fund II	\$150,000,000	8.56%	6.66%	1.89%	23.30%	6.60%	16.70%							10.23%	6.70%	3.53%
ABRY Advanced Securities Fund III	\$150,000,000															
Apollo Credit Liquidity Fund	\$238,233,051	17.93%	6.66%	11.26%	28.91%	6.60%	22.31%	18.64%	6.89%	11.75%				13.59%	6.84%	6.74%
Audax Credit Opportunities	\$200,000,000	7.58%	6.66%	0.91%	7.44%	6.60%	0.84%							7.05%	6.92%	0.13%
Blackstone Credit Liquidity Partners, L.P.	\$250,000,000	-25.96%	6.66%	-32.62%	9.18%	6.60%	2.58%	16.42%	6.89%	9.52%				10.02%	6.84%	3.18%
Providence TMT Debt Opportunity Fund II, L.P.	\$150,000,000	9.16%	6.66%	2.50%	13.49%	6.60%	6.90%							9.19%	7.01%	2.18%
Providence TMT Special Situation Fund	\$100,000,000	2.51%	6.66%	-4.15%	12.88%	6.60%	6.29%	11.02%	6.89%	4.13%				10.16%	6.74%	3.42%
Providence Debt Fund III, L.P.	\$150,000,000	13.80%	6.66%	7.14%										0.51%	6.25%	-5.74%
<b>Mezzanine:</b>																
ABRY Senior Equity III, L.P.	\$60,000,000	23.02%	6.66%	16.35%	19.87%	6.60%	13.27%							15.36%	6.98%	8.38%
ABRY Senior Equity IV, L.P.	\$60,000,000	9.41%	6.66%	2.74%										7.57%	6.31%	1.25%
Carlyle Mezzanine Partners II, L.P.	\$150,000,000	11.46%	6.66%	4.79%	11.84%	6.60%	5.24%	9.03%	6.89%	2.14%				7.90%	6.29%	1.61%
Crescent Mezzanine Partners VI	\$150,000,000	9.20%	6.66%	2.54%										4.73%	6.33%	-1.60%
Falcon Strategic Partners III	\$75,000,000	0.07%	6.66%	-6.60%	8.35%	6.60%	1.76%	11.60%	6.89%	4.71%				12.14%	6.96%	5.18%
Falcon Strategic Partners IV	\$100,000,000	0.42%	6.66%	-6.24%										5.22%	6.63%	-1.41%
GSO Capital Opportunities Fund	\$200,000,000	14.35%	6.66%	7.68%	24.16%	6.60%	17.56%	22.54%	6.89%	15.64%				19.68%	6.29%	13.39%
GSO Capital Opportunities Fund II	\$150,000,000	28.94%	6.66%	22.28%	25.77%	6.60%	19.18%							25.00%	6.47%	18.53%
Levine Leichtman Capital Partners IV	\$100,000,000	12.01%	6.66%	5.34%	19.27%	6.60%	12.67%	22.79%	6.89%	15.90%				22.79%	6.89%	15.90%
Levine Leichtman Capital Partners V	\$200,000,000	-0.06%	6.66%	-6.72%										1.91%	6.31%	-4.40%
TCW Crescent Mezzanine Partners V	\$150,000,000	9.53%	6.66%	2.86%	11.88%	6.60%	5.29%	10.42%	6.89%	3.53%				9.04%	6.35%	2.69%
VSS Structured Capital II	\$75,000,000	40.79%	6.66%	34.13%	25.36%	6.60%	18.77%	17.44%	6.89%	10.55%				10.72%	6.98%	3.74%
<b>Distressed:</b>																
Blackstone/GSO Capital Solutions Fund	\$100,000,000	19.58%	6.66%	12.91%	16.91%	6.60%	10.32%							16.25%	6.98%	9.27%
GSO Capital Solutions Fund II, L.P.	\$75,000,000													66.21%	4.42%	61.79%
Castlelake III, L.P.	\$100,000,000													3.27%	5.23%	-1.96%
CVI Credit Value Fund A	\$200,000,000	21.23%	6.66%	14.56%	26.40%	6.60%	19.81%							19.71%	7.07%	12.64%
CVI Credit Value Fund II A, L.P.	\$250,000,000	11.64%	6.66%	4.89%										15.36%	6.86%	8.50%
CVI Global Value Fund A-Class P	\$150,000,000	26.20%	6.66%	19.54%	25.21%	6.60%	18.62%	22.38%	6.89%	15.49%				22.26%	6.35%	15.92%
Distressed Managers II FL LP	\$200,000,000	21.02%	6.66%	14.36%	2.04%	6.60%	-4.56%	4.96%	6.89%	-1.93%	2.35%	7.62%	-5.28%	2.12%	8.70%	-6.58%
Marathon European Credit Opportunity Fund II	\$100,000,000													2.67%	0.83%	1.84%
Oaktree Opportunities Fund VIII, L.P.	\$100,000,000	7.82%	6.66%	1.16%	14.70%	6.60%	8.10%							10.58%	6.91%	3.67%
Oaktree Opportunities Fund VIII, L.P.	\$50,000,000	11.17%	6.66%	4.51%	10.41%	6.60%	3.82%							7.69%	6.51%	1.18%
Oaktree Opportunity Fund IX	\$100,000,000	7.80%	6.66%	1.13%										4.30%	6.77%	-2.46%
OCM Opportunities Fund VIII	\$50,000,000	0.23%	6.66%	-6.44%	16.95%	6.60%	10.35%	13.35%	6.89%	6.46%				11.33%	4.52%	6.81%
PCG Special Situations Partners, L.P.	\$150,000,000	9.94%	6.66%	3.28%	14.51%	6.60%	7.92%	9.46%	6.89%	2.57%	7.72%	7.62%	0.09%	8.26%	9.30%	-1.04%
Special Situation Partners II	\$100,000,000	2.49%	6.66%	-4.17%	12.01%	6.60%	5.42%	12.58%	6.89%	5.68%				6.23%	5.15%	1.08%
The Varde Fund XI (C), L.P.	\$100,000,000	7.74%	6.66%	1.07%										7.52%	6.31%	1.21%
Varde Fund X, L.P.	\$200,000,000	11.87%	6.66%	5.21%	15.00%	6.60%	8.40%							10.43%	6.97%	3.46%
Wayzata Opportunities Fund II	\$50,000,000	51.16%	6.66%	44.49%	30.23%	6.60%	23.64%	24.16%	6.89%	17.27%				18.99%	5.24%	13.74%
Wayzata Opportunities Fund III, LP	\$150,000,000	-6.06%	6.66%	-12.73%										-11.48%	6.86%	-18.34%
CVI Credit Value Fund III A, L.P.	\$200,000,000															
Centerbridge Capital Partners III, L.P.	\$125,000,000															
<b>Opportunistic Debt:</b>																
Anchorage Capital Fund	\$150,000,000	7.52%	2.55%	4.97%	13.58%	9.96%	3.62%							12.65%	8.98%	3.67%
King Street Capital Fund	\$200,000,000	7.37%	2.55%	4.82%	9.08%	9.96%	-0.88%							5.90%	5.85%	0.04%
Benefit Street Partners CRE Conduit Company I, LP	\$125,000,000													-7.15%	0.83%	-7.98%

Strategic Investments Value-Added Returns (continued)													
For Time Periods Ending December 2014													
Style/Manager	Commitment	1 Year			3 Year			5 Year			Since Inception		
		Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added
<b>Long/Short Equity:</b>													
Highline Capital Partners	\$150,000,000	10.69%	5.55%	5.15%	13.91%	10.37%	3.53%				9.92%	5.41%	4.50%
Scopia PX LLC	\$100,000,000	11.93%	3.57%	8.36%							9.18%	8.29%	0.88%
Three Bridges Europe Fund LP	\$100,000,000	1.79%	5.55%	-3.76%							10.05%	10.04%	0.01%
JHL Capital Group Fund LLC	\$75,000,000										13.69%	2.67%	11.02%
<b>Activist Equity:</b>													
Cevian Capital II	\$100,000,000	4.09%	-6.18%	10.27%	14.54%	11.86%	2.68%				12.54%	5.97%	6.58%
KV Partners	\$150,000,000	-20.05%	-6.18%	-13.87%	4.19%	11.92%	-7.73%				-3.40%	7.61%	-11.02%
P2 Capital Fund	\$100,000,000	3.42%	4.89%	-1.48%	21.06%	19.21%	1.85%				17.30%	16.12%	1.18%
Starboard Value and Opportunity Fund	\$200,000,000	27.62%	4.89%	22.73%	20.77%	19.21%	1.56%				16.87%	11.84%	5.03%
<b>GP Investments:</b>													
Blackstone Unit Trusts		11.50%	12.56%	-1.06%	32.29%	20.51%	11.78%	21.33%	15.63%	5.69%	4.64%	6.75%	-2.12%
Lexington GP Holdings	\$41,250,000	44.11%	6.66%	37.44%	19.28%	6.60%	12.68%				27.57%	6.90%	20.67%
Providence Equity Global Group	\$150,000,000	17.89%	6.66%	11.22%							7.24%	6.33%	0.91%
<b>Infrastructure:</b>													
Global Infrastructure Partners II, L.P.	\$150,000,000	64.96%	6.66%	58.30%							42.71%	6.44%	36.27%
IFM Global Infrastructure (US) L.P.	\$300,000,000										0.00%	0.13%	-0.13%
<b>Timberland:</b>													
Boston Timber Opportunities	\$300,000,000	16.28%	11.38%	4.90%							8.57%	9.30%	-0.73%
Jackson Timberland Opportunities	\$200,000,000	13.65%	10.38%	3.27%							9.26%	8.30%	0.96%
<b>Commodities:</b>													
EIG Energy Fund XVI, L.P.	\$100,000,000	-38.59%	6.66%	-45.25%							-38.59%	6.66%	-45.25%
Orion Mine Finance Fund I	\$100,000,000	11.43%	6.66%	4.76%							4.41%	6.37%	-1.96%
<b>Real Estate:</b>													
Blackrock Carbon Capital III	\$100,000,000	8.19%	6.66%	1.52%	10.85%	6.60%	4.25%	9.49%	6.89%	2.59%	8.14%	6.90%	1.24%
BlackRock Carbon Capital V	\$150,000,000	7.17%	6.66%	0.51%							4.56%	6.31%	-1.75%
Principal RE Debt (SBAF Mortgage Fund)	\$150,000,000	7.96%	6.66%	1.30%	9.56%	6.60%	2.97%	6.05%	6.89%	-0.85%	5.94%	6.87%	-0.93%
Bayview Opportunity Fund IIb	\$125,000,000	17.72%	6.66%	11.06%							11.90%	6.77%	5.13%
Bayview Opportunity Master Fund II b	\$100,000,000	47.48%	6.66%	40.82%	36.10%	6.60%	29.50%				24.63%	6.92%	17.71%
Cerberus Institutional Real Estate Partners III, L.P.	\$150,000,000	16.05%	6.66%	9.38%							8.03%	6.25%	1.77%
Colony Distressed Credit Fund II	\$150,000,000	13.65%	6.66%	6.99%	10.61%	6.60%	4.01%	0.00%	0.00%	0.00%	10.31%	6.47%	3.84%
Square Mile Partners III	\$150,000,000	19.91%	6.66%	13.25%	16.57%	6.60%	9.98%	12.62%	6.89%	5.73%	7.62%	6.90%	0.72%
Tricon Housing Partners US LP	\$75,000,000	13.36%	6.66%	6.70%	11.82%	6.60%	5.22%	9.80%	6.89%	2.90%	9.66%	6.35%	3.31%
Tricon Housing Partners US II LP	\$600,000,000	26.65%	6.66%	19.99%							14.21%	6.57%	7.65%
TriGate Property Partners II, L.P.	\$100,000,000	11.77%	6.66%	5.11%							0.39%	6.24%	-5.86%
Colony Distressed Credit and Special Situations Fund III	\$105,000,000	0.00%	0.00%	0.00%							0.83%	3.33%	-2.50%
Bayview Opportunity Fund IV b LLC	\$100,000,000	0.00%	0.00%	0.00%							-8.18%	0.58%	-8.76%
Benefit Street Partners CRE Conduit Company L.P.	\$50,000,000	0.00%	0.00%	0.00%							-7.15%	0.83%	-7.98%



Strategic Investments Value-Added Returns (continued) For Time Periods Ending December 2014													
Style/Manager	Commitment	1 Year			3 Year			5 Year			Since Inception		
		Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added	Mgd Return	Bmk Return	Value Added
<b>Macro:</b>													
MKP Opportunity Partners, L.P.	\$150,000,000										0.92%	2.15%	-1.23%
<b>CTAs:</b>													
Caerus DT Fund, LLC	\$300,000,000										8.11%	13.19%	-5.08%
Elan Fund LP	\$300,000,000										3.84%	9.29%	-5.45%
<b>Royalties:</b>													
Healthcare Royalty Partners III, L.P.	\$65,000,000										-3.12%	0.58%	-3.70%
<b>Event Driven:</b>													
Gruss Global Investors Fund	\$150,000,000	4.79%	1.57%	3.22%	6.16%	9.07%	-2.91%				4.87%	4.79%	0.08%
Mason Capital Fund	\$100,000,000	-14.00%	1.57%	-15.57%	-0.08%	9.07%	-9.15%				0.93%	3.68%	-2.75%
Litespeed Partners, L.P.	\$100,000,000	-3.86%	1.57%	-5.44%							-3.86%	1.57%	-5.44%
Luxor Capital Partners	\$200,000,000										-5.02%	1.28%	-6.30%
<b>Multi-Strategy:</b>													
Davidson Kempner Institutional Partners	\$100,000,000	4.71%	1.57%	3.14%							5.03%	6.29%	-1.27%
OZ Domestic Partners II, L.P.	\$150,000,000	7.93%	4.99%	2.94%							11.47%	11.00%	0.47%
Taconic Opportunity Fund	\$200,000,000	2.05%	1.57%	0.48%	9.34%	9.07%	0.27%				5.71%	3.70%	2.01%
York Capital Management L.P.	\$200,000,000	11.89%	1.57%	10.31%							14.88%	9.50%	5.39%
HBK Fund II, L.P.	\$150,000,000	3.18%	1.57%	1.61%							4.14%	5.13%	-1.00%
<b>Special Situations:</b>													
Castlelake Aviation II	\$75,000,000	14.83%	6.66%	8.16%	14.32%	6.60%	7.72%				13.45%	7.07%	6.38%
Florida Growth Fund	\$250,000,000	20.62%	6.66%	13.96%	13.20%	6.60%	6.60%	9.42%	6.89%	2.53%	8.95%	6.86%	2.09%
Florida Growth Fund Credit Tranche	\$100,000,000	0.00%	0.00%	0.00%							2.00%	3.33%	-1.33%
Florida Growth Fund Tranche II	\$150,000,000	19.52%	6.66%	12.86%							5.74%	6.33%	-0.60%
G.I. Partners Fund IV, L.P.	\$100,000,000										-27.51%	6.46%	-33.96%
GI Partners III	\$150,000,000	17.32%	6.66%	10.66%	18.05%	6.60%	11.45%	14.53%	6.89%	7.63%	11.96%	6.90%	5.06%
<b>Cash:</b>													
Strategic Investments Cash		0.12%	0.02%	0.10%	0.23%	0.04%	0.19%	0.27%	0.08%	0.20%	-0.18%	0.57%	-0.75%
<b>Strategic Investments</b>		<b>9.93%</b>	<b>5.70%</b>	<b>4.23%</b>	<b>13.71%</b>	<b>8.78%</b>	<b>4.93%</b>	<b>11.06%</b>	<b>6.78%</b>	<b>4.27%</b>	<b>3.47%</b>	<b>1.62%</b>	<b>1.85%</b>
Value-Added returns are managed returns minus benchmark returns. Transition accounts are included in the total aggregate. Terminated portfolios are not shown individually but are included in the aggregate.													



## Cash

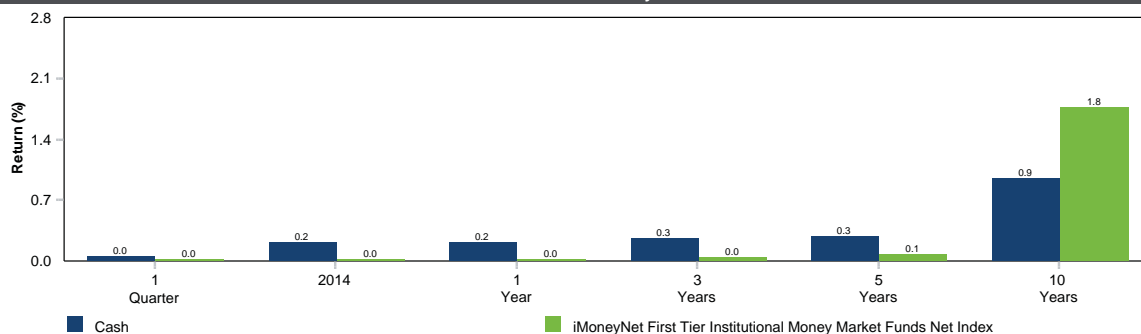
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### Cash

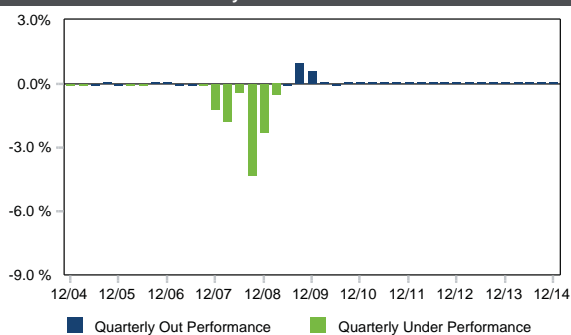
As of December 31, 2014

#### Cash Performance Summary

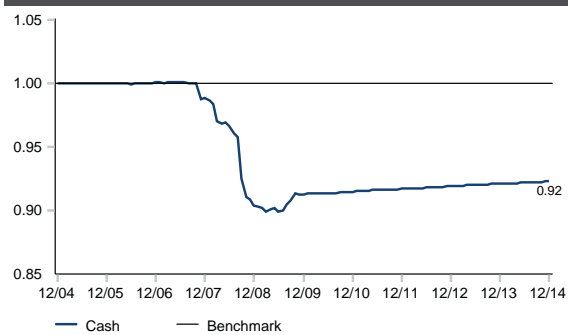
##### Return Summary



##### Quarterly Excess Performance



##### Ratio of Cumulative Wealth - 10 Years



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## Appendix

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### Historical Policy Allocation

	Global Equity (%)	Domestic Equity (%)	Foreign Equity (%)	Global Equity Legacy (%)	Strategic Investments (%)	Fixed Income (%)	Real Estate (%)	Private Equity (%)	High Yield (%)	Cash (%)
12/31/2014	58.8	--	--	--	5.3	25.5	7.8	5.6	--	1.0
9/30/2014	59.3	--	--	--	5.7	25.8	7.5	5.6	--	1.0
6/30/2014	59.7	--	--	--	5.4	25.9	7.6	5.4	--	1.0
3/31/2014	60.0	--	--	--	5.5	25.9	7.4	4.9	--	1.2
12/31/2013	57.5	--	--	--	5.2	24.0	7.2	5.0	--	1.0
9/30/2013	57.2	--	--	--	5.2	24.0	7.4	5.1	--	1.0
6/30/2013	57.4	--	--	--	5.0	24.0	7.5	5.1	--	1.0
3/31/2013	57.6	--	--	--	4.8	24.0	7.6	5.0	--	1.0
12/31/2012	57.2	--	--	--	5.0	24.0	7.5	5.2	--	1.0
9/30/2012	57.5	--	--	--	4.7	24.0	7.6	5.2	--	1.0
6/30/2012	55.6	--	--	--	4.4	26.0	7.7	5.3	--	1.0
3/31/2012	57.1	--	--	--	4.0	26.0	7.2	4.7	--	1.0
12/31/2011	56.8	--	--	--	4.1	26.0	7.2	4.9	--	1.0
9/30/2011	57.8	--	--	--	3.7	26.0	6.9	4.7	--	1.0
6/30/2011	59.2	--	--	--	3.2	26.0	6.4	4.3	--	1.0
3/31/2011	60.0	--	--	--	2.6	26.0	6.3	4.0	--	1.0
12/31/2010	59.6	--	--	--	2.8	26.0	6.3	4.3	--	1.0
9/30/2010	58.2	--	--	--	4.2	26.0	6.5	4.2	--	1.0
6/30/2010	--	36.5	19.2	--	3.9	27.2	6.3	4.0	1.9	1.0
3/31/2010	--	37.1	19.3	--	3.7	27.3	6.2	3.6	1.9	1.0
12/31/2009	--	37.1	19.3	--	3.6	27.2	6.4	3.5	1.9	1.0
9/30/2009	--	37.0	19.3	--	3.5	26.9	6.9	3.5	1.9	1.0
6/30/2009	--	36.5	19.3	--	3.4	26.4	7.9	3.6	1.9	1.0
3/31/2009	--	34.4	19.3	--	3.6	25.0	10.0	4.8	1.9	1.0
12/31/2008	--	34.6	19.2	--	4.0	25.0	9.8	4.5	1.9	1.0
9/30/2008	--	36.2	19.1	--	4.3	26.1	7.9	3.5	1.9	1.0
6/30/2008	--	36.8	19.2	--	4.2	26.5	7.3	3.2	1.9	1.0
3/31/2008	--	36.3	19.1	--	4.5	26.3	7.4	3.7	1.8	1.0
12/31/2007	--	37.7	18.7	--	4.5	26.8	6.6	3.4	1.4	1.0
9/30/2007	--	38.9	17.8	--	4.4	27.1	6.2	3.2	1.4	1.0
6/30/2007	--	42.6	14.4	--	4.4	27.3	5.9	3.2	1.4	1.0
03/01/04 - 03/31/04	--	50.6	14.0	3.0	--	22.4	5.6	3.4	--	1.0
02/02/04 - 02/29/04	--	50.5	14.0	3.0	--	22.6	5.5	3.4	--	1.0
01/01/04 - 02/01/04	--	51.3	14.0	2.0	--	22.7	5.5	3.5	--	1.0
12/31/03 - 12/31/03	--	51.1	14.0	2.0	--	22.8	5.5	3.6	--	1.0
11/03/03 - 11/30/03	--	51.7	13.5	2.0	--	23.0	5.6	3.6	--	1.0
10/29/03 - 11/02/03	--	51.7	13.5	2.0	--	23.0	5.5	3.3	--	1.0
10/01/03 - 10/28/03	--	51.7	13.0	2.0	--	23.0	5.5	3.3	--	1.0
09/01/03 - 09/30/03	--	53.5	12.5	1.0	--	22.9	5.7	3.4	--	1.0
08/01/03 - 08/31/03	--	53.4	12.5	1.0	--	23.5	5.2	3.4	--	1.0
07/01/03 - 07/31/03	--	52.5	12.5	1.0	--	24.2	4.9	3.6	--	1.0
06/01/03 - 06/30/03	--	52.5	12.5	1.0	--	24.6	4.6	3.6	--	1.0
05/01/03 - 05/31/03	--	54.0	12.0	0.0	--	25.0	4.1	3.6	--	1.0
10/31/99 - 03/31/03	--	54.0	12.0	0.0	--	25.0	4.0	2.8	--	1.0
03/31/95 - 10/31/99	--	61.0	8.0	0.0	--	26.0	4.0	0.0	--	1.0
09/30/94 - 03/31/95	--	59.0	8.0	0.0	--	24.0	8.0	0.0	--	1.0
06/30/93 - 09/30/94	--	59.0	3.0	0.0	--	29.0	8.0	0.0	--	1.0
11/03/88 - 06/30/93	--	55.0	0.0	0.0	--	30.0	8.0	0.0	--	1.0
12/31/87 - 11/03/88	--	50.0	5.0	0.0	--	35.5	7.5	0.0	--	1.0
12/31/86 - 12/31/87	--	50.0	5.0	0.0	--	35.5	7.5	0.0	--	2.0
12/31/84 - 12/31/86	--	48.0	0.0	0.0	--	40.0	10.0	0.0	--	2.0

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## Appendix

**Total FRS Assets**

**Performance Benchmark** - A combination of the Global Equity Target, the Barclays Capital U.S. Intermediate Aggregate Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Prior to October 1, 2013, the Performance benchmark was a combination of the Global Equity Target, the Barclays Aggregate Bond Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Prior to July 2010, the Performance Benchmark was a combination of the Russell 3000 Index, the Foreign Equity Target Index, the Strategic Investments Target Benchmark, the Barclays Aggregate Bond Index, the Real Estate Investments Target Index, the Private Equity Target Index, the Barclays U.S. High Yield Ba/B 2% Issuer Capped Index, and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. During this time, the short-term target policy allocations to Strategic Investments, Real Estate and Private Equity asset classes were floating and based on the actual average monthly balance of the Strategic Investments, Real Estate and Private Equity asset classes. The target weights shown for Real Estate and Private Equity were the allocations that the asset classes were centered around. The actual target weight floated around this target month to month based on changes in asset values.

**Total Global Equity**

**Performance Benchmark** - A custom version of the MSCI All Country World Investable Market Index, adjusted to exclude companies divested under the provisions of the Protecting Florida's Investments Act (PFIA). Prior to July 2010, the asset class benchmark is a weighted average of the underlying Domestic Equities, Foreign Equities and Global Equities historical benchmarks.

**Total Domestic Equities**

**Performance Benchmark** - The Russell 3000 Index. Prior to July 1, 2002, the benchmark was the Wilshire 2500 Stock Index. Prior to January 1, 2001, the benchmark was the Wilshire 2500 Stock Index ex-Tobacco. Prior to May 1, 1997, the benchmark was the Wilshire 2500 Stock Index. Prior to September 1, 1994, the benchmark was the S&P 500 Stock Index.

**Total Foreign Equities**

**Performance Benchmark** - A custom version of the MSCI ACWI ex-U.S. Investable Market Index adjusted to exclude companies divested under the PFIA. Prior to April 1, 2008, it was the MSCI All Country World Index ex-U.S. Investable Market Index. Prior to September 24, 2007, the target was the MSCI All Country World ex-U.S. Free Index. Prior to November 1, 1999, the benchmark was 85% MSCI Europe, Australasia and Far East (EAFE) Foreign Stock Index and 15% IFCI Emerging Markets Index with a half weight in Malaysia. Prior to March 31, 1995, the benchmark was the EAFE Index.

**Total Global Equities**

**Performance Benchmark** - Aggregated based on each underlying manager's individual benchmark. The calculation accounts for the actual weight and the benchmark return. The benchmarks used for the underlying managers include both the MSCI FSB All Country World ex-Sudan ex-Iran Net Index and MSCI FSB All Country World ex-Sudan ex-Iran Net Investable Market Index (IMI).

## Appendix

**Total Fixed Income**

**Performance Benchmark** - The Barclays Capital U.S. Intermediate Aggregate Index. Prior to October 1, 2013, it was the Barclays U.S. Aggregate Bond Index. Prior to June 1, 2007, it was the Fixed Income Management Aggregate (FIMA). Prior to July 1, 1999, the benchmark was the Florida High Yield Extended Duration Index. Prior to July 31, 1997, the benchmark was the Florida Extended Duration Index. Prior to July 1, 1989, the Salomon Brothers Broad Investment-Grade Bond Index was the benchmark. For calendar year 1985, the performance benchmark was 70% Shearson Lehman Extended Duration and 30% Salomon Brothers Mortgage Index.

**Total Private Equity**

**Performance Benchmark** - The MSCI All Country World Investable Market Index (ACWI IMI), adjusted to reflect the provision of the Protect Florida's Investment Act, plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2014, the benchmark was the domestic equities target index return (Russell 3000 Index) plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2010, it was the domestic equities target index return plus a fixed premium return of 450 basis points per annum. Prior to November 1, 1999, Private Equities was part of the Domestic Equities asset class and its benchmark was the domestic equities target index return plus 750 basis points.

**Total Real Estate**

**Performance Benchmark** - The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weight at 10%. Prior to July 1, 2014, the benchmark was a combination of 90% NCREIF ODCE Index, net of fees, and 10% FTSE EPRA/NAREIT Developed Index, net of fees. Prior to July 1, 2010, it was a combination of 90% NCREIF ODCE Index, gross of fees, and 10% Dow Jones U.S. Select RESI. Prior to June 1, 2007, it was the Consumer Price Index plus 450 basis points annually. Prior to July 1, 2003, the benchmark was the Dow Jones U.S. Select Real Estate Securities Index Un-Levered. Prior to November 1, 1999, the benchmark was the Russell-NCREIF Property Index.

**Total Strategic Investments**

**Performance Benchmark** - Long-term, 5% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmarks.

**Total Cash**

**Performance Benchmark** - The iMoneyNet First Tier Institutional Money Market Funds Net Index. Prior to July 1, 2010, it was the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Prior to June 1, 2007, it was the return of the Merrill Lynch 90-Day (Auction Average) Treasury Bill Yield Index.

## Appendix

## Description of Benchmarks

**Barclays Capital U.S. Intermediate Aggregate Bond Index** - A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of \$250 million or greater.

**Consumer Price Index (CPI)** - The CPI, an index consisting of a fixed basket of goods bought by the typical consumer and used to measure consumer inflation.

**FTSE EPRA/NAREIT Developed Index** - An index designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposal and development of income-producing real estate. This index covers the four primary core asset classes (Industrial, Retail, Office, and Apartment).

**iMoneyNet First Tier Institutional Money Market Funds Net Index** - An average of non-governmental institutional funds that do not hold any second tier securities. It includes money market mutual funds, net of fees, that invest in commercial paper, bank obligations and short-term investments in the highest ratings category and is open to corporations and fiduciaries only.

**MSCI All Country World Investable Market Index** - A free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. This investable market index contains constituents from the large, mid, and small cap size segments and targets a coverage range around 99% of free-float adjusted market capitalization.

**NCREIF ODCE Property Index** - The NCREIF ODCE is a capitalization-weighted, gross of fee, time-weighted return index. The index is a summation of open-end funds, which NCREIF defines as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests.

**Russell 3000 Index** - A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This represents most publicly traded, liquid U.S. stocks.

## Appendix

## Description of Universes

**Total Fund** - A universe comprised of 78 total fund portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised \$808.2 billion as of quarter-end and the average market value was \$20.7 billion.

**Domestic Equity** - A universe comprised of 50 total domestic equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$196.9 billion as of quarter-end and the average market value was \$5.2 billion.

**Foreign Equity** - A universe comprised of 49 total international equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$155.5 billion as of quarter-end and the average market value was \$4.4 billion.

**Fixed Income** - A universe comprised of 47 total fixed income portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$184.2 billion as of quarter-end and the average market value was \$5.1 billion.

**Real Estate** - A universe comprised of 21 total real estate portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$47.5 billion as of quarter-end and the average market value was \$2.4 billion.

**Private Equity** - An appropriate universe for private equity is unavailable.

**Strategic Investments** - An appropriate universe for strategic investments is unavailable.

**Explanation of Exhibits**

**Quarterly and Cumulative Excess Performance** - The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

**Risk-Return Graph** - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return trade-offs associated with market portfolios, or index funds.

**Ratio of Cumulative Wealth Graph** - An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

**Performance Comparison - Plan Sponsor Peer Group Analysis** - An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.

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FRS Investment Plan | Fourth Quarter 2014

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## Quarterly Investment Review

Visit the **Aon Hewitt Retirement and Investment Blog** (<http://retirementandinvestmentblog.aon.com>); sharing our best thinking.



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# FRS Investment Plan

1



As of December 31, 2014

## Asset Allocation & Performance

	Allocation		Performance(%)				
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
<b>FRS Investment Plan</b>	<b>8,914,979,152</b>	<b>100.0</b>	<b>2.1</b>	<b>4.9</b>	<b>10.1</b>	<b>8.3</b>	<b>5.8</b>
<i>Total Plan Aggregate Benchmark</i>			2.1	4.9	9.7	8.0	5.3
<b>Retirement Date</b>	<b>3,880,142,185</b>	<b>43.5</b>					
FRS Retirement Income Fund	416,337,578	4.7	0.7 (89)	4.4 (88)	6.1 (73)	6.6 (65)	-
<i>Retirement Income Custom Index</i>			0.9 (88)	3.6 (93)	5.1 (85)	6.0 (75)	-
FRS 2015 Retirement Date Fund	455,741,792	5.1	0.8 (82)	4.4 (73)	7.0 (89)	6.9 (86)	-
<i>2015 Retirement Custom Index</i>			0.9 (78)	3.7 (90)	6.3 (91)	6.5 (90)	-
FRS 2020 Retirement Date Fund	624,848,522	7.0	0.8 (89)	4.4 (77)	8.8 (73)	7.8 (66)	-
<i>2020 Retirement Custom Index</i>			0.9 (88)	3.9 (88)	8.2 (78)	7.4 (77)	-
FRS 2025 Retirement Date Fund	590,542,714	6.6	0.9 (88)	4.5 (86)	10.5 (75)	8.5 (75)	-
<i>2025 Retirement Custom Index</i>			1.0 (88)	4.2 (91)	10.0 (77)	8.2 (85)	-
FRS 2030 Retirement Date Fund	492,534,426	5.5	0.9 (82)	4.5 (83)	12.3 (57)	9.4 (60)	-
<i>2030 Retirement Custom Index</i>			1.0 (82)	4.4 (84)	12.0 (62)	9.1 (71)	-
FRS 2035 Retirement Date Fund	426,130,430	4.8	0.9 (88)	4.4 (84)	13.8 (47)	10.2 (52)	-
<i>2035 Retirement Custom Index</i>			1.0 (88)	4.3 (85)	13.6 (49)	10.0 (56)	-
FRS 2040 Retirement Date Fund	358,351,067	4.0	0.9 (92)	4.4 (83)	13.9 (48)	10.3 (48)	-
<i>2040 Retirement Custom Index</i>			0.9 (90)	4.3 (84)	13.7 (59)	10.1 (53)	-
FRS 2045 Retirement Date Fund	332,438,294	3.7	0.9 (93)	4.4 (82)	13.9 (71)	10.3 (61)	-
<i>2045 Retirement Custom Index</i>			0.9 (92)	4.3 (83)	13.7 (77)	10.1 (74)	-
FRS 2050 Retirement Date Fund	152,709,090	1.7	0.9 (94)	4.4 (82)	13.9 (66)	10.3 (56)	-
<i>2050 Retirement Custom Index</i>			0.9 (93)	4.3 (82)	13.7 (73)	10.1 (65)	-
FRS 2055 Retirement Date Fund	30,508,271	0.3	0.9 (97)	4.4 (82)	13.9 (87)	-	-
<i>2055 Retirement Custom Index</i>			0.9 (96)	4.3 (82)	13.7 (89)	-	-

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As of December 31, 2014

**Asset Allocation & Performance**

	Allocation		Performance(%)				
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
<b>Cash</b>	<b>836,038,083</b>	<b>9.4</b>	<b>0.0 (5)</b>	<b>0.1 (1)</b>	<b>0.2 (1)</b>	<b>0.2 (1)</b>	<b>1.8 (3)</b>
FRS Select Yield Plus Money Market Active Fund	836,038,083	9.4	0.0 (5)	0.1 (1)	0.2 (1)	0.2 (1)	1.8 (3)
<i>iMoneyNet 1st Tier Institutional Net Index</i>			0.0 (24)	0.0 (23)	0.0 (24)	0.1 (19)	1.8 (3)
<b>Real Assets</b>	<b>126,470,998</b>	<b>1.4</b>					
FRS Real Assets Fund	126,470,998	1.4	-0.3	3.2	0.8	4.2	-
<i>FRS Custom Real Assets Index</i>			0.0	1.8	-0.4	3.2	-
<b>Fixed Income</b>	<b>660,743,875</b>	<b>7.4</b>	<b>1.3 (1)</b>	<b>4.7 (1)</b>	<b>3.2 (34)</b>	<b>4.7 (21)</b>	<b>5.1 (11)</b>
<i>Total Bond Index</i>			1.2 (1)	4.9 (1)	2.8 (47)	4.5 (33)	4.7 (18)
FRS Select U.S. Bond Enhanced Index Fund	191,257,872	2.1	1.8 (40)	6.2 (34)	2.8 (26)	4.6 (35)	4.9 (27)
<i>Barclays Aggregate Index</i>			1.8 (40)	6.0 (35)	2.7 (27)	4.4 (35)	4.7 (33)
Pyramis Intermediate Duration Pool Fund	107,614,794	1.2	0.8 (6)	3.4 (15)	2.6 (50)	4.1 (39)	4.3 (30)
<i>Barclays Intermediate Aggregate</i>			1.2 (1)	4.1 (1)	2.2 (70)	3.7 (52)	4.3 (29)
FRS Core Plus Fixed Income Fund	361,871,209	4.1	1.2 (56)	4.6 (88)	5.4 (25)	6.2 (31)	-
<i>FRS Custom Core-Plus Fixed Income Index</i>			1.0 (70)	5.1 (80)	4.5 (43)	6.0 (37)	-
<b>Domestic Equity</b>	<b>2,556,574,954</b>	<b>28.7</b>	<b>5.8 (27)</b>	<b>11.5 (40)</b>	<b>20.8 (33)</b>	<b>16.3 (19)</b>	<b>8.7 (20)</b>
<i>Total U.S. Equities Index</i>			5.9 (25)	11.1 (44)	20.1 (45)	15.6 (33)	8.0 (34)
FRS Select U.S. Stock Market Index Fund	714,845,998	8.0	5.3 (25)	12.6 (34)	20.6 (33)	15.7 (20)	8.0 (25)
<i>Russell 3000 Index</i>			5.2 (26)	12.6 (35)	20.5 (33)	15.6 (21)	7.9 (26)
FRS U.S. Large Cap Equity Fund	943,803,502	10.6	5.2 (35)	12.8 (41)	21.7 (23)	16.5 (14)	-
<i>Russell 1000 Index</i>			4.9 (45)	13.2 (32)	20.6 (36)	15.6 (29)	-
FRS U.S. Small/Mid Cap Equity Fund	897,925,453	10.1	7.2 (27)	8.6 (31)	20.9 (22)	17.8 (15)	-
<i>FRS Custom Small/Mid Cap Index</i>			8.1 (13)	7.7 (37)	14.9 (92)	13.2 (90)	-



As of December 31, 2014

**Asset Allocation & Performance**

	Allocation		Performance(%)				
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
<b>International/Global Equity</b>	<b>637,797,004</b>	<b>7.2</b>	<b>-3.2 (43)</b>	<b>-3.2 (41)</b>	<b>11.8 (26)</b>	<b>6.4 (29)</b>	<b>5.9 (45)</b>
<i>Total Foreign and Global Equities Index</i>			-3.3 (44)	-3.0 (40)	10.9 (36)	5.9 (36)	4.7 (63)
FRS Select Foreign Stock Index Fund	220,456,209	2.5	-4.4 (62)	-4.5 (54)	10.6 (40)	5.5 (42)	4.9 (58)
<i>MSCI All Country World ex-U.S. IMI Index</i>			-3.9 (55)	-4.2 (50)	10.5 (42)	5.2 (47)	4.7 (63)
American Funds New Perspective Fund	244,085,175	2.7	1.9 (27)	3.7 (42)	16.8 (27)	10.8 (35)	8.4 (23)
<i>MSCI All Country World Index Net</i>			0.4 (51)	4.2 (38)	14.1 (49)	9.4 (48)	5.7 (59)
American Funds Euro-Pacific Growth Fund	173,255,619	1.9	-1.6 (9)	-2.3 (12)	12.1 (14)	6.1 (12)	7.1 (4)
<i>MSCI All Country World ex-U.S. Index</i>			-3.8 (40)	-3.4 (16)	9.5 (83)	4.9 (55)	4.5 (41)
<b>FRS Self-Dir Brokerage Acct</b>	<b>217,212,053</b>	<b>2.4</b>					

The returns for the Retirement Date Funds, Real Assets Fund, Core Plus Fixed Income Fund, U.S. Large Cap Equity Fund, and U.S. Small/Mid Cap Equity Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.



As of December 31, 2014

Asset Allocation & Performance

	Performance(%)									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>FRS Investment Plan</b>	<b>4.9</b>	<b>15.2</b>	<b>10.5</b>	<b>0.7</b>	<b>10.6</b>	<b>18.4</b>	<b>-23.2</b>	<b>7.8</b>	<b>12.4</b>	<b>7.4</b>
<i>Total Plan Aggregate Benchmark</i>	4.9	14.6	9.7	0.9	10.2	16.8	-23.4	6.1	13.9	6.1
<b>Retirement Date</b>										
FRS Retirement Income Fund	4.4 (88)	3.5 (88)	10.7 (51)	3.4 (13)	11.5 (47)	20.0 (79)	-	-	-	-
<i>Retirement Income Custom Index</i>	3.6 (93)	3.4 (88)	8.5 (68)	5.0 (5)	9.9 (73)	19.1 (81)	-	-	-	-
FRS 2015 Retirement Date Fund	4.4 (73)	5.5 (87)	11.3 (49)	2.1 (19)	11.5 (61)	21.8 (72)	-	-	-	-
<i>2015 Retirement Custom Index</i>	3.7 (90)	5.7 (86)	9.6 (89)	3.2 (1)	10.4 (87)	22.2 (70)	-	-	-	-
FRS 2020 Retirement Date Fund	4.4 (77)	9.6 (75)	12.4 (40)	0.6 (37)	12.2 (62)	24.5 (57)	-	-	-	-
<i>2020 Retirement Custom Index</i>	3.9 (88)	9.7 (75)	11.0 (75)	1.5 (20)	11.2 (87)	24.2 (60)	-	-	-	-
FRS 2025 Retirement Date Fund	4.5 (86)	13.7 (74)	13.5 (47)	-0.7 (35)	12.5 (88)	26.4 (64)	-	-	-	-
<i>2025 Retirement Custom Index</i>	4.2 (91)	13.8 (74)	12.4 (73)	-0.3 (26)	11.8 (93)	26.3 (65)	-	-	-	-
FRS 2030 Retirement Date Fund	4.5 (83)	18.1 (55)	14.6 (36)	-2.1 (48)	13.0 (86)	29.0 (46)	-	-	-	-
<i>2030 Retirement Custom Index</i>	4.4 (84)	18.2 (54)	13.8 (52)	-2.0 (47)	12.5 (92)	29.2 (45)	-	-	-	-
FRS 2035 Retirement Date Fund	4.4 (84)	22.0 (38)	15.8 (26)	-3.0 (46)	13.7 (80)	29.8 (58)	-	-	-	-
<i>2035 Retirement Custom Index</i>	4.3 (85)	22.0 (38)	15.2 (47)	-3.1 (47)	13.3 (89)	30.1 (57)	-	-	-	-
FRS 2040 Retirement Date Fund	4.4 (83)	22.3 (48)	15.8 (39)	-3.0 (38)	13.7 (79)	29.8 (54)	-	-	-	-
<i>2040 Retirement Custom Index</i>	4.3 (84)	22.4 (48)	15.2 (50)	-3.1 (38)	13.3 (85)	30.1 (53)	-	-	-	-
FRS 2045 Retirement Date Fund	4.4 (82)	22.3 (60)	15.8 (42)	-3.0 (26)	13.7 (86)	29.8 (65)	-	-	-	-
<i>2045 Retirement Custom Index</i>	4.3 (83)	22.4 (60)	15.2 (68)	-3.1 (26)	13.3 (89)	30.1 (63)	-	-	-	-
FRS 2050 Retirement Date Fund	4.4 (82)	22.3 (53)	15.8 (39)	-3.0 (20)	13.7 (84)	29.8 (73)	-	-	-	-
<i>2050 Retirement Custom Index</i>	4.3 (82)	22.4 (53)	15.2 (58)	-3.1 (20)	13.3 (87)	30.1 (70)	-	-	-	-
FRS 2055 Retirement Date Fund	4.4 (82)	22.3 (73)	15.8 (45)	-	-	-	-	-	-	-
<i>2055 Retirement Custom Index</i>	4.3 (82)	22.4 (72)	15.2 (70)	-	-	-	-	-	-	-

As of December 31, 2014

Asset Allocation & Performance

	Performance(%)									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Cash</b>	<b>0.1 (1)</b>	<b>0.2 (1)</b>	<b>0.3 (1)</b>	<b>0.2 (1)</b>	<b>0.3 (2)</b>	<b>0.3 (34)</b>	<b>2.4 (41)</b>	<b>5.4 (1)</b>	<b>5.2 (1)</b>	<b>3.5 (1)</b>
FRS Select Yield Plus Money Market Active Fund	0.1 (1)	0.2 (1)	0.3 (1)	0.2 (1)	0.3 (2)	0.3 (34)	2.4 (41)	5.4 (1)	5.2 (1)	3.5 (1)
<i>iMoneyNet 1st Tier Institutional Net Index</i>	0.0 (23)	0.0 (23)	0.1 (23)	0.1 (23)	0.2 (7)	0.7 (3)	3.0 (5)	5.4 (1)	5.2 (1)	3.3 (1)
<b>Real Assets</b>										
FRS Real Assets Fund	3.2	-9.1	9.1	7.4	11.7	16.0	-	-	-	-
<i>FRS Custom Real Assets Index</i>	1.8	-8.9	6.6	4.6	13.0	17.2	-	-	-	-
<b>Fixed Income</b>										
<b>Total Bond Index</b>	<b>4.9 (1)</b>	<b>-1.2 (84)</b>	<b>6.0 (43)</b>	<b>6.7 (1)</b>	<b>7.6 (32)</b>	<b>11.7 (60)</b>	<b>1.4 (47)</b>	<b>6.9 (14)</b>	<b>4.8 (20)</b>	<b>2.7 (1)</b>
FRS Select U.S. Bond Enhanced Index Fund	6.2 (34)	-2.0 (17)	4.4 (11)	7.9 (65)	6.7 (46)	6.5 (7)	5.9 (86)	7.2 (62)	4.3 (1)	2.5 (57)
<i>Barclays Aggregate Index</i>	6.0 (35)	-2.0 (18)	4.2 (12)	7.8 (66)	6.5 (47)	5.9 (8)	5.2 (89)	7.0 (65)	4.3 (1)	2.4 (59)
Pyramis Intermediate Duration Pool Fund	3.4 (15)	-0.5 (64)	4.9 (64)	5.9 (11)	7.0 (38)	11.9 (59)	-1.7 (52)	6.0 (35)	4.8 (20)	2.2 (11)
<i>Barclays Intermediate Aggregate</i>	4.1 (1)	-1.0 (82)	3.6 (81)	6.0 (10)	6.1 (53)	6.5 (90)	4.9 (7)	7.0 (13)	4.6 (24)	2.0 (13)
FRS Core Plus Fixed Income Fund	4.6 (88)	0.8 (19)	11.1 (13)	4.6 (89)	10.1 (26)	21.6 (19)	-	-	-	-
<i>FRS Custom Core-Plus Fixed Income Index</i>	5.1 (80)	0.8 (18)	7.8 (49)	7.6 (32)	9.1 (40)	18.7 (31)	-	-	-	-
<b>Domestic Equity</b>										
<b>Total U.S. Equities Index</b>	<b>11.5 (40)</b>	<b>35.2 (43)</b>	<b>16.9 (34)</b>	<b>0.3 (37)</b>	<b>20.4 (24)</b>	<b>30.9 (52)</b>	<b>-36.5 (35)</b>	<b>5.2 (56)</b>	<b>14.1 (49)</b>	<b>8.2 (43)</b>
FRS Select U.S. Stock Market Index Fund	12.6 (34)	33.6 (40)	16.5 (39)	1.0 (41)	17.1 (15)	28.6 (50)	-37.2 (51)	5.2 (66)	15.7 (33)	6.2 (50)
<i>Russell 3000 Index</i>	12.6 (35)	33.6 (40)	16.4 (39)	1.0 (41)	16.9 (17)	28.3 (51)	-37.3 (52)	5.1 (66)	15.7 (33)	6.1 (51)
FRS U.S. Large Cap Equity Fund	12.8 (41)	36.4 (23)	17.2 (25)	1.2 (44)	17.8 (19)	30.5 (37)	-	-	-	-
<i>Russell 1000 Index</i>	13.2 (32)	33.1 (49)	16.4 (32)	1.5 (41)	16.1 (31)	28.4 (44)	-	-	-	-
FRS U.S. Small/Mid Cap Equity Fund	8.6 (31)	37.1 (45)	18.7 (28)	-0.9 (36)	29.6 (24)	37.0 (43)	-	-	-	-
<i>FRS Custom Small/Mid Cap Index</i>	7.7 (37)	22.0 (98)	15.3 (52)	1.1 (22)	21.3 (85)	26.4 (87)	-	-	-	-



As of December 31, 2014

### Asset Allocation & Performance

	Performance(%)									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>International/Global Equity</b>	<b>-3.2 (41)</b>	<b>21.6 (33)</b>	<b>18.6 (53)</b>	<b>-11.3 (22)</b>	<b>10.1 (73)</b>	<b>34.8 (63)</b>	<b>-40.9 (19)</b>	<b>15.0 (47)</b>	<b>23.2 (79)</b>	<b>14.9 (58)</b>
<i>Total Foreign and Global Equities Index</i>	<i>-3.0 (40)</i>	<i>20.6 (39)</i>	<i>16.6 (72)</i>	<i>-11.3 (22)</i>	<i>10.1 (73)</i>	<i>32.4 (69)</i>	<i>-42.8 (30)</i>	<i>11.3 (65)</i>	<i>24.2 (74)</i>	<i>13.0 (75)</i>
FRS Select Foreign Stock Index Fund	-4.5 (54)	20.5 (39)	17.6 (63)	-11.8 (26)	9.2 (77)	32.3 (70)	-42.5 (28)	12.7 (58)	25.8 (62)	14.7 (61)
<i>MSCI All Country World ex-U.S. IMI Index</i>	<i>-4.2 (50)</i>	<i>21.0 (36)</i>	<i>16.4 (72)</i>	<i>-12.2 (30)</i>	<i>8.9 (78)</i>	<i>33.7 (66)</i>	<i>-43.6 (35)</i>	<i>12.4 (59)</i>	<i>25.7 (63)</i>	<i>14.5 (62)</i>
American Funds New Perspective Fund	3.7 (42)	27.1 (41)	21.0 (16)	-7.4 (43)	13.0 (54)	37.7 (44)	-37.7 (31)	16.3 (31)	20.1 (41)	11.5 (53)
<i>MSCI All Country World Index Net</i>	<i>4.2 (38)</i>	<i>22.8 (60)</i>	<i>16.3 (40)</i>	<i>-5.5 (33)</i>	<i>11.8 (60)</i>	<i>30.0 (65)</i>	<i>-40.7 (44)</i>	<i>9.0 (55)</i>	<i>20.1 (42)</i>	<i>10.0 (61)</i>
American Funds Euro-Pacific Growth Fund	-2.3 (12)	20.6 (58)	19.6 (20)	-13.3 (70)	9.8 (22)	39.6 (15)	-40.3 (8)	19.3 (4)	22.3 (96)	21.4 (5)
<i>MSCI All Country World ex-U.S. Index</i>	<i>-3.4 (16)</i>	<i>15.8 (81)</i>	<i>17.4 (71)</i>	<i>-13.3 (70)</i>	<i>11.6 (8)</i>	<i>32.5 (32)</i>	<i>-43.1 (61)</i>	<i>11.6 (47)</i>	<i>26.9 (21)</i>	<i>14.0 (27)</i>
<b>FRS Self-Dir Brokerage Acct</b>										

The returns for the Retirement Date Funds, Real Assets Fund, Core Plus Fixed Income Fund, U.S. Large Cap Equity Fund, and U.S. Small/Mid Cap Equity Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.



### FRS Investment Plan

As of December 31, 2014

### Asset Allocation

Asset Allocation as of 12/31/2014								
	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	Real Assets	Cash	Brokerage	Total	% of Total
FRS Retirement Income Fund	59,952,611	53,291,210	167,367,707	135,726,051			416,337,578	4.7%
FRS 2015 Retirement Date Fund	78,387,588	69,728,494	177,283,557	130,342,152			455,741,792	5.1%
FRS 2020 Retirement Date Fund	145,589,706	128,718,796	225,570,316	124,969,704			624,848,522	7.0%
FRS 2025 Retirement Date Fund	173,029,015	152,950,563	196,650,724	67,912,412			590,542,714	6.6%
FRS 2030 Retirement Date Fund	174,849,721	155,148,344	148,745,397	13,790,964			492,534,426	5.5%
FRS 2035 Retirement Date Fund	177,696,389	157,668,259	90,765,782				426,130,430	4.8%
FRS 2040 Retirement Date Fund	153,732,608	136,531,757	68,086,703				358,351,067	4.0%
FRS 2045 Retirement Date Fund	142,616,028	126,658,990	63,163,276				332,438,294	3.7%
FRS 2050 Retirement Date Fund	65,512,199	58,182,163	29,014,727				152,709,090	1.7%
FRS 2055 Retirement Date Fund	13,088,048	11,623,651	5,796,571				30,508,271	0.3%
<b>Total Retirement Date Funds</b>	<b>\$ 1,184,453,915</b>	<b>\$ 1,050,502,227</b>	<b>\$ 1,172,444,759</b>	<b>\$ 472,741,284</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,880,142,185</b>	<b>43.5%</b>
FRS Money Market Fund					836,038,083		836,038,083	9.4%
<b>Total Cash</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 836,038,083</b>	<b>\$ -</b>	<b>\$ 836,038,083</b>	<b>9.4%</b>
FRS Real Assets Fund				126,470,998			126,470,998	1.4%
<b>Total Real Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 126,470,998</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 126,470,998</b>	<b>1.4%</b>
FRS U.S. Bond Enhanced Index Fund			191,257,872				191,257,872	2.1%
Pyramis Intermediate Duration Pool Fund			107,614,794				107,614,794	1.2%
FRS Core Plus Fixed Income Fund			361,871,209				361,871,209	4.1%
<b>Total Fixed Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 660,743,875</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 660,743,875</b>	<b>7.4%</b>
FRS Select US Stock Market Index Fund	714,845,998						714,845,998	8.0%
FRS US Large Cap Equity Fund	943,803,502						943,803,502	10.6%
FRS US Small/Mid Cap Equity Fund	897,925,453						897,925,453	10.1%
<b>Total Domestic Equity</b>	<b>\$ 2,556,574,954</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,556,574,954</b>	<b>28.7%</b>
FRS Select Foreign Stock Index Fund		220,456,209					220,456,209	2.5%
American Funds New Perspective Fund		244,085,175					244,085,175	2.7%
American Funds Euro-Pacific Growth Fund		173,255,619					173,255,619	1.9%
<b>Total International/Global Equity</b>	<b>\$ -</b>	<b>\$ 637,797,004</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 637,797,004</b>	<b>7.2%</b>
FRS Self-Dir Brokerage Acct						217,212,053	217,212,053	2.4%
<b>Total Self-Dir Brokerage Acct</b>						<b>\$ 217,212,053</b>	<b>\$ 217,212,053</b>	<b>2.4%</b>
<b>Total Portfolio</b>	<b>\$ 3,741,028,869</b>	<b>\$ 1,688,299,231</b>	<b>\$ 1,833,188,634</b>	<b>\$ 599,212,281</b>	<b>\$ 836,038,083</b>	<b>\$ 217,212,053</b>	<b>\$ 8,914,979,152</b>	<b>100.0%</b>
<b>Percent of Total</b>	<b>41.96%</b>	<b>18.94%</b>	<b>20.56%</b>	<b>6.72%</b>	<b>9.38%</b>	<b>2.44%</b>	<b>100.0%</b>	

The returns for the Retirement Date Funds, Real Assets Fund, Core Plus Fixed Income Fund, U.S. Large Cap Equity Fund, and U.S. Small/Mid Cap Equity Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.



As of December 31, 2014

Multi Timeperiod Statistics

	3 Years Return	3 Years Standard Deviation	3 Years Sharpe Ratio	3 Years Tracking Error	3 Years Information Ratio	3 Years Up Market Capture	3 Years Down Market Capture
FRS Investment Plan	10.13	5.88	1.66	0.36	1.19	102.65	98.93
FRS Retirement Income Fund	6.14	5.13	1.18	2.25	0.45	119.26	118.59
FRS 2015 Retirement Date Fund	7.01	5.44	1.26	1.78	0.40	111.86	112.26
FRS 2020 Retirement Date Fund	8.78	6.13	1.39	1.25	0.49	108.12	108.85
FRS 2025 Retirement Date Fund	10.46	6.90	1.47	0.73	0.58	104.64	105.29
FRS 2030 Retirement Date Fund	12.27	7.82	1.52	0.38	0.68	101.90	101.36
FRS 2035 Retirement Date Fund	13.84	8.83	1.51	0.42	0.43	101.09	100.56
FRS 2040 Retirement Date Fund	13.93	8.90	1.51	0.43	0.43	101.09	100.56
FRS 2045 Retirement Date Fund	13.93	8.90	1.51	0.43	0.43	101.09	100.56
FRS 2050 Retirement Date Fund	13.93	8.90	1.51	0.43	0.43	101.09	100.56
FRS 2055 Retirement Date Fund	13.93	8.90	1.51	0.43	0.42	101.09	100.57
FRS Select Yield Plus Money Market Active Fund	0.22	0.02	7.74	0.02	11.51	551.11	N/A
FRS Real Assets Fund	0.76	6.34	0.14	1.97	0.58	107.10	92.94
FRS Select U.S. Bond Enhanced Index Fund	2.82	2.70	1.01	0.13	1.19	102.77	99.59
Pyramis Intermediate Duration Pool Fund	2.58	2.12	1.18	0.53	0.73	112.02	105.26
FRS Core Plus Fixed Income Fund	5.40	3.50	1.50	1.02	0.84	118.61	117.66
FRS Select U.S. Stock Market Index Fund	20.56	9.42	2.04	0.05	0.97	100.12	99.78
FRS US Large Cap Equity Fund	21.70	10.74	1.89	3.05	0.35	106.06	107.88
FRS US Small/Mid Cap Equity Fund	20.93	11.72	1.68	3.36	1.62	129.49	114.59
FRS Select Foreign Stock Index Fund	10.63	12.91	0.84	1.20	0.09	99.19	97.60
American Funds New Perspective Fund	16.83	10.60	1.52	2.57	0.92	105.24	86.38
American Funds Euro-Pacific Growth Fund	12.12	11.98	1.01	3.05	0.75	99.15	80.41

The returns for the Retirement Date Funds, Real Assets Fund, Core Plus Fixed Income Fund, U.S. Large Cap Equity Fund, and U.S. Small/Mid Cap Equity Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

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## Appendix

As of December 31, 2014

### Benchmark Descriptions

**Retirement Date Benchmarks** - A weighted average composite of the underlying components' benchmarks for each fund.

**iMoneyNet 1st Tier Institutional Net Index** - An index made up of the entire universe of money market mutual funds. The index currently represents over 1,300 funds, or approximately 99 percent of all money fund assets.

**FRS Custom Real Assets Index** - A monthly rebalanced blend of underlying indices that make up the PIMCO Inflation Response Composite Index. These underlying indices include Barclays U.S. TIPS Index, Dow-Jones-UBS Commodity Index Total Return, JPMorgan Emerging Local markets Index Plus, Dow-Jones U.S. Select REIT Total Return Index, and Spot Gold.

**Total Bond Index** - A weighted average composite of the underlying benchmarks for each bond fund.

**Barclays Aggregate Bond Index** - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of \$250 million or greater. This index is a broad measure of the performance of the investment grade U.S. fixed income market.

**Barclays Intermediate Aggregate Bond Index** - A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of \$250 million or greater.

**FRS Custom Core-Plus Fixed Income Index** - A monthly rebalanced blend of 65% Barclays U.S. Aggregate Bond Index and 35% Barclays U.S. High Yield Ba/B 1% Issuer Constrained Index.

**Total U.S. Equities Index** - A weighted average composite of the underlying benchmarks for each domestic equity fund.

**Russell 3000 Index** - A capitalization-weighted index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

**Russell 1000 Index** - An Index that measures the performance of the largest 1,000 stocks contained in the Russell 3000 Index.

**FRS Custom Small/Mid Cap Index** - A monthly rebalanced blend of 45% S&P 400 Index, 30% Russell 2000 Index and 25% Russell 2000 Value Index.

**Total Foreign and Global Equities Index** - A weighted average composite of the underlying benchmarks for each foreign and global equity fund.

**MSCI All Country World ex-U.S. IMI Index** - A capitalization-weighted index of stocks representing 22 developed country stock markets and 23 emerging countries, excluding the U.S. market.

**MSCI All Country World Index** - A capitalization-weighted index of stocks representing approximately 46 developed and emerging countries, including the U.S. and Canadian markets.

**MSCI All Country World ex-U.S. Index** - A capitalization-weighted index consisting of 23 developed and 21 emerging countries, but excluding the U.S.

**Descriptions of Universes**

**Retirement Date Funds** - Target date universes calculated and provided by Lipper.

**FRS Select Yield Plus Money Market Active Fund** - A money market universe calculated and provided by Lipper.

**FRS Select U.S. Bond Enhanced Index Fund** - A long-term bond fixed income universe calculated and provided by Lipper.

**Pyramis Intermediate Duration Pool Fund** - A broad intermediate-term fixed income universe calculated and provided by Lipper.

**FRS Core Plus Fixed Income Fund** - A core plus bond fixed income universe calculated and provided by Lipper.

**FRS Select U.S. Stock Market Index Fund** - A large-cap blend universe calculated and provided by Lipper.

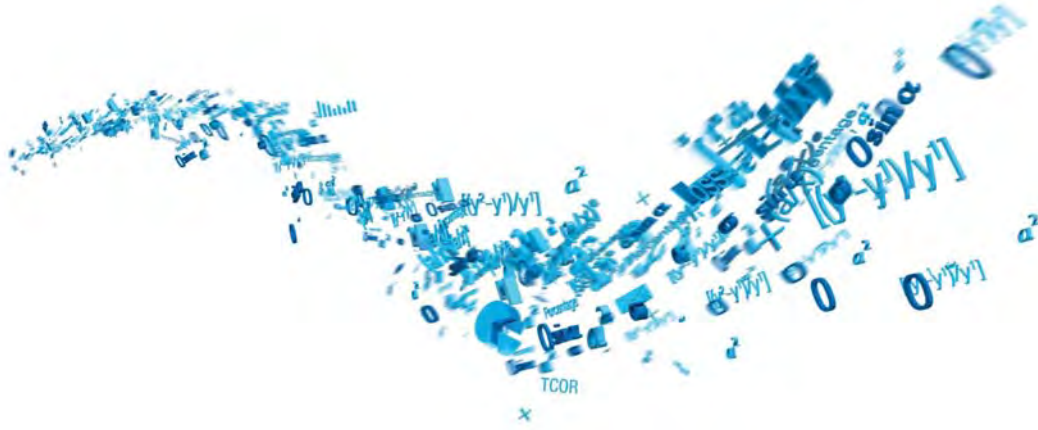
**FRS Select U.S. Large Cap Equity Fund** - A large-cap universe calculated and provided by Lipper.

**FRS U.S. Small/Mid Cap Equity Fund** - A small/mid-cap universe calculated and provided by Lipper.

**FRS Select Foreign Stock Index Fund** - A foreign blend universe calculated and provided by Lipper.

**American Funds New Perspective Fund** - A global stock universe calculated and provided by Lipper.

**American Funds Euro-Pacific Growth Fund** - A foreign large blend universe calculated and provided by Lipper.



Lawton Chiles Endowment Fund | Fourth Quarter 2014

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## Quarterly Investment Review

Visit the **Aon Hewitt Retirement and Investment Blog** (<http://retirementandinvestmentblog.aon.com>); sharing our best thinking.



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## LCEF Total Fund

1

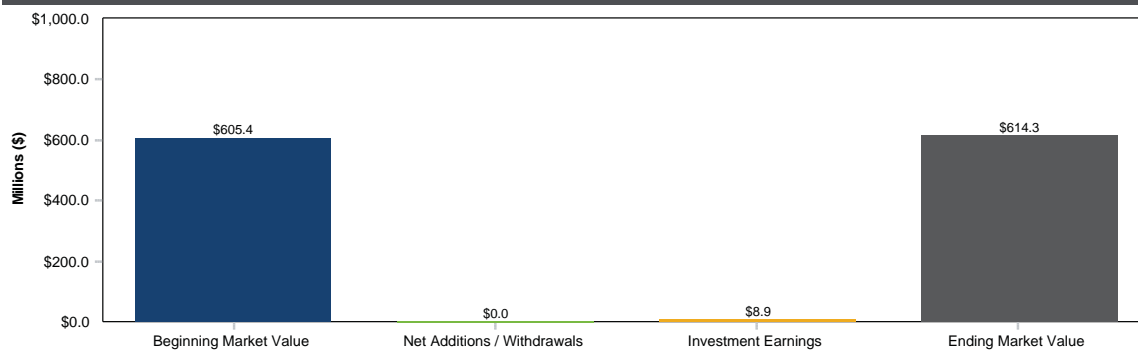


### LCEF Total Fund

As of December 31, 2014

#### Total Plan Asset Summary

#### Change in Market Value From October 1, 2014 to December 31, 2014



#### Summary of Cash Flow

	1 Quarter	Fiscal YTD*
<b>LCEF Total Fund</b>		
Beginning Market Value	605,427,250	626,104,239
+ Additions / Withdrawals	-	-
+ Investment Earnings	8,854,728	-11,822,261
<b>= Ending Market Value</b>	<b>614,281,978</b>	<b>614,281,978</b>

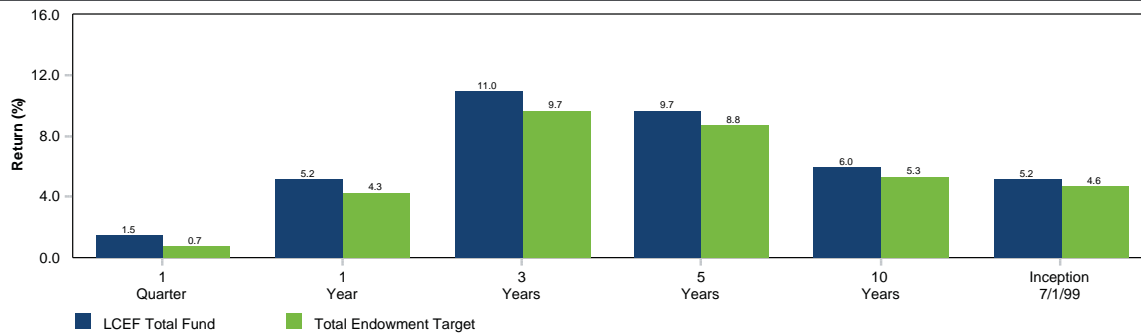
\*Period July 2014 - December 2014

2

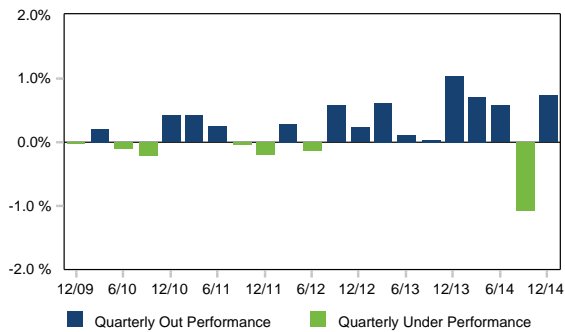


## Total Plan Performance Summary

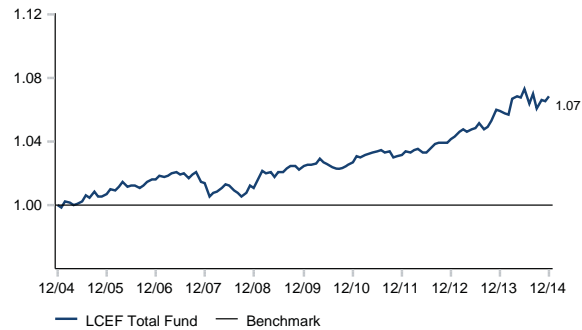
## Return Summary



## Quarterly Excess Performance



## Ratio of Cumulative Wealth - 10 Years



## Asset Allocation &amp; Performance

	Allocation			Performance(%)				
	Market Value (\$)	%	Policy(%)	1 Quarter	1 Year	3 Years	5 Years	10 Years
<b>LCEF Total Fund</b>	<b>614,281,978</b>	<b>100.0</b>	<b>100.0</b>	<b>1.5 (35)</b>	<b>5.2 (55)</b>	<b>11.0 (54)</b>	<b>9.7 (26)</b>	<b>6.0 (49)</b>
Total Endowment Target				0.7 (60)	4.3 (69)	9.7 (79)	8.8 (57)	5.3 (76)
<b>Global Equity*</b>	<b>447,767,851</b>	<b>72.9</b>	<b>71.0</b>	<b>1.6</b>	<b>5.3</b>	<b>17.2</b>	<b>13.3</b>	<b>7.2</b>
Global Equity Target				0.6	3.9	15.5	11.8	6.6
<b>Fixed Income</b>	<b>97,592,961</b>	<b>15.9</b>	<b>17.0</b>	<b>1.8 (11)</b>	<b>6.0 (24)</b>	<b>2.9 (68)</b>	<b>4.6 (65)</b>	<b>4.8 (52)</b>
Barclays Aggregate Index				1.8 (12)	6.0 (24)	2.7 (73)	4.4 (67)	4.7 (53)
<b>TIPS</b>	<b>60,623,637</b>	<b>9.9</b>	<b>11.0</b>	<b>-0.1</b>	<b>3.5</b>	<b>0.5</b>	<b>4.1</b>	<b>4.7</b>
Barclays U.S. TIPS				0.0	3.6	0.4	4.1	4.4
<b>Cash Equivalents</b>	<b>8,297,529</b>	<b>1.4</b>	<b>1.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.6</b>	<b>0.8</b>	<b>2.1</b>
S&P US AAA & AA Rated GIP 30D Net Yield Index				0.0	0.0	0.1	0.1	1.7

Benchmark and universe descriptions are provided in the Appendix.

\*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.



As of December 31, 2014

### Calendar Year Performance

	Performance(%)									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>LCEF Total Fund</b>	<b>5.2 (55)</b>	<b>14.7 (48)</b>	<b>13.2 (22)</b>	<b>1.9 (14)</b>	<b>14.0 (13)</b>	<b>21.2 (46)</b>	<b>-29.2 (72)</b>	<b>6.3 (84)</b>	<b>15.0 (20)</b>	<b>7.4 (48)</b>
<i>Total Endowment Target</i>	<i>4.3 (69)</i>	<i>12.8 (69)</i>	<i>12.2 (45)</i>	<i>1.5 (15)</i>	<i>13.7 (15)</i>	<i>19.6 (56)</i>	<i>-28.9 (71)</i>	<i>6.5 (81)</i>	<i>14.0 (34)</i>	<i>6.7 (62)</i>
<b>Global Equity*</b>	<b>5.3</b>	<b>27.1</b>	<b>20.4</b>	<b>-1.1</b>	<b>17.0</b>	<b>30.8</b>	<b>-39.6</b>	<b>6.8</b>	<b>17.4</b>	<b>8.5</b>
<i>Global Equity Target</i>	<i>3.9</i>	<i>24.1</i>	<i>19.4</i>	<i>-2.2</i>	<i>16.1</i>	<i>30.5</i>	<i>-39.2</i>	<i>7.2</i>	<i>17.8</i>	<i>7.9</i>
<b>Fixed Income</b>	<b>6.0 (24)</b>	<b>-1.8 (68)</b>	<b>4.6 (90)</b>	<b>7.6 (32)</b>	<b>7.0 (73)</b>	<b>4.6 (84)</b>	<b>5.8 (20)</b>	<b>7.3 (42)</b>	<b>4.4 (37)</b>	<b>2.7 (28)</b>
<i>Barclays Aggregate Index</i>	<i>6.0 (24)</i>	<i>-2.0 (69)</i>	<i>4.2 (93)</i>	<i>7.8 (29)</i>	<i>6.5 (75)</i>	<i>5.9 (77)</i>	<i>5.2 (25)</i>	<i>7.0 (53)</i>	<i>4.3 (39)</i>	<i>2.4 (51)</i>
<b>TIPS</b>	<b>3.5</b>	<b>-8.7</b>	<b>7.2</b>	<b>13.6</b>	<b>6.1</b>	<b>13.3</b>	<b>-2.0</b>	<b>12.4</b>	<b>0.8</b>	<b>2.9</b>
<i>Barclays U.S. TIPS</i>	<i>3.6</i>	<i>-8.6</i>	<i>7.0</i>	<i>13.6</i>	<i>6.3</i>	<i>11.4</i>	<i>-2.4</i>	<i>11.6</i>	<i>0.4</i>	<i>2.8</i>
<b>Cash Equivalents</b>	<b>0.2</b>	<b>0.2</b>	<b>1.3</b>	<b>0.1</b>	<b>2.0</b>	<b>2.6</b>	<b>0.5</b>	<b>5.4</b>	<b>5.2</b>	<b>3.3</b>
<i>S&amp;P US AAA &amp; AA Rated GIP 30D Net Yield Index</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>0.3</i>	<i>0.7</i>	<i>2.3</i>	<i>4.7</i>	<i>5.1</i>	<i>3.4</i>

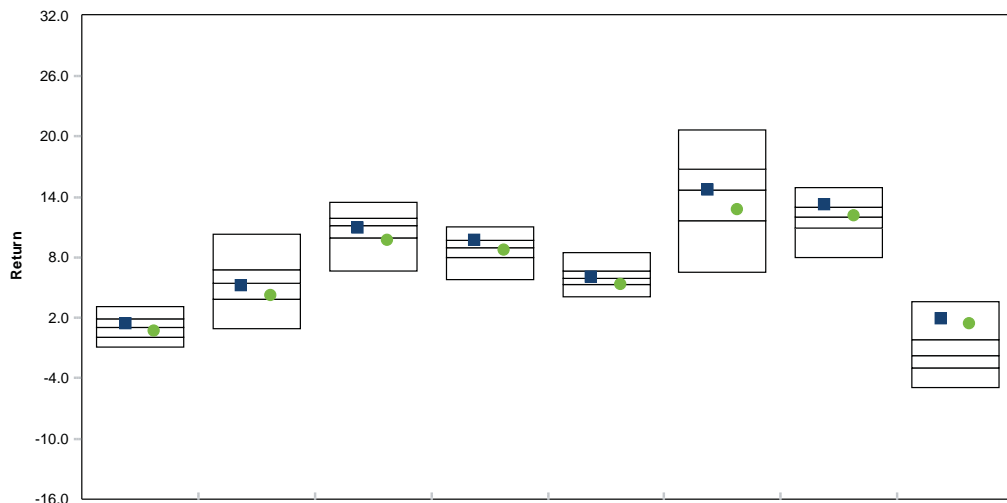
\*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.



As of December 31, 2014

### Plan Sponsor Peer Group Analysis

#### All Endowments-Total Fund

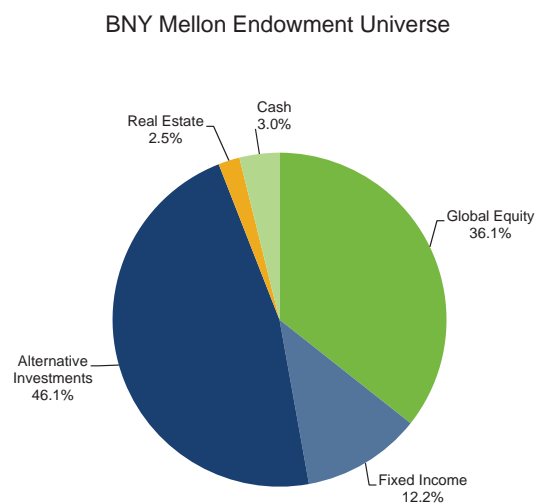
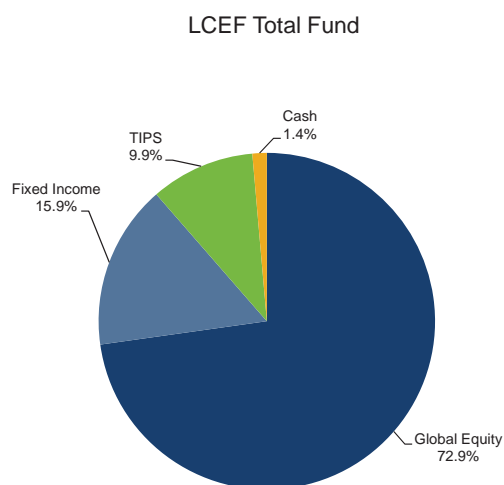


	1 Quarter	1 Year	3 Years	5 Years	10 Years	2013	2012	2011
■ LCEF Total Fund	1.5 (35)	5.2 (55)	11.0 (54)	9.7 (26)	6.0 (49)	14.7 (48)	13.2 (22)	1.9 (14)
● Total Endowment Target	0.7 (60)	4.3 (69)	9.7 (79)	8.8 (57)	5.3 (76)	12.8 (69)	12.2 (45)	1.5 (15)
5th Percentile	3.1	10.3	13.5	11.0	8.5	20.7	14.9	3.6
1st Quartile	1.9	6.8	11.9	9.7	6.7	16.8	13.0	-0.2
Median	1.1	5.5	11.1	8.9	6.0	14.7	12.0	-1.7
3rd Quartile	0.1	3.8	9.9	8.0	5.3	11.7	10.9	-3.0
95th Percentile	-0.9	0.9	6.6	5.8	4.0	6.5	8.1	-5.0
Population	192	186	162	141	93	360	355	345

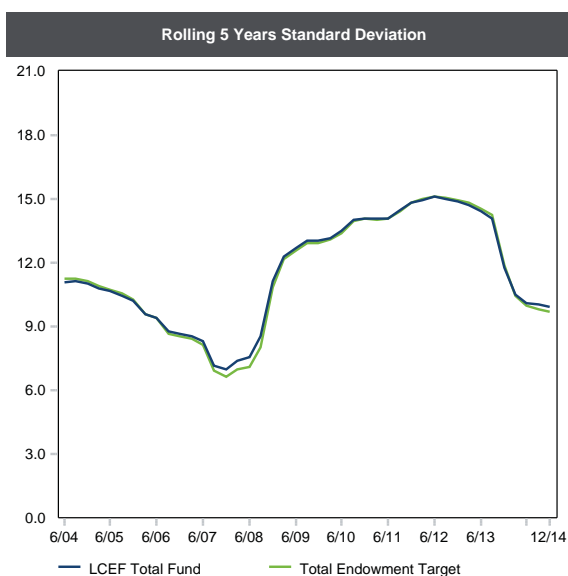
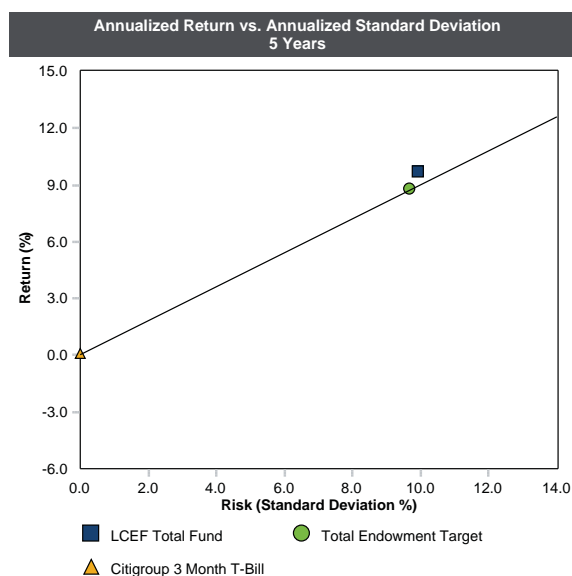
Parentheses contain percentile rankings.  
Calculation based on monthly periodicity.



## Universe Asset Allocation Comparison

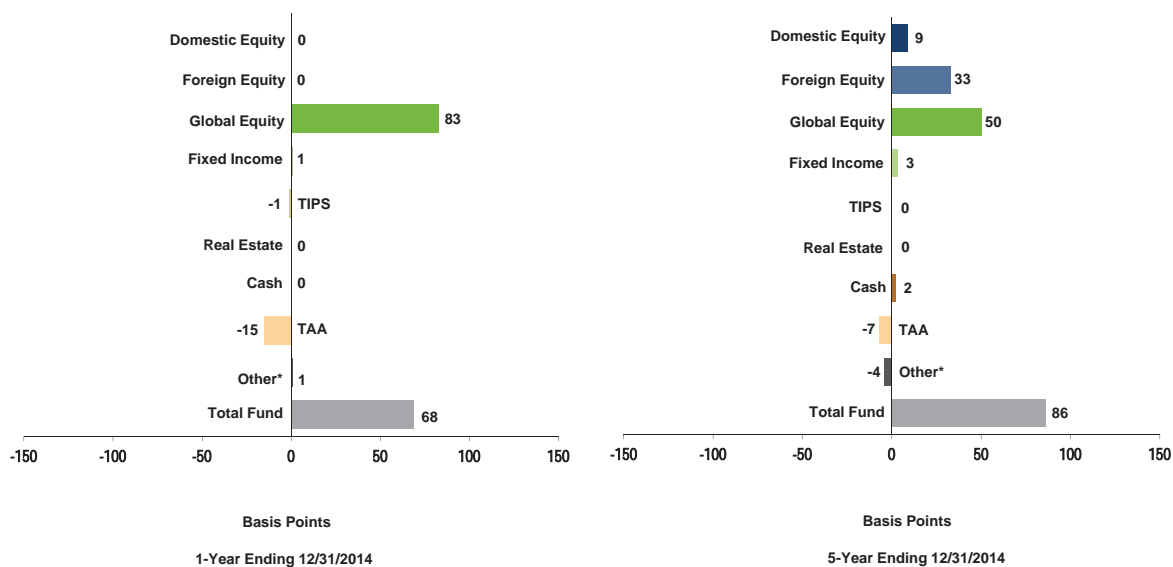


## LCEF Total Fund Risk Profile



5 Years Historical Statistics										
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
LCEF Total Fund	0.88	0.99	0.89	0.99	0.98	0.71	1.02	9.69	9.93	1.00
Total Endowment Target	0.00	0.00	N/A	1.00	0.91	0.00	1.00	8.76	9.70	1.00
Citigroup 3 Month T-Bill	-8.82	9.70	-0.91	0.00	N/A	0.06	0.00	0.07	0.02	0.05

## Attribution



\*Other includes differences between official performance value added due to methodology and extraordinary payouts.



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## Global Equity

11

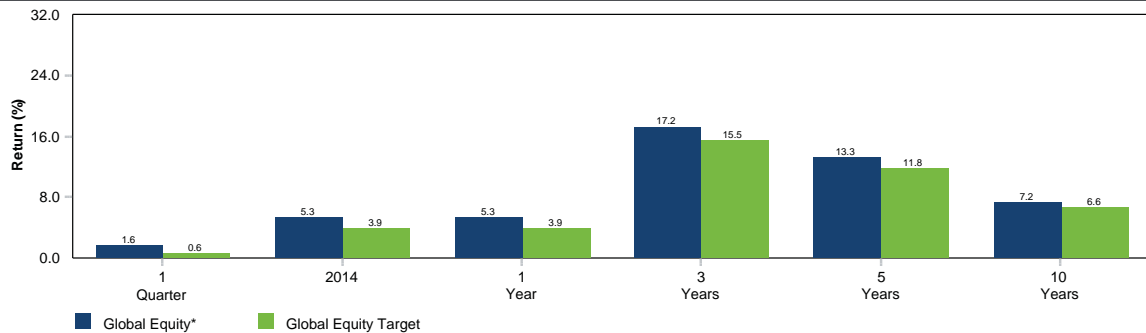


Global Equity\*

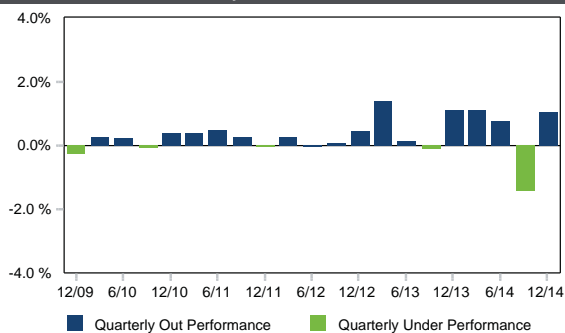
As of December 31, 2014

### Total Plan Performance Summary

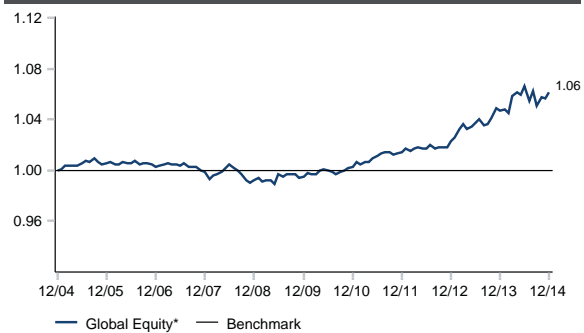
#### Return Summary



#### Quarterly Excess Performance



#### Ratio of Cumulative Wealth - 10 Years

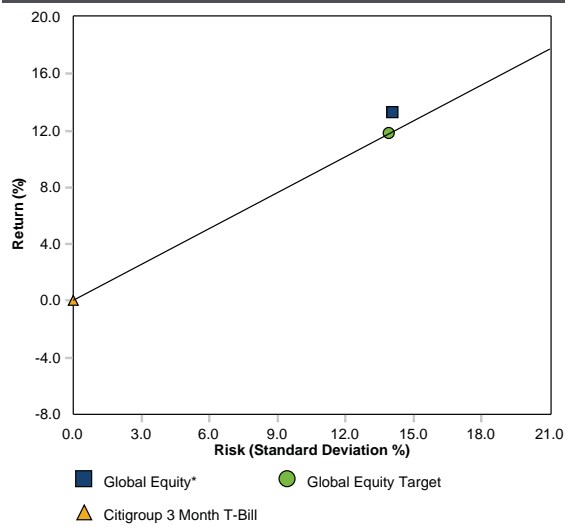


\*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.

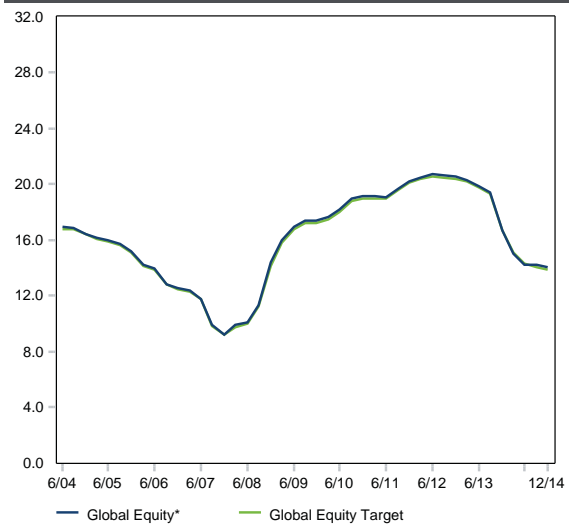
12



## Global Equity Risk Profile

Annualized Return vs. Annualized Standard Deviation  
5 Years

Rolling 5 Years Standard Deviation



5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Global Equity*	1.33	1.32	1.01	0.99	0.95	1.26	1.01	13.28	14.08	1.00
Global Equity Target	0.00	0.00	N/A	1.00	0.87	0.00	1.00	11.81	13.92	1.00
Citigroup 3 Month T-Bill	-12.10	13.92	-0.87	0.01	N/A	0.06	0.00	0.07	0.02	0.08

\*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.



## Fixed Income

15

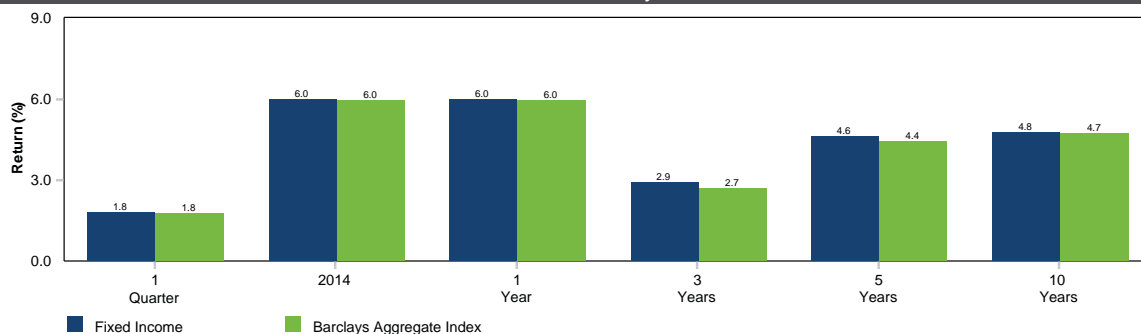


### Fixed Income

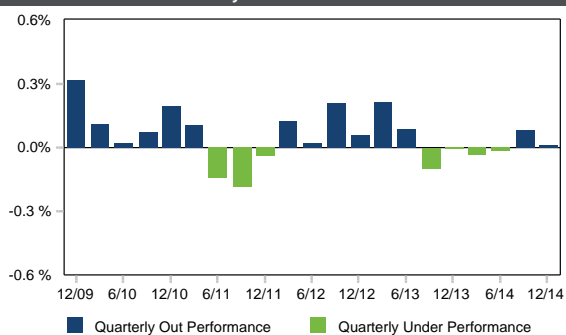
As of December 31, 2014

#### Total Plan Performance Summary

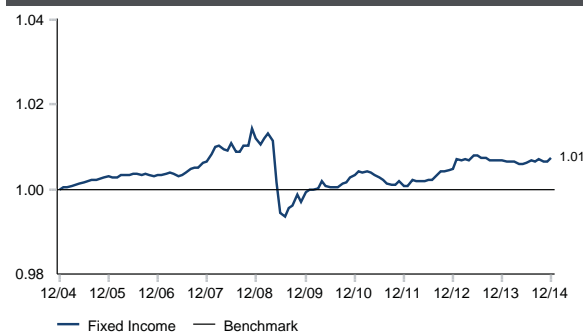
#### Return Summary



#### Quarterly Excess Performance



#### Ratio of Cumulative Wealth - 10 Years



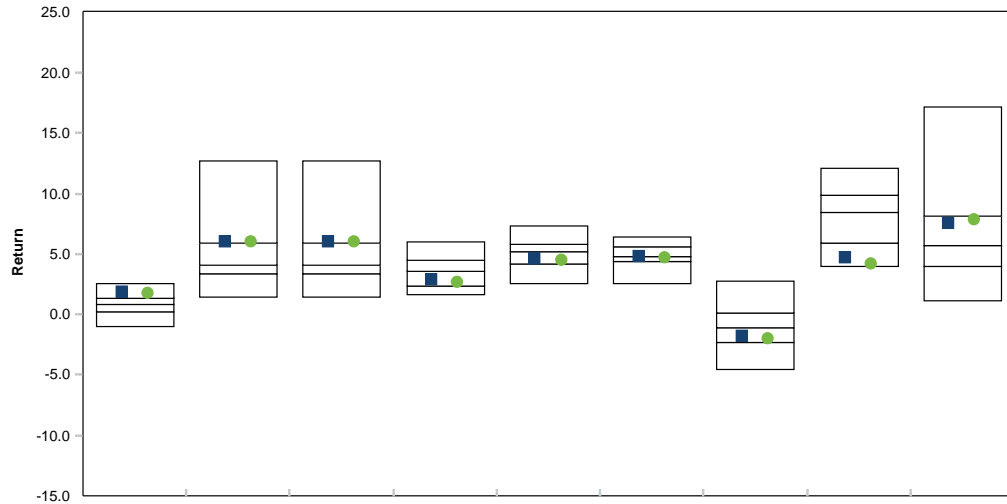
16



As of December 31, 2014

## Plan Sponsor Peer Group Analysis

### All Endowments-US Fixed Income Segment



	1 Quarter	2014	1 Year	3 Years	5 Years	10 Years	2013	2012	2011
■ Fixed Income	1.8 (11)	6.0 (24)	6.0 (24)	2.9 (68)	4.6 (65)	4.8 (52)	-1.8 (68)	4.6 (90)	7.6 (32)
● Barclays Aggregate Index	1.8 (12)	6.0 (24)	6.0 (24)	2.7 (73)	4.4 (67)	4.7 (53)	-2.0 (69)	4.2 (93)	7.8 (29)
5th Percentile	2.6	12.7	12.7	6.1	7.3	6.4	2.8	12.1	17.2
1st Quartile	1.4	5.9	5.9	4.5	5.8	5.6	0.1	9.9	8.1
Median	0.8	4.0	4.0	3.6	5.2	4.8	-1.1	8.5	5.7
3rd Quartile	0.2	3.4	3.4	2.3	4.2	4.4	-2.3	5.9	4.0
95th Percentile	-1.0	1.4	1.4	1.7	2.6	2.6	-4.5	4.0	1.2
Population	40	40	40	34	23	16	41	50	49

Parentheses contain percentile rankings.  
Calculation based on monthly periodicity.

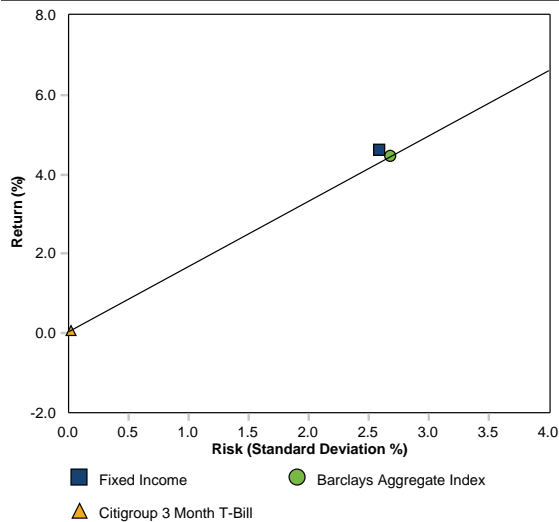


## Fixed Income

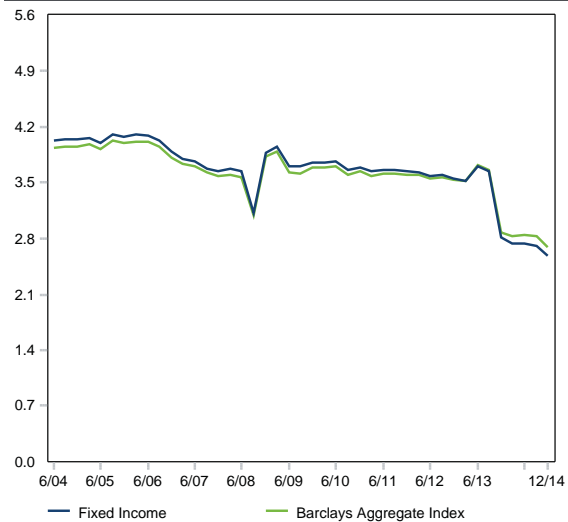
As of December 31, 2014

### Fixed Income Risk Profile

Annualized Return vs. Annualized Standard Deviation  
5 Years



Rolling 5 Years Standard Deviation



### 5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Fixed Income	0.16	0.22	0.71	0.99	1.73	0.33	0.96	4.62	2.59	1.00
Barclays Aggregate Index	0.00	0.00	N/A	1.00	1.61	0.00	1.00	4.45	2.69	1.00
Citigroup 3 Month T-Bill	-4.33	2.69	-1.61	0.01	N/A	0.07	0.00	0.07	0.02	-0.08



## TIPS

19

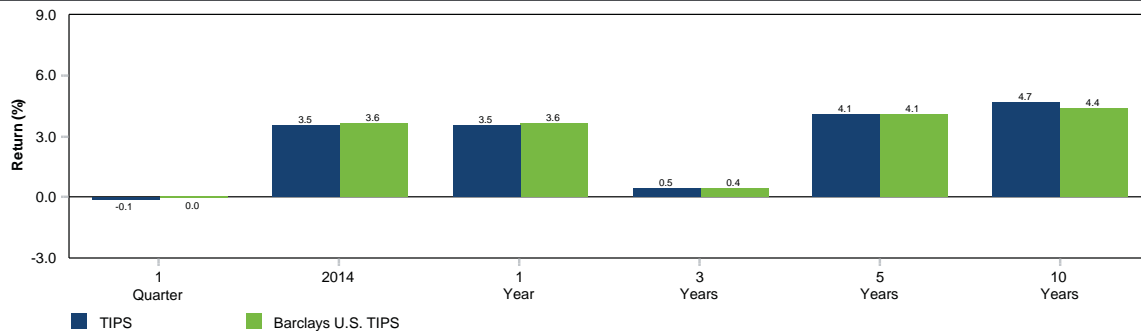
**AON**  
Empower Results®

TIPS

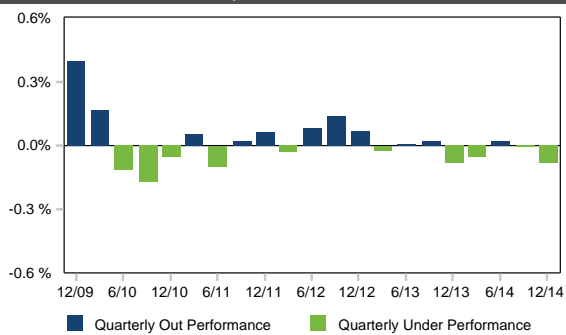
As of December 31, 2014

### Total Plan Performance Summary

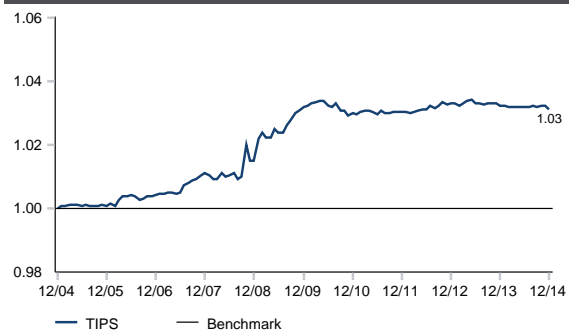
#### Return Summary



#### Quarterly Excess Performance



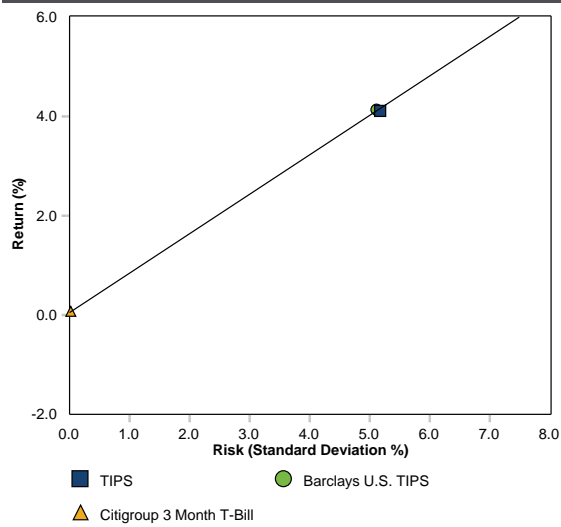
#### Ratio of Cumulative Wealth - 10 Years



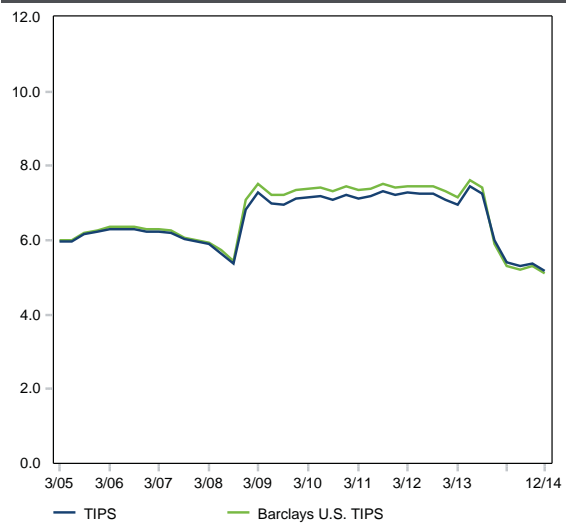
20

**AON**  
Empower Results®



Annualized Return vs. Annualized Standard Deviation  
5 Years

Rolling 5 Years Standard Deviation



5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
TIPS	-0.01	0.23	-0.04	1.00	0.79	-0.07	1.01	4.10	5.19	1.00
Barclays U.S. TIPS	0.00	0.00	N/A	1.00	0.80	0.00	1.00	4.11	5.12	1.00
Citigroup 3 Month T-Bill	-4.10	5.12	-0.80	0.00	N/A	0.06	0.00	0.07	0.02	0.04

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## Cash Equivalents

23

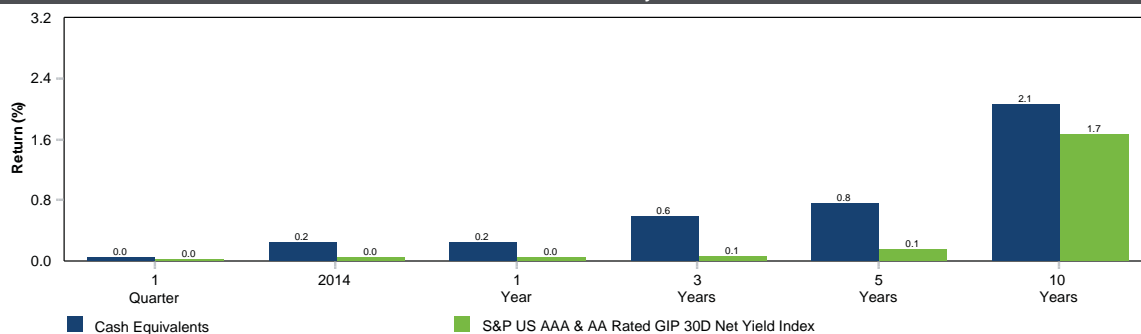


### Cash Equivalents

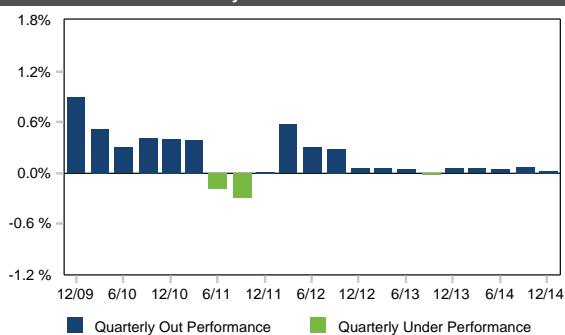
As of December 31, 2014

#### Total Plan Performance Summary

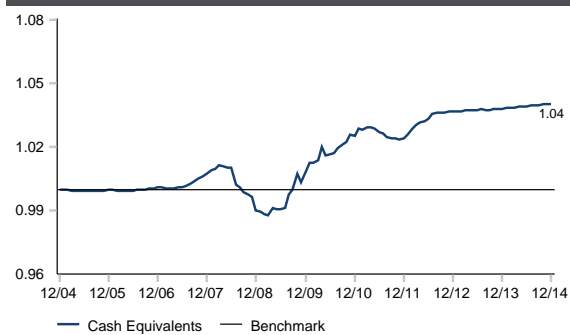
#### Return Summary



#### Quarterly Excess Performance



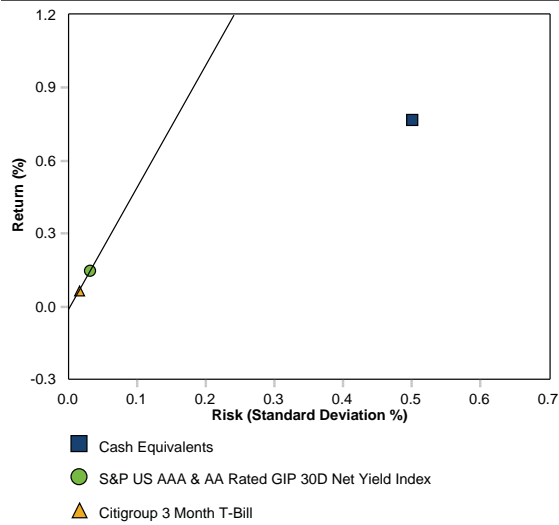
#### Ratio of Cumulative Wealth - 10 Years



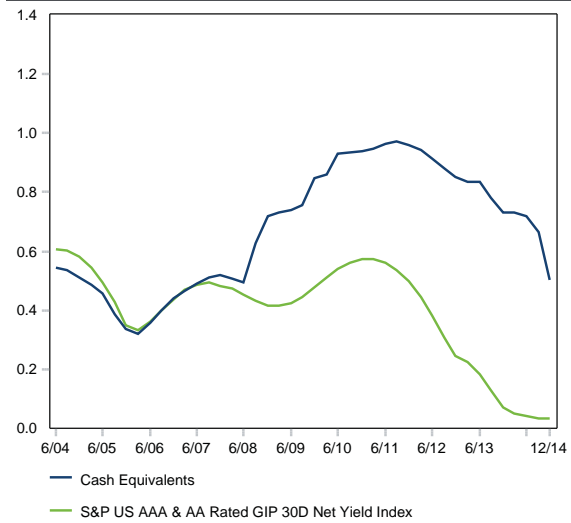
24



## Cash Equivalents Risk Profile

Annualized Return vs. Annualized Standard Deviation  
5 Years

Rolling 5 Years Standard Deviation



5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Cash Equivalents	0.62	0.49	1.25	0.09	1.40	0.06	4.88	0.76	0.50	0.31
S&P US AAA & AA Rated GIP 30D Net Yield Index	0.00	0.00	N/A	1.00	2.84	0.00	1.00	0.14	0.03	1.00
Citigroup 3 Month T-Bill	-0.08	0.03	-2.84	0.22	N/A	0.03	0.24	0.07	0.02	0.47



## Appendix

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As of December 31, 2014

**Benchmark Descriptions****LCEF Total Fund**

Total Endowment Target - A weighted blend of the individual asset class target benchmarks.

**Total Global Equity**

MSCI ACWI IMI ex-Tobacco - From 7/1/2014 forward, a custom version of the MSCI ACWI IMI excluding tobacco-related companies. From 10/1/2013 to 6/30/2014, a custom version of the MSCI ACWI IMI adjusted to reflect a 55% fixed weight in the MSCI USA IMI and a 45% fixed weight in the MSCI ACWI ex-USA IMI, and excluding certain equities of tobacco-related companies. From 9/1/2012 to 9/30/2013, a custom version of the MSCI ACWI IMI excluding tobacco-related companies. Prior to 9/1/2012, the benchmark is a weighted average of both the Domestic Equities and Foreign Equities historical benchmarks.

**Total Domestic Equities**

Russell 3000 Index ex-Tobacco - Prior to 9/1/2012, an index that measures the performance of the 3,000 stocks that make up the Russell 1000 and Russell 2000 Indices, while excluding tobacco companies.

**Total Foreign Equities**

MSCI ACWI ex-US IMI ex-Tobacco - Prior to 9/1/2012, a capitalization-weighted index representing 44 countries, but excluding the United States. The index includes 23 developed and 21 emerging market countries, and excludes tobacco companies.

**Total Fixed Income**

Barclays Aggregate Bond Index - A market value-weighted index consisting of the Barclays Credit, Government, and Mortgage-Backed Securities Indices. The index also includes credit card, auto, and home equity loan-backed securities. This index is the broadest available measure of the aggregate investment grade U.S. fixed income market.

**Total TIPS**

Barclays U.S. TIPS - A market value-weighted index consisting of U.S. Treasury Inflation-Protected Securities with one or more years remaining until maturity with total outstanding issue size of \$500 million or more.

**Total Cash Equivalents**

S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index - An unmanaged, net-of-fees, market index representative of the Local Government Investment Pool. On 10/1/2011, the S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index replaced the S&P U.S. AAA & AA Rated GIP 30-Day Gross Yield Index, which was previously used from 4/30/08 - 9/30/11. Prior to 4/30/08, it was the average 3-month T-bill rate.

As of December 31, 2014

## Universe Descriptions

### LCEF Total Fund

A universe comprised of 192 total endowment portfolio returns, net of fees, calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised \$235.7 billion as of quarter-end and the average market value was \$2.5 billion.

### Total Fixed Income

A universe comprised of 40 total fixed income portfolio returns, net of fees, of endowment plans calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised \$19.1 billion as of quarter-end and the average market value was \$238.5 million.

As of December 31, 2014

## Explanation of Exhibits

**Quarterly and Cumulative Excess Performance** - The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

**Risk-Return Graph** - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return trade-offs associated with market portfolios, or index funds.

**Ratio of Cumulative Wealth Graph** - An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

**Performance Comparison - Plan Sponsor Peer Group Analysis** - An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.



# Memo

**TO:** Ashbel C. Williams, Executive Director & CIO

**THRU:** Jack E. Nicholson, Chief Operating Officer, FHCF

**FROM:** Leonard E. Schulte, Director of Legal Analysis & Risk Evaluation, FHCF

**DATE:** March 16, 2015

**SUBJECT:** Trustees Meeting, March 24, 2015

Request approval of, and authority to file, a Notice of Proposed Rule for Rules 19-8.029, F.A.C., Insurer Reporting Requirements and 19-8.030, F.A.C., Insurer Responsibilities, and to file these rules along with the incorporated forms for adoption if no member of the public timely requests a rule hearing or if a hearing is requested and no changes are needed.

Request approval of a Resolution which delegates to the Executive Director the authority to consider, negotiate and execute certain risk transfer arrangements and authorizes and directs the State Board of Administration Finance Corporation to issue pre-event bonds or notes.

---

## **ITEM 6. SUMMARY AND REASONS FOR RULE CHANGES:**

### *1. Insurer Reporting Requirements (Rule 19-8.029, F.A.C.)*

This rule is being amended to adopt insurer data reporting requirements applicable to the 2015-2016 FHCF Contract Year, including the 2015 Data Call.

### *2. Insurer Responsibilities (Rule 19-8.030, F.A.C.)*

This rule is being amended to adopt insurer loss reporting, exposure reporting, and examination requirements applicable to the 2015-2016 FHCF Contract Year.

## **SUMMARY OF INCORPORATED CHANGES:**

### *1. Insurer Reporting Requirements (Rule 19-8.029, F.A.C.)*

This rule adopts insurer data reporting requirements applicable to the 2015-2016 FHCF Contract Year, including the 2015 Data Call (Form FHCF-D1A).

In addition to nonsubstantive editorial changes, the 2015 Data Call includes a new requirement for reporting of the street address of covered property, technical changes and clarifications relating to the ongoing implementation of FHCF *WIRE*, the system for online reporting of exposure data. The Data Call also revises the process by which an insurer obtains advance approval to use construction codes and definitions that differ from the FHCF's construction codes and definitions.

Additional detail is provided in the attached Summary of Changes.

## 2. Insurer Responsibilities (Rule 19-8.030, F.A.C.)

In addition to nonsubstantive editorial changes, pre-examination and post-examination requirements for insurers are revised to require submission of certain information through the FHCF *WIRE* online reporting engine and to conform the rule to other FHCF rules applicable to the 2015-2016 Contract Year.

Additional detail is provided in the attached Summary of Changes.

**EXTERNAL INTEREST:** A rule development workshop was held on February 5, 2015. Representatives of the FHCF attended and presented the rule and incorporated forms. The notice of rule development was published in the *Florida Administrative Register* on January 22, 2015, Vol. 41, No. 14. The rules were presented, discussed, and approved by the FHCF Advisory Council at a public meeting on February 5, 2015.

**ACTION REQUESTED:** It is requested that these proposed rule amendments be presented to the Cabinet Aides on March 18, 2015, and to the State Board of Administration Trustees on March 24, 2015, with a request for approval of and authority to file a Notice of Proposed Rule and to approve filing for adoption with the Department of State if no member of the public timely requests a rule hearing or if a rule hearing is requested but no changes to the rules are necessary. A notice of the meeting of the Board was published in the *Florida Administrative Register* on March 11, 2015, Vol. 41, No. 48.

## **ITEM 7. SUMMARY AND REASONS FOR ACTION:**

The proposed resolution would authorize certain risk transfer arrangements and financing for the Florida Hurricane Catastrophe Fund, as authorized by paragraph 215.555(7)(a), Florida Statutes, in any amounts up to a combined total of \$2.2 billion.

The proposed resolution would delegate to the Executive Director the authority to consider, negotiate, and execute risk-transfer arrangements in any amounts up to but not exceeding \$2.2 billion on behalf of the Board as governing body of the Florida Hurricane Catastrophe Fund.

The proposed resolution would also authorize and direct the State Board of Administration Finance Corporation to issue pre-event bonds or notes in a principal amount up to, but not to exceed, \$2.2 billion, such that the total amount of risk transfer and bonds or notes in the aggregate does not exceed a combined maximum of \$2.2 billion.

Expanding the Florida Hurricane Catastrophe Fund's liquidity program will help reduce potential post-event market access risk and maximize the ability of the Fund to meet future obligations as



authorized in subparagraph 215.555(6)(a)1., Florida Statutes. This objective will be accomplished by (1) implementing a pre-event financing through the issuance of notes/bonds which can best manage the FHCF market access risks and be obtained at a cost-effective interest rate, and/or (2) executing a risk transfer arrangement that can provide timely cash resources which will reduce the amount of potential post-event bonding, and eliminate the related cost of emergency assessments for policyholders.

**ACTION REQUESTED:** It is requested that the proposed resolution be presented to the Cabinet Aides on March 18, 2015, and to the State Board of Administration Trustees on March 24, 2015, with a request for adoption. A notice of the meeting of the Board will be published in the *Florida Administrative Register*.

**ATTACHMENTS TO BE INCLUDED WITH THE SBA AGENDA ITEM 6:**

- Summary of Changes
- Notice of Proposed Rule
- Notice of Meeting of Board as filed in the *Florida Administrative Register*
- Rule 19-8.029, F.A.C., Insurer Reporting Requirements
- 2015 Incorporated Forms: FHCF-D1A, “Florida Hurricane Catastrophe Fund 2015 Data Call” rev. XX/15; FHCF-L1A, “Contract Year 2015 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF)” rev. XX/15; Form FHCF-L1B, “Contract Year 2015 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF)” rev. XX/15; FHCF-DCL, “Florida Hurricane Catastrophe Fund Contract Year 2015 Detailed Claims Listing Instructions” rev. XX/15; FHCF C-1, “Florida Hurricane Catastrophe Fund Company Contact Information” rev. XX/15.
- Rule 19-8.030, F.A.C., Insurer Responsibilities
- 2015 Incorporated Forms: FHCF-EAP1, “Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination—Contract Year 2015 Advance Preparation Instructions” rev. XX/15, FHCF-LAP1, “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination—Contract Year 2015 Advance Preparation Instructions” rev. XX/15.

The rule shows the proposed amendments with new language underscored and deleted language ~~stricken through~~.

**ATTACHMENTS TO BE INCLUDED WITH THE SBA AGENDA ITEM 7:**

- Proposed resolution of the State Board of Administration delegating authority to the Executive Director as described above and authorizing and directing the SBA Finance Corporation to issue pre-event bonds or notes.

**Rule 19-8.029, F.A.C., and Incorporated Forms**  
**2015-2016 Contract Year**  
**Summary of Changes as of February 4, 2015**

**Rule**

**19-8.029, Insurer Reporting Requirements**

(2)(a) The definition of Citizens Property Insurance Corporation is revised to specify that the term refers to two accounts (the Coastal Account and the PLA/CLA account), and that each of these accounts is to be treated as if it were a separate participating insurer. These changes make the definition consistent with the definition used in the Reimbursement Contract under Rule 19-8.010.

(2)(c) Editorial change: The time references in the definition of contract year are clarified.

New paragraph (2)(k) is added to provide a definition of “*WIRE*.” *WIRE* is the Web Insurer Reporting Engine used for the reporting of insurer exposure data.

(3)(a) Editorial change: The current requirement for online data reporting is clarified by the addition of a requirement that *WIRE* be used for such reporting. This change reflects current practice.

(3)(d), relating to deadlines for online data reporting, is amended to require an electronic sign-off by two officers for each *WIRE* submission. This change reflects current practice.

Existing (4)(a), relating to the Data Call for the 2010-2011 Contract Year, is deleted as obsolete material, and existing (4)(b) through (4)(e) are redesignated as (4)(a) through (4)(d), respectively.

New (4)(e) is added to adopt the Data Call for the 2015-2016 Contract Year, Form FHCF-D1A rev. XX/15.

(5)(a) and (b) are amended to delete a cross-reference to subsection (8), relating to how to obtain a copy of the forms for the Interim Loss Report and the Proof of Loss Report.

(5)(b) is amended to delete an obsolete reference to the hard-copy Proof of Loss Report.

Existing (6)(a) and (b), relating to various loss reporting forms for the 2005-2006 and 2013-2014 Contract Years are deleted as obsolete material, existing (6)(c) is renumbered as (6)(a), and a

new (6)(b) is added to adopt the Interim Loss Report, Proof of Loss Report, and Detailed Claims Listing Instructions for the 2015-2016 Contract Year.

## **Incorporated Forms**

### **FHCF-D1A rev. XX/15, Florida Hurricane Catastrophe Fund 2015 Data Call**

In addition to updating references to apply to the 2015 Contract Year, the 2015 Data Call includes the following changes:

- **Important Changes in the 2015 Data Call.** This section summarizes the two substantive changes in the 2015 Data Call: the addition of a Construction Mapping Worksheet to facilitate a participating insurer's ability to submit its proposed construction code mapping for review prior to submitting the Data Call; and the addition of fields for the reporting of the street addresses of properties insured under covered policies.
- **FHCF WIRE (Web Insurer Reporting Engine).** This new paragraph summarizes the requirement that all Data Call submissions be made using *WIRE*, including requirements relating to *WIRE* accounts and account managers, registered users, and officers. This paragraph incorporates the provisions of former paragraph 2 of "Steps for Completing the Data Call," which is deleted.
- **Steps for Completing the Data Call.**
  - A new paragraph 1 is added to include the suggestion that a company's *WIRE* users verify their access well in advance of submitting the Data Call, and to include a telephone number for assistance.
  - Existing paragraph 2, the substance of which was moved to "FHCF *WIRE* (Web Insurer Reporting Engine)" is deleted.
  - Paragraph 3 is amended to clarify requirements relating to the validation tests that must be passed before submitting the Data Call.
  - A footnote to paragraph 6 is amended to delete the request that a company use one individual to coordinate, compile, and submit its data. This is now obsolete with the implementation of *WIRE*.
- **General Data Call Issues.**
  - This section was amended to include an email address to reach Paragon for assistance with the Data Call.
- **File Layout and Description of Data Fields.**
  - This section is revised to add two new fields: Field 13 for the street name and number of an insured property and Field 14 for secondary address information, if any.
  - The description of Field 3, Construction Type, is revised to incorporate the new Construction Mapping Worksheet. The worksheet must be submitted to and approved by the FHCF Administrator before a company can use construction codes and definitions that differ from the FHCF's construction codes and definitions. Where no construction information is captured, construction code 11

- is to be used in all cases except for mobile homes, which use construction code 25. References to “default” construction codes 12 and 26 are deleted.
- The description of Field 4, Deductible Group, includes several non-substantive edits.
- The description of Field 20, Citizens Policy Number, is amended to include reporting instructions for companies that did not assume any policies from Citizens.
- Reimbursement Contract Definitions and Exclusions. The sections of the Data Call that reprint selected definitions and exclusions as used in the Reimbursement Contract is updated to reflect the language of the 2015-2016 Reimbursement Contract.
- Reporting Clarifications. An existing sentence in item 3 of Commercial-Habitational Clarifications relating to exposures in different ZIP Codes is relocated for clarity.
- Citizens Property Insurance Corporation Takeouts Pursuant to Assumption Agreements. In addition to several non-substantive editorial changes, language is added to clarify that the Citizens exposure reports include assumed policies for which the policyholder opted out of the assumption on or before June 30, 2015 and which were not assumed by another company prior to that date.
- FHCF Construction Codes. Default construction codes are deleted.
- Construction Mapping Worksheet. The Worksheet is provided to facilitate a participating insurer’s ability to submit its proposed construction code mapping for review and approval before submitting the Data Call. The Worksheet requires the insurer to specify whether it captures the number of stories of multi-story buildings, provide construction types and definitions from its underwriting manual, and the FHCF code proposed for each classification.
- Supplemental Instruction Sheet for New Participants. Language is added applying the section on Citizens Property Insurance Corporation Takeouts Pursuant to Assumption Agreements to new participants that were participating in an assumption agreement with Citizens from June 1, 2015 through November 30, 2015, but with an “as-of” date of November 30, 2015 rather than June 30, 2015.

#### **FORM FHCF-LIA rev. XX/15, Contract Year 2015 Interim Loss Report**

References are updated to apply to the 2015 Contract Year.

#### **FORM FHCF-L1B rev. XX/15, Contract Year 2015 Proof of Loss Report**

References are updated to apply to the 2015 Contract Year.

#### **FORM FHCF-DCL rev. XX/15, Contract Year 2015 Detailed Claims Listing Instructions**

References are updated to apply to the 2015 Contract Year.

**Rule 19-8.030, F.A.C., and Incorporated Forms**  
**2015-2016 Contract Year**  
**Summary of Changes as of February 20, 2015**

**Rule**

**19-8.030, Insurer Responsibilities**

(3)(d) The definition of Citizens Property Insurance Corporation is revised to specify that the term refers to two accounts (the Coastal Account and the PLA/CLA account), and that each of these accounts is to be treated as if it were a separate participating insurer. These changes make the definition consistent with the definition used in the Reimbursement Contract under Rule 19-8.010.

(3)(e) Editorial change: The time references in the definition of contract year are clarified.

(3)(q) Editorial change: Corrects a statutory cross-reference.

New paragraph (3)(r) is added to provide a definition of “*WIRE*.” *WIRE* is the Web Insurer Reporting Engine used for the reporting of insurer exposure data.

(4)(a) Editorial change: Clarifies references to 2010-2011 and 2011-2012 Contract Years.

(4)(c) Editorial change: Clarifies a reference to certain New Participants.

(5)(a) Editorial change: Corrects a statutory cross-reference.

(5)(b) This paragraph is amended to clarify that the Data Call must be submitted online using *WIRE*.

(5)(c) Editorial change: Clarifies references to 2012-2013 and 2013-2014 Contract Years.

(5)(d) This paragraph is amended to require that resubmissions for the 2013-2014 Contract Year and earlier Contract Years be submitted manually to the FHCF Administrator in accordance with the Data Call for the applicable Contract Year, and that resubmissions for the 2014-2015 Contract Year and subsequent Contract Years be submitted online using *WIRE*.

(6) Editorial change: The term “FHCF” is inserted and “Fund” deleted.

(7)(a) Editorial change: Corrects a statutory cross-reference.

Existing (7)(d), relating to reimbursement premium due from a company that is in receivership, rehabilitation, or regulatory supervision is deleted as duplicative of other material. The applicable requirements are specified in Article X, paragraph (2)(b) of the Reimbursement Contract adopted under Rule 19-8.010.

Existing (8)(a) Subparagraphs 1, 2, and 3, relating to exposure examination instructions and loss reimbursement examination instructions for Contract Years 2005-2006, 2009-2010, and 2010-2011, are deleted as obsolete material and subsequent subparagraphs are renumbered. New subparagraph 5, adopting the exposure examination instructions and loss reimbursement examination instructions for Contract Year 2015-2016 is added.

(8)(c) and (d), relating to responses to FHCF examination reports, are amended to authorize, rather than require, the FHCF to grant the company a 30-day extension upon an appropriate showing.

(9)(a) Editorial change: Clarifies a reference to resubmission of data.

### **Incorporated Forms**

#### **FORM FHCF-EAP1 rev. XX/15, Exposure Examination—Contract Year 2015 Advance Preparation Instructions**

References are changed throughout to apply to the 2015-2016 Contract Year and to reflect the ongoing implementation of the FHCF *WIRE* online exposure reporting system.

Advance Records. The records that a company is to submit in advance of the examiner's on-site review must be submitted through *WIRE*, rather than by CD-ROM. In addition to editorial changes, the records checklist requirement is revised to delete the reference to hard copy Examination Reports. In addition, paragraph 2 is revised to require the Operations Questionnaire be submitted as an Excel file. Paragraph 3 is revised to reference the Construction Mapping Worksheet in the 2015 Data Call and specify what must be submitted as part of the advance records. Paragraph 4 is amended to require that the Forms and Endorsements listing be provided in an Excel file. Existing paragraph 6 is deleted as obsolete material. Renumbered paragraph 6 is revised to require the Direct Written Premium Report in a pipe delimited file. New paragraph 7 is added to require the advance records to include a copy of the company's underwriting manual and rating manual (currently, this is required to be provided on-site rather than in advance).

On-site Requirements. Editorial changes for clarity.

Additional On-site Requirements. The requirement that a copy of the company's underwriting manual and rating manual be provided on-site is deleted (this material must now be provided as part of the advance records).

Post-exam Requirements. This paragraph is added to provide that the examiner or the FHCF may request additional information or documentation after completion of the on-site review.

Special Exams Related to Citizens Property Insurance Corporation. Editorial changes for clarity.

**FORM FHCF-LAP1 rev. XX/15, Loss Reimbursement Examination—Contract Year 2015  
Advance Preparation Instructions**

References are changed throughout to apply to the 2015-2016 Contract Year.

Advance Records. Adds a requirement that the company submit the Records Checklist and Operations Questionnaire in the file format and file type in which it was sent to the company.

Required Records Checklist. In addition to non-substantive editorial changes, this paragraph provides for designation of a company's claims contact and actuarial contact.

## Notice of Proposed Rule

### STATE BOARD OF ADMINISTRATION

RULE NO.: RULE TITLE:

[19-8.029](#): Insurer Reporting Requirements

[19-8.030](#): Insurer Responsibilities

PURPOSE AND EFFECT: The State Board of Administration, Florida Hurricane Catastrophe Fund, seeks to amend the rules listed above to implement Section 215.555, Florida Statutes.

SUMMARY: Rule 19-8.029, F.A.C., relates to insurer reporting requirements. The proposed amendments adopt the Data Call and other applicable reporting requirements for the 2015-2016 contract year. Rule 19-8.030, F.A.C., specifies insurer loss reporting, exposure reporting, and examination requirements. The proposed amendments adopt the examination instruction forms applicable to the 2015-2016 contract year.

#### SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has not been prepared by the Agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: Upon review of the proposed changes to these two rules and the incorporated forms, the State Board of Administration of Florida has determined that neither rule meets the requirements for ratification by the legislature. The changes to these rules do not have an adverse impact on small business and do not directly or indirectly increase regulatory costs in excess of \$200,000 in the aggregate within 1 year of implementation. The changes to these rules also do not directly or indirectly have an adverse impact on economic growth, private sector job creation or employment, or private sector investment, business competitiveness or innovation or increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of either rule.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: [215.555\(3\)](#), F.S.

LAW IMPLEMENTED: [215.555\(2\)](#), (3), (4), (5), (6), (7), (10), F.S.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE, TIME AND PLACE SHOWN BELOW:

DATE AND TIME: April 17, 2015, 9:00 a.m. (ET) to 11:00 a.m. (ET).

PLACE: Room 116 (Hermitage Conference Room), 1801 Hermitage Blvd., Tallahassee, Florida 32308.

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 7 days before the workshop/meeting by contacting: Leonard E. Schulte, Florida Hurricane Catastrophe Fund, 1801 Hermitage Boulevard, Tallahassee, FL 32308, (850) 413-1335, [leonard.schulte@sbafla.com](mailto:leonard.schulte@sbafla.com). If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Leonard Schulte at the number or email listed above.

THE FULL TEXT OF THE PROPOSED RULE IS:



### **19-8.029 Insurer Reporting Requirements.**

(1), no changes.

(2) Definitions. The terms defined below will be capitalized in this rule.

(a) Citizens Property Insurance Corporation or Citizens means the entity formed under Section 627.351(6), F.S., and refers to two accounts, includes both the cCoastal aAccount and the pPersonal lLines and cCommercial lLines aAccounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, reimbursement premium, retention, and ultimate net loss.

(2)(b), no changes.

(c) Contract Year means the time period which begins at 12:00:01 a.m., Eastern Time, on June 1 of each calendar year and ends at 12:00 ~~p.m.~~ midnight, Eastern Time, on May 31 of the following calendar year.

(2)(d) through (2)(j), no changes.

(k) WIRE means the Web Insurer Reporting Engine which is the secure web-based system used for the reporting of insurer exposure data under the Data Call beginning with the 2014/2015 Contract Year.

(3) Reporting of Insurer Exposure Data.

(a) No later than September 1 of each Contract Year, authorized insurers and Citizens pursuant to Sections 215.555(5) and 627.351(6), F.S., shall report, online using WIRE, insured values reflecting wind exposure under Covered Policies by zip code and other relevant factors required to reflect each insurer's relative exposure to hurricane loss, valued as of June 30 of the current Contract Year, as required under the Data Call. Such other relevant factors shall be determined by the Independent Consultant consistent with principles of actuarial science and in conjunction with the development of the premium formula.

(3)(b) through (3)(c), no changes.

(d) Online reporting, using WIRE, is due by September 1 (or by the alternative date applicable to New Participants as outlined in subsection (4) below); this means that the report shall be received by the Board no later than 4:00 p.m., Eastern Time, on September 1. If September 1 is a Saturday, Sunday or legal holiday, then the applicable due date will be the day immediately following September 1 which is not a Saturday, Sunday or legal holiday. Reports sent to the FHCF Administrator in Minneapolis, Minnesota, will be returned to the sender. Submissions in WIRE must be electronically signed off on Reports not in the possession of the Board by 4:00 p.m., Eastern Time, on the applicable due date by two officers registered in the system or the submission will be late.

(4) Data Call Forms.

~~(a) For the 2010/2011 Contract Year, the reporting shall be in accordance with Form FHCF D1A, "Florida Hurricane Catastrophe Fund 2010 Data Call," rev. 05/10, hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A New Participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.~~

~~(a)(b)~~ For the 2011/2012 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2011 Data Call," rev. 01/11, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00413> hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A New Participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.

~~(b)~~(e) For the 2012/2013 Contract Year, the reporting shall be in accordance with [Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2012 Data Call," rev. 01/12, http://www.flrules.org/gateway/reference.asp?No=Ref-01193](http://www.flrules.org/gateway/reference.asp?No=Ref-01193) hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A new participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator. For the 2012/2013 Contract Year, a New Participant had the option of reporting its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year.

~~(c)~~(d) For the 2013/2014 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2013 Data Call," rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02333>, hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A New Participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year to the Administrator.

~~(d)~~(e) For the 2014/2015 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2014 Data Call," rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03967>, hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A New Participant writing Covered Policies on or after June 1 but prior to December 1, shall report its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year.

(e) For the 2015/2016 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2015 Data Call," rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>, hereby adopted and incorporated by reference into this rule. A New Participant writing Covered Policies on or after June 1 but prior to December 1, shall report its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year.

(5) Loss Reimbursement Reporting Requirements.

(a) As directed by the Board, after a covered event occurs, insurers shall report all their estimated ultimate net losses (as defined in the Reimbursement Contract, adopted and incorporated into Rule 19-8.010, F.A.C.) for Covered Policies on the Form FHCF-L1A, "Florida Hurricane Catastrophe Fund Interim Loss Report," for the applicable Contract Year, as specified in subsection (6) herein, in no less than fourteen days from the date of the notice from the Board that such a report is required. The Board may request subsequent Interim Loss Reports. ~~To obtain copies of this form, see subsection (8), below.~~ Prompt reporting in the format requested will aid the Board in determining whether to seek additional sources of funds to pay for reimbursable losses. The losses reported on the Interim Loss Report are expected to result from a good faith effort, using best business practices for the insurance industry, on the part of the insurer to report as accurately as possible. Preliminary reports will not be binding. Reimbursements by the Fund will be made on the basis of the Proof of Loss Report, adopted in subsection (6) below.

(b) Insurers shall report their ultimate net losses for each loss occurrence on the Form FHCF-L1B, "Florida Hurricane Catastrophe Fund Proof of Loss Report," for the applicable Contract Year, as specified in subsection (6) herein. ~~To obtain copies of this form, see subsection (8), below.~~ While a Company may submit a Proof of Loss Report requesting reimbursement at any time following a loss occurrence, all Companies shall submit a mandatory Proof of Loss Report for each loss occurrence no earlier than December 1 and no later than December 31 of the Contract Year during which the Covered Event(s) occurs using the most current data available, regardless of the amount of Ultimate Net Loss or the amount of loss reimbursements or advances already received. After the mandatory December Proof of Loss Report, quarterly Proof of Loss Reports are required as outlined below. For purposes of this rule, quarterly Proof of Loss Reports shall be those reports submitted at each quarter end date after December 31 of the Contract Year in which the loss occurrence occurs and continuing until all claims and losses resulting from loss occurrences commencing during the Contract Year are fully discharged, including any adjustments to such losses due to salvage or other recoveries, in accordance with the reporting requirements in this

paragraph. "Fully Discharged" means the earlier of the date on which the insurer has paid its policyholders in full or the commutation clause, in Article X of the Reimbursement Contract takes effect. For the quarterly report due on March 31, any insurer whose losses exceed 50% of its FHCF retention for a specific loss occurrence shall submit a Proof of Loss Report for that loss occurrence. For the quarterly report due on June 30, any insurer whose losses exceed 75% of its FHCF retention for a specific loss occurrence shall submit a Proof of Loss Report for that loss occurrence. For the quarterly reports due on September 30 and thereafter, any insurer which anticipates that its losses will exceed its FHCF retention for a specific loss occurrence shall submit quarterly Proof of Loss Reports until all its losses are paid to its policyholders and the insurer has received reimbursement from the Fund. Annually, all Companies shall submit a mandatory year-end Proof of Loss Report for each loss occurrence, using the most current data available. This Proof of Loss Report shall be filed no earlier than December 1 and no later than December 31 of each year and shall continue until the earlier of the expiration of the Commutation Period or until all claims and losses resulting from the loss occurrence are fully discharged including any adjustments to such losses due to salvage or other recoveries.

(5)(c), no changes.

(d) When required, Companies must submit a Detailed Claims Listing to support the losses reported in the FHCF-L1A, Interim Loss Report (excluding incurred but not reported losses) and the FHCF-L1B, Proof of Loss Report. The requirements and instructions for the Detailed Claims Listing are outlined in Form FHCF-DCL, "Detailed Claims Listing Instructions," for the applicable Contract Year, as specified in subsection (6) herein. The Detailed Claims Listing, when required, must be uploaded through the FHCF Online Claims System (available at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) under Insurer Information, Online Claims,) at the same time as the Company's Proof of Loss Report submission. A Detailed Claims Listing is required:

5(d)1. through 5(e), no changes.

(6) Loss Reporting Forms.

~~(a) For the 2005/2006 and earlier Contract Years the applicable Interim Loss Report is that form that was in effect for the Contract Year as reflected by the revision date on the form. For example, the applicable Interim Loss Report for the Contract Year 2004-2005 is the FHCF L1A, with the revision date of 05/04.~~

~~(b) For the 2013/2014 Contract Year, the applicable Interim Loss Report is the "Contract Year 2013 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF L1A, rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02334>, which is hereby adopted and incorporated by reference into this rule. The applicable Proof of Loss Report is the "Contract Year 2013 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF L1B, rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02335>, which is hereby adopted and incorporated by reference into this rule. The applicable Detailed Claims Listing Instructions is the "Contract Year 2013 Detailed Claims Listing Instructions," FHCF DCL, 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02338>, which is hereby adopted and incorporated by reference into this rule.~~

~~(a)(e)~~ For the 2014/2015 Contract Year, the applicable Interim Loss Report is the "Contract Year 2014 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF-L1A, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03971>, which is hereby adopted and incorporated by reference into this rule. The applicable Proof of Loss Report is the "Contract Year 2014 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF-L1B, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03969>, which is hereby adopted and incorporated by reference into this rule. The applicable Detailed Claims Listing Instructions is the "Contract Year 2014 Detailed Claims Listing Instructions," FHCF-DCL, 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03968>, which is hereby adopted and incorporated by reference into this rule.

(b) For the 2015/2016 Contract Year, the applicable Interim Loss Report is the “Contract Year 2015 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF),” FHCF-L1A, rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXXX>, which is hereby adopted and incorporated by reference into this rule. The applicable Proof of Loss Report is the “Contract Year 2015 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF),” FHCF-L1B, rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXXX>, which is hereby adopted and incorporated by reference into this rule. The applicable Detailed Claims Listing Instructions is the “Contract Year 2015 Detailed Claims Listing Instructions,” FHCF-DCL, XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXXX>, which is hereby adopted and incorporated by reference into this rule.

(7) Company Contact Information: Companies must submit Form FHCF C-1, Company Contact Information, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03974>, which is hereby adopted and incorporated by reference into this rule, by March 1 preceding each Contract Year. A New Participant must submit Form FHCF C-1 within 30 calendar days of writing its first Covered Policy. This form must be updated by the Company as the information provided thereon changes. The FHCF shall have the right to rely upon the information provided by the Company to the FHCF on this form until receipt by the FHCF of a new properly completed and notarized Form FHCF C-1 from the Company.

(8) All the forms adopted and incorporated by reference in this rule may be obtained from: Administrator, Florida Hurricane Catastrophe Fund, Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, MN 55437, or from the FHCF website at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

*Rulemaking Authority 215.555(3) FS. Law Implemented 215.555(2), (3), (4), (5), (6), (7), (15) FS. History—New 5-17-99, Amended 6-19-00, 6-3-01, 6-2-02, 11-12-02, 5-13-03, 5-19-04, 8-29-04, 5-29-05, 5-10-06, 5-8-07, 6-8-08, 3-30-09, 8-2-09, 3-29-10, 8-8-10, 7-20-11, 5-22-12, 3-17-13; 4-24-14, X-XX-15.*

### **19-8.030 Insurer Responsibilities.**

(1) through (3)(c), no changes.

(d) Citizens Property Insurance Corporation or Citizens means the entity formed under Section 627.351(6), F.S., and refers to two accounts, includes both the cCoastal aAccount and the pPersonal lLines and cCommercial lLines aAccounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, reimbursement premium, retention, and ultimate net loss.

(e) Contract Year means the time period which begins at 12:00:01 a.m., Eastern Time, on June 1 of each calendar year and ends at 12:00 ~~p.m.~~ midnight, Eastern Time, on May 31 of the following calendar year.

(3)(f) through (3)(p), no changes.

(q) Quota Share Primary Insurance Arrangement is defined in Section 627.351(6)(c)2.a.(H), F.S.

(r) WIRE means the Web Insurer Reporting Engine which is the secure web-based system used for the reporting of insurer exposure data under the Data Call beginning with the 2014/2015 Contract Year.

(4) Reimbursement Contract.

(a) Current Participants: The Reimbursement Contracts are annual contracts.

1. For the 2010/2011 Contract Year and earlier Contract Years, each Insurer required to participate in the FHCF must designate a coverage level in the annual Reimbursement Contract, make any required selections therein and execute the Reimbursement Contract and applicable Addenda so that the Contract, including the schedules and applicable Addenda, have been received by June 1 of each Contract Year.

2. For the 2011/2012 Contract Year and subsequent Contract Years, each Insurer required to participate in the FHCF must designate a coverage level in the annual Reimbursement Contract, make any required selections therein and execute the Reimbursement Contract and applicable Addenda so that the Contract, including the schedules and

applicable Addenda, have been received by March 1 prior to each Contract Year.

(4)(b), no changes.

(c) New Participants during the period of December 1 through May 31: Those Insurers that first begin writing Covered Policies from December 1 through May 31 of a Contract Year ~~are also considered, along with the Insurers described in paragraph (b) immediately above, as~~ New Participants. However, these Insurers shall not complete and submit the Data Call but shall meet all other requirements for New Participants.

(5) Exposure Reporting Requirements.

(a) Quota Share Primary Insurance: Citizens and Authorized Insurers may enter into Quota Share Primary Insurance Arrangements with respect to the Coastal Account policies. The statute also provides, in Section 627.351(6)(c)2, ~~f.a.(4)~~, F.S., that Citizens shall be responsible for the annual reporting of insured values to the FHCF for both Citizens and the Insurer participating with Citizens in the Quota Share Arrangement. Citizens shall report the insured values covered by the Quota Share Primary Insurance Arrangements in the same manner that all other current participants, as described in paragraph (b) below, report their insured values. Please note that both Citizens and the Quota Share Primary Insurer must keep complete and accurate records, including copies of policy declaration pages and supporting claims documents, for the purpose of exposure and loss reimbursement examinations by the FHCF.

(b) Current Participants: Each Insurer, with Covered Policies as of June 1 of a Contract Year must participate in the FHCF and must complete and submit the Data Call online using WIRE, correctly completed, no later than September 1 of the Contract Year.

(c) New Participants during the period of June 1 through November 30:

1. For the 2012/2013 Contract Year and earlier Contract Years, those Insurers that first begin writing Covered Policies from June 1 through November 30 of a Contract Year must complete and submit the Data Call, correctly completed, by March 1 of the Contract Year. For the 2012/2013 Contract Year, such an Insurer had the option of reporting its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year.

2. For the 2013/2014 Contract Year and subsequent Contract Years, Insurers that first begin writing Covered Policies from June 1 through November 30 of a Contract Year must correctly complete and submit the Data Call by February 1 of the Contract Year.

(d) Resubmissions of Data: With one exception noted below, any Insurer which submits a Data Call, with incorrect data, incomplete data, or data in the wrong format and is required to resubmit will be given 30 days from the date on the letter from the FHCF notifying the Insurer of the need to resubmit. An extension of 30 days will be granted if the Insurer can show that the need for the additional time is due to circumstances beyond the reasonable control of the Insurer. Exception: If the Insurer, at the time it receives notice of the need to resubmit, has already been issued a notice of examinations, the usual 30 day time limitation (measured from the date of the letter giving notice of the need to resubmit) does not apply. In this situation, the time period in which the Insurer must resubmit is measured by counting backwards 30 days from the date that the examinations are scheduled to begin as reflected on the notice of examinations letter. The FHCF needs the information prior to the examinations; thus, no extensions can be granted.

1. For the 2013/2014 Contract Year and earlier Contract Years, resubmissions must be submitted manually to the FHCF's Administrator in accordance with the specifications outlined in the Data Call for the applicable Contract Year.

2. For the 2014/2015 Contract Year and subsequent Contract Years, resubmissions must be submitted online using WIRE.

(6) Loss Reporting Requirements. Participating Insurers must report loss data in accordance with the requirements outlined in Article X of the Reimbursement Contract adopted by, and incorporated into, Rule 19-8.010, F.A.C., and outlined in Rule 19-8.029, F.A.C. Insurers are required to file Interim Loss Reports, Proof of Loss Reports, and Detailed Claims Listings through the FHCF Online Claims System available at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) under Insurer Information, Online Claims. These forms may be obtained from the FHCF's Fund's Administrator,



Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437.

(7) Premiums.

(a) Current Participants: Premium installments for Current Participants are due on August 1, October 1, and December 1. Premium adjustments are due as indicated on the invoice sent to the Insurer. Premiums paid to the FHCF with reference to property covered by Quota Share Primary Insurance Arrangements, as authorized and defined in Section 627.351(6)(c)2.a.(4), F.S., will be allocated by the FHCF between the Insurer and Citizens in accordance with the percentages specified in the Quota Share Primary Insurance Arrangement.

7(b) through 7(c), no changes.

~~(d) With respect to any Company where control of the Company has been transferred through any legal or regulatory proceeding to a state regulator or court appointed receiver or rehabilitator, or the Company has been placed under regulatory supervision, prior to December 1 of the Contract Year, the full annual provisional Reimbursement Premium as billed and any outstanding balances will be due on August 1, or the date that control is transferred if after August 1.~~

(8) Examination Requirements. A Company is required to retain its Data Call submission file in accordance with the specifications outlined in the Data Call instructions and a Detailed Claims Listing to support losses reported on the Proof of Loss Report, or on an Interim Loss Report if requested by the FHCF. Such records must be retained until the FHCF has completed its examination of a Company's exposure submission and any loss reports applicable to the Data Call Contract Year and commutation for the Contract Year (if applicable) has been concluded. Note that both Citizens and Insurers participating in Quota Share Primary Insurance Arrangements must keep complete and accurate records, including copies of policy declaration pages and supporting claims documents, for the purpose of exposure and loss reimbursement examinations by the FHCF.

(a) Advance Examination Record Requirements: Within 30 days from the date on the letter from the FHCF, Companies are required to provide the FHCF with the records indicated in the applicable Contract Year's "Exposure Examination Advance Preparation Instructions" or in the applicable Contract Year's "Loss Reimbursement Examination Advance Preparation Instructions". An extension of 30 days may be granted if the Insurer can show that the need for the additional time is due to circumstances beyond the reasonable control of the Insurer.

~~1. For the 2005/2006 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2005 Advance Preparation Instructions," FHCF AP1, rev. 5/05. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2005 Advance Preparation Instructions," FHCF LAP1, rev. 05/07.~~

~~2. For the 2009/2010 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2009 Advance Preparation Instructions," FHCF EAP1, rev. 05/09, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02310>. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2009 Advance Preparation Instructions," FHCF LAP1, rev. 05/09, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02312>.~~

~~3. For the 2010/2011 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2010 Advance Preparation Instructions," FHCF EAP1, rev. 05/10, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02311>. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2010 Advance Preparation Instructions," FHCF LAP1, rev. 05/10, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02313>.~~

~~1.4. For the 2011/2012 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2011 Advance Preparation Instructions," FHCF-EAP1, rev. 01/11, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00416>. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss~~

Reimbursement Examination – Contract Year 2011 Advance Preparation Instructions,” FHCF-LAP1, rev. 01/1, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00417>.

~~2.5.~~ For the 2012/2013 Contract Year, the applicable exposure examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2012 Advance Preparation Instructions,” FHCF-EAP1, rev. 01/12, <http://www.flrules.org/Gateway/reference.asp?No=Ref-01191>. The applicable loss examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2012 Advance Preparation Instructions,” FHCF-LAP1, rev. 01/12, <http://www.flrules.org/Gateway/reference.asp?No=Ref-01192>.

~~3.6.~~ For the 2013/2014 Contract Year, the applicable exposure examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2013 Advance Preparation Instructions,” FHCF-EAP1, rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02337>. The applicable loss examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2013 Advance Preparation Instructions,” FHCF-LAP1, rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02336>.

~~4.7.~~ For the 2014/2015 Contract Year, the applicable exposure examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2014 Advance Preparation Instructions,” FHCF-EAP1, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03973>. The applicable loss examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2014 Advance Preparation Instructions,” FHCF-LAP1, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03975>.

5. For the 2015/2016 Contract Year, the applicable exposure examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2015 Advance Preparation Instructions,” FHCF-EAP1, rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>. The applicable loss examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2015 Advance Preparation Instructions,” FHCF-LAP1, rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>.

~~6.8.~~ These forms are hereby adopted and incorporated by reference into this rule. Copies of these forms may be obtained from the FHCF website: [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) or by contacting the State Board of Administration. The mailing address is P. O. Box 13300, Tallahassee, Florida 32317-3300. The street address is 1801 Hermitage Blvd., Tallahassee, Florida 32308.

(b) On-site Examination Record Requirements: The FHCF-EAP1, “Exposure Examination Advance Preparation Instructions” and the FHCF-LAP1, “Loss Reimbursement Examination Advance Preparation Instructions” each contain a list of the information that the Companies must have available, on-site, on the date the exposure or loss examination is to begin. These records must be made available to the FHCF examiner upon request.

(c) Response to the FHCF Examination Report: Within 30 days from the date of the letter accompanying the examination report, a Company must provide a written response to the FHCF. The response must indicate whether the Company agrees with the recommendation of the examination report. If the Company disagrees with the examination findings, the reason for the disagreement will be outlined in the response and the Company will provide supporting information to support its objection. An extension of 30 days may ~~will~~ be granted if the Company can show that the need for additional time is due to circumstances beyond the reasonable control of the Company.

(d) Resubmissions as a Result of a Completed Examination: A Company required to resubmit exposure data as a result of the examination must do so within 30 days of the date on the letter from the FHCF notifying the Company of the need to resubmit. An extension of 30 days may ~~will~~ be granted if the Company can show that the need for additional time is due to circumstances beyond the reasonable control of the Company.

(9) Penalties and Additional Charges. The Participating Insurers’ responsibilities outlined in this rule are not an exhaustive list and Section 215.555, F.S., and other rules promulgated under that section may outline additional responsibilities or deadlines. The failure by a Participating Insurer to meet any of the deadlines or responsibilities outlined in this rule, Section 215.555, F.S., or any other rule applicable to the FHCF constitute a violation of the Florida Insurance Code. In the event of a violation, in addition to the consequences outlined below, the FHCF may

notify the Office of Insurance Regulation of the violation. The Office of Insurance Regulation may take whatever action it deems appropriate in addressing the violation.

(a) Resubmissions of Data: A \$1,000 resubmission fee (for resubmissions that are not the result of an examination by the SBA) will be invoiced by the FHCF for each ~~resubmissions~~ submission. If a resubmission is necessary as a result of an examination report issued by the SBA, the resubmission fee will be \$2,000. If a Company's examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be \$2,000.

(9)(b) through (10), no changes.

(11) Company Contact Information: Companies must submit Form FHCF\_-C-1, Company Contact Information, as adopted and incorporated into Rule 19-8.029, F.A.C., by March 1 preceding each Contract Year to the FHCF Administrator, Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437. A New Participant must submit Form FHCF\_-C-1 within 30 calendar days of writing its first Covered Policy. This form must be updated by the Company as the information provided thereon changes. The FHCF shall have the right to rely upon the information provided by the Company to the FHCF on this form until receipt by the FHCF of a new properly completed and notarized Form FHCF C-1 from the Company.

*Rulemaking Authority 215.555(3) FS. Law Implemented 215.555 FS. History--New 5-13-03, Amended 5-19-04, 5-29-05, 5-10-06, 5-8-07, 8-13-07, 6-8-08, 3-30-09, 3-29-10, 8-8-10, 7-20-11, 5-22-12, 3-17-13, 4-24-14, X-XX-15.*

NAME OF PERSON ORIGINATING PROPOSED RULE: Jack E. Nicholson, FHCF Chief Operating Officer, State Board of Administration of Florida.

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: The Trustees of the State Board of Administration of Florida.

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: March 24, 2015

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: January 22, 2015



## Notice of Meeting/Workshop Hearing

### **STATE BOARD OF ADMINISTRATION**

The Florida Hurricane Catastrophe Fund announces a public meeting to which all persons are invited.

DATE AND TIME: March 24, 2015, 9:00 a.m. (ET) to conclusion of the meeting.

PLACE: Cabinet Meeting Room, Lower Level, The Capitol, Tallahassee, Florida.

GENERAL SUBJECT MATTER TO BE CONSIDERED: This is a meeting of the Trustees of the State Board of Administration to authorize the Florida Hurricane Catastrophe Fund (the Fund) to file a Notice of Proposed Rule for two rules, Rule 19-8.029, F.A.C., Insurer Reporting Requirements, and Rule 19-8.030, F.A.C., Insurer Responsibilities, and to file these rules for adoption if no member of the public timely requests a rule hearing or if a rule hearing is requested but no Notice of Change is needed. The rules and incorporated forms are available on the Fund's website: [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf). The Trustees may also address other general business.

A copy of the agenda may be obtained by contacting: Not available.

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 7 hours before the workshop/meeting by contacting: Leonard E. Schulte, Florida Hurricane Catastrophe Fund, (850) 413-1335, [leonard.schulte@sbafla.com](mailto:leonard.schulte@sbafla.com). If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

**19-8.029 Insurer Reporting Requirements.**

(1) Purpose. The purpose of this rule is to incorporate and adopt the annual reporting of insured values and the Loss Reporting Forms, to provide the time and place for submission of this required information and to address confidentiality of information provided to the Florida Hurricane Catastrophe Fund.

(2) Definitions. The terms defined below will be capitalized in this rule.

(a) Citizens Property Insurance Corporation or Citizens means the entity formed under Section 627.351(6), F.S., and refers to two accounts, includes both the cCoastal aAccount and the pPersonal lLines and cCommercial lLines aAccounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, reimbursement premium, retention, and ultimate net loss.

(b) Commutation Period means that period of time which is not less than 36 months or more than 60 months after the end of the Contract Year during which the loss occurrence took place. The Reimbursement Contract, adopted and incorporated into Rule 19-8.010, F.A.C., may provide for voluntary commutation earlier than the 36 month period under certain circumstances.

(c) Contract Year means the time period which begins at 12:00:01 a.m., Eastern Time, on June 1 of each calendar year and ends at 12:00 ~~p.m.~~ midnight, Eastern Time, on May 31 of the following calendar year.

(d) Covered Policy is defined in Section 215.555(2)(c), F.S., and in the Reimbursement Contract adopted by and incorporated into Rule 19-8.010, F.A.C.

(e) Data Call or Florida Hurricane Catastrophe Fund Data Call means the annual reporting of insured values Form FHCF-D1A.

(f) FHCF or Fund means the Florida Hurricane Catastrophe Fund.

(g) Independent Consultant means the independent individual, firm, or organization with which the State Board of Administration of Florida (Board) contracts to prepare the premium formula and any other actuarial services for the FHCF, as determined under the contract with the consultant.

(h) Loss Reporting Forms mean the FHCF-L1A, FHCF-L1B, and FHCF-DCL.

(i) New Participants means insurers which are granted a certificate of authority by the Department of Financial Services after the beginning of the FHCF's Contract Year on June 1 and which write Covered Policies, or which already have a certificate of authority and begin writing Covered Policies on or after the beginning of the FHCF's Contract Year on June 1 and did not or were not required to enter into a contract on June 1 of the Contract Year. A Company that enters into an assumption agreement with Citizens that includes Covered Policies and is effective on or after June 1 and had written no other Covered Policies on or before June 1 is also considered a New Participant.

(j) Office of Insurance Regulation means that office within the Department of Financial Services and which was created in Section 20.121(3), F.S.

(k) WIRE means the Web Insurer Reporting Engine which is the secure web-based system used for the reporting of insurer exposure data under the Data Call beginning with the 2014/2015 Contract Year.

(3) Reporting of Insurer Exposure Data.

(a) No later than September 1 of each Contract Year, authorized insurers and Citizens pursuant to Sections 215.555(5) and 627.351(6), F.S., shall report, online using WIRE, insured values reflecting wind exposure under Covered Policies by zip code and other relevant factors required to reflect each insurer's relative exposure to hurricane loss, valued as of June 30 of the current Contract Year, as required under the Data Call. Such other relevant factors shall be determined by the Independent Consultant consistent with principles of actuarial science and in conjunction with the development of the premium formula.

(b) Confidentiality of reports containing insured values under Covered Policies. Section 215.557, F.S., enacted for the express purpose of protecting trade secret and proprietary information submitted to the FHCF by participating insurers, protects the confidentiality of information of the type submitted in the Data Call, examination workpapers, and examination reports. Such information is not subject to the provisions of Section 119.07(1), F.S., or Section 24(a), Article I of the Florida State Constitution. Confidential data and trade secrets reported to the FHCF are protected to the extent allowed by law.

(c) Reporting Regarding Insurers Withdrawing from the State or Discontinuing the Writing of All Kinds of Insurance Prior to June 30 of Each Year. Insurers which discontinue writing insurance in Florida and have no remaining Covered Policy exposure as of June 30 of each Contract Year are required to petition for exemption from the Fund pursuant to Rule 19-8.012, F.A.C. Insurers which withdraw from the Florida insurance market prior to June 30 and have no remaining Covered Policy exposure as of that date shall not participate in the Fund. The affected insurer shall provide written evidence obtained from the Office of Insurance Regulation that it has surrendered its certificate of authority and currently has no outstanding Covered Policies in force. Nothing in

this rule shall be construed to conflict with the requirements of Section 624.430(1), F.S.

(d) Online reporting, using WIRE, is due by September 1 (or by the alternative date applicable to New Participants as outlined in subsection (4) below); this means that the report shall be received by the Board no later than 4:00 p.m., Eastern Time, on September 1. If September 1 is a Saturday, Sunday or legal holiday, then the applicable due date will be the day immediately following September 1 which is not a Saturday, Sunday or legal holiday. Reports sent to the FHCF Administrator in Minneapolis, Minnesota, will be returned to the sender. Submissions in WIRE must be electronically signed off on. Reports not in the possession of the Board by 4:00 p.m., Eastern Time, on the applicable due date by two officers registered in the system or the submission will be ~~are~~ late.

(4) Data Call Forms.

~~(a) For the 2010/2011 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2010 Data Call," rev. 05/10, hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A New Participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.~~

~~(a)(b)~~ For the 2011/2012 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2011 Data Call," rev. 01/11, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00413> hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A New Participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator.

~~(b)(e)~~ For the 2012/2013 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2012 Data Call," rev. 01/12, <http://www.flrules.org/gateway/reference.asp?No=Ref-01193> hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A new participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of December 31 of the Contract Year on or before March 1 of the Contract Year, to the Administrator. For the 2012/2013 Contract Year, a New Participant had the option of reporting its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year.

~~(c)(d)~~ For the 2013/2014 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2013 Data Call," rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02333>, hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A New Participant writing covered policies on or after June 1 but prior to December 1, shall report its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year to the Administrator.

~~(d)(e)~~ For the 2014/2015 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2014 Data Call," rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03967>, hereby adopted and incorporated by reference into this rule. The form may be obtained from the Fund's Administrator at the address stated in subsection (8) below. A New Participant writing Covered Policies on or after June 1 but prior to December 1, shall report its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year.

(e) For the 2015/2016 Contract Year, the reporting shall be in accordance with Form FHCF-D1A, "Florida Hurricane Catastrophe Fund 2015 Data Call," rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>, hereby adopted and incorporated by reference into this rule. A New Participant writing Covered Policies on or after June 1 but prior to December 1, shall report its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year.

(5) Loss Reimbursement Reporting Requirements.

(a) As directed by the Board, after a covered event occurs, insurers shall report all their estimated ultimate net losses (as defined in the Reimbursement Contract, adopted and incorporated into Rule 19-8.010, F.A.C.) for Covered Policies on the Form FHCF-L1A, "Florida Hurricane Catastrophe Fund Interim Loss Report," for the applicable Contract Year, as specified in subsection (6) herein, in no less than fourteen days from the date of the notice from the Board that such a report is required. The Board may request subsequent Interim Loss Reports. ~~To obtain copies of this form, see subsection (8), below.~~ Prompt reporting in the format requested will aid the Board in determining whether to seek additional sources of funds to pay for reimbursable losses. The losses reported on the Interim Loss Report are expected to result from a good faith effort, using best business practices for the insurance industry, on the part of the insurer to report as accurately as possible. Preliminary reports will not be binding. Reimbursements by the Fund will be made on the basis of the Proof of Loss Report, adopted in subsection (6) below.

(b) Insurers shall report their ultimate net losses for each loss occurrence on the Form FHCF-L1B, "Florida Hurricane Catastrophe Fund Proof of Loss Report," for the applicable Contract Year, as specified in subsection (6) herein. ~~To obtain copies of this form, see subsection (8), below.~~ While a Company may submit a Proof of Loss Report requesting reimbursement at any time following a loss occurrence, all Companies shall submit a mandatory Proof of Loss Report for each loss occurrence no earlier than December 1 and no later than December 31 of the Contract Year during which the Covered Event(s) occurs using the most current data available, regardless of the amount of Ultimate Net Loss or the amount of loss reimbursements or advances already received. After the mandatory December Proof of Loss Report, quarterly Proof of Loss Reports are required as outlined below. For purposes of this rule, quarterly Proof of Loss Reports shall be those reports submitted at each quarter end date after December 31 of the Contract Year in which the loss occurrence occurs and continuing until all claims and losses resulting from loss occurrences commencing during the Contract Year are fully discharged, including any adjustments to such losses due to salvage or other recoveries, in accordance with the reporting requirements in this paragraph. "Fully Discharged" means the earlier of the date on which the insurer has paid its policyholders in full or the commutation clause, in Article X of the Reimbursement Contract takes effect. For the quarterly report due on March 31, any insurer whose losses exceed 50% of its FHCF retention for a specific loss occurrence shall submit a Proof of Loss Report for that loss occurrence. For the quarterly report due on June 30, any insurer whose losses exceed 75% of its FHCF retention for a specific loss occurrence shall submit a Proof of Loss Report for that loss occurrence. For the quarterly reports due on September 30 and thereafter, any insurer which anticipates that its losses will exceed its FHCF retention for a specific loss occurrence shall submit quarterly Proof of Loss Reports until all its losses are paid to its policyholders and the insurer has received reimbursement from the Fund. Annually, all Companies shall submit a mandatory year-end Proof of Loss Report for each loss occurrence, using the most current data available. This Proof of Loss Report shall be filed no earlier than December 1 and no later than December 31 of each year and shall continue until the earlier of the expiration of the Commutation Period or until all claims and losses resulting from the loss occurrence are fully discharged including any adjustments to such losses due to salvage or other recoveries.

(c) Companies must submit the FHCF-L1A, Interim Loss Report, and FHCF-L1B, Proof of Loss Report electronically using the FHCF Online Claims System (available at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) under Insurer Information, Online Claims). The Online Claims System will require an online signoff of one executive officer for an Interim Loss Report submission and two executive officers for a Proof of Loss Report submission. Officers performing the signoffs must be registered users. Advance registration is required to use the Online Claims System; instructions are included within the system.

(d) When required, Companies must submit a Detailed Claims Listing to support the losses reported in the FHCF-L1A, Interim Loss Report (excluding incurred but not reported losses) and the FHCF-L1B, Proof of Loss Report. The requirements and instructions for the Detailed Claims Listing are outlined in Form FHCF-DCL, "Detailed Claims Listing Instructions," for the applicable Contract Year, as specified in subsection (6) herein. The Detailed Claims Listing, when required, must be uploaded through the FHCF Online Claims System ([available at www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) under Insurer Information, Online Claims,) at the same time as the Company's Proof of Loss Report submission. A Detailed Claims Listing is required:

1. At the same time a Company submits its first Proof of Loss Report for a specific Covered Event that qualifies the Company for reimbursement under that Covered Event;
2. Annually with the mandatory year-end Proof of Loss Report as required in subparagraph (b) above;
3. Upon notice from the Board of an upcoming loss reimbursement examination (to accompany an updated Proof of Loss Report);
4. Upon request of the Board in support of any other filed Proof of Loss Report; and
5. Upon request of the Board in support of an Interim Loss Report.

(e) As a result of reports submitted on Form FHCF-L1B, reimbursements to insurers shall be adjusted in accordance with Section 215.555(4)(d)1., F.S., which requires the Fund to pay additional amounts to insurers and insurers to return overpayments to the Fund, based on the most recent calculation of losses.

**(6) Loss Reporting Forms.**

~~(a) For the 2005/2006 and earlier Contract Years the applicable Interim Loss Report is that form that was in effect for the Contract Year as reflected by the revision date on the form. For example, the applicable Interim Loss Report for the Contract Year 2004-2005 is the FHCF-L1A, with the revision date of 05/04.~~

~~(b) For the 2013/2014 Contract Year, the applicable Interim Loss Report is the "Contract Year 2013 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF)," FHCF-L1A, rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref>~~

~~02334, which is hereby adopted and incorporated by reference into this rule. The applicable Proof of Loss Report is the “Contract Year 2013 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF),” FHCF-L1B, rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02335>, which is hereby adopted and incorporated by reference into this rule. The applicable Detailed Claims Listing Instructions is the “Contract Year 2013 Detailed Claims Listing Instructions,” FHCF-DCL, 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02338>, which is hereby adopted and incorporated by reference into this rule.~~

(a)(e) For the 2014/2015 Contract Year, the applicable Interim Loss Report is the “Contract Year 2014 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF),” FHCF-L1A, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03971>, which is hereby adopted and incorporated by reference into this rule. The applicable Proof of Loss Report is the “Contract Year 2014 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF),” FHCF-L1B, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03969>, which is hereby adopted and incorporated by reference into this rule. The applicable Detailed Claims Listing Instructions is the “Contract Year 2014 Detailed Claims Listing Instructions,” FHCF-DCL, 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03968>, which is hereby adopted and incorporated by reference into this rule.

(b) For the 2015/2016 Contract Year, the applicable Interim Loss Report is the “Contract Year 2015 Interim Loss Report, Florida Hurricane Catastrophe Fund (FHCF),” FHCF-L1A, rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>, which is hereby adopted and incorporated by reference into this rule. The applicable Proof of Loss Report is the “Contract Year 2015 Proof of Loss Report, Florida Hurricane Catastrophe Fund (FHCF),” FHCF-L1B, rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>, which is hereby adopted and incorporated by reference into this rule. The applicable Detailed Claims Listing Instructions is the “Contract Year 2015 Detailed Claims Listing Instructions,” FHCF-DCL, XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>, which is hereby adopted and incorporated by reference into this rule.

(7) Company Contact Information: Companies must submit Form FHCF C-1, Company Contact Information, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03974>, which is hereby adopted and incorporated by reference into this rule, by March 1 preceding each Contract Year. A New Participant must submit Form FHCF C-1 within 30 calendar days of writing its first Covered Policy. This form must be updated by the Company as the information provided thereon changes. The FHCF shall have the right to rely upon the information provided by the Company to the FHCF on this form until receipt by the FHCF of a new properly completed and notarized Form FHCF C-1 from the Company.

(8) All the forms adopted and incorporated by reference in this rule may be obtained from: Administrator, Florida Hurricane Catastrophe Fund, Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, MN 55437, or from the FHCF website at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).

*Rulemaking Authority 215.555(3) FS. Law Implemented 215.555(2), (3), (4), (5), (6), (7), (15) FS. History—New 5-17-99, Amended 6-19-00, 6-3-01, 6-2-02, 11-12-02, 5-13-03, 5-19-04, 8-29-04, 5-29-05, 5-10-06, 5-8-07, 6-8-08, 3-30-09, 8-2-09, 3-29-10, 8-8-10, 7-20-11, 5-22-12, 3-17-13; 4-24-14, X-XX-15.*

# Florida Hurricane Catastrophe Fund

## 2014-2015 Data Call

### Instruction Sheet

Each authorized insurance company writing Covered Policies in the state of Florida is required to pay a reimbursement premium to the Florida Hurricane Catastrophe Fund (FHCF). This premium is based on the Reimbursement Premium Formula specifying the amount of premium to be paid for each \$1,000 of insured value for Covered Policies in each Florida ZIP Code by type of business, construction type, deductible group, Year Built, Structure Opening Protection, and Roof Shape code combinations.

In order to perform the calculation, each authorized insurance company must submit its total covered property exposure (wind/hurricane insurance in force) **by September 1, 2014-2015** for insured values under Covered Policies **as of June 30, 2014-2015**. Covered Policies are defined in subsection (10) of Article V of the FHCF Reimbursement Contract (see page 16 herein; a full copy of the Reimbursement Contract is available on-line at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) under “FHCF Rules”).

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**\*\* Important Changes in the 2014-2015 Data Call \*\***

1. The FHCF has required, on an annual basis, companies to submit a proposed construction code mapping to the FHCF Administrator, Paragon Strategic Solutions Inc., prior to their Data Call submissions if a company's construction definitions do not match those of the FHCF (see page 9). While this requirement has not changed, a Construction Mapping Worksheet has been added to the Data Call to facilitate this process. If your company's construction definitions do not match those of the FHCF, the Construction Mapping Worksheet on pages 30-31 must be submitted to, and approved by Paragon prior to your company's Data Call submission.
2. Two fields have been added for the reporting of the street address for the property insured under each Covered Policy (see page 14).

**\*\* FHCF WIRE (Web Insurer Reporting Engine) \*\***

All 2015 Data Call submissions are to be filed online using WIRE. Your company should have an existing WIRE account and a WIRE Account Manager who was registered by the FHCF upon designation by your company on its most recent Company Contact Information Form (Form FHCF C-1) submitted to Paragon Strategic Solutions Inc. Each company is allowed a maximum of five WIRE users to perform submission functions on behalf of the company. This number includes the Account Manager and at least two officers with the authority to certify and sign the submission statements. Your company's Account Manager can remove existing WIRE users and can register new users. Registered users can access the WIRE system at <https://www.sbafla.com/fhcfwire>. Additional information, including instructions and tutorials, are available in the system.

**\*\* Steps for Completing Data Call \*\***

1. Well in advance of preparing your company's Data Call submission, the FHCF suggests that your company's WIRE users verify that they can access the system. Users who experience difficulties may contact the State Board of Administration of Florida (SBA) at [wire@sbafla.com](mailto:wire@sbafla.com) or 850-413-1228.
- ~~1.~~2. Prior to making the actual Data Call submission in WIRE, request written approval from the Administrator for any proposed methodology required to be submitted in advance; specifically, a construction code mapping as described on page 9 and a proposed methodology for reporting single structures with a mix of exposure as described on pages 21-22. Also, request written approval from the Administrator for any reporting methodology not specifically outlined in the Data Call instructions. Any such requests will be initially reviewed for high-level reasonableness, followed by a detailed review during the FHCF's exposure reporting examination. Note that failure to request approval prior to the Data Call submission may result in FHCF opting to defer any review until the time of an exposure reporting examination. Written requests should be sent to the Administrator at the following address:

Kathy Mackenthun, CPCU, ARe  
Director – FHCF Administration  
Paragon Strategic Solutions Inc.  
8200 Tower  
5600 West 83<sup>rd</sup> Street, Suite 1100  
Minneapolis, MN 55437

OR

[FHCF-Administrator@aonbenfield.com](mailto:FHCF-Administrator@aonbenfield.com)

## Draft 1-28-2015

Note - page references will be updated once revision marks are accepted

~~2. Each company has a WIRE account. In order to access the WIRE validation and submission tools, your company must ensure a Data Call/WIRE Account Manager has been designated on the Company Contact Information Form (Form FHCF C-1) submitted to the Administrator annually. Once registered, the Account Manager can log in and register a maximum of four additional WIRE users to perform submission functions on behalf of your company, which must include at least two company officers with authority to certify and sign the submission statements. To access the WIRE system for more information, go to [www.sbafla.com/thefwire](http://www.sbafla.com/thefwire).~~

3. A Data Call file must pass WIRE ~~preliminary~~ validation tests before it can be submitted. Your company may upload a Data Call file to WIRE for validation beginning July 1<sup>st</sup>. After the file is uploaded, the system performs the validation tests and sends the results via email. The email will include a summary of any errors and/or warnings of potential errors noted in the file. If the file passes validation, ~~then~~ it can be confirmed for submission or deleted and uploaded again later. If the file fails validation, it ~~is will be~~ automatically deleted from the system and ~~an email including a summary of errors which your company must correct before uploading the file again will be sent~~ your company will have to upload a corrected file.

Data quality checks programmed in WIRE will help ensure that your company's data is in the correct format and that it does not contain invalid codes and invalid ZIP-to-county code mappings. **However, please keep in mind that the system cannot identify errors caused by data which was coded incorrectly according to the policy details.** Such errors may require a resubmission. Any examination conducted by the SBA will be the final determinant of data quality.

4. Prior to confirming ~~theits~~ Data Call file for submission, your company may upload supporting information in WIRE (e.g., a cover letter). After a Data Call submission has been confirmed through WIRE, subsequent information to be provided in support of that submission must be sent directly to the Administrator at the address listed in Step ~~12~~.

5. After the Data Call file is confirmed for submission, the system will send an email notification to the company's WIRE users designated as "Officers" to certify and sign the officer submission statements. Upon the sign-off of two officers, the submission is complete and no further changes can be made to the Data Call file as the automated processing of the data begins. WIRE will aggregate the data and transmit it to the Administrator for premium calculation. Any subsequent submission of the Data Call file (resubmission) is subject to FHCF approval and will incur a resubmission fee (see Resubmissions located in the Data Quality section of this Data Call).

**Note:** WIRE was designed to function as a means of file transmittal from the companies to the FHCF and not as a means of file storage and retrieval.

6. Summary of WIRE submission components (required unless specified below as optional):

	Via WIRE Tab
Data Call File (file of exposure data)*	Upload/Validate
Optional Supporting Documents (e.g., a cover letter)	Confirm/Submit
Submission Confirmation Form – requires the following:	Confirm/Submit
- Collateral Protection Reporting Selection	
- Written Explanation of Exposure Fluctuation (if applicable)	
- Submission Confirmation Statement	
Officer Submission Statements signed by two Executive Officers (see page 6)	Sign Officer Statements

\*Note: All data for an individual company should be submitted as one file, unless your company has participated in a Citizens Property Insurance Corporation Coastal Account or Citizens Property Insurance Corporation Personal Lines and Commercial Lines Account assumption agreement (see page 24). ~~If your company has different departments responsible for compiling portions of your data submission, please have one individual coordinate, compile, and submit the complete package through WIRE.~~



7. If your company does not have Covered Policies as defined in subsection (10) of Article V of the FHCF Reimbursement Contract (see page 16 herein), but was an active FHCF company for the ~~2013/2014~~2014/2015 contract year, a letter requesting to petition for exemption from the FHCF must be returned to the Administrator at the address provided in ~~+2.~~ above no later than **September 1, ~~2014~~2015**.

**Note:** If your company determines at a later time that it does have Covered Policies, or the SBA denies your company's request for exemption from the FHCF, your company will be subject to any fees and/or administrative action by the Florida Department of Financial Services (Department) for delinquent or inadequate exposure data as defined in this Data Call and/or your company's Reimbursement Contract.

## **\*\* General Data Call Issues \*\***

### **Extensions**

Data Call submissions must be received through *WIRE* by 4:00 p.m. (ET), September 1, ~~2014~~2015. Extensions will not be granted.

If you have any questions about the information to be supplied or about this Data Call, please do not hesitate to ~~call~~contact Holly Bertagnolli, Kathy Mackenthun, or Martin Helgestad of Paragon Strategic Solutions Inc. at 1-800-689-FUND (3863) or by email at FHCF-Administrator@aonbenfield.com. If you have any questions regarding *WIRE*, please contact the SBA at [wire@sbafla.com](mailto:wire@sbafla.com) or 850-413-1228.

## **\*\* Data Quality \*\***

### **Resubmissions**

A company submitting its Data Call file in noncompliance with the specifications herein could be required to resubmit its data. Any examination conducted by the SBA will be the final determinant of data quality. Any company required to resubmit data will be allowed 30 calendar days to resubmit data (may be less than 30 days if the company has been already notified by the SBA for an exam). A \$1,000 resubmission fee (for resubmissions that are not the result of an exam by the SBA) will be invoiced by the FHCF for each resubmission.

If a resubmission is necessary as a result of an examination report issued by the SBA, the resubmission fee will be \$2,000. If a company's examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be \$2,000.

### **Explanation of Exposure Fluctuations**

Compare your current year submission against your submission from the previous year to ensure increases or decreases in reported exposure are valid. The FHCF requires an explanation of exposure increases or decreases for specific FHCF types of business which meet either the combined dollar/percentage thresholds or the large dollar thresholds below. A comment field is included in the *WIRE* system for your company to provide a brief explanation of such fluctuations when the Data Call file is confirmed for submission. While the degree of detail is left to the discretion of your company, the explanation must provide detail beyond simply stating that "the data has been reviewed and is correct as submitted."

Type of Business	\$ Threshold		% Threshold		Large \$ Threshold
Commercial:	+/- \$ 25,000,000	and	+/- 40%	or	+/- \$ 200,000,000
Residential <del>and Other Contents</del>	+/- \$ 50,000,000	and	+/- 40%	or	+/- \$ 1,000,000,000

<b><u>Policies or Endorsements:</u></b>					
Mobile Home:	+/- \$ 25,000,000	and	+/- 40%	or	+/- \$ 40,000,000
Tenants:					+/- \$ 20,000,000
Condominium Unit Owners:	+/- \$ 25,000,000	and	+/- 40%	or	+/- \$ 40,000,000

**Rounding**

Exposures must be reported in whole dollars and may be rounded to the nearest \$1,000, but no greater.

**\*\* Covered Policies \*\***

Covered Policies are defined in Section 215.555(2)(c), Florida Statutes, as any insurance policy covering a residential structure, or its contents, located in the State of Florida. Covered Policy is further defined in subsection (10) of Article V of the FHCF Reimbursement Contract (see page 16 herein), which includes personal lines residential coverages, commercial lines residential coverages, and mobile home coverages. **The FHCF provides reimbursement only for losses from policies with wind or hurricane coverage.**

All Covered Policies written by an individual insurer must be reported even if they are written in areas eligible for coverage from Citizens Property Insurance Corporation Coastal Account or Citizens Property Insurance Corporation Personal Lines and Commercial Lines Accounts.

**\*\* June 30<sup>th</sup> “as of” Date \*\***

The data reported under this Data Call pertains to a company’s insured values under Covered Policies as of June 30, ~~2014~~2015. This data is used by the FHCF to calculate a company’s premium, retention, and maximum FHCF coverage under the applicable Reimbursement Contract.

Although changes to coverage under a policy that are effective after June 30<sup>th</sup> do not impact reporting under the Data Call (including new policy issuance and policy terminations), the policy terms in effect at a time of loss will be considered in determining a company’s losses eligible for reimbursement under the FHCF. For example, if a Covered Policy was written effective July 1, ~~2014~~2015, exposure for that policy would not be included under the ~~2014-2015~~ Data Call submission, but losses under that policy would be reportable to the FHCF when the company files its loss reports.

Given an “as of” date of June 30<sup>th</sup> and a statutory Data Call due date of September 1<sup>st</sup>, a company must determine the date at which it can most accurately capture and report its data to include policy transactions with effective dates of June 30<sup>th</sup> or earlier, while still being able to meet the statutory Data Call due date. For example, a company writes a policy with an effective date of June 29, ~~2014~~2015, the transaction was processed by the company on July 15, ~~2014-2015~~ and the company compiled its data on July 20, ~~2014~~2015. The FHCF would expect the policy to be reported since the policy was in effect on June 30<sup>th</sup> and the transaction was processed before the date the data was compiled. However, the FHCF recognizes that if a transaction was not processed far enough through a company’s systems by the date on which the company compiled its Data Call information, then that transaction would not necessarily be reflected in the company’s original Data Call submission. Nonetheless, should the company have to resubmit its Data Call at a later date, then the transaction should be included in the resubmitted data.

**\*\* Retention of Records for SBA Examination \*\***

In accordance with Article XIII of the Reimbursement Contract and the SBA’s examination program, all records, including exposure filings (Data Call submission), policy files, and supporting documentation,

must be retained along with computer runs produced to support the Data Call submission. Companies writing covered collateral protection policies, as defined in this Data Call, must be able to provide documentation that the policy covers the borrower's and lender's interest and that the coverage is in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy. Such records must be retained until the SBA has completed its examination of your company's exposure submission and loss reports (applicable to the Data Call contract year) and commutation for the contract year (if applicable) has been concluded. The Data Call file must be retained and maintained so that, upon examination by the SBA, changes can be made to correct any errors which may be identified and to allow for a resubmission if required.

## **\*\* Officer Submission Statements \*\***

A Data Call submission is required to be signed by two executive officers in *WIRE*. The following are included in the online officer submission statements:

- I, the undersigned, do state that, to the best of my knowledge, the file submission provided to the SBA under Section 215.555(5)(c), Florida Statutes, is complete, accurate, and in compliance with the requirements of Section 215.555, Florida Statutes, and all Florida Administrative Code rules.
- I, the undersigned, acknowledge that the SBA may use the submitted file and related transmittals in the course of its examination of the captioned Company's exposure reporting, as well as any applicable loss reporting examinations. I further understand that the exposure examination will require documentation in addition to the items submitted herein. Said Company will retain and maintain complete and accurate records, in policy level detail, of all exposure data related to the generation and submission of this Data Call submission or resubmission until the SBA has completed its exposure and loss examinations of the Company's submission(s) and commutation for the contract year (if applicable) has been concluded.

[This next certification will appear only for those companies identified by the user confirming and submitting the file in *WIRE* as writing collateral protection policies as described herein.]

- I, the undersigned, acknowledge that the captioned Company writes collateral protection policies covering personal residences in the State of Florida that protect both the borrower's and the lender's financial interest, in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy. I understand that, as referenced in Section 215.555(2)(c), Florida Statutes, for such policies to be covered by the FHCF, said Company must be able to accurately report exposure information for those policies as required in Section 215.555(5), Florida Statutes, and specifically, as outlined in this Data Call. Accordingly, I certify that, to the best of my knowledge, said Company:

Option 1: has collected all the information necessary for such policies to be covered by, and reported to, the FHCF, as outlined in this Statement and this Data Call, and has accordingly included collateral protection exposure covered by the FHCF in this Data Call submission.

Option 2: does not have available the data as required by the premium formula as specified in Section 215.555(5), Florida Statutes, and therefore is unable to accurately report its collateral protection exposure. I also understand that said Company is ineligible to collect any reimbursements from the FHCF for losses occurring during this FHCF contract year from policies covering collateral protection exposure.

- I, the undersigned, am an executive officer of the captioned Company, acting within my authority in making these declarations, and I have conducted, or have had conducted, a diligent review of said Company's records and systems to determine the truth of these statements.

# Florida Hurricane Catastrophe Fund ~~2014~~2015 Data Call

## File Layout

The following fields must be provided in a pipe delimited text file. For the pipe “|” symbol, press the *Shift* key and the \ key.

Field #	Description	Min Length	Max Length	Type	Notes
1	Type of Business	1	1	Numeric	Only the codes on pages 8-9 are acceptable.
2	Line of Business	1	1	Numeric	Only the codes on page 9 are acceptable.
3	Construction Type	1	2	Numeric	Only the codes on pages 9-10 are acceptable.
4	Deductible Group	2	2	Alpha-Numeric	Only the codes on pages 10-11 are acceptable.
5	County Code	1	3	Numeric	Only the codes on page 28 are acceptable.
6	ZIP Code	5	5	Numeric	At least 95% of exposure must have a valid ZIP Code.
7	Total Insured Risks	1	6	Numeric	Must be greater than zero.
8	Total Insured Value – Building*	1	12	Numeric	Report whole dollar amounts only (no decimals). If amount is zero, then enter 0. * Note that the sum of these four fields must be greater than zero.
9	Total Insured Value – Appurtenant Structures*	1	12	Numeric	
10	Total Insured Value – Contents*	1	12	Numeric	
11	Total Insured Value – ALE*	1	12	Numeric	
12	Year Built	1	1	Numeric	Only the codes on page 13 are acceptable.
13	<del>Reserved for future use</del> <u>Address One</u>	<del>51</del>	<del>+100</del>	<del>Numeric</del> <u>Special</u>	<u>Enter 0 Report the street number and name for the physical location of the property being reported. See page 14 for further instructions. Enter 0-</u>
14	<del>Reserved for future use</del> <u>Address Two</u>	<del>+None</del>	<del>+30</del>	<del>Numeric</del> <u>Special</u>	
15	Structure Opening Protection	1	1	Numeric	Only the codes on page 14 are acceptable.
16	Roof Shape	1	1	Numeric	Only the codes on page 14 are acceptable.
17	Policy Effective Date	8	8	Numeric	Must use “yyyymmdd” format only (include leading zeros for single-digit months and days).
18	Policy Expiration Date	8	8	Numeric	Must use “yyyymmdd” format only (include leading zeros for single-digit months and days).
19	Policy Number	1	30	Special	Include characters A-Z, 0-9, and “-” only. See additional instructions on page 14.
20	Citizens Policy Number	1	30	Special	Include characters A-Z, 0-9, and “-” only. See additional instructions on page 14.

**Example:** A record with the following information:

Field #	Description	Type	Entry
1	Type of Business	Residential	2
2	Line of Business	Homeowners	2
3	Construction Type	Frame	1
4	Deductible Group	\$2,000	RC
5	County Code		86
6	ZIP Code		33130
7	Total Insured Risks		5
8	Total Insured Value – Building		500000
9	Total Insured Value – App. Structures		100000
10	Total Insured Value – Contents		250000
11	Total Insured Value – ALE		50000
12	Year Built	Date Range	3
13	<del>Reserved for future use</del> Address One	<u>1800 Hermitage Boulevard, Suite 100</u>	<del>0</del> <u>1800 Hermitage Boulevard Suite 100</u>
14	<del>Reserved for future use</del> Address Two		<del>0</del> <u>Suite 100</u>
15	Structure Opening Protection	No credit is given to policyholder	0
16	Roof Shape	Hip, Mansard, or Pyramid	1
17	Policy Effective Date		201 <del>3</del> <u>4</u> 0305
18	Policy Expiration Date		201 <del>4</del> <u>5</u> 0305
19	Policy Number		ABC000001234
20	Citizens Policy Number		FRJ000022222

Each record must have the following layout:

2|2|1|RC|86|33130|5|500000|100000|250000|50000|3|01800 Hermitage Boulevard|0Suite 100|0|1|201~~3~~40305|201~~4~~50305|ABC000001234|FRJ000022222

## Description of Data Fields

The FHCF strongly encourages any individual involved in completing this Data Call to review the Reporting Clarifications on pages 19-22 herein.

### 1. Type of Business (TOB)

All exposure should be classified as one of the following FHCF TOBs. Exposure for scheduled personal property written under attachments, endorsements, and riders; any policy separately covering personal property; or any policy separately covering commercial residential contents should be reported as the FHCF TOB it is associated with. If the exposure is not associated with another policy, it should be reported as FHCF TOB “4” (Tenants), with the exception of mobile home related property, which must still be reported as FHCF TOB “3” (Mobile Home).

Type of Business	Code
Commercial	1
Residential	2
Mobile Home	3

Type of Business	Code
Tenants	4
Condominium Unit Owners	6

General TOB Instructions:

- **“Commercial”** should be used for commercial-habitation exposures such as apartment buildings and condominium complexes. Do not use this TOB for individual condominium unit owners.

- **“Mobile Home”** should be used for all mobile home coverages, regardless of the policy form on which coverage is written, including coverage provided to a person(s) renting a mobile home.
- **“Tenants”** should be used for policies providing property coverage to a person(s) entitled to occupy a dwelling unit (including a condominium unit) under a rental agreement. Do not use this TOB for any policy providing coverage to a person renting a mobile home. Exposure for scheduled personal property written under attachments, endorsements, and riders; any policy separately covering personal property; or any policy separately covering commercial residential contents should be reported as the FHCF TOB it is associated with. If the exposure is not associated with another policy, it should be reported as Tenants.
- **“Condominium Unit Owners”** should be used for individual condominium unit owners, whether owner or tenant occupied. Do not use this TOB for condominium complexes or multi-unit structures.

## 2. Line of Business

Exposure information for Covered Policies is to be reported using the following codes (use the code your company deems most appropriate):

Line of Business	Code
Fire and Allied Lines	1
Homeowners Multiple Peril	2
Farmowners Multiple Peril	3

Line of Business	Code
Commercial Multiple Peril	4
Mobile Homeowners	5
Inland Marine	6

## 3. Construction Type

The FHCF’s construction codes and definitions are provided on pages 26-27. Your company must use the applicable FHCF codes in its Data Call submission.

If your company’s construction definitions do not match those of the FHCF, you must ~~provide the Administrator with your company’s construction types and definitions and your recommended mapping to the most similar FHCF construction types as defined on pages 26-27~~ complete the Construction Mapping Worksheet on pages 30-31, submit it to the Administrator, and receive approval from the Administrator prior to submitting the Data Call file through WIRE. This will help your company avoid a subsequent resubmission due to improper construction reporting. ~~The Administrator will review your method of mapping construction codes and determine if the mapping between your codes and the FHCF’s codes match.~~ Once the Administrator has notified you in writing that your mapping is acceptable, you must complete the actual mapping so that only FHCF constructions are reported in your submission. ~~Proposed mappings~~ The Construction Mapping Worksheet must be provided directly to the Administrator, not through WIRE. **If a mapping review is necessary for your company, such a review must be done each year to ensure changes to the FHCF construction types have not affected the previously reviewed mapping.**

~~For policies in which your company does not capture construction information~~ If your company has policies for which no construction information is captured, exposure should always for such policies should be reported using the FHCF Unknown construction code “11” (or code “25” for mobile home exposure). ~~Otherwise, if your company does capture construction information, but has less than \$50 million of aggregate exposure, you have the option of reporting all non-mobile home exposure with FHCF default construction code “12” and all mobile home exposure with FHCF default construction code “26”.~~

### Residential

Construction Type	Code
-------------------	------



Frame	1
Masonry	2
Masonry Veneer	10
Unknown (Non-Mobile Home)	11
<del>Non-Mobile Home Default Construction*</del>	<del>12</del>

**Commercial, Condominium Unit Owners, Tenants**

Construction Type	Code
Frame	1
Masonry	2
Masonry with Reinforced Concrete Roof	15
Superior	7
Superior with Reinforced Concrete Roof	16
Masonry Veneer	10
Unknown (Non-Mobile Home)	11
<del>Non-Mobile Home Default Construction*</del>	<del>12</del>

**Mobile Home**

Construction Type	Code
Mobile Home - Fully Tied Down, Mfg. before 7/13/94	21
Mobile Home - Fully Tied Down, Mfg. on or after 7/13/94 or documented to be in compliance with ANSI/ASCE 7-88	22
Mobile Home - Other than Fully Tied Down or Unknown	25
<del>Mobile Home - Default Construction*</del>	<del>26</del>

*\*-See paragraph preceding the above tables for reporting eligibility*

**4. Deductible Group – Wind Including Hurricane Deductible, or Hurricane Deductible Only**

Except as instructed for commercial-habitation policies below, report an FHCF percentage or dollar deductible code based on how the policy deductible is written. For example, a \$100,000 residential policy written with a 2% deductible must be reported with code R2, not code RC (\$1,501 to \$2,500 deductible), regardless of how the deductible is “stated” to the policyholder.

For ~~policies~~any policy written with a percentage deductible and a minimum dollar deductible, always report the percentage deductible.

For commercial-habitation policies (regardless of the FHCF Type of Business under which the policy’s exposure is reported) ~~that have a policy written with a dollar-only~~ deductible that is greater than \$50,000, the deductible amount must be converted to a percentage of the total insured building value (Data Call field 8) and reported to the FHCF as a percentage deductible.

For commercial-habitation policies covering multiple structures/contents under an indivisible aggregate deductible, report the full blanket deductible for each record reported.

Following are the FHCF deductible groups and codes:

**Commercial**

Deductible Group	Code
\$0 to \$2,500	CA
\$2,501 to \$7,500	CB
\$7,501 to \$15,000	CC
\$15,001 to \$50,000	CD
Greater than \$50,000 – Convert to a percentage	See % Ded. Groups

Deductible Group	Code
Less than or equal to 1%	C1
Greater than 1%, less than or equal to 2%	C2
Greater than 2%, less than or equal to 3%	C3
Greater than 3%, less than or equal to 4%	C4
Greater than 4%, less than or equal to 5%	C5

		Greater than 5%, less than or equal to 6%	C6
		Greater than 6%, less than or equal to 7%	C7
		Greater than 7%, less than or equal to 8%	C8
		Greater than 8%, less than 10%	C9
		10% or Greater	C0

**Residential, Tenants, or Condominium Unit Owners**

Deductible Group	Code	Deductible Group	Code
\$0	RM	Less than or equal to 1%	R1
\$1 to \$500	RA	Greater than 1%, less than or equal to 2%	R2
\$501 to \$1,500	RB	Greater than 2%, less than or equal to 3%	R3
\$1,501 to \$2,500	RC	Greater than 3%, less than or equal to 4%	R4
Greater than \$2,500	RD	Greater than 4%, less than or equal to 5%	R5
Greater than \$50,000 – Convert to a percentage	See % Ded. Groups	Greater than 5%, less than or equal to 6%	R6
		Greater than 6%, less than or equal to 7%	R7
		Greater than 7%, less than or equal to 8%	R8
		Greater than 8%, less than 10%	R9
		10% or greater, less than 15%	R0
		15% or Greater	RZ

**Mobile Home**

Deductible Group	Code	Deductible Group	Code
\$0	MM	Less than or equal to 1%	M1
\$1 to \$250	MA	Greater than 1%, less than or equal to 2%	M2
\$251 to \$500	MB	Greater than 2%, less than or equal to 3%	M3
Greater than \$500	MC	Greater than 3%, less than or equal to 4%	M4
Greater than \$50,000 – Convert to a percentage	See % Ded. Groups	Greater than 4%, less than or equal to 5%	M5
		Greater than 5%, less than or equal to 6%	M6
		Greater than 6%, less than or equal to 7%	M7
		Greater than 7%, less than or equal to 8%	M8
		Greater than 8%, less than 10%	M9
		10% or Greater	M0

**5. County Code**

Florida county code specifying the location of each covered risk. All records must be coded with a valid Florida county code listed on page 28. There is no “unknown” county code. ZIP Codes and county codes must be cross-referenced to ensure that 95% of your company’s aggregate exposure has a valid Florida ZIP Code to county code match. As the FHCF recognizes some ZIP Codes may span county boundaries, *WIRE* has been programmed to accept any county immediately bordering the county the FHCF considers to be the county in which a specific ZIP Code resides.



**6. ZIP Code**

The 5-digit ZIP Code location of each covered risk in Florida. A minimum of 95% of your company's aggregate exposure must be coded with valid Florida ZIP Codes. The FHCF ZIP Code database is as of January ~~2014~~2015. If a record contains a ZIP Code that does not match the FHCF database, the rate applied will be based on the county code instead of the ZIP Code.

A listing of valid ZIP Codes and corresponding county codes and rating regions is available online under the applicable Contract Year tab at <http://fhcf.paragon.aonbenfield.com>.

**7. Total Insured Risks (May not be less than zero.)**

This is the total number of insured risks for each FHCF Covered Policy.

**Reportable Exposure (Data Call Fields 8-11)**

The only wind exposure that should be reported in response to this Data Call is summarized below. The exposure reportable to the FHCF is less inclusive than the coverage provided by the FHCF. Covered policies are defined in subsection (10) of Article V of the Reimbursement Contract. See page 16 herein. *Examples of exposure to be reported to the FHCF are included in the Frequently Asked Questions document available online under the applicable Contract Year tab at <http://fhcf.paragon.aonbenfield.com>.*

- 1) The stated wind/hurricane policy limit (including any modifications by endorsement, attachment, or rider) for:
  - a. Dwelling (often referred to as Coverage A),
  - b. Appurtenant Structures (often referred to as Coverage B),
  - c. Contents (often referred to as Coverage C), and
  - d. Additional Living Expense (often referred to as Coverage D or Coverage E).
- 2) The full wind/hurricane limit for the dwelling limit/Additions and Alterations coverage (often referred to as Coverage A) on covered Condominium Unit Owners policies. The full limit is the total limit under the policy, regardless of whether that is the basic limit alone (e.g., \$1,000) or the basic limit plus an increased limit.
- 3) The wind/hurricane limit provided by a stand alone policy covering personal property [except for those items listed under the Non-Reportable (But Covered) Exposure section].
- 4) The additional wind/hurricane limit provided by attachments, endorsements, or riders for:
  - a. Scheduled personal property [except for those items listed under the Non-Reportable (But Covered) Exposure section],
  - b. Pool/screen enclosures, and
  - c. Building Additions and Alterations limit purchased on Renters/Tenants Policies [this is to be distinguished from Additions and Alterations coverage provided within the policy form as an additional coverage at no additional cost to the policyholder, which is considered a Non-Reportable (But Covered) Exposure].

**Non-Reportable (But Covered) Exposure**

Exposure from any additional coverages/coverage extensions written within the policy form are not reportable to the FHCF under this Data Call. The following list outlines exposures which are covered by the FHCF at the time of a covered loss but are not reportable to the FHCF under this Data Call. *Examples of exposure not to be reported to the FHCF are included in the Frequently Asked Questions document available online under the applicable Contract Year tab at <http://fhcf.paragon.aonbenfield.com>.*

- 1) Any type of Ordinance and Law coverage.
- 2) Any additional exposure for endorsements that specifically increase the limit of liability at the time of a covered loss (e.g., guaranteed replacement cost or specified increase to the dwelling limit).
- 3) Any exposure for the following:
  - a. Computers or electronic data,
  - b. Debris removal,
  - c. Golf carts,
  - d. Grave markers,
  - e. Land,
  - f. Mold, fungi, or bacteria,
  - g. Radio and TV antennas, satellite dishes, awnings, outdoor property on a commercial policy, or signs,
  - h. Refrigerated property,
  - i. Trees, shrubs, and plants, and
  - j. Valuable papers, personal records, monies, or securities.

**Not Covered/Excluded Exposure**

Article VI of the 2014-2015 FHCF Reimbursement Contract outlines specific exclusions from FHCF coverage. Exclusions from Article VI which pertain to exposure reporting under this Data Call are included on pages 17-18 herein.

**8. Total Insured Value - Building**

This is the total insured building limit for a Covered Policy or an individual risk within a Covered Policy that insures multiple risks.

**9. Total Insured Value - Appurtenant Structures or Non-Habitational Structures**

This is the total insured appurtenant structures limit for a Covered Policy or an individual risk within a Covered Policy that insures multiple risks.

**10. Total Insured Value - Contents**

This is the total insured contents limit for a Covered Policy or an individual risk within a Covered Policy that insures multiple risks.

**11. Total Insured Value - Additional Living Expense (ALE)**

This is the total insured ALE limit for a Covered Policy or an individual risk within a Covered Policy that insures multiple risks. For ALE coverage provided as a specific dollar limit, report exposure values based on that limit, but not to exceed 40% of the Residential Structure (Coverage A) exposure or 40% of the contents (Coverage C) exposure. If ALE is written as a portion of Coverage A, 40% of Coverage A is the cap. If ALE is written as a portion of Coverage C, 40% of Coverage C is the cap. Note that if the ALE coverage written is less than 40%, ALE should be reported as written.

For covered policies written with ALE as a time element coverage, you must report ALE exposure in an amount not to exceed 40% of the Residential Structure or 40% of the contents exposure based on the type of policy (e.g., a homeowners policy is usually based on structure versus a renters policy based on contents).

**Note that the 40% threshold is a statutory cap.** If your company provides coverage to its policyholders that is in excess of this cap, or if rounding of your building or contents exposure results in a higher ALE percentage, report no more than the cap when reporting ALE exposure to the FHCF.

**12. Year Built**

Enter the Year Built code from the table below.

Year Built	FHCF Code
Unknown or Mobile Home	0
1994 or earlier	1
1995 - 2001	2
2002 or later	3

**13. ~~Reserved for future use—enter 0~~Address One**

Enter the street number and name for the physical location of the property being reported under a specific record in the Data Call submission. Include a space between each main element of the address, e.g., "...|1800 Hermitage Boulevard|...."

**14. ~~Reserved for future use—enter 0~~Address Two**

Enter secondary address information such as apartment number, unit number, or suite number. If secondary address information is not applicable, leave this field empty (i.e., no characters or blank spaces). Assuming there was not an apartment number, unit number, or suite number for the 1800 Hermitage Boulevard address, the example of the no character entry for this field would be: "...|1800 Hermitage Boulevard||...."

**15. Structure Opening Protection**

Enter the appropriate structure opening protection code from the table below based on whether or not your company gives a structure opening protection credit to its policyholder for the dwelling unit being reported under this Data Call.

Structure Opening Protection	FHCF Code
No credit is given to policyholder	0
Credit is given to policyholder	5

**16. Roof Shape**

Enter the appropriate roof shape code from the table below.

Roof Shape	FHCF Code
Hip, Mansard, or Pyramid	1
Gable, Other, or Unknown	2

**17. Policy Effective Date**

Enter the effective date of the Covered Policy using the "yyyymmdd" format.

**18. Policy Expiration Date**

Enter the expiration date of the Covered Policy using the "yyyymmdd" format.

**Draft 1-28-2015**

**Note - page references will be updated once revision marks are accepted**

**19. Policy Number**

Enter the Covered Policy number.

If your company assumed Covered Policies from Citizens, a second Data Call file must be submitted for the assumed policies which **have not renewed** onto your company's books by June 30, ~~2014~~2015 (as instructed on page 24). In that second file, enter zero for field #19 and report the Citizens policy number for the assumed policy in field #20.

**20. Citizens Policy Number**

If your company did not assume any policies from Citizens (as discussed on page 24), enter a zero in this field for each record.

If a Covered Policy was assumed from Citizens ~~(as discussed on page 24)~~ effective from July 1, ~~2013~~2014 through June 30, ~~2014~~2015, enter the Citizens policy number.

If a Covered Policy was not assumed from Citizens effective July 1, ~~2013~~2014 through June 30, ~~2014~~2015, enter zero.

Note that *WIRE* will not be able to detect if a company entered a Citizens Policy Number in this field, only that a number equal to or greater than zero was entered. Therefore, if a company is required to input a policy number in this field and opts instead to enter another number (e.g., zero), the error may be detected after the file is submitted through *WIRE* and a resubmission could be required.

# **Florida Hurricane Catastrophe Fund**

## **2014-2015 Data Call**

### **Attachments**

- Article V - Definitions of Additional Living Expense, Covered Policy, Excess Insurance, and Residential Structures, as included in the Reimbursement Contract (page 16)
- Article VI - Excluded Exposures (pages 17-18)
- Reporting Clarifications (pages 19-22)
- Citizens Property Insurance Corporation Supplemental Reporting Requirement: Policies Written Under Section 627.351(6)(c)l.g., Florida Statutes (page 23)
- Citizens Property Insurance Corporation Takeouts Pursuant to Assumption Agreements (page 24)
- Citizens Property Insurance Corporation Coastal Account Quota Share Primary Insurance Reporting Requirements (page 25)
- Construction Codes (pages 26-27)
- Florida County Codes (page 28)
- Reference Guide (page 29)
- Construction Mapping Worksheet (page XX)
- Supplemental Instruction Sheet for New Participants (page 30)  
(Sent only to new participants)

## Florida Hurricane Catastrophe Fund 2014-2015 Data Call

### Reimbursement Contract: Article V – Selected Definitions

(3) **Additional Living Expenses (ALE)**

ALE losses covered by the FHCF are not to exceed 40 percent of the insured value of a Residential Structure or its contents based on the coverage provided in the policy. Fair rental value, loss of rents, or business interruption losses are not covered by the FHCF.

(10) **Covered Policy or Covered Policies**

(a) Covered Policy, as defined in Section 215.555(2)(c), Florida Statutes, is further clarified to mean only that portion of a binder, policy or contract of insurance that insures real or personal property located in the State of Florida to the extent such policy insures a Residential Structure, ~~as defined in definition (27) herein,~~ or the contents of a Residential Structure located in the State of Florida.

(b) Due to the specialized nature of the definition of Covered Policies, Covered Policies are not limited to only one line of business in the Company's annual statement required to be filed by Section 624.424, Florida Statutes. Instead, Covered Policies are found in several lines of business on the Company's annual statement. Covered Policies will at a minimum be reported in the Company's statutory annual statement as:

1. Fire
2. Allied Lines
3. Farmowners Multiple Peril
4. Homeowners Multiple Peril
5. Commercial Multiple Peril (non liability portion, covering condominiums and apartments)
6. Inland Marine

Note that where particular insurance exposures, e.g., mobile homes, are reported on an annual statement is not dispositive of whether or not the exposure is a Covered Policy.

(c) This definition applies only to the first-party property section of a policy pertaining strictly to the structure, its contents, appurtenant structures, or ALE coverage.

(d) Covered Policy also includes any collateral protection insurance policy covering personal residences which protects both the borrower's and the lender's financial interest, in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy, if such policy can be accurately reported as required in Section 215.555(5), Florida Statutes. A Company will be deemed to be able to accurately report data if the required data, as specified in the Premium Formula adopted in Section 215.555(5), Florida Statutes, is available.

(e) See Article VI ~~of this Contract~~ for specific exclusions.

(13) **Excess Policies**

This term, for the purposes of this Contract, means a policy that provides insurance protection for large commercial property risks and that provides a layer of coverage above a primary layer (which is insured by a different insurer) that acts much the same as a very large deductible.

(27) **Residential Structures**

This term means units or buildings used for dwelling or habitational occupancies, including the primary structure and appurtenant structures insured under the same policy and any other structures covered under endorsements associated with a policy covering a residential structure. Covered Residential Structures do not include any structures listed under Article VI ~~herein~~ or structures used solely for non-residential purposes.

## Florida Hurricane Catastrophe Fund 2014-2015 Data Call

### Reimbursement Contract: Article VI – Exclusions

The following selected exclusions from Article VI of the Reimbursement Contract pertain to exposure that should not be reported under this Data Call.

- (2) Any policy which excludes wind or hurricane coverage.
- (3) Any Excess Policy or Deductible Buy-Back Policy that requires individual ratemaking, as determined by the FHCF.
- (4) (a) Any policy for Residential Structures, ~~as defined in Article V(27) herein~~, that provides a layer of coverage underneath an Excess Policy, ~~as defined in Article V(13) herein~~, issued by a different insurer; ~~or~~
  - (b) Any ~~other~~ policy providing a layer of windstorm or hurricane coverage for a particular structure above or below a layer of windstorm or hurricane coverage under a separate policy issued by a different insurer, or any other circumstance in which two or more insurers provide primary windstorm or hurricane coverage for a single structure using separate policy forms; ~~or~~
  - (c) Any other policy providing a layer of windstorm or hurricane coverage for a particular structure below a layer of self-insured windstorm or hurricane coverage for the same structure.
  - (d)(e) The exclusions in this subsection do not apply to primary quota share policies written by Citizens Property Insurance Corporation under Section 627.351(6)(c)2., Florida Statutes.
- (5) Any liability of the Company attributable to losses for fair rental value, loss of rent or rental income, or business interruption.
- (6) Any collateral protection policy that does not meet the definition of Covered Policy as defined in Article V(10)(d) ~~herein~~.
- (7) Any reinsurance assumed by the Company.
- (8) Any exposure for hotels, motels, timeshares, shelters, camps, retreats, and any other rental property used solely for commercial purposes.
- (9) Any exposure for homeowner associations if no habitational structures are insured under the policy.
- (10) Any exposure for homes and condominium structures or units that are non-owner occupied and rented for six (6) or more rental periods by different parties during the course of a twelve (12) month period.
- (11) Commercial healthcare facilities and nursing homes; however, a nursing home which is an integral part of a retirement community consisting primarily of habitational structures that are not nursing homes will not be subject to this exclusion.
- (12) Any exposure under commercial policies covering only appurtenant structures or structures that do not function as a habitational structure (e.g., a policy covering only the pool of an apartment complex).
- (13) Policies covering only Additional Living Expense.
- (14) Any exposure for barns or barns with apartments or living quarters.
- (15) Any exposure for builders risk coverage or new Residential Structures still under construction.
- (16) Any exposure for recreational vehicles, golf carts or boats (including boat related equipment) requiring licensing and written on a separate policy or endorsement.
- (21) Any exposure for, or amounts paid to reimburse a policyholder for, condominium association loss assessments or under similar coverages for contractual liabilities.
- (23) Any liability assumed by the Company from Pools, Associations, and Syndicates. Exception: Covered Policies assumed from Citizens under the terms and conditions of an executed assumption agreement between the Authorized Insurer and Citizens are covered by this Contract.

(27) Policies and endorsements predominantly covering Specialized Fine Arts Risks or collectible types of property meeting the following requirements:

- (a) A policy or endorsement covering Specialized Fine Arts Risks and not covering any Residential Structure and/or contents thereof (other than such specialized fine arts items covered in the Specialized Fine Arts policy or endorsement) if it meets the description in subparagraph 1 and if all the conditions in subparagraphs 2. through 4. immediately below are met.
  1. For purposes of this exemption, a Specialized Fine Arts Risk policy or endorsement is a policy or endorsement that:
    - a. Insures works of art, of rarity, or of historic value, such as paintings, works on paper, etchings, art glass windows, pictures, statuary, sculptures, tapestries, antique furniture, antique silver, antique rugs, rare books or manuscripts, jewelry, or other similar items;
    - b. Charges a minimum premium of \$500;
    - c. Insures scheduled items valued, in the aggregate, at no less than \$100,000; and
    - d. Requires an investment by the insured in loss control measures to protect the Specialized Fine Arts Risks being insured.
  2. The insurer must perform a periodic and thorough specialized inspection and must provide a specialized loss prevention service designed to prevent or minimize loss.
  3. The structure and its fine arts contents must be provided with satisfactory watchman or alarm service or its equivalent where necessary.
  4. The insurer must maintain a force of trained and competent loss prevention specialists, who perform the following tasks:
    - a. Make loss prevention surveys of each Specialized Fine Arts Risk;
    - b. Make available a specialized loss prevention service for the purpose of providing consultation regarding hazards to the fine arts being insured;
    - c. Confirm through periodic inspections that loss prevention devices are properly maintained;
    - d. Investigate reported losses; and
    - e. Confer with the policyholder and confirm through periodic and unannounced inspections that recommended safety and loss control improvements are actually made.
- (b) ~~Any individual~~ policy or endorsement written to solely cover personal property, scheduled or written under a blanket limit, with a policy limit equal to or exceeding \$500,000 and which predominantly covers one or more classes of collectible types of property shall be exempt from coverage under the Fund. Generally such classes of collectible property have unusually high values due to their investible, artistic, or unique intrinsic nature. Additionally, such exempt policy may also include coverage for incidental items of personal property that may also be scheduled although such property may not be considered as a collectible. The predominant class of property covered under such excluded policy represents an unusually high exposure value and such policy is intended to provide coverage for a class or classes of property that is not typical for the contents coverage under residential property insurance policies. In many cases property may be located at various locations either in or outside the state of Florida or the location of the property may change from time to time. The investment nature of such property distinguishes this type of exposure from the typical contents associated with a Covered Policy.



# **Florida Hurricane Catastrophe Fund**

## **2014-2015 Data Call**

### **Reporting Clarifications**

#### **General Clarifications**

1. *Aggregate Policy Limits (not applicable to Commercial Residential Policies)*

For policies that provide an aggregate limit without stating a specific limit for buildings, appurtenant structures, contents, or ALE exposures, report the exposure to the FHCF by allocating the total policy limit to the building field if the policy fits the definition of FHCF types of business Residential or Mobile Home, or to the contents field if the policy fits the definition of FHCF types of business Tenants or Condominium Unit Owners.

2. *Farmowners*

The only exposure under a Farmowners policy that is reportable to the FHCF is exposure for the dwelling, other private structures appurtenant to dwellings, household personal property, and additional living expense coverage. FHCF commercial codes for type of business and deductible may not be used.

3. *Multiple Rating Factors (Construction and Deductible) within the Building, Appurtenant Structures, Contents (including scheduled personal property), and ALE Limits*

If, within a policy, the limits above have different FHCF rating factors, exposure may be reported under one record using the rating factors applicable to the most exposure (e.g., if 70% of the exposure under such a policy is for Building coverage, report the rating factors applicable to the Building coverage). If your company chooses to break such policies into multiple records for FHCF reporting, you must do so consistently across your non-commercial book of business.

This clarification is also applicable to the Year Built, Structure Opening Protection, and Roof Shape fields. For commercial policies covered by the FHCF, see Commercial-Habitational Clarification #1 below.

#### **Commercial-Habitational Clarifications**

The only commercial policies covered by the FHCF are those covering habitational structures (e.g., apartments and condominiums).

1. *Multiple Rating Factors (Construction and Deductible) within the Building (dwelling), Non-Habitational Structures, Contents, and ALE Limits of a commercial policy*

One Occupied Dwelling Structure: If, within a commercial policy, the limits above have different rating factors (e.g., a superior masonry apartment building, a frame guardhouse, and a masonry pool), exposure may be reported under one record using the rating factors applicable to the dwelling structure. If your company chooses to break such policies into multiple records to report different constructions and deductibles to the FHCF, you must do so consistently across your commercial book of business.

Multiple Occupied Dwelling Structures: If, within a commercial policy, several occupied dwelling structures are insured and those structures are in multiple ZIP Codes, a separate record must be reported for each ZIP Code with the exposure applicable to that specific ZIP Code.

If multiple occupied dwelling structures insured under one policy are in the same ZIP Code and have shared non-habitational structures with different rating factors, your company may report the exposure for the non-habitational structures as appurtenant to the dwelling structure your company deems most appropriate.

This clarification, in its entirety, is also applicable to the Year Built, Structure Opening Protection, and Roof Shape fields.

2. *Commercial Policies Covering Farms*

For commercial farms with habitation exposure that is written on a commercial policy form, report the exposure as “Residential” type of business, with the exception of any mobile home related exposure. Dwelling mobile home exposure on the policy, including the contents therein and scheduled personal property, must be reported as “Mobile Home” type of business.

3. *Commercial Policies Covering a Variety of Risks (other than Farm coverage)*

For a commercial policy covering both commercial habitation exposures and incidental non-commercial habitation exposures (i.e., single-family homes, condominium unit owners, tenants coverage, and mobile homes) in the same ZIP Code, all non-mobile home related exposure may be reported under one record using FHCF type of business “Commercial.” The construction, deductible, Year Built, Structure Opening Protection, and Roof Shape codes applicable to the commercial habitation exposure should be reported for that record. Non-commercial habitation exposure is considered incidental if such exposure accounts for less than 50% of the total reportable exposure under that policy. Any mobile home exposure, regardless of the type of policy under which it is written, must be reported to the FHCF as type of business Mobile Home and with the applicable mobile home construction and deductible codes.

~~Note that if the exposures are in different ZIP Codes, the exposures under the single commercial policy must be reported as separate records using the ZIP Code applicable to each exposure(s).~~

Should your company choose to report the exposure under such a policy as multiple records (e.g., an apartment building reported as Commercial, the CEO’s home reported as Residential, and the president’s condominium reported as Condominium Unit Owners), the decision to do so must be applied consistently to all such policies, and the Data Call codes applicable to each record/type of business must be reported.

Note that if the exposures are in different ZIP Codes, the exposures under the single commercial policy must be reported as separate records using the ZIP Code applicable to each exposure(s).

4. *Blanket Limits*

For a multiple location policy with a blanket limit, report the lesser of the full blanket limit or the full wind exposure value for each risk/building/exposure. The company must maintain a copy of the Statement of Values to support the policy exposure reported in order for the SBA to confirm correct reporting during examination.

5. *Blanket Deductibles*

For a policy covering multiple structures/contents under an indivisible aggregate deductible, report each risk/building/exposure with the full blanket deductible amount.

6. *Multiple Location Policy with Non-Florida Risk*

For a multiple location policy with non-Florida risk, report the lesser of the full policy limit or the full wind exposure value for each Florida risk/building/exposure. The company must maintain a copy of the Statement of Values to support the policy exposure reported in order for the SBA to confirm correct reporting during examination.

7. *Single Structures with Mix of Commercial-Habitational Occupancies and Commercial Non-Habitational or Business Occupancies Written on a Commercial Policy*

**Important Note:** If this section is applicable to your company, it is necessary for you to review your executed ~~2014~~ 2015 FHCF Reimbursement Contract.

Exposure shall be reported under the Company's Data Call submission in accordance with the following:

- A. If a single structure is used for both habitational and non-habitational purposes and the predominant use is dwelling or habitational occupancies, report the entire exposure for the structure to the FHCF. The FHCF will reimburse losses for the entire structure as well. **This requirement applies to all companies insuring such structures.**
- B. If the structure is used for both habitational and non-habitational purposes and the predominant use is non-dwelling or non-habitational occupancies, report only the habitational portion of the policy.

In recognition of the unusual nature of commercial structures with incidental habitational exposure and the hardship some companies may face in having to carve out such incidental exposure, as well as the losses to such structures, the FHCF will accommodate these companies by allowing them to exclude the entire exposure from their Data Call submission, if all of the following three conditions are met:

- (1) The decision to not carve out and report the incidental habitational exposure shall apply to all such structures insured by the company.
  - (2) The company should not report losses to this incidental habitational exposure and the FHCF will not reimburse the losses to this exposure.
  - (3) The company must have already indicated its decision to not carve out and report the incidental exposure in the annual Reimbursement Contract. Failure to disclose this decision at the time of the company's execution of the Reimbursement Contract shall be interpreted by the FHCF as the company's intent to carve out and report incidental habitational exposure, and the failure to do so will be considered a reporting error.
- C. If a policy covers multiple structures that each have a mix of commercial-habitational and commercial non-habitational or business exposure, apply the decision rules in A. and B. above separately to each structure. (This process must be consistent with requirement B.(1) above.)

For the purpose of determining the predominant use of mixed-use single structures under this Data Call (i.e., to determine whether exposure for such a structure is reportable to the FHCF), the FHCF considers predominant use to be greater than 50% of the total insured value of the structure as justified by the company on the basis of number of floors, square footage, or other reasonable methodology.

If your company writes policies for which this section is applicable, your company's proposed methodology for determining predominant use **must be provided to the Administrator on an annual basis prior to your company's Data Call submission.** The proposal must include:

- (1) A list of your company's class codes and a description of the type of property assigned to each code.
- (2) For each code, indicate whether your company considers the code predominantly habitational or predominantly non-habitational based on the FHCF's description of predominant use above.
- (3) Summarize the basis for your methodology (e.g., number of floors, square footage, etc.) and include any rating/underwriting rules that may be helpful.

**Do not provide** the Administrator with a list of class codes that are not or could not be used to classify a single structure with a mix of exposure. This information will be used in the SBA examinations to confirm accurate reporting of exposure and losses, and if your company provides incorrect/unreliable information, it could result in a resubmission of exposure data or impact your reimbursements for claims.

8. *Policies with a Mix of Commercial Habitational & Non-Habitational Structures*

Only report exposure which directly covers, or is used in relation to, covered habitational structures. “Used in relation to” is defined as any structure that is used solely by the occupants (or their guests) of the habitational structure. If you are unable to make this determination for a structure, do not report the exposure for that structure in your Data Call submission. Refer to the other clarifications herein with respect to blanket limits or blanket deductibles.

9. *Multiple Family Dwellings on a Commercial Policy & FHCF Type of Business (TOB)*

Two, three, and four-family dwellings should be reported with an FHCF TOB based on how your company rates the dwellings (either Residential or Commercial FHCF TOB). Dwellings housing more than four families should be reported as FHCF TOB Commercial. For a commercial policy covering exposure that falls under multiple FHCF types of business, see Commercial-Habitational Clarification #3 herein.

## Florida Hurricane Catastrophe Fund

### 2014-2015 Data Call

#### Citizens Property Insurance Corporation Supplemental Reporting Requirement: Policies Written Under Section 627.351(6)(c)1.g., Florida Statutes

If Citizens Property Insurance Corporation (Citizens) has written policies under Section 627.351(6)(c)1.g., Florida Statutes, and permits a Citizens policyholder to select a building/Coverage A limit of liability less than 80% of the replacement cost, Citizens must include the additional three fields in the table below in its Data Call submission, even though the specific fields may not apply to every policy.

#### Additional Data Call File Layout

Field #	Description	Min Length	Max Length	Type	Notes
21	Full Replacement Cost - Building/Coverage A	1	12	Numeric	See description below this table. Enter zeros if none.
22	Building/Coverage A Limit as a Percentage of the Full Replacement Cost	1	3	Numeric	Report percentage (1% to 100%) in whole numbers. For example, 75% would be reported as 75 (see description below this table). Enter 100 if not applicable.
23	Application of Deductible	1	1	Alpha	Only the codes on this page (below) are acceptable.

#### Example

- Full building replacement cost: \$200,000.
- Policyholder selects a policy form/endorsement that allows the policyholder to select a building limit of liability that is 75% of the full replacement cost.
- As a result, the policyholder has purchased a building limit of \$150,000, which is the amount to be reported in Field #8 (Total Insured Value - Building) of this Data Call.

#### Description of Additional Fields

##### 21. Full Replacement Cost - Building

This is the full replacement cost of the building for a policy or multiple policies with the same Data Call codes (\$200,000 for the example above).

##### 22. Building Coverage Limit as a Percentage of the Full Replacement Cost

This is the percentage (in whole numbers, no decimals) of the selected limit of liability in comparison to the full replacement cost (75 for the example above).

##### 23. Application of Deductible

This field indicates how a percentage deductible is applied. In other words, if the policy has a 2% deductible, is the 2% applied to the amount of selected building limit (2% of \$150,000 in the example above) or the replacement cost (2% of the \$200,000 in the example above)? Enter the appropriate code from the following table:

Application of Deductible	FHCF Code
Percentage of Selected Limit	L
Percentage of Replacement Cost	R
Dollar Deductible or Not Applicable	D

## Florida Hurricane Catastrophe Fund

### 2014-2015 Data Call

#### Citizens Property Insurance Corporation Takeouts Pursuant to Assumption Agreements

~~Pursuant to Sections 627.351(6)(q)3. and 627.3511, Florida Statutes, for~~ For purposes of reporting exposure, calculating reimbursement premium, and determining retention, all FHCF exposure removed from Citizens Property Insurance Corporation Coastal Account and/or Citizens Property Insurance Corporation Personal Lines and Commercial Lines Accounts pursuant to an assumption agreement under Sections 627.351(6)(q)3. and 627.3511, Florida Statutes, shall be treated as the exposure of the assuming insurer.

Insurers engaged in assumption agreements from July 1, ~~2013-2014~~ through June 30, 2014-2015 with either Citizens entity shall submit **separate** data files to the FHCF in the format specified herein. If your company engaged in assumption agreements with both Citizens entities, three files would be submitted in response to this Data Call. One file must contain the insurer's FHCF exposure from direct written premiums. The exposure assumed from either Citizens entity which is renewed by June 30, 2014-2015 must be included (including the Citizens policy number in Field #20) with the direct portion. The other two file(s) must contain the FHCF exposure which was assumed from each Citizens entity (one file for each entity) and which was not renewed onto your company's book by June 30, 2014-2015.

**Note: All data for an individual company must be submitted using the FHCF WIRE system before the Administrator can calculate your company's premium.**

For the purpose of this Data Call, each Citizens entity shall submit all of its FHCF exposure not subject to assumption agreements (including any assumed policies which the policyholders opted out of the assumption on or before June 30, 2015 and those policies were not assumed by another company prior to June 30, 2015) in the format specified herein using the WIRE system. In addition, each Citizens entity shall report all FHCF exposure removed from the applicable Citizens entity which, as of June 30, 2014-2015, had not been renewed onto the assuming insurer's policy forms. Such a file is required for each assumption company. Each file shall be uploaded through the WIRE system in the Data Call format specified herein.

**The FHCF will compare the file(s) submitted by an assumption company against the file(s) submitted by Citizens and the assumption company will be required to explain discrepancies.**

For purposes of reporting assumed policies to the FHCF, Citizens and the assuming company must track the date the policyholder signs the form opting out of the assumption. Regarding opt outs, the assuming company must report all assumed policies under this Data Call unless Citizens has notified the assuming company on or prior to June 30, 2014-2015 that a policy is eligible for an opt out. In such cases, Citizens shall report those policies under its Data Call submission. Furthermore, any untagging or retroactive coverage changes subsequent to June 30<sup>th</sup> will not be considered by the FHCF and will not impact Data Call reporting for Citizens or the assuming insurer.

All exposure files requested from the two Citizens entities and insurers engaged in removing exposure from either Citizens entity pursuant to an assumption agreement are subject to examination by the SBA.

## Florida Hurricane Catastrophe Fund

### 2014-2015 Data Call

### Citizens Property Insurance Corporation Coastal Account Quota Share Primary Insurance Reporting Requirements

Section 627.351(6)(c)2.f, Florida Statutes, requires that “For all eligible risks covered under quota share primary insurance agreements, the exposure and coverage levels for both the corporation and authorized insurers shall be reported by the corporation to the Florida Hurricane Catastrophe Fund. For all policies of eligible risks covered under such agreements, the corporation and the authorized insurer must maintain complete and accurate records for the purpose of exposure and loss reimbursement audits as required by fund rules. The corporation and the authorized insurer shall each maintain duplicate copies of policy declaration pages and supporting claims documents.”

Citizens Property Insurance Corporation Coastal Account (referred to hereafter on this page as Citizens) shall report, as part of its Data Call submission, the following quota share primary insurance exposure data for all insurers engaged in quota share primary insurance agreements with Citizens:

#### Additional Data Call File Layout

Field #	Description	Min Length	Max Length	Type	Notes
24	NAIC of Quota Share Insurer	5	5	Numeric	
25	Percentage of Hurricane Coverage Retained by Citizens	2	2	Numeric	Percentage of Citizens’ retained hurricane coverage as set forth in the quota share primary insurance agreement between Citizens and an insurer.

#### Individual insurers shall not report these additional fields to the FHCF.

Based on the data provided under these two fields, the FHCF shall:

- Calculate the aggregate FHCF premium, based on the Reimbursement Premium Formula as discussed on page 1 of this Data Call, by insurer;
- Based upon the specified Citizens’ percentage of hurricane coverage, allocate the applicable share of FHCF premium to Citizens and to each insurer;
- The allocated premium from above will be added to the FHCF premium calculated from non-quota share primary insurance for Citizens and for each insurer participating in a quota share primary insurance agreement(s) with Citizens; and
- This aggregate premium shall be used for the calculation of retentions and FHCF reimbursements.

When reporting loss information to the FHCF, Citizens and insurers will be required to report only their respective portion of losses under quota share primary insurance agreements.



# Florida Hurricane Catastrophe Fund

## 2014-2015 Data Call

### FHCF Construction Codes

The construction code identifies the material with which the building is constructed.

Construction Type/Definition	FHCF Code
<b>Frame</b> ..... Buildings where the exterior walls are wood or other combustible materials, including wood iron-clad, stucco on wood, or plaster on combustible supports. Also includes aluminum or plastic siding over frame. If a company's definition of frame includes hardiboard, FHCF Frame construction should be used <sup>1</sup> .	1
<b>Masonry</b> ..... Buildings where the exterior walls are constructed of masonry, non-combustible, or fire resistive materials such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile or other non-combustible materials.	2
<b>Masonry with Reinforced Concrete Roof</b> ..... Construction meeting the definition of FHCF Masonry construction, as outlined above, and having a reinforced concrete roof.	15
<b>Superior</b> ..... Masonry, non-combustible, or fire resistive construction where one of the following additional conditions exist: <ul style="list-style-type: none"> <li>▪ Roof deck has a minimum thickness of 2 inches with roof supports having a minimum dimension of 6 inches; or</li> <li>▪ Floors and roof constructed of 2 inches of masonry on steel supports or documented to be constructed of 22 gauge metal or heavier on steel supports; or</li> <li>▪ Roof assembly is documented to have a UL wind uplift classification of 90 or equivalent.</li> </ul> <b>Or</b> A building of any construction which is 6 or more stories.	7
<b>Superior with Reinforced Concrete Roof</b> ..... Construction meeting the definition of FHCF Superior construction, as outlined above, and having a reinforced concrete roof.	16
<b>Masonry Veneer</b> ..... Buildings with exterior walls of combustible construction veneered with brick, masonry, or stone. If a company's definition of veneer includes hardiboard, FHCF Masonry Veneer construction should be used <sup>1</sup> .	10
<b>Unknown</b> ..... Construction information not collected for the policy or the reportable exposure. Not valid for mobile home or mobile home-related exposure.	11
<del><b>Non-Mobile Home Default Construction</b> .....            Construction information collected for the policy, but company is eligible to report all non-mobile home exposure using this default code. See page 9 for restrictions on the use of this default.</del>	<del>12</del>



<i>Mobile Home - Fully Tied Down, manufactured before 7/13/94<sup>2</sup></i> .....	21
Mobile/Manufactured Housing, manufactured before 7/13/94, which has anchors and tie-downs as required by Section 320.8325, Florida Statutes, and Florida Administrative Code rules promulgated thereunder.	
<i>Mobile Home - Fully Tied Down, manufactured on or after 7/13/94<sup>2</sup></i> .....	22
Mobile/Manufactured Housing which has anchors and tie-downs as required by Section 320.8325, Florida Statutes, and Florida Administrative Code rules promulgated thereunder, and was manufactured on or after 7/13/94 or is documented to be in compliance with ANSI/ASCE 7-88.	
<i>Mobile Home – Other than Fully Tied Down or Unknown</i> .....	25
Mobile home is not fully tied down, the nature of any tie downs is unknown, or tie down information is not available.	
<del><i>Mobile Home Default Construction</i></del> .....	<del>26</del>
<del>Construction information collected for the policy, but company is eligible to report all mobile home exposure using this default code. See page 9 for restrictions on the use of this default.</del>	

<sup>1</sup>If your company has a specific rate for hardiboard construction (i.e., a rate other than frame or veneer), a proposed mapping must be submitted to the FHCF Administrator as specified on page 9 herein.

<sup>2</sup>If you are uncertain whether a mobile home was manufactured on or after 7/13/94, use the manufactured before 7/13/94 code “21.” If your company only tracks the year built and not the month, use code “21.”

# Florida Hurricane Catastrophe Fund

## ~~2014~~ 2015 Data Call

### Florida County Codes\*

County Code	County Name	County Code	County Name	County Code	County Name
1	Alachua	49	Hardee	93	Okeechobee
3	Baker	51	Hendry	95	Orange
5	Bay	53	Hernando	97	Osceola
7	Bradford	55	Highlands	99	Palm Beach
9	Brevard	57	Hillsborough	101	Pasco
11	Broward	59	Holmes	103	Pinellas
13	Calhoun	61	Indian River	105	Polk
15	Charlotte	63	Jackson	107	Putnam
17	Citrus	65	Jefferson	109	St. Johns
19	Clay	67	Lafayette	111	St. Lucie
21	Collier	69	Lake	113	Santa Rosa
23	Columbia	71	Lee	115	Sarasota
27	De Soto	73	Leon	117	Seminole
29	Dixie	75	Levy	119	Sumter
31	Duval	77	Liberty	121	Suwannee
33	Escambia	79	Madison	123	Taylor
35	Flagler	81	Manatee	125	Union
37	Franklin	83	Marion	127	Volusia
39	Gadsden	85	Martin	129	Wakulla
41	Gilchrist	86	Miami-Dade	131	Walton
43	Glades	87	Monroe	133	Washington
45	Gulf	89	Nassau		
47	Hamilton	91	Okaloosa		

\* Derived from the Federal Information Processing Standards (FIPS) Codes.

# Florida Hurricane Catastrophe Fund

## ~~2014~~ 2015 Data Call

### Reference Guide

The FHCF is dedicated to making information pertaining to the FHCF as readily available as possible, and has posted a considerable amount of information on the Internet through both the FHCF ([www.sbafla.com/fhcf/](http://www.sbafla.com/fhcf/)) and Paragon (<http://fhcf.paragon.aonbenfield.com>) web sites.

The following are sample documents/information available on-line:

- Bonding Estimates
- FHCF Calendar
- Company Contact Information Form (Insurer Contacts)
- [Construction Mapping Worksheet](#)
- Coverage Selections & Premium Calculations
- Data Call
- Examination Information
- Frequently Asked Questions
- Link: FEMA
- Link: Florida Administrative Register
- Link: Florida Department of Financial Services
- Link: Online Sunshine
- Loss Reimbursement Preparedness Program
- Loss Reports
- Member Handbook
- Projected Payout Multiple
- Ratemaking Formula Report and Addendum(s), as applicable
- Rates and Retention Multiples
- Reimbursement Contract and Addendum(s), as applicable
- Rule 19-8.010: Reimbursement Contract
- Rule 19-8.012: Ineligibility/Exemption from the FHCF
- Rule 19-8.013: Revenue Bonds
- Rule 19-8.028: Reimbursement Premium Formula
- Rule 19-8.029: Insurer Reporting Requirements
- Rule 19-8.030: Insurer Responsibilities
- Section 215.555, Florida Statutes

**Florida Hurricane Catastrophe Fund**  
**2015 Data Call**

**Construction Mapping Worksheet**

If your company's construction definitions do not match the FHCF's definitions, the company is required (per page 9 of the 2015 Data Call) to complete and submit this construction mapping worksheet to the FHCF Administrator, Paragon Strategic Solutions Inc., and receive approval prior to initiating the Data Call submission process. An electronic version of the worksheet is available at <http://fhcf.paragon.aonbenfield.com> under the 2015/2016 contract year documents section. Submit this completed worksheet to the Administrator at the following address:

\_\_\_\_\_  
Kathy Mackenthun, CPCU, ARe  
\_\_\_\_\_  
Director – FHCF Administration  
\_\_\_\_\_  
Paragon Strategic Solutions Inc.  
\_\_\_\_\_  
8200 Tower  
\_\_\_\_\_  
5600 West 83<sup>rd</sup> Street, Suite 1100  
\_\_\_\_\_  
Minneapolis, MN 55437  
\_\_\_\_\_  
OR  
\_\_\_\_\_  
[FHCF-Administrator@aonbenfield.com](mailto:FHCF-Administrator@aonbenfield.com)

Company Name: \_\_\_\_\_

**SECTION I**

<b>QUESTIONS</b>		<b>ENTER Y OR N</b>
<b>1</b>	<u>If your company insures individual multi-story buildings, such as condominiums or apartments, does your company capture the number of stories?</u>	
<b>2</b>	<u>If your company insures individual condominium unit owners, does your company capture the number of stories of the building in which the unit is located?</u>	

**SECTION II**

**Instructions:** Enter the company's construction types and definitions, as printed in the company's underwriting manual, and company construction codes if your company uses a coding system, into the table provided on the next page. Then enter the FHCF construction code proposed for reporting each of your company's construction types based on the FHCF construction definitions on pages 26-27 of the 2015 Data Call. Indicate whether each definition and/or code is applicable to personal lines (P), commercial lines (C), or both (B) by entering a P, C, or B in the first column. Be sure to include all construction types for both personal and commercial lines of business that could be applicable to your company's Data Call submission.

**Florida Hurricane Catastrophe Fund**  
**2015 Data Call**

**Construction Mapping Worksheet**

<u><b>ENTER P (PERSONAL), C (COMMERCIAL), OR B (BOTH)</b></u>	<u><b>COMPANY CONSTRUCTION TYPES (E.G. FRAME)</b></u>	<u><b>COMPANY CONSTRUCTION DEFINITIONS</b></u>	<u><b>COMPANY CONSTRUCTION CODE (E.G. F=FRAME)</b></u>	<u><b>MAPPED TO FHCF CODE</b></u>

# Florida Hurricane Catastrophe Fund

## ~~2014-2015~~ Data Call

### Supplemental Instruction Sheet for New Participants

As explained on page one of this Data Call, each authorized insurance company writing Covered Policies in the state of Florida is required to pay a reimbursement premium to the Florida Hurricane Catastrophe Fund (FHCF). This includes new participants to the FHCF. Rule 19-8.028, Reimbursement Premium Formula, Florida Administrative Code (F.A.C.), defines new participants as companies:

“which are granted a certificate of authority by the Department of Financial Services after the beginning of the FHCF’s Contract Year on June 1 and which write Covered Policies, or which already have a certificate of authority and begin writing Covered Policies on or after the beginning of the FHCF’s Contract Year on June 1 and did not or were not required to enter into a contract on June 1 of the Contract Year. A Company that enters into an assumption agreement with Citizens that includes Covered Policies and is effective on or after June 1 and had written no other Covered Policies on or before June 1 is also considered a New Participant.”

Rule 19-8.028, F.A.C., requires that a new participant report its insured values under Covered Policies **as of November 30, ~~2014-2015~~** by February 1, ~~2015~~2016. To comply with this requirement, please use the ~~2014-2015~~ Data Call instructions, keeping the following points in mind:

- All references to data as of June 30, ~~2014-2015~~, should be as of November 30, ~~2014-2015~~ for new participants.
- The Data Call submission for new participants is due by February 1, ~~2015~~2016. Extensions will not be granted.
- All references to exposure fluctuations from the prior year may be disregarded.

New participants that were engaged in assumption agreements with Citizens Property Insurance Corporation from June 1, 2015 through November 30, 2015, must also comply with the requirements under the Citizens Property Insurance Corporation Takeouts Pursuant to Assumption Agreements section on page XX of this Data Call, and again, with the references to June 30, 2015 changed to November 30, 2015.

If you have any questions about the information to be supplied as a new participant, please do not hesitate to ~~call~~contact Holly Bertagnolli, Martin Helgestad, or Kathy Mackenthun of Paragon Strategic Solutions Inc. at 1-800-689-FUND (3863) or FHCF-Administrator@aonbenfield.com.

## Contract Year ~~2014~~ 2015 Interim Loss Report Florida Hurricane Catastrophe Fund (FHCF)

Company Name: \_\_\_\_\_ Co. NAIC No.: \_\_\_\_\_

Group NAIC No. (if applicable): \_\_\_\_\_ Losses as of (most current data available): \_\_\_\_\_

HURRICANE: \_\_\_\_\_ PCS CAT. NO.: \_\_\_\_\_ Report Due Date (see schedule below): \_\_\_\_\_

### ESTIMATED ULTIMATE NET LOSSES ON COVERED POLICIES

	Commercial-Residential	Residential	Mobile Home	Tenants	Condominium Unit Owners	Total
Paid Loss*						
Outstanding Loss*						
IBNR (unknown losses)*						
TOTAL*						

### SCHEDULE OF REPORT DUE DATES

If the FHCF determines that an Interim Loss Report is required due to the occurrence of a Covered Event, all participants in the FHCF shall be notified of the required filing and the applicable due date (not less than fourteen days from the notice date). The FHCF will notify participants if subsequent Interim Loss Reports are required or if a Detailed Claims Listing (refer to the Contract Year ~~2014~~ 2015 Form FHCF-DCL) must be provided to the FHCF.

### SUBMISSION INSTRUCTIONS

The Interim Loss Report (and a Detailed Claims Listing if requested) must be submitted electronically through the FHCF Online Claims System at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf), under Insurer Information, Online Claims. Users will input the required fields directly into the system. Advance registration is required for the Online Claims System; instructions are included on the system web site.

\* Report Ultimate Net Losses only (report in whole dollars, rounded only to the nearest whole dollar, with the exception of IBNR). Do not include Loss Adjustment Expenses. If your company has negative IBNR numbers, report the negatives; do not net with the Outstanding Loss numbers. See Article V of the Reimbursement Contract for the definitions of Covered Event, Covered Policy, and Ultimate Net Loss. See Article VI of the Reimbursement Contract for specific coverage exclusions. Copies of this Interim Loss Report, the Reimbursement Contract, and additional information can be found on the Internet at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) or <http://fhcf.paragon.aonbenfield.com>.

Signature: \_\_\_\_\_ Executive Title: \_\_\_\_\_ Date: \_\_\_\_\_

Printed or Typed Name of Executive: \_\_\_\_\_

# Contract Year **2014-2015** Proof of Loss Report Florida Hurricane Catastrophe Fund (FHCF)

Company Name: \_\_\_\_\_ Co. NAIC No.: \_\_\_\_\_

Group NAIC No. (if applicable): \_\_\_\_\_ Losses as of (most current data available): \_\_\_\_\_

HURRICANE: \_\_\_\_\_ PCS CAT. NO.: \_\_\_\_\_ Report Due Date: \_\_\_\_\_

**SECTION I - MANDATORY****ULTIMATE NET LOSSES ON COVERED POLICIES**

	Commercial-Residential	Residential	Mobile Home	Tenants	Condominium Unit Owners	Total
A. Paid Loss*						
B. Outstanding Loss*						
C. IBNR (unknown losses)*						
D. TOTAL*						

\* Report Ultimate Net Losses only (report in whole dollars, rounded only to the nearest whole dollar, with the exception of IBNR). Do not include Loss Adjustment Expenses. If your company has negative IBNR numbers, report the negatives; do not net with the Outstanding Loss numbers. See Article V of the Reimbursement Contract for the definitions of Covered Event, Covered Policy, and Ultimate Net Loss. See Article VI of the Reimbursement Contract for specific coverage exclusions. Copies of this Proof of Loss Report, the Reimbursement Contract, and additional information can be found on the Internet at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) or <http://fhcf.paragon.aonbenfield.com>.

**SECTION II - OPTIONAL****ESTIMATED RECOVERABLE FROM THE FHCF**

Section II is provided for your Company's use only. The FHCF will calculate loss reimbursements based on the information provided under Section I above.

		<b><u>Incurred Basis</u></b>
A. Incurred Ultimate Net Loss	(Sec. I.D)	
B. Less Actual Retention		
C. Subtotal (minimum of -0-)	(A - B)	
D. Elected Coverage Percentage		
E. Ultimate Net Loss Excess Retention	(C x D)	
F. LAE (5% of Incurred Losses in Excess of Retention)	(E x 5%)	
G. Estimated Recoverable from the FHCF on Incurred Basis**	(E + F)	

\*\*Estimated recoverables are limited by your Company's share of the claims-paying capacity of the FHCF, as limited pursuant to Section 215.555(4)(c), Florida Statutes.

		<b><u>Paid Basis</u></b>
A. Paid Ultimate Net Loss	(Sec. I.A)	
B. Less Actual Retention		
C. Subtotal (minimum of -0-)	(A - B)	
D. Elected Coverage Percentage		
E. Ultimate Net Loss Excess of Retention	(C x D)	
F. LAE (5% of Paid Losses in Excess of Retention)	(E x 5%)	
G. Total Estimated Recoverable	(E + F)	
H. Previous Reimbursements		
I. <u>Estimated</u> Recoverable from the FHCF this request**	(G - H)	



Company Name: \_\_\_\_\_

Hurricane: \_\_\_\_\_

### SECTION III - MANDATORY

### SIGNATURES

*We, the undersigned, do state that, to the best of our knowledge, all data reported under Section I of this Proof of Loss Report is accurate and is for losses under FHCF Covered Policies incurred by the named Company (Company) for the named hurricane. All reported information is subject to examination by the State Board of Administration of Florida (SBA). We are each, respectively, executive officers of the Company, acting within our authority in making this declaration, and we have conducted, or have had conducted, a thorough review of the Company's records and systems to determine the truth of this statement.*

Signature: \_\_\_\_\_ Executive Title: \_\_\_\_\_ Date: \_\_\_\_\_

Printed or Typed Name of Executive: \_\_\_\_\_

Signature: \_\_\_\_\_ Executive Title: \_\_\_\_\_ Date: \_\_\_\_\_

Printed or Typed Name of Executive: \_\_\_\_\_

### RECORDS RETENTION REQUIREMENTS

Companies reporting losses and receiving reimbursements or advances from the FHCF for paid losses from Covered Events are subject to examination by the FHCF or its agents pursuant to the Reimbursement Contract entered into between the Company and the FHCF. Therefore, all Companies shall retain complete and accurate records of all losses paid by the FHCF until the FHCF has completed its examination of the Company and commutation for the Contract Year (if applicable) has been concluded. All records, correspondence, and supporting documentation, must be available with computer runs produced containing the information below. Upon notice of an examination, the Company will be required to provide a current Form FHCF-L1B (Proof of Loss Report) and the following information along with the information outlined in Form FHCF-LAP1 "Loss Reimbursement Examination Advance Preparation Instructions" for the applicable Contract Year.

**1. Detailed Claims Listing (see Contract Year 2014-2015 Form FHCF-DCL for file formatting requirements) which supports the losses reported on the Proof of Loss Report including:**

- |                         |                         |                                     |   |
|-------------------------|-------------------------|-------------------------------------|---|
| • Claim number          | • FHCF type of business | • ZIP code                          | • Paid loss – contents                  |
| • Date of loss          | • County code           | • Paid loss – habitational building | • Paid loss – additional living expense |
| • Policy number         | • County name           | • Paid loss – appurtenant structure | • Outstanding loss reserve              |
| • Policy effective date |                         |                                     |   |

**2. Claim files which include documentation of the following:**

- |   |  |  |
|---|--|--|
| • First notice of loss  | • Payment history  | • Evidence of salvage received                                 |
| • Claim number  | • Policy number and location of property   | • Evidence of whether the deductible was applied               |
| • Date of loss  | • Amount of loss adjustment expense  | • Receipts for any additional living expenses paid             |
| • Amount of loss for each category of coverage (building, appurtenant structure, contents, and additional living expense) | • All adjuster estimates, including public adjuster estimates if provided to the Company | • Evidence to show the loss was a direct result of a hurricane |
| • Claim description   | • Copies of checks for payment of losses   |  |
| • Documentation of policyholder's legal fees and/or public adjuster fees paid, if provided to the Company                 |  |  |

**3. Additional detail on the loss examination requirements can be accessed on the Internet at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf).**

### SUBMISSION INSTRUCTIONS

A Company must submit an initial Detailed Claims Listing to support the losses reported in the Proof of Loss Report at the same time it submits its first Proof of Loss Report for a specific Covered Event that qualifies the Company for reimbursement under that Covered Event, and should be prepared to supply a Detailed Claims Listing for any subsequent Proof of Loss Report as required by Rule 19-8.029, Florida Administrative Code, or upon the request of the FHCF. The Proof of Loss Report and Detailed Claims Listing must be submitted electronically through the FHCF Online Claims System at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf), under Insurer Information, Online Claims. Users will input the required fields of Section I of the Proof of Loss Report directly into the system and will upload the associated Detailed Claims Listing. Advance registration is required for the Online Claims System; instructions are included on the system web site.

## Florida Hurricane Catastrophe Fund

### Contract Year ~~2014~~ 2015 Detailed Claims Listing Instructions

Each Florida Hurricane Catastrophe Fund (FHCF) Company must submit a Detailed Claims Listing (as described below) to support the losses reported in the Proof of Loss Report. If requested by the FHCF, a Detailed Claims Listing supporting the losses reported in the Interim Loss Report may be required. Note that Incurred But Not Reported (IBNR) losses are not to be included in the Detailed Claims Listing. A Detailed Claims Listing is required:

1. When the Company submits its first Proof of Loss Report for a specific Covered Event that qualifies the Company for reimbursement under that Covered Event;
2. Annually at each year-end until the earlier of completion of the FHCF commutation process or until all claims and losses resulting from the Covered Event are fully discharged, including any adjustments to such losses due to salvage or other recoveries;
3. Upon notice of a loss reimbursement examination by the FHCF;
4. Upon request of the FHCF in support of any other filed Proof of Loss Report; and
5. Upon request of the FHCF in support of an Interim Loss Report.

### File Layout

The Detailed Claims Listing, which supports the losses reported in the Proof of Loss Report for a specific hurricane, must match the aggregate total amounts for paid losses and outstanding losses reported on page 1 of the Proof of Loss Report. The Detailed Claims Listing must be provided in a pipe delimited text file containing the following fields in the order listed. (For the pipe “|” symbol, press the *Shift* key and the \ key.) **Policy numbers in the Detailed Claims Listing must be in the same format as policy numbers provided in the FHCF Data Call submission.**

Field #	Description	Minimum Length	Maximum Length	Type	Notes
1	Claim Number	1	20	Special	Include characters A-Z, 0-9, and “-” only
2	Date of Loss	8	8	Numeric	Must use “yyyymmdd” format only (include leading zeros for single-digit months and days)
3	Policy Number	1	30	Special	Include characters A-Z, 0-9, and “-” only ; must match the policy numbers and format provided in the <del>2014</del> <u>2015</u> Data Call file for policies required to be reported at 6/30/ <del>4</del> <u>15</u>
4	Policy Effective Date	8	8	Numeric	Must use “yyyymmdd” format only (include leading zeros for single-digit months and days)
5	FHCF Type of Business Code	1	1	Numeric	Only use the codes on pg X of the Contract Year <del>2014</del> <u>2015</u> FHCF Data Call
6	County Code	1	3	Numeric	Only use the codes on pg XX of the Contract Year <del>2014</del> <u>2015</u> FHCF Data Call
7	County Name	3	20	Special	Include characters A-Z and “-” only
8	ZIP Code	5	5	Numeric	
9	Paid Loss – Habitational Building*	1	12	Numeric	Report whole dollar amounts only (no decimals). If an amount is zero, then enter 0.
10	Paid Loss – Appurtenant Structures *	1	12	Numeric	
11	Paid Loss – Contents *	1	12	Numeric	
12	Paid Loss – Additional Living Expense *	1	12	Numeric	
13	Outstanding Loss Reserve	1	12	Numeric	

**\*Note: A breakdown of paid losses is required.**

**Example:** A record with the following information:

FIELD #	DESCRIPTION	TYPE	ENTRY
1	Claim Number		336733
2	Date of Loss		201450910
3	Policy Number		HCP5670996
4	Policy Effective Date		201450215
5	FHCF Type of Business Code	Residential	2
6	County Code		49
7	County Name		HARDEE
8	ZIP Code		33890
9	Paid Loss – Habitational Building		12100
10	Paid Loss – Appurtenant Structures		3600
11	Paid Loss – Contents		8000
12	Paid Loss – Additional Living Expense		1500
13	Outstanding Loss Reserve		5000

Sample record layout:

336733|201450910|HCP5670996|201450215|2|49|HARDEE|33890|12100|3600|8000|1500|5000

**You must provide a separate Detailed Claims Listing to support the Proof of Loss Report(s) for each event.**

### **Reporting Losses for policies assumed from Citizens Property Insurance Corporation (Citizens)**

If your Company receives reimbursement from the FHCF for losses on policies assumed from Citizens and the policies, subsequent to the reimbursement, revert back to Citizens, then your Company must deduct those losses from all future Proof of Loss Reports submitted to the FHCF.

### **Remittance of Required Documents**

The Detailed Claims Listing(s) must be submitted via the FHCF Online Claims System at the same time the associated Proof of Loss Report(s) is filed. The Online Claims System is available at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) under Insurer Information, Online Claims.

### **Retention of Records**

Your Company is required to maintain records of all losses paid by the FHCF until the FHCF has completed its examination of the Company and commutation for the Contract Year (if applicable) has been concluded. The records retention requirement, as stipulated in the Proof of Loss Report, page 2, requires the Company to maintain all records, including the Detailed Claims Listing, correspondence, and supporting documentation to support each Proof of Loss Report submitted to the FHCF.

**19-8.030 Insurer Responsibilities.**

(1) Section 215.555(10), F.S., provides that any violation of any provision of Section 215.555, F.S., or of any rule adopted under Section 215.555, F.S., constitutes a violation of the Florida Insurance Code.

(2) Purpose. The purpose of this rule is to clearly establish certain deadlines and other requirements for insurers required to participate in the Florida Hurricane Catastrophe Fund (Fund or FHCF). It is not the intent or purpose of this rule to address every requirement of Participating Insurers which could result in a referral to the Florida Department of Financial Services.

(3) Definitions. The terms defined below will be capitalized in this rule.

(a) Authorized Insurer means an insurer as defined in Section 624.09(1), F.S. and includes Citizens Property Insurance Corporation and any joint underwriting association or similar entity created pursuant to Section 627.351, F.S.

(b) Board or SBA means the State Board of Administration of Florida.

(c) Fund or FHCF means the Florida Hurricane Catastrophe Fund established pursuant to Section 215.555, F.S.

(d) Citizens Property Insurance Corporation or Citizens means the entity formed under Section 627.351(6), F.S., and refers to two accounts, includes both the cCoastal aAccount and the pPersonal lLines and cCommercial lLines aAccounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, reimbursement premium, retention, and ultimate net loss.

(e) Contract Year means the time period which begins at 12:00:01 a.m., Eastern Time, on June 1 of each calendar year and ends at 12:00 ~~p.m.~~ midnight, Eastern Time, on May 31 of the following calendar year.

(f) A Covered Event or Event is a hurricane as defined in Section 215.555(2)(b), F.S., and in Article V of the Reimbursement Contract adopted and incorporated by reference in Rule 19-8.010, F.A.C.

(g) Covered Policy. This term is defined in Section 215.555(2)(c), F.S., and the Reimbursement Contract adopted by and incorporated into Rule 19-8.010, F.A.C.

(h) Department means the Florida Department of Financial Services.

(i) Data Call or Florida Hurricane Catastrophe Fund Data Call means the annual reporting of insured values Form FHCF-D1A as adopted and incorporated into Rule 19-8.029, F.A.C.

(j) Detailed Claims Listing means Form FHCF-DCL, as adopted and incorporated into Rule 19-8.029, F.A.C., outlining the file required to be created in support of losses reported to the FHCF in the Form FHCF-L1A, Interim Loss Report, or Form FHCF-L1B, Proof of Loss Report.

(k) Interim Loss Report means Form FHCF-L1A, as adopted and incorporated into Rule 19-8.029, F.A.C.

(l) Office of Insurance Regulation means that office within the Department and which was created in Section 20.121(3), F.S.

(m) Participating Insurer, Insurer or Company means an insurer which writes Covered Policies in this state and which has entered into a Reimbursement Contract with the Board, pursuant to Section 215.555(4)(a), F.S.

(n) Proof of Loss Report means Form FHCF-L1B, as adopted and incorporated into Rule 19-8.029, F.A.C.

(o) Reimbursement Contract or Contract means the statutorily required annual contract, adopted and incorporated into Rule 19-8.010, F.A.C., which provides coverage to Participating Insurers for losses to covered property during a Covered Event.

(p) Reimbursement Premium or Premium means the premium determined by multiplying each \$1,000 of insured value reported by the Company in accordance with Section 215.555(5), F.S., by the rate as derived from the premium formula as described in Rule 19-8.028, F.A.C.

(q) Quota Share Primary Insurance Arrangement is defined in Section 627.351(6)(c)2.a. ~~(H)~~, F.S.

(r) WIRE means the Web Insurer Reporting Engine which is the secure web-based system used for the reporting of insurer exposure data under the Data Call beginning with the 2014/2015 Contract Year.

(4) Reimbursement Contract.

(a) Current Participants: The Reimbursement Contracts are annual contracts.

1. For the 2010/2011 Contract Year and earlier Contract Years, each Insurer required to participate in the FHCF must designate a coverage level in the annual Reimbursement Contract, make any required selections therein and execute the Reimbursement Contract and applicable Addenda so that the Contract, including the schedules and applicable Addenda, have been received by June 1 of each Contract Year.

2. For the 2011/2012 Contract Year and subsequent Contract Years, each Insurer required to participate in the FHCF must designate a coverage level in the annual Reimbursement Contract, make any required selections therein and execute the Reimbursement Contract and applicable Addenda so that the Contract, including the schedules and applicable Addenda, have been

received by March 1 prior to each Contract Year.

(b) New Participants during the period of June 1 through November 30: Those Insurers that first begin writing Covered Policies from June 1 through November 30 of a Contract Year are “New Participants.” New Participants must designate a coverage level in the annual Reimbursement Contract, make any required selections therein, and execute the Contract and applicable Addenda simultaneously with issuing the first Covered Policy. The completed and executed Reimbursement Contract, including all required selections, schedules and applicable Addenda, must be returned no later than 30 days after the effective date of the first Covered Policy.

(c) New Participants during the period of December 1 through May 31: Those Insurers that first begin writing Covered Policies from December 1 through May 31 of a Contract Year ~~are also considered, along with the Insurers described in paragraph (b) immediately above, are~~ New Participants. However, these Insurers shall not complete and submit the Data Call but shall meet all other requirements for New Participants.

(5) Exposure Reporting Requirements.

(a) Quota Share Primary Insurance: Citizens and Authorized Insurers may enter into Quota Share Primary Insurance Arrangements with respect to the Coastal Account policies. The statute also provides, in Section 627.351(6)(c)2.f.a.(H), F.S., that Citizens shall be responsible for the annual reporting of insured values to the FHCF for both Citizens and the Insurer participating with Citizens in the Quota Share Arrangement. Citizens shall report the insured values covered by the Quota Share Primary Insurance Arrangements in the same manner that all other current participants, as described in paragraph (b) below, report their insured values. Please note that both Citizens and the Quota Share Primary Insurer must keep complete and accurate records, including copies of policy declaration pages and supporting claims documents, for the purpose of exposure and loss reimbursement examinations by the FHCF.

(b) Current Participants: Each Insurer, with Covered Policies as of June 1 of a Contract Year must participate in the FHCF and must complete and submit the Data Call [online using WIRE](#), correctly completed, no later than September 1 of the Contract Year.

(c) New Participants during the period of June 1 through November 30:

1. For the 2012/2013 [Contract Year](#) and earlier Contract Years, those Insurers that first begin writing Covered Policies from June 1 through November 30 of a Contract Year must complete and submit the Data Call, correctly completed, by March 1 of the Contract Year. For the 2012/2013 Contract Year, such an Insurer had the option of reporting its actual exposure as of November 30 of the Contract Year on or before February 1 of the Contract Year.

2. For the 2013/2014 [Contract Year](#) and subsequent Contract Years, Insurers that first begin writing Covered Policies from June 1 through November 30 of a Contract Year must correctly complete and submit the Data Call by February 1 of the Contract Year.

(d) Resubmissions of Data: With one exception noted below, any Insurer which submits a Data Call, with incorrect data, incomplete data, or data in the wrong format and is required to resubmit will be given 30 days from the date on the letter from the FHCF notifying the Insurer of the need to resubmit. An extension of 30 days will be granted if the Insurer can show that the need for the additional time is due to circumstances beyond the reasonable control of the Insurer. Exception: If the Insurer, at the time it receives notice of the need to resubmit, has already been issued a notice of examinations, the usual 30 day time limitation (measured from the date of the letter giving notice of the need to resubmit) does not apply. In this situation, the time period in which the Insurer must resubmit is measured by counting backwards 30 days from the date that the examinations are scheduled to begin as reflected on the notice of examinations letter. The FHCF needs the information prior to the examinations; thus, no extensions can be granted.

[1. For the 2013/2014 Contract Year and earlier Contract Years, resubmissions must be submitted manually to the FHCF's Administrator in accordance with the specifications outlined in the Data Call for the applicable Contract Year.](#)

[2. For the 2014/2015 Contract Year and subsequent Contract Years, resubmissions must be submitted online using WIRE.](#)

(6) Loss Reporting Requirements. Participating Insurers must report loss data in accordance with the requirements outlined in Article X of the Reimbursement Contract adopted by, and incorporated into, Rule 19-8.010, F.A.C., and outlined in Rule 19-8.029, F.A.C. Insurers are required to file Interim Loss Reports, Proof of Loss Reports, and Detailed Claims Listings through the FHCF Online Claims System available at [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) under Insurer Information, Online Claims. These forms may be obtained from the ~~FHCF's Fund's~~ Administrator, Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437.

(7) Premiums.

(a) Current Participants: Premium installments for Current Participants are due on August 1, October 1, and December 1. Premium adjustments are due as indicated on the invoice sent to the Insurer. Premiums paid to the FHCF with reference to property

covered by Quota Share Primary Insurance Arrangements, as authorized and defined in Section 627.351(6)(c)2.a.(4), F.S., will be allocated by the FHCF between the Insurer and Citizens in accordance with the percentages specified in the Quota Share Primary Insurance Arrangement.

(b) New Participants during the period of June 1 through November 30: Those Insurers that first begin writing Covered Policies from June 1 through November 30 of a Contract Year must submit a payment of \$1,000 on or before the date indicated on the invoice. Once a New Participant's Data Call has been reviewed by the Administrator and the Company's actual Reimbursement Premium has been determined on its actual exposure, an invoice with the amount due, if any, will be sent to the Company by the Administrator. Payment, if any amounts are shown as due on the invoice, is due within 30 days from the date on the invoice. In no event will the Premium be less than the \$1,000.

(c) New Participants during the period of December 1 through May 31: Those Insurers that first begin writing Covered Policies from December 1 through May 31 of a Contract Year shall pay a \$1,000 Premium within 30 days from the date on the invoice sent to the Insurer by the FHCF.

~~(d) With respect to any Company where control of the Company has been transferred through any legal or regulatory proceeding to a state regulator or court appointed receiver or rehabilitator, or the Company has been placed under regulatory supervision, prior to December 1 of the Contract Year, the full annual provisional Reimbursement Premium as billed and any outstanding balances will be due on August 1, or the date that control is transferred if after August 1.~~

(8) Examination Requirements. A Company is required to retain its Data Call submission file in accordance with the specifications outlined in the Data Call instructions and a Detailed Claims Listing to support losses reported on the Proof of Loss Report, or on an Interim Loss Report if requested by the FHCF. Such records must be retained until the FHCF has completed its examination of a Company's exposure submission and any loss reports applicable to the Data Call Contract Year and commutation for the Contract Year (if applicable) has been concluded. Note that both Citizens and Insurers participating in Quota Share Primary Insurance Arrangements must keep complete and accurate records, including copies of policy declaration pages and supporting claims documents, for the purpose of exposure and loss reimbursement examinations by the FHCF.

(a) Advance Examination Record Requirements: Within 30 days from the date on the letter from the FHCF, Companies are required to provide the FHCF with the records indicated in the applicable Contract Year's "Exposure Examination Advance Preparation Instructions" or in the applicable Contract Year's "Loss Reimbursement Examination Advance Preparation Instructions". An extension of 30 days may be granted if the Insurer can show that the need for the additional time is due to circumstances beyond the reasonable control of the Insurer.

~~1. For the 2005/2006 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2005 Advance Preparation Instructions," FHCF AP1, rev. 5/05. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2005 Advance Preparation Instructions," FHCF LAP1, rev. 05/07.~~

~~2. For the 2009/2010 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2009 Advance Preparation Instructions," FHCF EAP1, rev. 05/09, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02310>. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2009 Advance Preparation Instructions," FHCF LAP1, rev. 05/09, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02312>.~~

~~3. For the 2010/2011 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2010 Advance Preparation Instructions," FHCF EAP1, rev. 05/10, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02311>. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2010 Advance Preparation Instructions," FHCF LAP1, rev. 05/10, <http://www.flrules.org/Gateway/reference.asp?No=Ref 02313>.~~

1.4. For the 2011/2012 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2011 Advance Preparation Instructions," FHCF-EAP1, rev. 01/11, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00416>. The applicable loss examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2011 Advance Preparation Instructions," FHCF-LAP1, rev. 01/11, <http://www.flrules.org/Gateway/reference.asp?No=Ref-00417>.

~~2.5.~~ For the 2012/2013 Contract Year, the applicable exposure examination instructions form is the "Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2012 Advance Preparation Instructions," FHCF-EAP1, rev.



01/12, <http://www.flrules.org/Gateway/reference.asp?No=Ref-01191>. The applicable loss examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2012 Advance Preparation Instructions,” FHCF-LAP1, rev. 01/12, <http://www.flrules.org/Gateway/reference.asp?No=Ref-01192>.

~~3.6.~~ For the 2013/2014 Contract Year, the applicable exposure examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2013 Advance Preparation Instructions,” FHCF-EAP1, rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02337>. The applicable loss examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2013 Advance Preparation Instructions,” FHCF-LAP1, rev. 02/13, <http://www.flrules.org/Gateway/reference.asp?No=Ref-02336>.

~~4.7.~~ For the 2014/2015 Contract Year, the applicable exposure examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2014 Advance Preparation Instructions,” FHCF-EAP1, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03973>. The applicable loss examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2014 Advance Preparation Instructions,” FHCF-LAP1, rev. 04/14, <http://www.flrules.org/Gateway/reference.asp?No=Ref-03975>.

5. For the 2015/2016 Contract Year, the applicable exposure examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Exposure Examination – Contract Year 2015 Advance Preparation Instructions,” FHCF-EAP1, rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>. The applicable loss examination instructions form is the “Florida Hurricane Catastrophe Fund (FHCF) Loss Reimbursement Examination – Contract Year 2015 Advance Preparation Instructions,” FHCF-LAP1, rev. XX/15, <http://www.flrules.org/Gateway/reference.asp?No=Ref-XXXXX>.

~~6.8.~~ These forms are hereby adopted and incorporated by reference into this rule. Copies of these forms may be obtained from the FHCF website: [www.sbafla.com/fhcf](http://www.sbafla.com/fhcf) or by contacting the State Board of Administration. The mailing address is P. O. Box 13300, Tallahassee, Florida 32317-3300. The street address is 1801 Hermitage Blvd., Tallahassee, Florida 32308.

(b) On-site Examination Record Requirements: The FHCF-EAP1, “Exposure Examination Advance Preparation Instructions” and the FHCF-LAP1, “Loss Reimbursement Examination Advance Preparation Instructions” each contain a list of the information that the Companies must have available, on-site, on the date the exposure or loss examination is to begin. These records must be made available to the FHCF examiner upon request.

(c) Response to the FHCF Examination Report: Within 30 days from the date of the letter accompanying the examination report, a Company must provide a written response to the FHCF. The response must indicate whether the Company agrees with the recommendation of the examination report. If the Company disagrees with the examination findings, the reason for the disagreement will be outlined in the response and the Company will provide supporting information to support its objection. An extension of 30 days ~~may will~~ be granted if the Company can show that the need for additional time is due to circumstances beyond the reasonable control of the Company.

(d) Resubmissions as a Result of a Completed Examination: A Company required to resubmit exposure data as a result of the examination must do so within 30 days of the date on the letter from the FHCF notifying the Company of the need to resubmit. An extension of 30 days ~~may will~~ be granted if the Company can show that the need for additional time is due to circumstances beyond the reasonable control of the Company.

(9) Penalties and Additional Charges. The Participating Insurers’ responsibilities outlined in this rule are not an exhaustive list and Section 215.555, F.S., and other rules promulgated under that section may outline additional responsibilities or deadlines. The failure by a Participating Insurer to meet any of the deadlines or responsibilities outlined in this rule, Section 215.555, F.S., or any other rule applicable to the FHCF constitute a violation of the Florida Insurance Code. In the event of a violation, in addition to the consequences outlined below, the FHCF may notify the Office of Insurance Regulation of the violation. The Office of Insurance Regulation may take whatever action it deems appropriate in addressing the violation.

(a) Resubmissions of Data: A \$1,000 resubmission fee (for resubmissions that are not the result of an examination by the SBA) will be invoiced by the FHCF for each ~~resubmissionsubmission~~. If a resubmission is necessary as a result of an examination report issued by the SBA, the resubmission fee will be \$2,000. If a Company’s examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be \$2,000.

(b) Premiums and Other Payments: All late payments of Premium, including Premium adjustments, due to the FHCF from an Insurer are subject to interest.

(c) Consequences for Failure to meet the requirements contained in the FHCF-EAP1, “Exposure Examination Advance Preparation Instructions,” the FHCF-LAP1, “Loss Reimbursement Examination Advance Preparation Instructions,” or the on-site

examination record requirements in a timely manner: In addition to other penalties or consequences, the FHCF has the authority, pursuant to Section 215.555(4)(f), F.S., to require that the Insurer pay for the following services under the circumstances outlined below:

1. If an examination is delayed, cannot be conducted as scheduled or cannot be completed and the Insurer is responsible for such, the Insurer shall be required to reimburse the FHCF for all the usual and customary expenses connected to such delay, cancellation or incompleteness.

2. If the FHCF finds any Insurer's records or other necessary information to be inadequate or inadequately posted, recorded, or maintained, the FHCF may employ experts to reconstruct, rewrite, record, post, or maintain such records or information, at the expense of the Insurer being examined.

3. An Insurer required to reimburse the FHCF for costs as outlined in subparagraphs 1. and 2. immediately above, will owe interest on the amount owed to the FHCF from the date the FHCF pays such expenses until the date payment from the Insurer is received. The applicable interest rate will be the average rate earned by the SBA for the FHCF for the first four months of the current Contract Year plus 5%. Also, the payment of reimbursements or refunds by the FHCF to any Insurer will be offset by any amounts owed by that Insurer to the FHCF.

(10) Time Deadlines: If any deadline provided for herein falls on a Saturday, Sunday or on a legal holiday, then the applicable due date will be the first business day immediately following the Saturday, Sunday or legal holiday.

(11) Company Contact Information: Companies must submit Form FHCF C-1, Company Contact Information, as adopted and incorporated into Rule 19-8.029, F.A.C., by March 1 preceding each Contract Year to the FHCF Administrator, Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437. A New Participant must submit Form FHCF C-1 within 30 calendar days of writing its first Covered Policy. This form must be updated by the Company as the information provided thereon changes. The FHCF shall have the right to rely upon the information provided by the Company to the FHCF on this form until receipt by the FHCF of a new properly completed and notarized Form FHCF C-1 from the Company.

*Rulemaking Authority 215.555(3) FS. Law Implemented 215.555 FS. History—New 5-13-03, Amended 5-19-04, 5-29-05, 5-10-06, 5-8-07, 8-13-07, 6-8-08, 3-30-09, 3-29-10, 8-8-10, 7-20-11, 5-22-12, 3-17-13, 4-24-14, X-XX-15.*



**FLORIDA HURRICANE CATASTROPHE FUND (FHCF)**  
**EXPOSURE EXAMINATION – CONTRACT YEAR 20142015**  
**ADVANCE PREPARATION INSTRUCTIONS**

**Company:**

**Date of Examination:**

**Advance Records Due:**

The following instructions are provided to help your Company prepare for the FHCF's examination. If you have questions pertaining to the preparation and submission of required records, or about the activities or work processes of the examiner which cannot be adequately answered by the examiner, please call Gina T. Wilson, Director of Examinations, at (850) 413-1348.

Please note: If your Company participated in a takeout pursuant to an assumption agreement with Citizens Property Insurance Corporation or the examination is for Citizens Property Insurance Corporation Coastal Account with quota share primary insurance data, additional instructions apply (see pages [24XX](#) and [25XX](#) of the [2014-2015](#) Data Call).

**ADVANCE RECORDS**

Your Company is required to submit records to the FHCF in advance of the examiner's on-site review to allow the examiner to fully prepare and to ensure the examination begins as scheduled. All advance records must be provided electronically via FHCF WIRE (<https://www.sbafla.com/fhcfwire/>). Be certain the records submitted are prepared using the form specified in the instructions that follow and are in the same format and file type as it was sent to your Company (e.g., the Operations Questionnaire should be uploaded as a Microsoft Excel document.)

~~All advance records must be provided on a CD-ROM that is labeled with the Company name and contract year. Be sure to check your CD-ROM to be certain the files were saved and can be opened.~~

A cover letter is not required; however, if there is any information related to the documents or the exam that you would like the examiner to know, it can be noted in a cover letter. If more than one company is under examination, preparation and submission of separate documents for each company is necessary. ~~If your Company has different departments responsible for compiling portions of your submission, please have one individual coordinate, compile, and submit the complete package to the FHCF.~~

**1. REQUIRED RECORDS CHECKLIST**

The Checklist, provided as an attachment in the Notice email, should be completed by the Company to ensure that all advance records are submitted to the FHCF and should be returned to the FHCF in electronic form with the remainder of the required advance records. Do not use versions from a prior examination. Using the ~~drop-down options~~check boxes located to the right of the list of required records, the Company should indicate whether each of the records is included or, not included, ~~or not applicable~~. The Company should also designate the office location where the on-site examination should take place and provide complete contact information ~~of a~~for the Company Exam Coordinator and ~~a Company~~ Executive Contact. All examination correspondence will be directed through the Company Exam Coordinator you have designated, including the Examination Report, unless otherwise noted on the checklist ~~(the FHCF will only send one printed copy of the Report)~~. The Company Exam Coordinator will be contacted periodically by FHCF staff and the examiner to help guide/facilitate the Company in the preparation of information needed ~~to expedite~~for the examination.

**2. OPERATIONS QUESTIONNAIRE**

The electronic questionnaire form should be completed in its entirety and submitted to the FHCF ~~as an Excel file in electronic form~~. Questions should be answered based on covered policies in force for the Contract Year being examined. The individual(s) responsible for preparing the questionnaire should be available to answer questions once the examiner arrives on-site.

### 3. CONSTRUCTION MAPPING WORKSHEET

~~If your company's construction definitions do not match those of the FHCF, you are required to submit a Construction Mapping Worksheet to Paragon for review and approval (per page X of the 2015 FHCF Data Call instructions) prior to your company's Data Call submission. A copy of the worksheet and Paragon's approval letter must be submitted with your advance records for this examination. If your company was not required to submit the worksheet to Paragon in advance of your Data Call submission, your company must complete the worksheet at this time for the examination. Complete the worksheet in its entirety and return it with your advance records. Your Company must provide a list of company construction types with a definition for each type and the applicable FHCF code used to report each construction. The Construction Mapping Worksheet should be completed and submitted to the FHCF in electronic form. In addition, if a construction mapping was submitted to Paragon for approval in the current contract year, a copy of the approved mapping should be submitted with the worksheet.~~

### 4. FORMS AND ENDORSEMENTS

Your Company must provide ~~a list of an Excel file listing~~ all forms and endorsements used (as of the Data Call date) for all covered ~~and reported~~ policies, ~~as well as~~ and a specimen copy of each form. The list must include the form and endorsement numbers and titles.

### 5. DEFINITION OF WINDSTORM MITIGATION FEATURES

Your Company must provide a list of windstorm mitigation features ~~reported to the FHCF~~ for structure opening protection and roof shape, ~~along with a the~~ definition ~~for of~~ each feature, and the applicable FHCF code ~~the feature is mapped to used to report each feature~~.

### ~~6. EXAM FILE/EXPOSURE DATA (NOT APPLICABLE IN 2014)~~

~~Beginning in Contract Year 2014, with the FHCF's implementation of the Web Insurer Reporting Engine (WIRE), your Company's Data Call submission due on September 1, 2014, included the policy level detail needed for the examination; therefore, a separate file is no longer required.~~

### ~~7.6. DIRECT WRITTEN PREMIUM REPORT~~

Your Company must provide (1) a copy of the annual statement page with the direct written premiums for Florida and (2) a report which supports your Company's total direct written premium for all lines where any policy or coverage subject to the FHCF may be written. Both documents must be provided for the period ending December 31, ~~2013~~2014. Although the direct written premiums for a line of business may include policies covered and policies not covered by the FHCF, the Direct Written Premium Report must include all policies needed to reconcile to the line item total on the annual statement. It would be helpful to include a notation on the report, which distinguishes ex-wind policies from wind policies. Also, if there are any reconciling entries made to the annual statement, enclose a schedule detailing the reconciling items.

The Direct Written Premium Report must be by individual policy, sorted by type and line of business, must be provided ~~as a Microsoft Access database or~~ in a pipe delimited ~~ASCII (text) file format~~, and must contain the fields in the order listed in the table below. **Policy numbers in the Data Call File and Direct Written Premium Report must be formatted alike. If not, an explanation on how to match the policies is required.**

#	DESCRIPTION	TYPE	NOTES
1	Type of Business	Numeric	Only use the codes on pg <del>8-X of the 2015</del> FHCF Data Call

2	Line of Business	Numeric	Only use the codes on pg <a href="#">9-X of the 2015 FHCF Data Call</a>
3	Policy Effective Date	Numeric or Date/Time	Numeric Format: yyyymmdd Date/Time Format: month/day/year Effective Date must be in one field and the numeric format must have 8 characters
4	Policy Expiration Date	Numeric or Date/Time	Numeric Format: yyyymmdd Date/Time Format: month/day/year Expiration Date must be in one field and the numeric format must have 8 characters
5	Direct Written Premium	Numeric	
6	Policy Number	Special	Use the same policy number and format as used in the Data Call File; include characters A-Z, 0-9, and "-" only.
7	Notation Designating FHCF Covered Policies	Text	If available
8	Notation Designating Policy Written with Ex-wind Endorsement	Text	If available
9	Notation Designating Policy has Endorsement for Scheduled Personal Property	Text	If applicable
10	Class Code	Numeric	If applicable (typically applies to Commercial policies only)

For Commercial Multiple Peril, only include policies with premium reported under line 5.1. **DO NOT INCLUDE POLICIES REPORTED UNDER LINE 5.2.**

~~Also, if~~ your Company writes Inland Marine endorsements to covered policies and the premium from these policies is included under a line of business other than Line 9 for Inland Marine, provide a separate listing for this premium. Also, be sure to provide separate listings for lines of business that include premiums for both commercial and residential policies.

## **7. UNDERWRITING AND RATING MANUALS**

A copy of your Company's underwriting manual and rating manual for policies covered by the FHCF and the name of a contact that is familiar with these manuals.

## **ON-SITE REQUIREMENTS**

In order for the examiner to properly conduct and expedite an early conclusion of the Exposure Examination, the [Company Exam](#) Coordinator should ensure that the examiner has access to items 1-4 below on the first day and throughout the duration of the on-site visit.

### **1. EQUIPMENT AND SPACE**

The examiner will need a private working space, dedicated telephone line and telephone, and an internet connection.

### **2. COMPANY PERSONNEL**

The [Company Exam](#) Coordinator may wish to provide names of persons whom the examiner can contact directly for answers to the many questions the examination generates. In addition, the individual(s) responsible for preparing the Operations Questionnaire should be available to answer questions once the examiner arrives on-site.

### **3. REQUIRED RECORDS TO HAVE AVAILABLE ON-SITE**

The examiner will ~~also be requesting~~ applications and declaration pages to be available for review on-site. If policy files are in more than one location, your Company is responsible for coordinating the retrieval of the files to one central location. The files must contain at least the following information:

- Insured's Name
- Address and ZIP Code for location of property insured

- c. Policy Number
- d. Policy Period
- e. Construction Type
- f. Deductible Group
- g. County Code
- h. Total Insured Values
- i. Year Built
- j. Evidence to support the reported roof shape code
- k. Evidence to support a reinforced concrete roof, if applicable
- l. Evidence to show a credit is given to the policyholder for structure opening protection
- m. A copy of the Residential Property Insurance Checklist required by the Office of Insurance Regulation Rule 69O-167.013, F.A.C. (This requirement applies to homeowners', mobile homeowners', dwelling or condominium unit owners' policies)
- n. All applicable endorsements and policy changes

Online policy files may be acceptable for the review of residential lines of business if the items listed above are viewable on the online system, if the system is the same system that produces the Company's dec pages, and if the examiner determines the system information is reliable. If the examiner determines the online system cannot be used for policy review, then your Company must provide the physical policy files including the applications and underwriting files.

**For review of commercial policies, the complete policy files, including underwriting files, applications, commercial class codes, and statement of values are required.**

#### **4. ADDITIONAL ON-SITE REQUIREMENTS**

~~a. A copy of your Company's underwriting manual and rating manual for policies covered by the FHCF and the name of a contact that is familiar with these manuals.~~

~~b.a.~~ If your Company writes policies covering single structures that contain a mix of both commercial-habitational occupancies and commercial non-habitational or business occupancies, your Company is required to submit its proposed methodology for determining predominant use, as defined in the Data Call, to the FHCF Administrator on an annual basis before the September 1st deadline. Be certain an individual familiar with your Company's class codes and underwriting guidelines is available to answer questions before and during the examination. Also, your Company must be able to identify policies insuring single structures that contain a mix of both commercial-habitational and commercial non-habitational or business occupancies for examination purposes.

~~e.b.~~ If your Company's reported exposure includes collateral protection policies covered by the FHCF, a copy of the lapsed homeowner's policy or the equivalent of a dec page must be available for the examiner's review in addition to the dec page for the policy in force at June 30, 2014-2015.

#### **POST-EXAM REQUIREMENTS**

The examiner or the FHCF may request additional information and/or documentation following the completion of the on-site review.

#### **SPECIAL EXAMS RELATED TO CITIZENS PROPERTY INSURANCE CORPORATION (CITIZENS)**

##### **1. REQUIREMENT FOR EACH CITIZENS ENTITY ENGAGED IN TAKEOUTS PURSUANT TO ASSUMPTION AGREEMENTS**

~~a. Requirements for each Citizens entity engaged in an assumption:~~

In addition to the Data Call file for FHCF exposure from direct written premiums and the separate Data Call files for FHCF exposure assumed from Citizens pursuant to an assumption agreement which, as of June 30, ~~2014~~2015, had not renewed onto the assuming insurers' policy forms, the following information must be provided for each assumption occurring July 1, ~~2013-2014~~ through June 30, ~~2014~~2015:

- (1)~~a~~a. A separate file that includes a list of all policies that were assumed by each company on the date of the assumption. This file must include the policy number, -total insured value, indicator for policies insuring short-term rentals, indicator for policies written without wind coverage, indicator for policies cancelled on or before June 30, ~~2014~~2015, date untagged by Citizens and policy effective/expiration date.
- (2)~~b~~b. For each individual assumption, provide a list of all policies untagged by Citizens after the assumption date up to, and including, June 30, ~~2014~~2015. The file must include the policy number, the assumption date, and the date the policy was untagged.
- (3)~~c~~c. A copy of the assumption agreement between Citizens and the assuming Company along with copies of exhibits to show the number of policies assumed.

**All records, including exposure filings (Data Call submission), policy files, and supporting documentation must be retained along with any information produced to support the Data Call submission. Such records must be retained until the FHCF has completed its examination of your Company's exposure submission and loss reports (applicable to the Data Call Contract Year) and commutation for the Contract Year (if applicable) has been concluded.**

**FLORIDA HURRICANE CATASTROPHE FUND (FHCF)**  
**LOSS REIMBURSEMENT EXAMINATION – CONTRACT YEAR ~~2014~~2015**  
**ADVANCE PREPARATION INSTRUCTIONS**

**Company:**

**Date of Examination:**

**Advance Records Due:**

**Events:**        (Event Name)  
                      (Event Name)  
                      (Event Name)

The following instructions are provided to help your Company prepare for the FHCF's examination. If you have questions pertaining to the preparation and submission of required records, or about the activities or work processes of the examiner which cannot be adequately answered by the examiner, please call Gina Wilson, Director of Examinations, at (850) 413-1348.

**ADVANCE RECORDS**

Your Company is required to submit records in advance of the examiner's on-site review to allow the examiner to fully prepare and to ensure the examination begins as scheduled. Your company is required to upload all advance records to the FHCF Online Claims System ([www.sbafla.com/fhcf](http://www.sbafla.com/fhcf), Insurer Information, Online Claims) no later than (insert date). Be certain the records submitted are prepared using the specific form or file format given in the instructions below. The FHCF will send your ~~company~~ Company a Required Records Checklist and an Operations Questionnaire. Be sure to submit these records in the same file format and file type as it was sent to your ~~company~~ Company (e.g., the Operations Questionnaire should be uploaded as a Microsoft Excel document).

**1. REQUIRED RECORDS CHECKLIST**

The Checklist, provided as an attachment in the Notice email, should be completed by the Company to ensure that all advance records are submitted and should be uploaded to the FHCF Online Claims System with the remainder of the required advance records. Using the drop-down options located to the right of the list of required records, the Company should indicate whether each of the records is included, or not included, ~~or not applicable~~. The Company should also designate the office location where the on-site examination should take place and provide complete contact information ~~of for a the Company-Exam Coordinator, and a Company-Executive~~ Contact, Claims Contact, and Actuarial Contact. All examination correspondence will be directed through the ~~Company-Exam~~ Coordinator you have designated, including the Examination Report, unless otherwise noted on the checklist ~~(the FHCF will only send one printed copy of the Report)~~. The ~~Company-Exam~~ Coordinator will be contacted periodically by ~~FHCF staff and~~ the examiner to help ~~guide the Company in~~ facilitate the preparation of information needed ~~to expedite for~~ the examination.

**2. OPERATIONS QUESTIONNAIRE**

The electronic questionnaire form should be completed in its entirety. The individual(s) responsible for preparing the questionnaire should be available to answer questions once the examiner arrives on-site.

**3. PROOF OF LOSS REPORT**

Submit a separate Proof of Loss Report using Form FHCF-L1B for each event listed above. The report must include your company's most recent loss information.

**4. DETAILED CLAIMS LISTING**

Provide a separate Detailed Claims Listing to support each Proof of Loss Report submitted. The Detailed Claims Listing, which supports the losses reported in the Proof of Loss Report(s), by hurricane, must match the aggregate total amounts for paid losses and outstanding losses reported on page 1 of the Proof of Loss Report. The Detailed Claims Listing must be prepared using the instructions in the 2014-2015 Detailed Claims Listing Instructions (Form FHCF-DCL).

**5. CLAIMS PROCESS MEMO**

Provide a written narrative of your Company's hurricane claims paying process. The narrative should start with how a claim is originated to the time a claim is paid. Please indicate the name and title of primary employees with responsibilities in the process.

**6. INCURRED BUT NOT REPORTED (IBNR)**

Provide documentation to support the amount of IBNR reported in each Proof of Loss Report.

**7. LIST OF CLAIMS WITH SALVAGE**

Provide a listing of all FHCF covered claims where salvage was received. This listing must be provided in a pipe delimited text file containing the following fields in the order listed. (For the pipe “|” symbol, press the *Shift* key and the \ key.)

Field #	Description	Minimum Length	Maximum Length	Type	Notes
1	Claim Number	1	20	Special	Include characters A-Z, 0-9, and “-” only; the formatting must match the claim numbers provided in the Detailed Claims Listing
2	Policy Number	1	30	Special	Include characters A-Z, 0-9, and “-” only; the formatting must match the policy numbers provided in the <u>2014-2015</u> Data Call File
3	Salvage Received	1	12	Numeric	

**8. MULTI-STATE POLICY LISTING**

Provide a listing of all FHCF covered commercial policies in effect during the 2014-2015 hurricane season that have exposures written with Florida and non-Florida locations on the same policy. This list includes all policies regardless of whether or not a claim was reported to the FHCF for the policy and must be provided in a pipe delimited text file containing the following fields in the order listed.

Field #	Description	Minimum Length	Maximum Length	Type	Notes
1	Policy Number	1	30	Special	Include characters A-Z, 0-9, and “-” only; the formatting must match the policy numbers provided in the <u>2014-2015</u> Data Call File
2	FHCF Type of Business Code	1	1	Numeric	Only use the codes on pg <u>8X</u> of the <u>2014-2015</u> FHCF Data Call

**9. MULTI-RISK POLICY LISTING**

Provide a listing of all FHCF covered commercial policies in effect during the 2014-2015 hurricane season that have both covered and non-covered risks written on the same policy. This list includes all policies regardless of whether or not a claim was reported for the policy and must be provided in a pipe delimited text file containing the following fields in the order listed.

Field #	Description	Minimum Length	Maximum Length	Type	Notes
1	Policy Number	1	30	Special	Include characters A-Z, 0-9, and “-” only; the formatting must match the policy numbers provided in the <u>2014-2015</u> Data Call File



2	FHCF Type of Business Code	1	1	Numeric	Only use the codes on pg <del>8-X</del> of the <del>2014</del> <u>2015</u> FHCF Data Call
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### 10. SINGLE STRUCTURES POLICY LISTING

Provide a listing of all FHCF covered policies in effect during the ~~2014-2015~~ hurricane season that insure single structure(s) that are used for both habitational and non-habitational purposes. This listing includes all policies regardless of whether or not a claim was reported for the policy and must be provided in a pipe delimited text file containing the following fields in the order listed.

Field #	Description	Minimum Length	Maximum Length	Type	Notes
1	Policy Number	1	30	Special	Include characters A-Z, 0-9, and “-” only; the formatting must match the policy numbers provided in the <del>2014-2015</del> Data Call File
2	FHCF Type of Business Code	1	1	Numeric	Only use the codes on pg <del>8-X</del> of the <del>2014</del> <u>2015</u> FHCF Data Call
3	Class Code	1	10	Alpha-Numeric	Only numbers and letters are acceptable

### ON-SITE REQUIREMENTS

In order for the examiner to properly conduct and expedite an early conclusion of the Loss Reimbursement Examination, the ~~Company-Exam~~ Coordinator should ensure that the examiner has access to the following items on the first day and throughout the duration of the on-site visit.

#### 1. EQUIPMENT AND SPACE

The examiner will need a private working space, dedicated telephone line and telephone, and an internet connection.

#### 2. COMPANY PERSONNEL

The ~~Company-Exam~~ Coordinator may wish to provide names of persons whom the examiner can contact directly for answers to the many questions the examination generates.

#### 3. REQUIRED RECORDS TO HAVE AVAILABLE ON-SITE

The examiner will also be requesting claims and policy files to be available once the examiner arrives on-site. If the files are in more than one location, your Company is responsible for coordinating the retrieval of the files to one central location. The files should be made available upon request and should contain at least the following information:

##### Claim File (the complete file)

- First notice of loss
- Claim number
- Date of loss
- Amount of loss for each category of coverage (building, appurtenant structure, contents, and additional living expense)
- Claim description
- Policy number and location of property
- Amount of loss adjustment expense
- Copies of checks for payment of losses
- All adjuster's estimates, including Public Adjuster estimates if provided to the Company
- Payment history
- Evidence of salvage received, if any
- Evidence of whether the deductible was applied



- m. Receipts for any additional living expenses paid
- n. Evidence to show the loss was a direct result of a hurricane
- o. Documentation of policyholder's legal fees and/or Public Adjuster fees paid, if provided to the Company

**Policy File (the complete file in effect at the time of loss)**

- a. Policy Declarations
- b. Insured's Name
- c. Address and ZIP Code for location of property insured
- d. Policy Number
- e. Policy Period
- f. Construction Type
- g. Deductible Group
- h. County Code
- i. County Name
- j. Total Insured Values
- k. Evidence to support occupancy is owner occupied or non-owner occupied
- l. All applicable forms, endorsements, and policy changes/transactional history

If your Company retains claims and/or policy files on an online system, this will be acceptable for the review of residential lines of business as long as the items listed above are available on that system and the examiner determines the system information can be relied upon. If the examiner determines the online system cannot be used for the review, then the examiner will need claims and/or policy files including the application and underwriting files for the specific policies being reviewed. Also, if the Company's online system is not the same system that produces the Company's dec pages, then the actual policy files will need to be provided to the examiner.

**For any commercial policies reviewed, you are required to provide the complete policy file, underwriting file, application, commercial class codes, and statement of values.**

**4. ADDITIONAL ON-SITE REQUIREMENTS**

The Company may be required to provide a walkthrough of the claims process once the examiner arrives on-site. The examiner will coordinate with the Company prior to arriving on-site and provide directions on performing the walk through. The Company should make prior arrangements for the examiner to conduct this walk through with the necessary personnel. Be certain an individual familiar with the Company's claims process is available to answer questions before and during the examination.

Also, provide the examiner with a copy of the claims manual for claims covered by the FHCF and the name of a contact familiar with this manual. It is preferable that the claims manual be provided in electronic format.

**A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA (I) DETERMINING THAT THE EXECUTION OF RISK-TRANSFER ARRANGEMENTS AND THE ISSUANCE OF PRE-EVENT REVENUE BONDS OR NOTES IN A COMBINED AMOUNT UP TO, BUT NOT EXCEEDING, \$2.2 BILLION WOULD MAXIMIZE THE CAPACITY OF THE FLORIDA HURRICANE CATASTROPHE FUND (THE "FUND") AND THE ABILITY OF THE FUND TO MEET FUTURE OBLIGATIONS; (II) DELEGATING TO THE EXECUTIVE DIRECTOR THE AUTHORITY TO CONSIDER, NEGOTIATE, AND EXECUTE RISK-TRANSFER ARRANGEMENTS AUTHORIZED BY SECTION 215.555(7)(A), FLORIDA STATUTES; AND (III) REQUESTING THE STATE BOARD OF ADMINISTRATION FINANCE CORPORATION TO ISSUE PRE-EVENT REVENUE BONDS OR NOTES IN A PRINCIPAL AMOUNT UP TO, BUT NOT EXCEEDING, \$2.2 BILLION AS PROVIDED HEREIN; RATIFYING THE MASTER TRUST INDENTURE AND THE PLEDGE AND SECURITY AGREEMENT PREVIOUSLY ENTERED INTO; AUTHORIZING THE EXECUTION AND DELIVERY OF A SEVENTH SUPPLEMENTAL INDENTURE, A PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT, AND A PURCHASE CONTRACT IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, Section 215.555, Florida Statutes (the "Act"), created the Florida Hurricane Catastrophe Fund (the "Fund"), a trust fund administered by the State Board of Administration of Florida (the "Board"), for the purpose of establishing a program to provide insurers who write covered policies, as defined in the Section 215.555(2)(c), Florida Statutes (the "Covered Policies"), with reimbursement for a portion of their catastrophic hurricane losses; and

**WHEREAS**, Section 215.555(7)(a), Florida Statutes, authorizes the Board to enter into certain risk-transfer arrangements for the purpose of maximizing the capacity of the Fund; and

**WHEREAS**, pursuant to the procurement procedures of the Board, the Fund has selected certain reinsurance intermediaries to provide services to the Fund;

**WHEREAS**, such reinsurance intermediaries and the Fund's financial advisor have advised that current market conditions should enable the Board to obtain a risk-transfer arrangement or arrangements for the 2015 hurricane season in an appropriate amount, on favorable terms, and at a reasonable cost, and

**WHEREAS**, the Board desires to delegate to the Executive Director the authority to (i) select one or more of the reinsurance intermediaries to assist the Fund in obtaining such risk-transfer arrangement or arrangements and (ii) consider, negotiate and execute risk-transfer arrangements authorized by Section 215.555(7)(a), Florida Statutes, in any amount up to, but not exceeding, \$2.2 billion in order to maximize the capacity of the Fund; and

**WHEREAS**, the Fund is authorized pursuant to Section 215.555(5), Florida Statutes, to collect reimbursement premiums from insurers writing Covered Policies (the "Insurers") and to enter into annual reimbursement contracts with participating Insurers requiring payment by the Insurers of reimbursement premiums and payment by the Fund to reimburse Insurers for claims paid for hurricane damage; and

**WHEREAS**, the Fund is authorized to levy emergency assessments pursuant to Section 215.555(6)(b), Florida Statutes, on premiums for certain property and casualty insurance policies; and

**WHEREAS**, pursuant to the Act, moneys derived from reimbursement premiums and emergency assessments may be pledged to secure revenue bonds or notes issued pursuant to the Act; and

**WHEREAS**, the Act created the State Board of Administration Finance Corporation (the "Corporation"), formerly the Florida Hurricane Catastrophe Fund Finance Corporation, with the authority to issue pre-event revenue bonds, which includes other financial obligations such as notes, for the benefit of the Fund; and

**WHEREAS**, the issuance of such pre-event revenue bonds for the benefit of the Fund by the Corporation is authorized by Section 215.555(6)(a)1., Florida Statutes, when a determination has been made that such action would maximize the ability of the Fund to meet future obligations; and

**WHEREAS**, through an invitation to negotiate issued by the Board on behalf of the Fund, a syndicate of underwriters was selected to serve on the Fund's financial services team which syndicate includes J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, Wells Fargo Bank, National Association, Barclays Capital Inc., Goldman,

Sachs & Co., Loop Capital Markets, LLC, Piper Jaffray & Co., PNC Capital Markets LLC, RBC Capital Markets LLC, Siebert Brandford Shank & Co., LLC and Stifel, Nicolaus & Company, Incorporated (collectively, the "Underwriters"); and

**WHEREAS**, the Board, in conjunction with the risk-transfer arrangements authorized by this resolution, desires to authorize the Corporation to issue pre-event revenue bonds or notes in a principal amount up to, but not exceeding, \$2.2 billion if such issuance is desirable to bring the combined amounts of any risk-transfer arrangements and pre-event revenue bonds up to, but not exceeding, \$2.2 billion.

**NOW, THEREFORE, BE IT RESOLVED** by the State Board of Administration of Florida, as the governing body of the Fund, as follows:

1. The Board hereby determines, as required pursuant to Section 215.555(7)(a), Florida Statutes, that the execution of any risk-transfer arrangements by the Board will, in conjunction with the issuance of pre-event revenue bonds authorized by this resolution, maximize the capacity of the Fund.

2. The Board hereby delegates to the Executive Director the authority to select one or more of the reinsurance intermediaries to assist the Fund in obtaining such risk-transfer arrangement or arrangements. The Board also hereby delegates to the Executive Director the authority to consider, negotiate and execute any risk-transfer arrangements, as provided herein.

3. Any risk-transfer arrangements negotiated under this resolution must conform to the following criteria:

a. The risk-transfer arrangements must provide coverage for the same time period as the Fund's 2015-2016 Contract Year, but may involve multi-year coverage or a multi-year coverage option if the Executive Director determines that such arrangement would best serve the purpose of the Fund in accomplishing its mission at a reasonable price based on market conditions at the time of negotiations.

b. The coverage negotiated may be up to, but not exceeding, \$2.2 billion, but such limit shall be reduced by the amount of any pre-event revenue bonds that are reasonably expected to be issued in conjunction with such risk-transfer arrangements.

c. The terms of the coverage provided must be consistent with the coverage provided under the Fund's Reimbursement Contract.

d. The coverage must attach at a loss level above the Fund's projected year-end cash balance as of December 31, 2015, unless the

Executive Director determines that favorable pricing or terms of coverage are available at a lower attachment point based on market conditions at the time of negotiations.

e. The price negotiated shall be based on market prices to provide benefits consistent with the Fund's obligations to reimburse participating Insurers.

f. The risk-transfer arrangements must be executed as soon as feasible in order to provide benefits for the Fund's 2015-2016 Contract Year.

g. The risk-transfer arrangements must be procured from a reinsurer acceptable to the Office of Insurance Regulation as required in paragraph 215.555(7)(a), Florida Statutes.

4. The Board hereby determines, as required pursuant to Sections 215.555(6)(a)1. and 215.555(6)(d)2.d., Florida Statutes, that the issuance of pre-event revenue bonds, which includes other financial obligations such as revenue notes will, in conjunction with the risk-transfer arrangements authorized by this Resolution, maximize the ability of the Fund to meet future obligations. In making this determination, pursuant to Rule 19-8.013(4)(d), Florida Administrative Code, the Board considered the projected Fund balance; the reserves for mitigation appropriations; the estimated amounts needed for the administration of the Fund; the projected amounts of future reimbursement premiums; the projected amounts of earnings on collected reimbursement premiums; the projected frequency and magnitude of future covered events; the current and projected interest rates on revenue bonds; the current and projected market conditions for the sale of revenue bonds; the projected credit ratings for the Fund and for revenue bonds issued on behalf of the Fund; the current and projected availability of insurance or other credit enhancement for revenue bonds; the costs of issuance of revenue bonds; the debt service requirements of the revenue bonds; the estimated value, both monetary and non-monetary, of the issuance of pre-event revenue bonds on the costs of post-event debt in terms of benchmark pricing, secondary market trading, investor education, confidence of insurers and reinsurers in the Fund's ability to issue revenue bonds post-event; market education, and document preparation; and other relevant factors. In addition, as provided in Rule 19-8.013(4)(b), Florida Administrative Code, all of the hereinafter defined Series 2015A Bonds shall be investment grade.

5. The Board hereby requests the Corporation to issue and sell up to, but not exceeding, \$2.2 billion in aggregate principal amount of State Board of Administration Finance Corporation Revenue Bonds, Series 2015A (the "Series 2015A Bonds") for provision of liquidity for losses in the event of future hurricanes; provided, however, that the aggregate principal amount of the Series 2015A Bonds authorized hereby shall be

reduced by the amount of any risk-transfer arrangements procured by the Board, as determined by the Executive Director pursuant to paragraphs 2 and 3 above. The Executive Director shall first determine the amount of the risk-transfer arrangements, if any, to be entered into by the Board and shall notify the President of the Corporation of such determination. The President of the Corporation shall then determine the principal amount of the Series 2015A Bonds to be issued, if any, provided that in no event shall the combined amount of such risk-transfer arrangements and the principal amount of Series 2015A Bonds exceed \$2.2 billion. All or a portion of the Series 2015A Bonds may be issued as revenue notes, in which case all references herein to the Series 2015A Bonds shall include such revenue notes. The Series 2015A Bonds may be issued in multiple series as determined by the Corporation to be necessary or desirable and may alternatively be known by such other name or series designation as is authorized by the Corporation. All or a portion of the Series 2015A Bonds may be issued as fixed rate or variable rate indebtedness. The Series 2015A Bonds may be secured by a Special Reserve Account and may provide for capitalized interest.

6. The Board hereby confirms and ratifies the Pledge and Security Agreement, dated as of June 1, 2006, and attached hereto as Exhibit A, between the Fund and the Corporation and confirms and ratifies its prior pledge of revenues to the repayment of debt of the Corporation as provided in the documents approved by the Board on May 31, 2006, as supplemented or amended, including but not limited to the pledge of revenues from reimbursement premiums collected pursuant to Section 215.555(5), Florida Statutes, and revenues from emergency assessments levied pursuant to Section 215.555(6)(b), Florida Statutes. The Corporation is authorized to execute any further pledge to the extent determined by the Corporation to be necessary and any pledge to debt of the Corporation shall be to the extent provided for in the documents executed by the Board and by the Corporation in relation to the issuance of debt of the Corporation.

7. The Board hereby confirms and ratifies the Master Trust Indenture, dated as of June 1, 2006, between the Corporation and Wells Fargo Bank, N.A., as Master Trustee, attached hereto as Exhibit B; and authorizes the execution and implementation of the Seventh Supplemental Indenture, in the form attached hereto as Exhibit C. The documents approved herein shall be subject to such changes, completion, insertions, or omissions as may be approved by an officer of the Corporation, and the execution or certification of such document by an officer of the Corporation shall be conclusive evidence of any such approval. Additionally, the Corporation is authorized to amend or revise, or authorize the amendment or revisions of any other documents relating to debt of the Corporation which has previously been approved or authorized by the Corporation.

8. The Board hereby designates J.P. Morgan Securities LLC as lead senior managing Underwriter and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and Wells Fargo Bank, National Association, as senior managing Underwriters (collectively, with the lead senior

managing Underwriter, the "Senior Managing Underwriters") for the issuance of the Series 2015A Bonds, as described in paragraph 5 above. The Corporation is authorized to define, re-define, designate and re-designate the roles of the Underwriters (including removing any Underwriter) in connection with their participation in the sale of the Series 2015A Bonds to the extent not inconsistent with this resolution. The Corporation is authorized to define, re-define, designate and re-designate the roles of the Senior Managing Underwriters (including removing any Senior Managing Underwriter) in connection with their participation in the sale of the Series 2015A Bonds in the event a Senior Managing Underwriter becomes insolvent, undergoes a change of control or otherwise becomes disqualified, unable or unwilling to participate in the sale of the Series 2015A Bonds.

9. The Board hereby authorizes and directs the Corporation to negotiate, approve, execute and deliver a contract for the sale of the Series 2015A Bonds, as described in paragraph 5 above, to the Underwriters (the "Purchase Contract") in the form attached hereto as Exhibit D. The Purchase Contract shall contain such terms and provisions as are customary for obligations such as the Series 2015A Bonds with such changes, completion, insertions or omissions as may be approved by an officer of the Corporation and which are not inconsistent with this resolution, and the execution of the Purchase Contract by an officer of the Corporation shall be conclusive evidence of such approval. The officers, employees, and Trustees of the Board and the Fund are authorized to execute or endorse the Purchase Contract and are authorized to take all actions necessary to fulfill the obligations of the Board thereunder.

10. The Board hereby authorizes and directs the Corporation to cause the preparation, execution and delivery of a preliminary official statement, an official statement, and any other disclosure document relating to the Series 2015A Bonds which is determined by the Corporation to be necessary or desirable, in substantially the same form as the official statement for the Corporation's Revenue Bonds, Series 2013A attached hereto as Exhibit E with such changes, insertions or omissions as may be necessary to satisfy any regulatory requirements, to update the financial, demographic and statistical data therein with respect to the Fund and the Corporation and to appropriately describe the Series 2015A Bonds as may be approved by an officer of the Corporation and which are not inconsistent with this resolution. The execution of the official statement by the Corporation shall be conclusive evidence of such approval. The officers, employees, and Trustees of the Board and the Fund are also authorized to execute and deliver, on behalf of the Board, the official statement and any other disclosure document, and any certificates in connection with any official statement and any other disclosure document and any amendment thereto, as they determine are necessary or appropriate. The Board hereby further authorizes and directs the Corporation to cause the preparation, execution and delivery of a continuing disclosure agreement relating to the Series 2015A Bonds, which continuing disclosure agreement shall comply with Securities and Exchange Commission Rule 15c2-12. The officers,

employees, and Trustees of the Board and the Fund are authorized to execute or endorse the continuing disclosure agreement and are authorized to take all actions necessary to fulfill the obligations of the Board thereunder.

11. Any and all moneys in the Series 2015A Bonds Proceeds Subaccount of the Pre-Event Parity Obligations Account in the Covered Events Relief Fund, the Subaccounts of the Interest Account of the Bond Fund relating to the Series 2015A Bonds, the Subaccounts of the Principal Account of the Bond Fund relating to the Series 2015A Bonds and any other account or subaccount designated by the President of the Corporation or other authorized officer of the Corporation may be designated as Qualified Escrow Funds as provided in the Master Trust Indenture pursuant to a certificate of the President of the Corporation or other authorized officer of the Corporation. In the event of such designation, such Qualified Escrow Funds shall be used solely to pay principal of, redemption premium, if any, and interest on such Series 2015A Bonds as may be designated by the President of the Corporation or other authorized officer of the Corporation. The President of the Corporation or other authorized officer of the Corporation is authorized to redeem such Series 2015A Bonds upon advice of the Corporation's financial advisor.

12. The officers, employees and Trustees of the Board and the Fund and the members of the board of directors and the officers of the Corporation are hereby authorized and directed, jointly and severally, to execute the named documents and to execute such additional agreements, documents, instruments, assents, acceptances, assignments, financing statements, and approvals as they determine to be necessary and to do any and all things which they may deem necessary or advisable in order to consummate the transactions contemplated by this resolution.

13. All resolutions, or parts thereof, or other official actions of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

14. This resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED THIS** 24th day of March, 2015.



**STATE OF FLORIDA**

**COUNTY OF LEON**

I, \_\_\_\_\_, of the State Board of Administration of the State of Florida, in and for the County and State aforesaid, do hereby certify that the above and foregoing is a true and correct copy of the resolution passed and adopted by the State Board of Administration of Florida on the \_\_\_\_ day of \_\_\_\_\_, 2015.

**IN WITNESS WHEREOF**, I hereunto set my hand and official seal of the State Board of Administration of the State of Florida this \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Title

(SEAL)

## **EXHIBIT A**

### **Pledge and Security Agreement**

**EXHIBIT B**

**Master Trust Indenture**

## **EXHIBIT C**

### **Form of Seventh Supplemental Indenture**

**EXHIBIT D**

**Form of Purchase Contract**

**EXHIBIT E**

**2013A Official Statement**

## **Pledge & Security Agreement**

- Parties are SBA, Corporation, and Master Trustee
- Provides for enforceable pledge and assignment of Reimbursement Premium, Emergency Assessments and other revenues to Trustee for payment of Corporation's bonds
- Necessary because
  - o Corporation only issues bonds; revenues for debt service come from Insurers or Insureds, through the SBA
  - o Provides clear pledge of revenues to Master Trustee for the benefit of bondholders
  - o Governs use, pledge and access of pre-event bond proceeds, which are held by SBA, not Master Trustee
- Approved in 2006

# **PLEDGE AND SECURITY AGREEMENT**

**among**

**FLORIDA HURRICANE CATASTROPHE  
FUND FINANCE CORPORATION,**

**FLORIDA HURRICANE CATASTROPHE FUND**

**and**

**WELLS FARGO BANK, N.A.,  
Master Trustee**

**Dated as of June 1, 2006**



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1  
2 THIS PLEDGE AND SECURITY AGREEMENT, dated as of June 1, 2006 (this "Pledge  
3 Agreement"), is made by and among the State Board of Administration of the State of Florida,  
4 acting as the governing body and administrator of the Florida Hurricane Catastrophe Fund (the  
5 "State Board of Administration"), a trust fund established for bond covenants, indentures or  
6 resolutions within the meaning of Section 19(f)(3), Article III of the Constitution of the State of  
7 Florida (the "FHCF"), Florida Hurricane Catastrophe Fund Finance Corporation, a public  
8 benefits corporation, which is an instrumentality of the State of Florida (the "Corporation"), and  
9 Wells Fargo Bank, N. A., Jacksonville, Florida, a national banking association duly incorporated  
10 under the laws of the United States of America, in its capacity as master trustee (the "Master  
11 Trustee") under the Master Indenture (hereinafter defined),

12 WITNESSETH:

13 WHEREAS, Section 215.555, Florida Statutes (the "Act") creates the FHCF and provides  
14 that the FHCF will be administered by the State Board of Administration; and

15 WHEREAS, the Act provides that the FHCF will reimburse certain insurers for a portion  
16 of their catastrophic hurricane losses, subject to the limitations on such reimbursements set forth  
17 in the Act, in order to create additional insurance capacity sufficient to ameliorate the current  
18 dangers to the economy of the State of Florida and to the public health, safety and welfare of its  
19 citizens posed by a lack of an orderly private market for property insurance; and

20 WHEREAS, the Act creates the Corporation to provide a mechanism for the cost-  
21 effective and efficient issuance of bonds necessary to enable the FHCF to carry out the purposes  
22 of the Act; and

23 WHEREAS, the purpose of such bonds is to fund reimbursements through the FHCF to  
24 pay for the costs of construction, reconstruction, repair, restoration and other costs associated  
25 with damage to properties of policyholders of covered policies due to the occurrence of a  
26 hurricane; and

27 WHEREAS, the Act provides for the payment by certain insurers of reimbursement  
28 premiums and for the payment of emergency assessments in the amounts and under the  
29 circumstances set forth in the Act and authorizes the pledge of all or any portion of the revenues  
30 derived from such reimbursement premiums and emergency assessments, together with the  
31 interest earnings thereon, to the payment of the principal of and redemption premium, if any, and  
32 interest on bonds issued by the Corporation for the benefit of the FHCF; and

33 WHEREAS, the Board of Directors of the Corporation has duly authorized the execution  
34 and delivery of a master trust indenture, dated as of June 1, 2006 (the "Master Trust Indenture"  
35 and, as supplemented and amended, the "Master Indenture"), by and between the Corporation  
36 and the Master Trustee, pursuant to which the Corporation will issue and incur Parity  
37 Obligations secured by a pledge of and security interest in its Net Receipts; and

38 WHEREAS, in order to provide for the prompt payment of the principal of and  
39 redemption premium, if any, and interest on the Parity Obligations issued by the Corporation and

1 for the performance by the Corporation of its other obligations under the Master Indenture, the  
2 State Board of Administration has determined to pledge to the Corporation, and grant to the  
3 Corporation a security interest in, all of the right, title and interest of the FHCF in and to the  
4 Pledged Collateral (as hereinafter defined); and

5 WHEREAS, pursuant to the Master Indenture, the Corporation will, for the benefit of the  
6 owners of the Parity Obligations, pledge and assign in the Master Indenture to the Master Trustee  
7 all of the Corporation's right, title and interest (including the right to enforce the same and the  
8 right to receive the Pledged Collateral) in and to this Pledge Agreement (subject to the  
9 reservation of certain rights of the Corporation);

10 NOW, THEREFORE, in consideration of the premises and in order to induce the  
11 Corporation to execute and deliver the Master Indenture, to issue Parity Obligations under the  
12 Master Indenture and to transfer certain proceeds of such Parity Obligations to the State Board of  
13 Administration, upon the issuance thereof, for the purposes permitted by the Act, the State Board  
14 of Administration, the Corporation and the Master Trustee hereby agree as follows:

15 Section 1. *Defined Terms.* Capitalized terms not defined herein shall have the  
16 meanings ascribed to such terms in the Master Trust Indenture. For the purposes hereof, unless  
17 the context otherwise indicates, the following words and terms shall have the following  
18 meanings:

19 "Contract Year" means the term of the reimbursement contracts between the State Board  
20 of Administration and insurers writing Covered Policies.

21 "Corpus Earnings" means the income derived from the investment of the Corpus of the  
22 FHCF.

23 "Corpus of the FHCF" means, as of a particular date, the sum of (i) the unrestricted net  
24 assets held by the FHCF on the last day of the preceding Fiscal Year, (ii) the Reimbursement  
25 Premiums and Reimbursement Premium Earnings held by the FHCF in the then current Fiscal  
26 Year that are in excess of the amounts required for deposit to the credit of the accounts and  
27 subaccounts in the Revenue Fund in accordance with the provisions of Section 502 of the Master  
28 Trust Indenture and as shall be required for application in accordance with the provisions of  
29 Sections 503 and 504 of the Master Trust Indenture, and (iii) without duplication, the amount of  
30 the Reimbursement Premiums released in accordance with the provisions of Section 3(f) hereof  
31 and Section 503(e)(ii)(Y) of the Master Trust Indenture and the amount of the Emergency  
32 Assessments released in accordance with the provisions of Section 503(e)(ii)(Z) of the Master  
33 Trust Indenture, in each case, from the pledge and security interest granted by this Pledge  
34 Agreement. Proceeds of Bonds do not constitute a portion of the Corpus of the FHCF for  
35 purposes of this definition.

36 "Covered Event" means Covered Event as defined in the Act.

37 "Covered Events Relief Fund" means the Florida Hurricane Catastrophe Fund Covered  
38 Events Relief Fund created and so designated by Section 8 hereof.

39 "Covered Policy" means Covered Policy as defined in the Act.

1       “Current Expenses of the FHCF” means the current expenses for the operation of the  
2 FHCF, including, without limiting the generality of the foregoing, all administrative expenses,  
3 salaries and other compensation, personnel expenses properly chargeable to the FHCF, fees and  
4 expenses incurred for professional consultants and fiduciaries, refunds related to over-payments  
5 of Reimbursement Premiums or refunds of interest related to loss reimbursements or  
6 overpayments of Reimbursement Premiums, the premiums, fees and costs of procuring  
7 reinsurance for the FHCF, all operating transfers or contributions required by the Act, including  
8 operating transfers or contributions pursuant to Section 215.555(7)(c) of the Act, and all Current  
9 Expenses of the FHCF so identified in this Pledge Agreement or in a resolution adopted by the  
10 State Board of Administration; but Current Expenses of the FHCF shall not include (i)  
11 depreciation or amortization, (ii) any deposit to any fund, account and subaccount established  
12 under the Master Indenture or any Supplemental Indenture or any payment of principal,  
13 redemption premium, if any, and interest on any Bonds from any such fund, account and  
14 subaccount, (iii) any debt service payment in respect of Parity Debt or Subordinated  
15 Indebtedness, or (iv) payments or advances to insurers writing Covered Policies in the State for  
16 hurricane losses pursuant to reimbursement contracts entered into with such insurers by the State  
17 Board of Administration pursuant to the Act.

18       “Emergency Assessments” means the money paid or payable to the Corporation or the  
19 FHCF from the emergency assessments levied with respect to assessable lines insurance as  
20 provided from time to time by the Act. There shall be included within the ambit of “Emergency  
21 Assessments” any interest, penalty or surcharge paid or payable on late payments of such  
22 emergency assessments.

23       “Emergency Assessment Earnings” means the income derived from the investment of  
24 Emergency Assessments.

25       “Fiscal Year” means the fiscal year of the FHCF, which shall be the period beginning on  
26 July 1 of each year and ending on June 30 of the following year, unless the Master Trustee is  
27 notified in writing by an Authorized Officer of the State Board of Administration of a change in  
28 such period, in which case the Fiscal Year shall be the period set forth in such notice.

29       “Other Pledged Money” means any money derived from any fees, premiums,  
30 assessments or other levies paid or payable to the FHCF or the Corporation, including the  
31 income derived from the investment thereof, pursuant to any law enacted, after the date of  
32 delivery of this Pledge Agreement, by the Legislature of the State, to the extent that such money  
33 is permitted or required by law to be pledged and used for the payment of the principal of and  
34 redemption premium, if any, and interest on Parity Obligations.

35       “Pledged Collateral” for any particular period means the excess of Reimbursement  
36 Premiums and Reimbursement Premium Earnings over the payment of Current Expenses of the  
37 FHCF, Emergency Assessments, Emergency Assessment Earnings, the net proceeds of, and  
38 investment income on such proceeds of, Parity Obligations, net payments to or for the account of  
39 the Corporation derived from Derivative Agreements and Other Pledged Money. There shall be  
40 included within the ambit of “Pledged Collateral”: (i) all certificates and instruments, if any,  
41 from time to time representing or evidencing any of the Pledged Collateral, (ii) all interest,  
42 dividends, cash, instruments or other Property from time to time received, receivable or

1 otherwise distributed in respect of or in exchange for any or all of the Pledged Collateral and (iii)  
2 all proceeds of any or all of the Pledged Collateral. There shall be excluded from the ambit of  
3 "Pledged Collateral" the Corpus of the FHCF and Corpus Earnings, the net proceeds of Parity  
4 Obligations disbursed by the FHCF for losses, or advances for losses, from Covered Events, and  
5 Reimbursement Premiums and Reimbursement Premium Earnings released pursuant to Section  
6 3(f) hereof and Section 503(e)(ii)(Y) of the Master Trust Indenture and Emergency Assessments  
7 and Emergency Assessment Earnings released pursuant to Section 503(e)(ii)(Z) of the Master  
8 Trust Indenture, in each case, from the pledge and security interest granted hereby. In the case of  
9 the net proceeds of Parity Obligations, the pledge and security interest granted by this Pledge  
10 Agreement shall be effective only pending their disbursement by the FHCF for losses, or  
11 advances for losses, from Covered Events and shall be in favor of the Owners or Holders only of  
12 the Series of Parity Obligations (or Parity Obligations that refunded the Parity Obligations) from  
13 which such proceeds were derived.

14 "Reimbursement Premiums" means the money paid or payable to the FHCF from  
15 reimbursement premiums levied from time to time under the Act. There shall be included within  
16 the ambit of "Reimbursement Premiums" any interest, penalty or surcharge paid or payable on  
17 late payments of such reimbursement premiums.

18 "Reimbursement Premium Earnings" means the income derived from the investment of  
19 Reimbursement Premiums.

20 Section 2. *Issuance of Parity Obligations.* Subject to the provisions of the Master  
21 Indenture, the Corporation hereby agrees that, upon the written request of the State Board of  
22 Administration, accompanied by such certificates or other documentation, upon which the  
23 Corporation may rely, as shall be necessary for the Corporation to comply with the provisions of  
24 the Master Trust Indenture, particularly the provisions of Section 208 and, in the case of Parity  
25 Obligations issued or incurred under the Master Trust Indenture (except for the Bonds issued  
26 pursuant to Supplement No. 1 and Supplement No. 2), Section 704, including, without  
27 limitation, any certificate as to the Premium and Assessment Revenue Available for Debt  
28 Service, the Corporation will issue and incur its Parity Obligations for any purpose permitted by  
29 the Act.

30 The Corporation further agrees that it will make such transfers or deposits of the proceeds  
31 of Parity Obligations as are required by Parity Resolutions.

32 Section 3. *Pledge; Delivery of Pledged Collateral.* (a) In consideration of the  
33 issuance and incurrence by the Corporation of its Parity Obligations and the deposits or transfers  
34 of the proceeds thereof in accordance with the corresponding Parity Resolutions, the State Board  
35 of Administration hereby pledges, assigns, transfers and hypothecates to the Corporation, and  
36 grants to the Corporation a security interest in, all of the right, title and interest of the FHCF in  
37 and to the Pledged Collateral, whether now owned or hereafter acquired, whether in possession  
38 of the FHCF or the Corporation or the Master Trustee or a Depository, all as security for the  
39 prompt and full payment when due of the principal of and redemption premium, if any, and  
40 interest on all Parity Obligations and any other amounts required to be paid by the Corporation  
41 under the Master Indenture.

1 (b) The State Board of Administration hereby agrees to prepare, execute and file such  
2 financing statements or amendments to existing financing statements or continuations thereof as  
3 shall be necessary, in the Opinion of Counsel, to evidence the security interest in the Pledged  
4 Collateral granted herein.

5 (c) (i) In general, the State Board of Administration shall deliver to the Master  
6 Trustee so much of the Pledged Collateral as shall be held by the FHCF and as shall be required  
7 for deposit to the credit of the accounts and subaccounts in the Revenue Fund in accordance with  
8 the provisions of Section 502 of the Master Indenture and as shall be required for application in  
9 accordance with the provisions of Sections 503, 504 and 804 of the Master Indenture or, if any  
10 Parity Obligations have been declared due and payable pursuant to Section 803 of the Master  
11 Indenture, in accordance with the provisions of Section 804 and Section 805(b) of the Master  
12 Indenture.

13 (ii) In particular, the State Board of Administration shall deliver to the Master  
14 Trustee, not later than the last business day of each month (or more often if required in order for  
15 the Corporation to pay or provide for payment of debt service and other amounts due on Parity  
16 Obligations), the following that have been received or realized as of the [25<sup>th</sup>] day of such month  
17 (A) all Emergency Assessments and Emergency Assessment Earnings and (B) taking into  
18 account the balance to the credit of (I) the Reimbursement Premiums Account and the Pre-Event  
19 Bonds Investment Income Account in the Revenue Fund and (II) the subaccounts established for  
20 Pre-Event Parity Obligations in the various accounts in the Bond Fund, so much of the  
21 Reimbursement Premiums and Reimbursement Premium Earnings, net of the Current Expenses  
22 of the FHCF, as shall enable the Master Trustee to make all of the deposits required by Section  
23 503(a), (b) and (c) of the Master Trust Indenture for the entire current Fiscal Year; provided that,  
24 in the event any of the Outstanding Pre-Event Parity Obligations are Variable Rate Indebtedness,  
25 such Obligations shall be assumed, for purposes of the amount to be transferred, to bear interest  
26 for the balance of the Fiscal Year at the rate described in paragraph (ii) of the definition of Debt  
27 Service Requirement in the Master Trust Indenture.

28 (iii) In the event that the State Board of Administration receives a notice from  
29 the Master Trustee, pursuant to Section 503(d)(i) of the Master Indenture, to the effect that the  
30 amounts on deposit in the Revenue Fund were insufficient to make the deposits or payments  
31 required by Section 504(a), (b) and (c) (or any of them) of the Master Indenture, the State Board  
32 of Administration shall deliver to the Master Trustee (i) so much of the investment income from  
33 the investment of proceeds of Pre-Event Bonds theretofore realized by the FHCF in such Fiscal  
34 Year, and (ii) to the extent a deficiency remains, so much of the proceeds of the Pre-Event  
35 Bonds, as are required to provide the Master Trustee with sufficient funds to make such deposits  
36 or payments.

37 (d) The obligation of the State Board of Administration to deliver the Pledged  
38 Collateral to the Master Trustee, in the amounts sufficient and at the times required for the  
39 Corporation to comply with the provisions of Sections 503, 504, 804 and 805 of the Master  
40 Indenture, shall be absolute and unconditional. The State Board of Administration shall perform  
41 such obligation without demand and without abatement, deduction or set-off, notwithstanding  
42 any rights or claims which the FHCF might otherwise have against the Corporation, the Master  
43 Trustee, any Bond Registrar or any other Person.

1 (e) The State Board of Administration hereby agrees that, so long as any Parity  
2 Obligations are Outstanding and any notice from the Master Trustee referred to in subsection (c)  
3 above has not been withdrawn, no Reimbursement Premiums or Reimbursement Premium  
4 Earnings will be advanced or paid to insurers writing Covered Policies as reimbursement  
5 payments under reimbursement contracts for reimbursable losses.

6 (f) Except during the continuation of an Event of Default, immediately following the  
7 date on which the amounts on deposit to the credit of the accounts and subaccounts in the  
8 Revenue Fund, taking into account the amounts to the credit of the various subaccounts in the  
9 various accounts (except the balance to the credit of the Parity Common Reserve Account and  
10 any Special Reserve Account) in the Bond Fund are sufficient for the Master Trustee to make (i)  
11 the transfer to the Corporation or a Depositary for the account of the Corporation of the balance  
12 of the amount required for the payment of the Current Expenses of the Corporation in the current  
13 Fiscal Year in accordance with the provisions of Section 503(b) of the Master Trust Indenture  
14 and (ii) the deposits or payments of the amounts required by Section 504(a), (b) and (c) of the  
15 Master Trust Indenture in the current Fiscal Year with respect to the Parity Obligations then  
16 Outstanding, any Reimbursement Premiums, Reimbursement Premium Earnings and investment  
17 income from the investment of proceeds of Pre-Event Bonds held by the FHCF on such date in  
18 such Fiscal Year in excess of such requirements for such Fiscal Year shall be released from the  
19 pledge and security interest granted herein, any Reimbursement Premiums, Reimbursement  
20 Premium Earnings and investment income from the investment of proceeds of Pre-Event Bonds  
21 received by the FHCF after such date in such Fiscal Year shall not be required to be delivered to  
22 the Master Trustee, and all Reimbursement Premiums, Reimbursement Premium Earnings and  
23 the investment income from the investment of proceeds of Pre-Event Bonds so released or no  
24 longer required to be delivered to the Master Trustee in such Fiscal Year may be used by the  
25 FHCF for any purpose permitted by the Act; provided that, in the event any of the Outstanding  
26 Pre-Event Parity Obligations are Variable Rate Indebtedness, such Obligations shall be assumed,  
27 for purposes of this subsection (f), to bear interest for the balance of the Fiscal Year at the rate  
28 described in paragraph (ii) of the definition of Debt Service Requirement in the Master Trust  
29 Indenture.

30 (g) The State Board of Administration and the Corporation hereby acknowledge that  
31 the Office of Insurance Regulation has received from the Corporation and the FHCF a notice  
32 that, simultaneously with the execution and delivery of this Pledge Agreement, Bonds are being  
33 issued by the Corporation and the FHCF has no agreements in effect with local governments,  
34 and, therefore, as provided by the Act, for so long as the Corporation shall have any Parity  
35 Obligations Outstanding, the FHCF shall have no right, title or interest in or to the Emergency  
36 Assessments and the Emergency Assessment Earnings, except as provided in the FHCF's  
37 agreements with the Corporation. This Pledge Agreement with the Corporation is one such  
38 agreement, and, by the terms hereof, the FHCF shall collect and receive the Emergency  
39 Assessments subject to the pledge and security interest granted in Section 3(a) to the Master  
40 Trustee for the benefit of the Owners and Holders of Parity Obligations and to the obligation  
41 imposed by Section 3(c)(i) and (ii) to transfer to the Master Trustee all of the Emergency  
42 Assessments so collected and received. Simultaneously with the execution and delivery of this  
43 Pledge Agreement, the Corporation will assign to the Master Trustee as security for the Parity  
44 Obligations, all of the Corporation's right, title and interest in and to this Pledge Agreement  
45 (except for those certain rights under this Pledge Agreement that are set forth in the granting

1 clauses of the Master Indenture). The State Board of Administration hereby consents to such  
2 assignment and agrees that the Master Trustee may enforce any and all rights, privileges and  
3 remedies of the Corporation under or with respect to this Pledge Agreement, including those  
4 rights reserved by the Corporation.

5 Section 4. *Special Covenants.* The State Board of Administration hereby covenants  
6 that:

7 (a) (i) the moneys on deposit in any fund, account or subaccount maintained by the  
8 Master Trustee or the State Board of Administration in connection with any Parity Tax-Exempt  
9 Obligations, whether or not such moneys were derived from the proceeds of the sale of such  
10 Parity Tax-Exempt Obligations or any other source, will not be used in any manner that would  
11 cause such Parity Tax-Exempt Obligations to be "arbitrage bonds" within the meaning of Section  
12 148 of the Code or bonds not described under Section 103(a) of the Code; and

13 (ii) no portion of the proceeds of any Parity Tax-Exempt Obligations will be  
14 used in a manner that would cause such Parity Tax-Exempt Obligations to be "private activity  
15 bonds" within the meaning of Section 141(a) of the Code, unless at the time of the issuance of  
16 such private activity bonds there shall be delivered to the Master Trustee, the State Board of  
17 Administration and the Corporation an opinion of bond counsel to the effect that (A) the interest  
18 on such private activity bonds will not be includable in the gross income of the owners thereof  
19 for federal income tax purposes and (B) that the issuance of such private activity bonds will not  
20 impair the federal income tax status of any other Parity Tax-Exempt Obligations then  
21 Outstanding;

22 (b) within thirty (30) days after receipt of the audit report mentioned below but in no  
23 event later than two hundred seventy (270) days after the end of each Fiscal Year, the State  
24 Board of Administration will file with the Master Trustee and with each Owner or Holder who  
25 may have so requested of the State Board of Administration in writing, a copy of the Audited  
26 Financial Statements, prepared in accordance with generally accepted accounting principles, of  
27 the FHCF and the Corporation as of the end of such Fiscal Year accompanied by the opinion of  
28 an Auditor;

29 (c) not later than ninety (90) days after the end of each Fiscal Year, commencing with  
30 the Fiscal Year ending on June 30, 2007, the State Board of Administration shall file with the  
31 Master Trustee an Officer's Certificate demonstrating that the Revenue Available for Debt  
32 Service for the prior Fiscal Year (set forth in such Certificate) was not less than the greater of (i)  
33 one hundred twenty-five percent (125%) of the principal and interest that became due and  
34 payable in such Fiscal Year on Parity Obligations and (ii) one hundred percent (100%) of the  
35 principal and interest that became due and payable in such Fiscal Year for Parity Obligations and  
36 Subordinated Indebtedness for such Fiscal Year (both such calculations set forth in such  
37 Certificate); provided, however, that if the State Board of Administration is unable to deliver  
38 such an Officer's Certificate, the State Board of Administration covenants to take all actions  
39 permitted by law or under this Pledge Agreement, including (A) petitioning the Legislature of  
40 the State for any amendment or amendments to the Act deemed appropriate by the State Board of  
41 Administration, (B) cooperating with the Corporation in connection with any action to increase  
42 collections of Pledged Collateral, and (C) retaining a Consultant within thirty (30) days to make



1 recommendations to increase the Revenue Available for Debt Service in the following Fiscal  
2 Year to the levels required or, if in the opinion of the Consultant the attainment of such levels is  
3 impracticable, to the highest levels attainable. Any Consultant so retained shall be required to  
4 submit such recommendations within sixty (60) days after being so retained. The State Board of  
5 Administration agrees that it will, to the extent permitted by law, follow, or cause to be followed,  
6 the recommendations of any Consultant so retained. For purposes of the Officer's Certificate  
7 described in this subsection, there may be subtracted from the amount of the interest otherwise  
8 includable in the amounts described in clauses (i) and (ii) above an amount equal to the sum of  
9 the interest on Parity Obligations paid during such Fiscal Year from (Y) the Capitalized Interest  
10 Account in the Bond Fund and (Z) without duplication, investment income on and proceeds of  
11 Pre-Event Parity Obligations. The Officer's Certificate described in this subsection (c) may be  
12 provided jointly by an Authorized Officer of the State Board of Administration and an  
13 Authorized Officer of the Corporation; and

14 (d) the State Board of Administration will take such action, in addition to the specific  
15 actions prescribed by this Pledge Agreement, as may be necessary and permitted under the Act to  
16 ensure the full and timely payment of debt service on Pre-Event Parity Bonds following a  
17 withdrawal from the Pre-Event Parity Obligations Account of the Covered Events Relief Fund of  
18 all or any portion of the proceeds of such Bonds.

19 Section 5. *Investment of Pledged Collateral.* The State Board of Administration  
20 shall enter into agreements with either the Master Trustee or a Depositary or Depositaries for the  
21 investment of any money derived from the Pledged Collateral and deposited in any of the funds  
22 or accounts established under the Master Indenture or this Pledge Agreement or give the Master  
23 Trustee and any Depositary written directions respecting the investment of such money, subject,  
24 however, to the lien, assignment and pledge effected hereby and to the provisions of Article VI  
25 of the Master Indenture. The Master Trustee hereby agrees to enter into such agreements and  
26 follow such directions respecting the investment of any money required or permitted to be  
27 invested under the Master Indenture, subject, however, to the lien, assignment and pledge  
28 effected hereby and to the provisions of Article VI of the Master Indenture.

29 Section 6. *FHCF Remains Liable.* Anything herein to the contrary notwithstanding,  
30 (a) the FHCF shall remain liable under the reimbursement contracts entered into by the State  
31 Board of Administration with insurers writing Covered Policies in the State to the extent set forth  
32 therein and to perform all of its duties and obligations thereunder to the same extent as if this  
33 Pledge Agreement had not been executed, (b) the execution and delivery of this Pledge  
34 Agreement shall not release the FHCF from any of its duties or obligations under such  
35 reimbursement contracts, (c) neither the Corporation nor the Master Trustee shall (i) have any  
36 obligation or liability under such reimbursement contracts by reason of this Pledge Agreement or  
37 (ii) be obligated to perform any of the obligations or duties of the FHCF or the State Board of  
38 Administration thereunder; provided, however, nothing in this Section shall relieve the FHCF of  
39 its obligation to deliver to the Master Trustee the Pledged Collateral to the extent required by  
40 Section 3 hereof, and (d) the FHCF shall remain liable, notwithstanding any release from the  
41 pledge and security interest created by this Pledge Agreement of portions of the Pledged  
42 Collateral as provided in Section 3(f), to make timely and sufficient transfers of Pledged  
43 Collateral to the Master Trustee to enable the Corporation to make timely and sufficient payment  
44 of all amounts due under the Master Indenture.

1           Section 7.     *Representations and Warranties.* The State Board of Administration  
2 hereby represents and warrants that: (i) the obligations of the FHCF under this Pledge  
3 Agreement shall not constitute a debt of the State or any political subdivision thereof nor a  
4 pledge of the faith and credit of the State or any political subdivision thereof within the meaning  
5 of any constitutional or statutory provision; (ii) the FHCF does not have the power or authority to  
6 levy any tax; (iii) the FHCF owns the Pledged Collateral free and clear of any lien, security  
7 interest, pledge or encumbrance except for the liens, security interests and pledges created by this  
8 Pledge Agreement and by the Master Indenture; (iv) no effective financing statement or other  
9 instrument similar in effect covering all or any part of the Pledged Collateral is on file in any  
10 recording office; (v) this Pledge Agreement creates a valid, enforceable and perfected security  
11 interest in favor of the Corporation in the Pledged Collateral, securing the payment of the Parity  
12 Obligations, and all actions necessary or desirable to establish and protect such pledge have been  
13 duly taken; and (vi) no authorization, approval or other action by, and no notice to or filing with,  
14 any governmental authority or regulatory body is required either (A) for the grant by the State  
15 Board of Administration of the security interest granted herein or for the execution, delivery or  
16 performance of this Pledge Agreement by the State Board of Administration, or (B) for the  
17 perfection of or the exercise by the Corporation and the Master Trustee of their respective rights  
18 and remedies hereunder. Unless the State Board of Administration shall have previously advised  
19 the Corporation and the Master Trustee in writing that one or more of the above statements is no  
20 longer true, the State Board of Administration shall be deemed to have represented and  
21 warranted to the Corporation and the Master Trustee on all dates subsequent to the date of  
22 execution hereof that the statements contained herein are true and correct.

23           Section 8.     *Covered Events Relief Fund.* (a) A special fund is hereby established  
24 with the State Board of Administration and designated the "Florida Hurricane Catastrophe Fund  
25 Covered Events Relief Fund" and within the Covered Events Relief Fund there are hereby  
26 established special accounts, one for Post-Event Parity Obligations and one for Pre-Event Parity  
27 Obligations, and, within each of the special accounts, there are hereby established special  
28 subaccounts for each Series of Post-Event Bonds and Pre-Event Bonds, respectively (unless the  
29 applicable Supplemental Indenture provides for the commingling of proceeds in a single  
30 subaccount), each to be designated the "[Bond Series and letter] Covered Events Relief  
31 Subaccount" (each, a "Proceeds Subaccount"). Upon the issuance or incurrence of each Series  
32 of Parity Obligations that are Post-Event Parity Obligations, the net proceeds thereof shall be  
33 transferred by the Corporation to the State Board of Administration, for the account of the  
34 FHCF, and shall be deposited by the State Board of Administration in the appropriate Proceeds  
35 Subaccount of the Post-Event Parity Obligations Proceeds Account, to be held by the FHCF for  
36 disbursement for reimbursement payments, and advances of such payments, under  
37 reimbursement contracts for reimbursable losses caused by a Covered Event. Upon the issuance  
38 or incurrence of each Series of Parity Obligations that are Pre-Event Parity Obligations, the net  
39 proceeds thereof shall be transferred by the Corporation to the State Board of Administration, for  
40 the account of the FHCF, and shall be deposited by the State Board of Administration in the  
41 appropriate Proceeds Subaccount of the Pre-Event Parity Obligations Proceeds Account to be  
42 held by the FHCF in reserve for disbursement for reimbursement payments, and advances of  
43 such payments, under reimbursement contracts for reimbursable losses caused by a future  
44 Covered Event.

1 (b) Money in the Covered Events Relief Fund may, subject to Section 4(a) hereof and  
2 Section 502(c) of the Master Trust Indenture, be invested in any investment authorized under  
3 Section 215.47, Florida Statutes, as amended from time to time, or any successor statute.  
4 Investments acquired with money in or credited to any Proceeds Subaccount shall be deemed at  
5 all times to be part of such Subaccount. Any loss realized upon the disposition or maturity of  
6 such investments shall be charged against such Subaccount unless otherwise directed by the  
7 State Board of Administration. The interest accruing on any such investments and any profit  
8 realized upon the disposition or maturity of such investments shall be credited to such  
9 Subaccount unless otherwise directed by the State Board of Administration.

10 (c) In the case of the special Proceeds Subaccounts created for Post-Event Parity  
11 Obligations, payment of the reimbursable losses caused by a Covered Event occurring during a  
12 Contract Year shall be made from the appropriate Proceeds Subaccount or Subaccounts. All  
13 such payments shall be subject to the provisions and restrictions set forth in this Pledge  
14 Agreement, including Section 4(a) hereof, and the Master Indenture, and the State Board of  
15 Administration shall not cause or agree to permit to be paid from any such Subaccount any sums  
16 except in accordance with such provisions and restrictions. When all reimbursement payments  
17 under reimbursement contracts for reimbursable losses caused by a Covered Event have been  
18 paid, which fact shall be evidenced by delivery to the Master Trustee of an Officer's Certificate  
19 of the State Board of Administration, the balance in the related Proceeds Subaccount shall be  
20 transferred as the Corporation may direct or as may be provided in the applicable Supplemental  
21 Indenture.

22 (d) (i) In the case of each special Proceeds Subaccount created for Pre-Event  
23 Parity Obligations,

24 (A) the FHCF shall, in accordance with the provisions of  
25 Section 3(c)(iii), transfer to the Master Trustee for the account of the Corporation, from time to  
26 time from each such Subaccount the investment income on proceeds of Pre-Event Parity  
27 Obligations or from proceeds of Pre-Event Parity Obligations, amounts sufficient for the Master  
28 Trustee to pay the Current Expenses of the Corporation not provided for from Reimbursement  
29 Premiums or otherwise and to make timely the deposits required by Section 504(a) and (b) and,  
30 if applicable, Section 504(c), in respect of the related Series of Pre-Event Parity Obligations, and

31 (B) other than as provided in Section 3(c), no withdrawals from  
32 any such Subaccount for any other purpose than described in clause (A) may be made prior to  
33 the occurrence of a Covered Event except that withdrawals may be made to redeem or defease  
34 any Pre-Event Parity Obligations in accordance with the terms of the applicable Parity  
35 Resolution.

36 (ii) Proceeds of Pre-Event Parity Obligations may be withdrawn from a Proceeds  
37 Subaccount following the occurrence of a Covered Event, provided that an Authorized Officer of  
38 the State Board of Administration shall deliver to the Master Trustee prior to the first such  
39 withdrawal an Officer's Certificate certifying the following:

40 (A) The aggregate amount and monthly schedule of  
41 withdrawals from such Subaccount anticipated to be made as a result of the Covered Event,

1 (B) That an amount, stated in such Certificate and equal to the  
2 difference between the balance then to the credit of the applicable Subaccount for such Pre-Event  
3 Parity Obligations in the Interest Account in the Bond Fund and the interest, estimated in such  
4 Certificate and calculated in the event that any of the Outstanding Pre-Event Parity Obligations  
5 are Variable Rate Indebtedness at the rate described in paragraph (ii) of the definition of Debt  
6 Service Requirement in the Master Trust Indenture, to become due and payable in the next six  
7 months on a principal amount of Pre-Event Parity Obligations equal to the aggregate amount of  
8 the withdrawals anticipated to be made as set forth in (A) above, shall have been withdrawn from  
9 the proceeds of such Pre-Event Parity Obligations credited to such Subaccount or otherwise  
10 transferred to the Master Trustee, and in any case deposited to the credit of the appropriate  
11 subaccount in the Interest Account for such Pre-Event Parity Obligations,

12 (C) That, taking into account all of the anticipated withdrawals  
13 described in (A) above, such Officer estimates that there will be sufficient Revenue Available for  
14 Debt Service to make full and timely payment of debt service on the Pre-Event Parity  
15 Obligations as the same shall become due and payable, and

16 (D) That notice of such withdrawal has been provided to the  
17 State Board of Administration and that such notice contained the information included in clauses  
18 (A), (B) and (C) above and an estimate, based upon factors deemed reasonable and appropriate  
19 by the certifying Authorized Officer, of the aggregate increase, if any, in the Emergency  
20 Assessment percentage necessary to be levied to provide for the estimated annual Debt Service  
21 Requirement for each future Fiscal Year on a principal amount of the Pre-Event Parity  
22 Obligations equal to the aggregate amount of the anticipated withdrawals described in (A) above.

23 (iii) When all of the Pre-Event Parity Obligations authorized by a  
24 Supplemental Indenture shall have been paid or defeased (whether through a refunding or  
25 otherwise) in accordance with such Supplemental Indenture, which fact shall be evidenced by  
26 delivery to the Master Trustee of an Officer's Certificate of the State Board of Administration,  
27 the balance in the related Proceeds Subaccount shall be transferred as the Corporation may direct  
28 or as may be provided in the applicable Supplemental Indenture.

29 Section 9. *Rights of the Corporation and the Master Trustee.* Neither the  
30 Corporation nor the Master Trustee shall be liable for any failure to collect or realize upon all or  
31 any part of the Pledged Collateral, or for any delay in so doing, and neither the Corporation nor  
32 the Master Trustee shall be under any obligation to take any action whatsoever with regard to the  
33 Pledged Collateral except to the extent set forth in this Pledge Agreement, in the Master  
34 Indenture and in any indenture supplemental thereto. If an Event of Default shall have occurred  
35 and be continuing, the Master Trustee, as assignee pursuant to the Master Indenture of all the  
36 Corporation's right, title and interest in and to this Pledge Agreement, may, without notice,  
37 exercise all rights, privileges or options pertaining to the Pledged Collateral as if it were the  
38 absolute owner of such Pledged Collateral, upon such terms and conditions as it may determine,  
39 all without liability except to account for the Pledged Collateral actually received by it.

40 Section 10. *Remedies.* (a) Upon the happening and continuance of any Event of  
41 Default, then and in every such case the Master Trustee may proceed, and upon the written  
42 request of the Owners or Holders of not less than a majority in aggregate principal amount of the

1 Parity Obligations then Outstanding (subject to any limitations on or alternative provisions for  
2 the giving of such requests as may be established in any indenture supplemental to the Master  
3 Indenture) shall proceed, subject to the provisions of Section 902 of the Master Indenture, to  
4 protect and enforce its rights and the rights of the Owners or Holders of the Parity Obligations  
5 under applicable laws and under this Pledge Agreement by such suits, actions or special  
6 proceedings in equity or at law, or by proceedings in the office of any board or officer having  
7 jurisdiction, either for the specific performance of any covenant or Pledge Agreement contained  
8 herein or in aid or execution of any power herein granted or for the enforcement of any proper  
9 legal or equitable remedy, as the Master Trustee, being advised by counsel, chosen by the Master  
10 Trustee, shall deem most effectual to protect and enforce such rights, including but not limited  
11 to:

12 (i) Suit upon all or any part of the Pledged Collateral;

13 (ii) Civil action to require any Person holding money, documents or other  
14 property pledged to secure payment of amounts due or to become due on the Parity Obligations  
15 to account as if it were the trustee of an express trust for the Owners and Holders;

16 (iii) Civil action to enjoin any acts or things, which may be unlawful or in  
17 violation of the rights of the Owners and Holders; and

18 (iv) Enforcement of any other right of the Owners and Holders conferred by  
19 law or hereby.

20 (b) Regardless of the happening of an Event of Default, the Master Trustee, if  
21 requested in writing by the Owners or Holders of not less than a majority of the aggregate  
22 principal amount of the Parity Obligations then Outstanding (subject to any limitations on or  
23 alternative provisions for the giving of such requests as may be established in any Supplemental  
24 Indenture) shall proceed, subject to the provisions of Section 902 of the Master Indenture, to  
25 institute and maintain such suits and proceedings as it may be advised shall be necessary or  
26 expedient (i) to prevent any impairment of the security hereunder by any acts which may be  
27 unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Owners and  
28 Holders, provided that such request and the action to be taken by the Master Trustee are not in  
29 conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master  
30 Trustee, are not unduly prejudicial to the interest of the Owners and Holders not making such  
31 request.

32 Section 11. *Further Assurances.* The State Board of Administration shall, at any time  
33 and from time to time upon the written request of the Master Trustee, execute and deliver such  
34 further documents and do such further acts and things as the Master Trustee may reasonably  
35 request in order to effect the purposes of this Pledge Agreement.

36 Section 12. *Master Trustee May Perform.* If the FHCF fails to perform any agreement  
37 contained herein, the Master Trustee may itself perform, or cause performance of, such  
38 agreement, and the expenses of the Master Trustee incurred in connection therewith shall be  
39 payable by the FHCF as Current Expenses of the FHCF.

1           Section 13.   *Indemnity and Expenses.* (a) To the extent permitted by law, the State  
2 Board of Administration agrees to indemnify the Corporation and the Master Trustee from and  
3 against any and all claims, losses and liabilities (collectively referred to hereinafter as "Losses")  
4 of whatsoever nature (including, but not limited to, reasonable attorneys' fees, litigation and  
5 court costs, amounts paid in settlement and amounts paid to discharge judgments) directly or  
6 indirectly resulting from, arising out of or related to one or more Claims, as hereinafter defined,  
7 excluding any such Loss or Claim that arises out of an act of negligence or willful misconduct of  
8 any member, officer, director, agent, or employee of the Corporation or the Master Trustee. The  
9 word "Claims" as used herein shall mean all claims, lawsuits, causes of action and other legal  
10 actions and proceedings of whatsoever nature, including, but not limited to, claims, lawsuits,  
11 causes of action and other legal actions and proceedings brought against the Corporation or the  
12 Master Trustee or to which the Corporation or the Master Trustee is a party, that directly or  
13 indirectly result from, arise out of or relate to the execution, delivery or performance of this  
14 Pledge Agreement, the Master Indenture or any related instruments or documents. The  
15 obligations of the State Board of Administration under this Section 13(a) shall apply to all  
16 Losses or Claims, or both, that result from, arise out of, or are related to any event, occurrence,  
17 condition or relationship prior to termination of this Pledge Agreement, whether such Losses or  
18 Claims, or both, are asserted prior to termination of this Pledge Agreement or thereafter. The  
19 Corporation or the Master Trustee, as the case may be, shall reimburse the State Board of  
20 Administration for payments made by the State Board of Administration pursuant to this Section  
21 13(a) to the extent of any proceeds, net of all expenses of collection, actually received by the  
22 Corporation or the Master Trustee from any insurance covering such Claims with respect to the  
23 Losses sustained. The Corporation and the Master Trustee shall have the duty to claim any such  
24 insurance proceeds and the Corporation and the Master Trustee shall assign their respective  
25 rights to such proceeds, to the extent of such required reimbursement, to the State Board of  
26 Administration. In case any action shall be brought against the Corporation or the Master  
27 Trustee in respect of which indemnity may be sought against the State Board of Administration,  
28 then the Corporation or the Master Trustee, as the case may be, shall promptly notify the State  
29 Board of Administration in writing. Failure to notify the State Board of Administration shall not  
30 relieve it from any liability that it may have other than on account of this Pledge Agreement.  
31 The State Board of Administration shall have the right to assume the investigation and defense of  
32 any such action, including the employment of counsel, which counsel shall be satisfactory to the  
33 indemnified parties, and the payment of all expenses. The Corporation shall have the right to  
34 employ separate counsel in any such action and participate in the investigation and defense  
35 thereof, and the reasonable fees and expenses of such counsel shall be paid by the State Board of  
36 Administration. The Master Trustee shall have the right to employ separate counsel in any such  
37 action and participate in the investigation and defense thereof, but the fees and expenses of such  
38 counsel shall be paid by the Master Trustee, unless the employment of such counsel has been  
39 authorized by the State Board of Administration or the Master Trustee has concluded in good  
40 faith that there may be legal defenses available to it that are different from or in addition to those  
41 available to the State Board of Administration, in which case the Master Trustee shall have the  
42 right to designate and retain separate counsel in such action and the reasonable fees and expenses  
43 of such counsel shall be paid by the State Board of Administration. If no such authorization or  
44 conclusion in good faith is made and the State Board of Administration assumes the defense of  
45 such action, the State Board of Administration shall not be liable for the fees and expenses of any  
46 counsel for the Master Trustee incurred thereafter in connection with such action. In no event

1 shall the State Board of Administration be liable for the fees and expenses of more than one  
2 counsel for the Master Trustee in connection with any one action or separate but similar or  
3 related actions in the same jurisdiction arising out of the same general allegations or  
4 circumstances, unless the retaining of additional counsel has been specifically authorized by the  
5 State Board of Administration. All payments made by the State Board of Administration  
6 pursuant to this Section 13(a) shall be Current Expenses of the FHCF.

7 (b) The State Board of Administration shall pay to the Corporation and the Master  
8 Trustee the amount of any and all reasonable expenses, including the reasonable fees and  
9 disbursements of their respective counsel and of any consultants and agents, which the  
10 Corporation or the Master Trustee may incur in connection with (i) the administration of this  
11 Pledge Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection  
12 from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of  
13 any of the rights of the Corporation or the Master Trustee hereunder or (iv) the failure by the  
14 FHCF to perform or observe any of the provisions hereof. All such expenses pursuant to this  
15 Section 13(b) shall be payable by the FHCF as Current Expenses of the FHCF.

16 Section 14. *Amendment.* This Pledge Agreement may, without the consent of or  
17 notice to any of the Owners or Holders, be amended, from time to time, to:

18 (a) cure any ambiguity or formal defect or omission in this Pledge Agreement or in  
19 any supplement hereto;

20 (b) correct or supplement any provisions herein which may be inconsistent with any  
21 other provisions herein or make any other provisions with respect to matters which do not  
22 materially or adversely affect the interests of the Owners and the Holders;

23 (c) grant to or confer upon the Master Trustee for the benefit of the Owners and the  
24 Holders any additional rights, remedies, powers, authority or security that may lawfully be  
25 granted to or conferred upon the Owners and the Holders or the Master Trustee;

26 (d) add conditions, limitations and restrictions on the State Board of Administration  
27 to be observed thereafter; or

28 (e) make any amendment or modification to this Pledge Agreement resulting from  
29 the elimination of any restriction on the use of Reimbursement Premiums under the Code to pay  
30 or to secure debt service on Tax-Exempt Parity Obligations to the extent the elimination of such  
31 restriction is permitted by any administrative pronouncement of the Internal Revenue Service  
32 (including a private letter ruling) addressed to the Corporation, the FHCF, or any successor of  
33 either, or to the extent such elimination of such use restriction is permitted (based upon an  
34 Opinion of Counsel) by the Code; or

35 (f) make any other change that, in the opinion of the Master Trustee, which may rely  
36 upon certificates of Consultants and Opinions of Counsel for such purpose, shall not materially  
37 adversely affect the security for the Parity Obligations.

38 Before entering into any amendment under this Section 14, the Master Trustee shall be  
39 entitled to receive, and in so doing shall be fully protected in relying upon, an Opinion of

1 Counsel to the effect the any such proposed amendment is authorized or permitted under this  
2 Pledge Agreement.

3 Other than amendments referred to in the preceding paragraph of this Section and subject  
4 to the terms and provisions and limitations contained in Section 1102 of the Master Indenture  
5 and not otherwise, the Owners and Holders of not less than a majority in aggregate principal  
6 amount of the Parity Obligations then Outstanding, shall have the right, from time to time,  
7 anything contained herein to the contrary notwithstanding, to consent to and approve the  
8 execution by the State Board of Administration, the Corporation and the Master Trustee of such  
9 supplements and amendments hereto as shall be deemed necessary and desirable for the purpose  
10 of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or  
11 provisions contained herein; provided, however, nothing in this Section shall permit or be  
12 construed as permitting a supplement or amendment which would impair the pledge and  
13 security interest granted by this Pledge Agreement.

14 Section 15. *Termination of Pledge Agreement.* This Pledge Agreement shall (i) remain  
15 in full force and effect until payment in full of the Parity Obligations, (ii) be binding upon the  
16 FHCF, its successors and assigns and (iii) inure to the benefit of the Corporation, the Master  
17 Trustee and their respective successors, transferees and assigns. Upon the payment in full of the  
18 Parity Obligations, the security interest granted herein shall terminate and all rights to the  
19 Pledged Collateral shall revert to the FHCF. Upon any such termination, the Master Trustee  
20 shall, at the FHCF's expense, execute and deliver to the FHCF such documents as the State  
21 Board of Administration shall reasonably request to evidence such termination.

22 Section 16. *Notices.* All notices, demands and requests to be given to or made  
23 hereunder by the Corporation, the State Board of Administration or the Master Trustee shall be  
24 given or made in writing and shall be deemed to be properly given or made if sent by United  
25 States certified or registered mail, return receipt requested, postage prepaid, addressed as  
26 follows:

27 Party

Address

28 Florida Hurricane Catastrophe Fund:  
29  
30  
31  
32

Florida Hurricane Catastrophe Fund  
c/o State Board of Administration  
1801 Hermitage Boulevard  
Tallahassee, Florida 32308  
Attention: Chief Operating Officer



1 Corporation: Florida Hurricane Catastrophe Fund  
2 Finance Corporation  
3 c/o State Board of Administration  
4 1801 Hermitage Boulevard  
5 Tallahassee, Florida 32308  
6 Attention: Senior FHCF Officer

7 Master Trustee: Wells Fargo Bank, N.A.  
8 7077 Bonneval Road, Suite 400  
9 Jacksonville, FL 32216  
10 Attention: Corporate Trust Department

11 Any such notice, demand or request may also be transmitted to the appropriate above-  
12 mentioned party by telegram or telephone and shall be deemed to be properly given or made at  
13 the time of such transmission if, and only if, such transmission of notice shall be confirmed in  
14 writing and sent as specified above.

15 Any of such addresses may be changed at any time upon written notice of such change  
16 sent by United States certified or registered mail, postage prepaid, to the other parties by the  
17 party effecting the change.

18 Section 17. *No Waiver; Remedies.* No failure on the part of the Corporation or the  
19 Master Trustee to exercise, and no delay in exercising, any right under this Pledge Agreement  
20 shall operate as a waiver of such right, and no single or partial exercise of any right under this  
21 Pledge Agreement shall preclude any further exercise of such right or the exercise of any other  
22 right. The remedies provided in this Pledge Agreement are cumulative and not exclusive of any  
23 remedies provided by law.

24 Section 18. *Conflict.* In the event that any part of this Pledge Agreement is  
25 determined to be in conflict with the terms of the Master Indenture, the terms of the Master  
26 Indenture shall govern to the extent of such conflict.

27 Section 19. *Rights of the Master Trustee.* Neither the Master Trustee nor any of its  
28 officers, directors, employees, agents, attorneys-in-fact or affiliates shall be liable for any action  
29 taken or omitted to be taken by it or any such officer, director, employee, agent, attorney-in-fact  
30 or affiliate under or in connection with this Pledge Agreement (except for the Master Trustee's  
31 or any such person's own negligence or willful misconduct). The Master Trustee undertakes to  
32 perform only such duties as are expressly set forth herein. The Master Trustee may rely, and  
33 shall be protected in acting or refraining from acting, upon any written notice, instruction or  
34 request furnished to it hereunder and believed by it to be genuine and to have been signed or  
35 presented by the proper party. The Master Trustee may consult with counsel of its choice and  
36 shall have full and complete authorization and protection for any action taken or suffered by it  
37 hereunder in good faith and in accordance with the opinion of such counsel. Notwithstanding  
38 any provision to the contrary contained herein, the Master Trustee shall not be relieved of  
39 liability arising in connection with its own negligence or willful misconduct.

1           Section 20.   *Members, Officers and Employees of the State Board of Administration*  
2   *and the Corporation Not Liable.* Neither the members, officers and employees of the State  
3   Board of Administration nor the members of the Board of Directors or the officers and  
4   employees of the Corporation shall be personally liable for any costs, losses, damages or  
5   liabilities caused or subsequently incurred by the State Board of Administration or any member,  
6   officer, employee or agent thereof in connection with or as a result of this Pledge Agreement.

7           Section 21.   *Separate Accounts and Records.* The State Board of Administration and  
8   the Corporation represent and covenant, each for itself, that:

9           (i)       Each of them will maintain its respective books, financial records and  
10   accounts (including, without limitation, inter-entity transaction accounts) in a manner so as to  
11   identify separately the assets and liabilities of each such entity; each has observed and will  
12   observe all applicable corporate or trust procedures and formalities, including where applicable,  
13   the holding of regular periodic and special meetings of governing bodies, the recording and  
14   maintenance of minutes of such meetings, and the recording and maintenance of resolutions, if  
15   any, adopted at such meetings; and all transactions and agreements between and among them  
16   have reflected and will reflect the separate legal existence of each entity and have been and will  
17   be formally documented in writing.

18          (ii)       Each of them has paid and will pay its respective liabilities and losses  
19   from its own respective separate assets, and has compensated and will compensate all  
20   consultants, independent contractors and agents from its own funds for services provided to it by  
21   such consultants, independent contractors and agents.

22          (iii)       None of them has commingled or will commingle any of its assets, funds  
23   or liabilities with the assets, funds or liabilities of any other person or entity. Each of them has  
24   conducted and will conduct all business between itself and third parties in its own name and  
25   separate and distinct from the others.

26          (iv)       Neither the assets nor the creditworthiness of the FHCF will be held out as  
27   being available for the payment of any liability of the Corporation, and vice versa. Assets will  
28   not be transferred by the Corporation to or from the FHCF inconsistently with the Act or with  
29   the intent to hinder, delay or defraud creditors.

30          (v)       Each of them in its papers and in the statements of its officials has referred  
31   and will refer to the others as separate and distinct legal entities; and will take no action that is  
32   inconsistent with this Pledge Agreement or that would give any creditor of any of them cause to  
33   believe either that any obligation incurred by it would be not only its obligation, but also of  
34   another party, or that it were not or would not continue to remain an entity separate and distinct  
35   from the others.

36          Section 22.   *Transfers to FHCF.* Subject to the provisions of the Act, the Master  
37   Indenture and this Pledge Agreement, all money received by the Corporation or the Master  
38   Trustee which, together with other money available for the purposes of the Master Indenture,  
39   exceeds the amount required for such purposes shall be transferred to the order of the FHCF not  
40   later than the times provided therefor in the Master Indenture and in this Pledge Agreement.

1           Section 23.   *Severability.* Any provision of this Pledge Agreement that is prohibited,  
2 unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to  
3 the extent of such prohibition, unenforceability or nonauthorization without invalidating the  
4 remaining provisions of this Pledge Agreement or affecting the validity, enforceability or legality  
5 of such provision in any other jurisdiction.

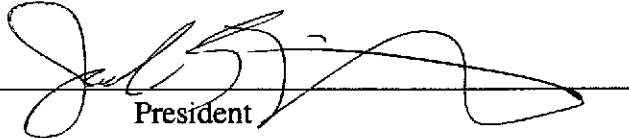
6           Section 24.   *Governing Law.* This Pledge Agreement shall be governed by, and  
7 construed and interpreted in accordance with, the domestic law of the State.

8           Section 25.   *Headings.* Section headings in this Pledge Agreement are included for  
9 convenience of reference only and shall not constitute a part of this Pledge Agreement for any  
10 other purpose.

11          Section 26.   *Counterparts.* This Pledge Agreement may be signed in any number of  
12 counterpart copies, and all such copies shall constitute one and the same instrument.

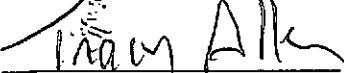
1 IN WITNESS WHEREOF, the parties have caused this Pledge Agreement to be duly  
2 executed and delivered as of the date first above written.

3 FLORIDA HURRICANE CATASTROPHE FUND  
4 FINANCE CORPORATION

5 By:   
6 President

7 (SEAL)

8 Attest:

9   
10 Secretary  
11

12 STATE BOARD OF ADMINISTRATION,  
13 acting as the governing body and administrator of the  
14 FLORIDA HURRICANE CATASTROPHE FUND

15 By:   
16 Executive Director

17 (SEAL)

18 Attest:

19   
20 Assistant General Counsel  
21

22 WELLS FARGO BANK, N.A.  
23 Master Trustee  
24

25 By: \_\_\_\_\_  
26 [Title]

27 (SEAL)

28 Attest:

29 \_\_\_\_\_  
30 [Title]

1 IN WITNESS WHEREOF, the parties have caused this Pledge Agreement to be duly  
2 executed and delivered as of the date first above written.

3 FLORIDA HURRICANE CATASTROPHE FUND  
4 FINANCE CORPORATION

5 By: \_\_\_\_\_  
6

7 (SEAL)

8 Attest:  
9  
10 \_\_\_\_\_  
11


12 STATE BOARD OF ADMINISTRATION,  
13 acting as the governing body and administrator of the  
14 FLORIDA HURRICANE CATASTROPHE FUND

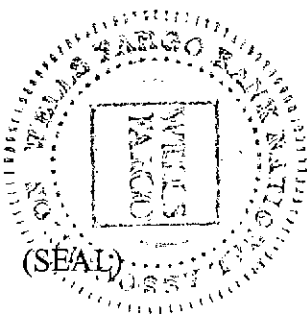
15 By: \_\_\_\_\_  
16

17 (SEAL)

18 Attest:  
19  
20 \_\_\_\_\_  
21

22 WELLS FARGO BANK, N.A.  
23 Master Trustee

24 By:  \_\_\_\_\_  
25 Brian P. Clark, Vice President



27 Attest:  
28  \_\_\_\_\_  
29 Title:

## **Master Trust Indenture**

- Parties are Wells Fargo (Master Trustee) and the Corporation (SBA is not a party)
- Describes general terms and conditions governing bonds issued by the Corporation
  - o Establishes general powers and duties of the Master Trustee
  - o Sets out basic covenants of the Corporation
  - o Establishes limitations on the issuance of additional bonds
  - o Establishes certain accounts to hold revenues pledged for the payment of debt service
  - o Defines events of default and provides for bondholder remedies
- Specific terms for a particular series of bonds are set out in Supplemental Indentures
- Approved in 2006

1                   **MASTER TRUST INDENTURE**

2                   **by and between**

3                   **FLORIDA HURRICANE CATASTROPHE FUND**  
4                   **FINANCE CORPORATION**

5                   **and**

6                   **WELLS FARGO BANK, N.A.,**  
7                   **as Master Trustee**

8                   **Dated as of June 1, 2006**

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1       THIS MASTER TRUST INDENTURE (this "Master Indenture"), made and entered into  
2 as of the first day of June 1, 2006, by and between Florida Hurricane Catastrophe Fund Finance  
3 Corporation, a public benefits corporation, which is an instrumentality of the State of Florida (the  
4 "Corporation"), and Wells Fargo Bank, N.A., Jacksonville, Florida, a national banking  
5 association duly incorporated under the laws of the United States of America, and being duly  
6 qualified to accept and administer the trusts created hereby (the "Master Trustee"),

7                                   W I T N E S S E T H:

8       WHEREAS, Section 215.555, Florida Statutes, as amended (the "Act"), creates the  
9 Florida Hurricane Catastrophe Fund, a trust fund established for bond covenants, Master  
10 Indentures or resolutions within the meaning of Section 19(f)(3), Article III of the Constitution  
11 of the State of Florida (the "FHCF"); and

12       WHEREAS, the Act provides that the FHCF will be administered by the State Board of  
13 Administration of Florida (in its capacity as the governing body and administrator of the FHCF,  
14 the State Board of Administration) and that the FHCF will reimburse certain insurers for a  
15 portion of their catastrophic hurricane losses, subject to the limitations on such reimbursements  
16 set forth in the Act, in order to create additional insurance capacity sufficient to ameliorate the  
17 current dangers to the economy of the State and to the public health, safety and welfare of its  
18 citizens posed by a lack of an orderly private market for property insurance; and

19       WHEREAS, the Act creates the Corporation as a public benefits corporation, which is an  
20 instrumentality of the State of Florida, to provide a mechanism for the cost-effective and  
21 efficient issuance of bonds necessary to enable the FHCF to carry out the purposes of the Act;  
22 and

23       WHEREAS, the purpose of such bonds is to fund reimbursements through the FHCF to  
24 pay for the costs of construction, reconstruction, repair, restoration and other costs associated  
25 with damage to properties of policyholders of covered policies due to the occurrence of a  
26 hurricane; and

27       WHEREAS, the Act provides for the payment by certain insurers of reimbursement  
28 premiums, and for the remittance of emergency assessments from certain policyholders, in the  
29 amounts and under the circumstances set forth in the Act and authorizes the pledge of all or any  
30 portion of the revenues derived from such reimbursement premiums and emergency assessments,  
31 together with the interest earnings thereon, to the payment of the principal of and redemption  
32 premium, if any, and interest on bonds issued by the Corporation for the benefit of the FHCF;  
33 and

34       WHEREAS, the Act provides that revenue bonds may not be issued under the Act until  
35 validated under Florida Statutes, Chapter 75, and that the validation of at least the first issue of  
36 obligations incurred under the Act shall be appealed to the Florida Supreme Court; and

37       WHEREAS, the Circuit Court of the Second Judicial Circuit of Florida (the "Circuit  
38 Court") validated on November 12, 1996 bonds in the aggregate principal amount of not  
39 exceeding \$10 billion, a pledge agreement ("1996 pledge agreement"), a master trust Master  
40 Indenture ("1996 master trust Master Indenture"), and related resolutions adopted by the State

1 Board of Administration for the FHCF and by the Board of Directors of the Corporation ("1996  
2 resolutions"); and

3 WHEREAS, Florida Supreme Court affirmed on September 18, 1997 the order of the  
4 Circuit Court and concluded that "the Florida Hurricane Finance Corporation acted within its  
5 authority and complied with all requirements of the law in the issuance of the Hurricane  
6 Catastrophe Relief Revenue Bonds;" and

7 WHEREAS, the Corporation obtained from the Internal Revenue Service a private letter  
8 ruling dated July 2, 1998 to the effect that the interest on bonds issued by the Corporation and  
9 secured by emergency assessments and, to a limited extent, reimbursement premiums would be  
10 exempt from federal income tax, and such ruling, limited in term to five years, was renewed on  
11 June 13, 2003 through June 30, 2008; and

12 WHEREAS, the Florida Legislature has made several amendments to the Act since its  
13 initial enactment in 1993, since validation in 1996 of the bonds, the 1996 master trust Master  
14 Indenture, the 1996 pledge agreement and the 1996 resolutions and since receipt in 1998 of the  
15 Internal Revenue Service private letter ruling, without vitiating the efficacy of any of the Circuit  
16 Court validation, the Supreme Court affirmation of the Circuit Court validation or the private  
17 letter ruling; and

18 WHEREAS, the Board of Directors of the Corporation has duly authorized the execution  
19 and delivery of this Master Indenture with the Master Trustee, this Master Indenture being  
20 intended to preserve the substance of the 1996 master trust indenture while reflecting the  
21 provisions of the amendments to the Act since 1996 and the provisions of the Internal Revenue  
22 Service private letter ruling and restricting the obligations that the Corporation may incur  
23 hereunder to Parity Obligations (as hereinafter defined); and

24 WHEREAS, the State Board of Administration and the Board of Directors of the  
25 Corporation have duly authorized the execution and delivery of a pledge and security agreement,  
26 dated as of June 1, 2006 (the "Pledge Agreement"), by and among the State Board of  
27 Administration, the Corporation and the Master Trustee, which agreement is intended to preserve  
28 the substance of the 1996 pledge agreement and to conform to the provisions of the Act as  
29 currently in effect, the private letter ruling and this Master Indenture, pursuant to which the State  
30 Board of Administration has pledged and assigned to the Corporation certain revenues derived  
31 from such reimbursement premiums and emergency assessments, together with the interest  
32 earnings thereon, to the payment of the principal of and redemption premium, if any, and interest  
33 on such bonds; and

34 WHEREAS, the Office of Insurance Regulation of the State of Florida and the Florida  
35 Surplus Lines Service Office have each been notified that, simultaneously with the execution and  
36 delivery of the Pledge Agreement and this Master Indenture, Bonds (hereinafter defined) are  
37 being issued by the Corporation and that the FHCF has no agreements in effect with local  
38 governments, and, therefore, until such date as the Corporation shall have no Bonds Outstanding  
39 (hereinafter defined) and subject to the provisions of the Pledge Agreement, the FHCF shall have  
40 no right, title or interest in or to such emergency assessments or the interest earnings thereon,  
41 except as provided in the Pledge Agreement; and

1 WHEREAS, the Corporation desires to issue and incur its Parity Obligations pursuant to  
2 the Act to provide funds to achieve the public purposes of the Act; and

3 WHEREAS, any Bonds issued and any Parity Debt (hereinafter defined) incurred under  
4 this Master Indenture will be secured by a pledge of the Net Receipts (hereinafter defined) of the  
5 Corporation; and

6 WHEREAS, pursuant to the Act, the Corporation is entering into this Master Indenture  
7 for the purpose of authorizing the issuance of Bonds and the incurrence of Parity Debt and  
8 securing the payment thereof by assigning its rights in and to the Net Receipts and certain of its  
9 rights under the Pledge Agreement; and

10 WHEREAS, under the Constitution and laws of the State of Florida, including the Act,  
11 the Corporation is authorized to enter into this Master Indenture, to issue the Bonds and incur  
12 Parity Debt as hereinafter provided and to do or cause to be done all the acts and things herein  
13 provided or required to be done as hereinafter covenanted; and

14 WHEREAS, all acts, conditions and things required by the Constitution and laws of the  
15 State of Florida, including the Act, to happen, exist and be performed precedent to and in the  
16 execution and delivery of this Master Indenture have happened, exist and have been performed  
17 as so required to make this Master Indenture a valid and binding Master Indenture securing any  
18 Bonds and any Parity Debt in accordance with its terms; and

19 WHEREAS, the Master Trustee agrees to accept and administer the trusts created hereby;

20 NOW, THEREFORE, THIS MASTER INDENTURE WITNESSETH that in  
21 consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby  
22 created, and of the issuance of Bonds and the incurrence of any Parity Debt as provided herein,  
23 in any Supplemental Indenture (hereinafter defined) and in any Parity Debt Resolution  
24 (hereinafter defined), and also for and in consideration of the sum of One Dollar in hand paid to  
25 the Master Trustee at or before the execution and delivery of this Master Indenture, and for other  
26 good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged,  
27 and for the purpose of fixing and declaring the terms and conditions upon which Bonds are to be  
28 issued, authenticated, delivered, secured and accepted by all persons who shall from time to time  
29 be or become Owners (hereinafter defined), and to secure the payment of all Bonds at any time  
30 issued and outstanding under this Master Indenture and any Parity Debt, and the interest and the  
31 redemption premium, if any, thereon according to their tenor, purport and effect, and to secure  
32 the performance and observance of all the covenants, agreements and conditions, express or  
33 implied, therein and herein contained, the Corporation has executed and delivered this Master  
34 Indenture, and by this Master Indenture has given, granted, bargained, aliened, remised, released,  
35 conveyed, transferred, assigned, confirmed, set over, and pledged, and does hereby give, grant,  
36 bargain, alien, remise, release, convey, transfer, assign, confirm, set over, and pledge unto the  
37 Master Trustee, and its successor or successors in trust:

- 38 1. All Net Receipts of the Corporation;
- 39 2. All right, title and interest of the Corporation in and to the Pledge Agreement  
40 (except for those certain rights that are set forth in the next sentence of this clause), it being the

1 intent and purpose hereof that the assignment and transfer to the Master Trustee of the Pledged  
2 Collateral (hereinafter defined) shall be effective and operative immediately and the Master  
3 Trustee shall have the right to collect and receive from the FHCF the Pledged Collateral for  
4 application in accordance with the provisions hereof at all times during the period from and after  
5 the date of this Master Indenture until the indebtedness hereby secured shall have been fully paid  
6 and discharged, all subject to the rights of the FHCF to the release of Reimbursement Premiums  
7 and Reimbursement Premium Earnings and Emergency Assessments and Emergency  
8 Assessment Earnings as provided in the Pledge Agreement and this Master Indenture. The  
9 Corporation specifically reserves from this assignment the following rights: (a) to receive all  
10 notices, opinions, certificates, copies of documents, instruments, reports and correspondence, and  
11 evidence of certain actions by the State Board of Administration, acting on behalf of the FHCF,  
12 required to be delivered to the Corporation under the Pledge Agreement; (b) to grant approvals  
13 and consents and make determinations when required under the Pledge Agreement; (c) to be  
14 indemnified pursuant to the Pledge Agreement; and (d) those exculpations from liability  
15 conferred upon the members, officers and employees of the Corporation in the Pledge  
16 Agreement; provided that the reservation of the aforementioned rights shall not prevent the  
17 Master Trustee from enforcing the same on behalf of the Corporation, the Owners and the  
18 Holders (hereinafter defined), and the Corporation is to remain liable to observe and perform all  
19 the covenants, agreements and conditions, express or implied, therein and herein contained; and

20 3. All money and securities held by or on behalf of the Master Trustee in all of the  
21 funds, accounts or subaccounts established pursuant to this Master Indenture, except those funds,  
22 accounts and subaccounts that are expressly pledged in a Supplemental Indenture as security  
23 only for the Series of Bonds authorized by such Supplemental Indenture or in a Parity Debt  
24 Resolution as security only for the Parity Debt authorized by such Parity Debt Resolution, and,  
25 in the case of Tax-Exempt Parity Obligations, except those funds, accounts and subaccounts that  
26 are expressly set aside in a Supplemental Indenture or Parity Debt Resolution for the purpose of  
27 making rebate, yield reduction or similar payments to the United States of America in order to  
28 maintain the tax status of the Tax-Exempt Parity Obligations;

29 TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby  
30 conveyed and assigned, or agreed or intended so to be, to the Master Trustee and its successor or  
31 successors in trust and to them and their assigns forever; but

32 IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth, for the benefit,  
33 security and protection of all and singular the present and future Owners of the Bonds issued or  
34 to be issued under and secured by this Master Indenture and the Holders of any Parity Debt  
35 secured by this Master Indenture, without preference, priority or distinction as to lien or  
36 otherwise, except as may otherwise be provided herein, of any one Bond or Parity Debt over any  
37 other Bond or Parity Debt by reason of priority in their issue, sale or otherwise, all as herein  
38 provided;

39 PROVIDED, HOWEVER, that if the Corporation, its successors or assigns, shall well  
40 and truly pay, or cause to be paid, or provide for the payment, pursuant to the provisions of this  
41 Master Indenture, of the principal of all Parity Obligations and the interest and any redemption  
42 premium due or to become due thereon, at the times and in the manner mentioned in the Parity  
43 Obligations and this Master Indenture, according to the true intent and meaning hereof and

thereof, and shall cause the payments to be made into the Bond Fund (hereinafter defined) or otherwise as required under this Master Indenture, and shall pay or cause to be paid to the Master Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof and perform all of its other obligations hereunder, then, upon such performance and payments, this Master Indenture and the rights hereby granted shall cease, determine and become void, as provided in Article XII of this Master Indenture; otherwise this Master Indenture to be and remain in full force and effect.

THIS MASTER INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder and any Parity Debt secured hereunder are to be issued, authenticated (if applicable), delivered and dealt with, the respective rights of all Owners of the Bonds and Holders of Parity Debt are to be set forth, and all said property hereby given, granted, bargained, aliened, remised, released, conveyed, transferred, assigned, confirmed, set-over and pledged is to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Corporation has agreed and covenanted, and does hereby agree and covenant, with the Master Trustee and with the respective Owners and Holders, from time to time, of Parity Obligations, or any part hereof, as follows:

## Article I.

## DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

Section 101. Definitions. For the purposes hereof, unless the context otherwise indicates, the following words and phrases shall have the following meanings:

“Accreted Amount” means with respect to Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bonds as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Capital Appreciation Bonds.

**“Act” means Section 215.555, Florida Statutes, as amended, or any successor statute.**

“Audited Financial Statements” means the combined financial statements of the FHCF and the Corporation for a 12-month period, or for such other period for which an audit has been performed, that have been audited and reported upon by an Auditor in accordance with generally accepted auditing standards.

“Auditor” means an independent certified public accountant or firm of independent public accountants selected by the State Board of Administration.

“Authorized Officer of the Corporation” means each person who is authorized by resolution of the Governing Body of the Corporation to perform the duties imposed on an Authorized Officer of the Corporation by this Master Indenture and whose name is filed with the Master Trustee for such purpose.



1       “Authorized Officer of the State Board of Administration” means each person who is  
2 authorized by resolution of the Governing Body of the FHCF to perform the duties imposed on  
3 an Authorized Officer of the State Board of Administration by this Master Indenture and whose  
4 name is filed with the Master Trustee for such purpose.

5       “Balloon Indebtedness” means Indebtedness twenty-five percent (25%) or more of the  
6 principal payments of which are due in a single Fiscal Year, which portion of the principal is not  
7 required by the documents pursuant to which such Indebtedness is incurred to be amortized by  
8 payment or redemption prior to such year.

9       “Bond” or “Bonds” means the bonds or notes issued under the provisions hereof and  
10 secured on a parity with each other and any Parity Debt by this Master Indenture.

11       “Bond Fund” means the Florida Hurricane Catastrophe Fund Finance Corporation Bond  
12 Fund created and so designated by Section 501(b) hereof.

13       “Bond Registrar” means, with respect to any Series of Bonds, the Bond Registrar at the  
14 time serving as such under the Supplemental Indenture authorizing the issuance of such Series,  
15 whether the original or a successor Bond Registrar.

16       “Business Day” means a day on which the Corporation, the Fund, the Master Trustee and  
17 each Bond Registrar are open for the purpose of conducting their businesses.

18       “Capital Appreciation Bonds” means Bonds the interest on which is compounded at the  
19 rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such  
20 Bonds and is payable upon redemption or on the maturity date of such Bonds. Nothing in this  
21 Master Indenture shall prohibit the Corporation from designating in such Supplemental Indenture  
22 any such Bonds by a name other than Capital Appreciation Bonds.

23       “Capitalized Interest Account” means the account in the Bond Fund created and so  
24 designated by Section 501 hereof.

25       “Code” means the Internal Revenue Code of 1986, as amended, and all regulations  
26 promulgated thereunder.

27       “Consultant” means a firm or firms which are not, and no member, director, officer,  
28 trustee or employee of which is, an officer, director, trustee or employee of the Corporation, the  
29 FHCF, the State Board of Administration or the State, and which has a national reputation for  
30 having the skill and experience necessary to render the particular report or recommendations  
31 required by the provision hereof in which such requirement appears.

32       “Contract Year” means the term of the reimbursement contracts between the State Board  
33 of Administration and insurers writing Covered Policies.

34       “Corporation” means the Florida Hurricane Catastrophe Fund Finance Corporation, a  
35 public benefits corporation, which is an instrumentality of the State, and its legal successors.

1       “Corpus Earnings” means Corpus Earnings as defined in Section 1 of the Pledge  
2 Agreement.

3       “Costs of Issuance” means those costs that are payable from Bond proceeds with respect  
4 to the authorization, sale and issuance of Bonds, deposits to the funds, accounts and subaccounts  
5 established by this Master Indenture and any Supplemental Indenture, underwriting fees,  
6 auditors' or accountants' fees, printing costs, costs of reproducing documents, filing and  
7 recording fees, fees and expenses of fiduciaries, legal fees and charges, professional consultants'  
8 fees, costs of credit ratings, fees and charges for the execution, transportation and safekeeping of  
9 Bonds, governmental charges, costs of entering into Derivative Agreements, obtaining  
10 Investment Obligations and establishing or obtaining Credit Facilities, and other costs, charges  
11 and fees in connection with the foregoing.

12       “Costs of Issuance Fund” means the Florida Hurricane Catastrophe Fund Finance  
13 Corporation Costs of Issuance Fund created and so designated by Section 401 hereof.

14       “Covered Event” means Covered Event as defined in the Act.

15       “Credit Facility” means a line of credit, letter of credit, standby bond purchase  
16 agreement, bond insurance policy or similar liquidity or credit facility established or obtained in  
17 connection with the issuance of any Bonds, incurrence of any other Parity Debt or incurrence of  
18 any Subordinated Indebtedness.

19       “Credit Provider” means the Person providing a Credit Facility, as designated in the  
20 Supplemental Indenture authorizing the issuance of a Series of Bonds or in the Parity Debt  
21 Resolution authorizing the incurrence of Parity Debt or in the Subordinated Indebtedness  
22 Resolution authorizing the incurrence of Subordinated Indebtedness.

23       “Cross-over Date” means, with respect to Cross-over Refunding Indebtedness, the date  
24 on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or  
25 redeemed from the proceeds of such Cross-over Refunding Indebtedness.

26       “Cross-over Refunded Indebtedness” means Indebtedness refunded by Cross-over  
27 Refunding Indebtedness.

28       “Cross-over Refunding Indebtedness” means Indebtedness issued for the purpose of  
29 refunding other Indebtedness if the proceeds of such Cross-over Refunding Indebtedness are  
30 irrevocably deposited in escrow to secure the payment on the applicable redemption date or  
31 maturity date of the Cross-over Refunded Indebtedness, and the earnings on such escrow deposit  
32 (i) are required to be applied to pay interest on such Cross-over Refunding Indebtedness until the  
33 Cross-over Date and (ii) shall not be used directly or indirectly to pay interest on the Cross-over  
34 Refunded Indebtedness.

35       “Current Expenses of the Corporation” means all expenses incurred by the Corporation in  
36 the administration of the Corporation, including, without limiting the generality of the foregoing,  
37 arbitrage rebate and penalties, all administrative expenses, salaries and other compensation,  
38 personnel expenses properly chargeable to the Corporation, fees and expenses incurred for  
39 professional consultants and fiduciaries, including the fees and expenses of the Master Trustee

1 and any Bond Registrar, and all Current Expenses of the Corporation so identified in this Master  
2 Indenture, a Parity Resolution, a Subordinated Indebtedness Resolution or any other resolution  
3 adopted by the Governing Body of the Corporation, but Current Expenses of the Corporation  
4 shall not include (i) depreciation or amortization, (ii) any deposit to any fund, account and  
5 subaccount established under this Master Indenture or any Supplemental Indenture or any  
6 payment of principal, redemption premium, if any, and interest on any Bonds from any such  
7 fund, account and subaccount or (iii) any debt service payment in respect of Parity Debt or  
8 Subordinated Indebtedness.

9 "Current Interest Bonds" means Bonds the interest on which is payable on the Interest  
10 Payment Dates provided therefor in the Supplemental Indenture authorizing the issuance of such  
11 Bonds.

12 "Debt Service Coverage Ratio" means, for any period of time, the ratio determined by  
13 dividing the Premium and Assessment Revenue Available for Debt Service by the Maximum  
14 Debt Service Requirement.

15 "Debt Service Requirement" means, for any period of twelve (12) consecutive calendar  
16 months for which such determination is made, the aggregate of the payments to be made in  
17 respect of principal and interest (whether or not separately stated) on Outstanding Indebtedness  
18 during such period, also taking into account:

19 (i) with respect to Balloon Indebtedness, the amount of principal which would be  
20 payable in such period if such principal were amortized from the date of incurrence thereof over  
21 a period of thirty (30) years on a level debt service basis, at an interest rate equal to the current  
22 market rate for a fixed rate, 30-year obligation, set forth in an opinion, delivered to the Master  
23 Trustee, of a banking institution or an investment banking institution, selected by the  
24 Corporation and knowledgeable in municipal finance, as the interest rate at which the Person  
25 that incurred such Indebtedness could reasonably expect to borrow the same by incurring  
26 Indebtedness with the same term as assumed above; provided, however, that if the date of  
27 calculation is within twelve (12) calendar months of the actual final maturity of such  
28 Indebtedness, the full amount of principal payable at maturity shall be included in such  
29 calculation;

30 (ii) with respect to Indebtedness which is Variable Rate Indebtedness, the interest on  
31 such Indebtedness shall be calculated at the rate which is equal to the average of the actual  
32 interest rates which were in effect (weighted according to the length of the period during which  
33 each such interest rate was in effect) for the most recent twelve-month period immediately  
34 preceding the date of calculation for which such information is available (or shorter period if  
35 such information is not available for a twelve-month period), except that with respect to new  
36 Variable Rate Indebtedness, the interest rate on such Indebtedness on the date of its incurrence  
37 shall be calculated at the lesser of (a) the initial rate at which such Indebtedness is incurred and  
38 (b) the rate certified by a banking institution or an investment banking institution, selected by  
39 the Corporation and knowledgeable in municipal finance, as being the average rate such  
40 Indebtedness would have borne for the most recent twelve-month period immediately preceding  
41 the date of calculation if such Indebtedness had been outstanding for such period, and thereafter  
42 shall be calculated as set forth above; provided, however, that if the Corporation enters into a

1 Derivative Agreement with respect to such Indebtedness, the interest on such Indebtedness shall  
2 be calculated as set forth in clause (iv) below;

3 (iii) with respect to any Credit Facility, (a) to the extent that such Credit Facility has  
4 not been used or drawn upon, the principal and interest relating to the reimbursement obligation  
5 for such Credit Facility shall not be included in the Debt Service Requirement and (b) to the  
6 extent that such Credit Facility shall have been drawn upon, the payment provisions of such  
7 Credit Facility with respect to repayment of principal and interest thereon shall be included in  
8 the Debt Service Requirement;

9 (iv) with respect to Derivative Indebtedness, the interest on such Indebtedness during  
10 any Derivative Period thereunder shall be calculated by adding (a) the amount of interest  
11 payable by the Corporation pursuant to its terms and (b) the amount payable by the Corporation  
12 under the Derivative Agreement and subtracting (c) the amount payable by the Derivative  
13 Agreement Counterparty at the rate specified in the Derivative Agreement, except that to the  
14 extent that the Derivative Agreement Counterparty has defaulted on its payment obligations  
15 under the Derivative Agreement, the amount of interest payable by the Corporation from the  
16 date of default shall be the interest calculated as if such Derivative Agreement had not been  
17 executed;

18 (v) subject to the provisions of clause (iv) above, to the extent that any Indebtedness  
19 incurred pursuant to this Master Indenture requires that the Corporation pay the principal of or  
20 interest on such Indebtedness in any currency or currencies other than United States dollars, in  
21 calculating the amount of the Debt Service Requirement, the currency or currencies in which  
22 the Corporation is required to pay shall be converted to United States dollars using a conversion  
23 rate equal to the applicable conversion rate in effect on a date that is not more than thirty (30)  
24 days prior to the date on which such Indebtedness is incurred;

25 (vi) in the case of Indebtedness a feature of which is an option on behalf of the  
26 Owners or Holders to tender to the Corporation or the Master Trustee, or any agent of either, all  
27 or a portion of such Indebtedness, the options of such Owners or Holders shall be ignored,  
28 provided that such Indebtedness shall have the benefit of a Credit Facility and the institution or  
29 a guarantor of its obligations shall have ratings from at least two of the Rating Agencies in not  
30 less than one of the two highest short-term rating categories (without gradations such as plus or  
31 minus); and

32 (vii) in the case of Indebtedness, having the benefit of a Credit Facility that provides  
33 for a term loan facility that requires the payment of the Principal of such Indebtedness in one (1)  
34 year or more, such Indebtedness shall be considered Balloon Indebtedness and shall be assumed  
35 to have the maturity schedule provided clause (i)(a) of this definition;

36 provided, however, that interest shall be excluded from the determination of Debt Service  
37 Requirement to the extent that provision for payment of the same is made from the proceeds of  
38 the Indebtedness or otherwise provided so as to be available for deposit into the Capitalized  
39 Interest Account or similar account not later than the date of delivery of and payment for such  
40 Indebtedness or the reissuance date of any Pre-Event Parity Obligations reissued Post-Event as  
41 Parity Obligations; and provided further that, notwithstanding the foregoing, the aggregate of the

1 payments to be made with respect to principal of and interest on Outstanding Indebtedness shall  
2 not include principal and/or interest payable from Qualified Escrow Funds.

3 "Defeasance Obligations" means, unless modified by the terms of a Parity Resolution, (i)  
4 noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a  
5 proportionate interest in specified noncallable, nonprepayable Government Obligations, which  
6 Government Obligations are held by a bank or trust company organized and existing under the  
7 laws of the United States of America or any state or territory thereof in the capacity of custodian,  
8 (iii) Defeased Municipal Obligations and (iv) evidences of ownership of a proportionate interest  
9 in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by  
10 a bank or trust company organized and existing under the laws of the United States of America  
11 or any state or territory thereof in the capacity of custodian.

12 "Defeased Municipal Obligations" means, to the extent from time to time permitted by  
13 law, obligations of state or local government municipal bond issuers rated in the highest rating  
14 category by any two Rating Agencies and provision for the payment of the principal of and  
15 redemption premium, if any, and interest on which shall have been made by irrevocable deposit  
16 with a trustee or escrow agent of noncallable, nonprepayable Government Obligations, which  
17 Government Obligations are held by a bank or trust company organized and existing under the  
18 laws of the United States of America or any state or territory thereof in the capacity as custodian,  
19 the maturing principal of and interest on which Government Obligations, when due and payable,  
20 shall have been verified by an independent certified public accountant or firm of independent  
21 certified public accountants to be sufficient to pay the principal of and redemption premium, if  
22 any, and interest on such obligations of state or local government municipal bond issuers.

23 "Depository" means one or more banks or trust companies or other institutions, including  
24 the Master Trustee, duly authorized by law to engage in the banking business and designated by  
25 the Corporation as a depository of moneys under this Master Indenture.

26 "Derivative Agreement" means (i) any contract known as or referred to or which  
27 performs the function of an interest rate swap agreement, currency swap agreement, forward  
28 payment conversion agreement or futures contract; (ii) any contract providing for payments  
29 based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock  
30 or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv)  
31 any type of contract called, or designed to perform the function of, interest rate floors or caps,  
32 options, puts or calls or to hedge or minimize any type of financial risk, including, without  
33 limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or  
34 arrangement that the Corporation determines is to be used, or is intended to be used, to manage  
35 or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to  
36 another, to maximize or increase investment return, to minimize investment return risk or to  
37 protect against any type of financial risk or uncertainty.

38 "Derivative Agreement Counterparty" means, with respect to a Derivative Agreement,  
39 the Person that is identified in such agreement as the counterparty to, or contracting party with,  
40 the Corporation.

1           “Derivative Agreements Account” means the account in the Revenue Fund created and so  
2 designated by Section 501 hereof.

3           “Derivative Indebtedness” means Indebtedness or any portion thereof with respect to  
4 which the Corporation shall have entered into a Derivative Agreement.

5           “Derivative Period” means the period during which a Derivative Agreement is in effect.

6           “Emergency Assessment Base” means the total of direct written premium reported for all  
7 assessable lines of insurance under the Act.

8           “Emergency Assessments” means Emergency Assessments as defined in Section 1 of the  
9 Pledge Agreement.

10          “Emergency Assessments Account” means the account in the Revenue Fund created and  
11 so designated by Section 501 hereof.

12          “Emergency Assessment Earnings” means Emergency Assessment Earnings as defined in  
13 Section 1 of the Pledge Agreement.

14          “Event of Default” means any one or more of those events set forth in Section 802  
15 hereof.

16          “FHCF” means Florida Hurricane Catastrophe Fund, a trust fund established for bond  
17 covenants, indentures or resolutions within the meaning of Section 19(f)(3), Article III of the  
18 State Constitution, and its legal successors.

19          “Fiscal Year” means the fiscal year of the FHCF, which shall be the period beginning on  
20 July 1 of each year and ending on June 30 of the following year, unless the Master Trustee is  
21 notified in writing by an Authorized Officer of the State Board of Administration of a change in  
22 such period, in which case the Fiscal Year shall be the period set forth in such notice. The  
23 Corporation shall have the same Fiscal Year as the FHCF.

24          “Fitch” means Fitch Inc., and its legal successors, provided that references to “Fitch” are  
25 effective only so long as Fitch is a Rating Agency.

26          “Governing Body” means, with respect to the Corporation, its board of directors or other  
27 board of individuals or designees in which the powers of the Corporation are vested under the  
28 Act. With respect to the FHCF, “Governing Body” means the State Board of Administration.

29          “Government Obligations” means direct obligations of, and obligations the principal of  
30 and interest on which are unconditionally guaranteed by, the United States of America.

31          “Gross Receipts” means all revenues, income, receipts and money (other than proceeds of  
32 borrowing) received in any period by or on behalf of the Corporation, including, without  
33 limitation, (a) Emergency Assessments, (b) Emergency Assessment Earnings, (c)  
34 Reimbursement Premiums, (d) Reimbursement Premium Earnings, (e) Other Pledged Money, (f)  
35 proceeds derived from (i) securities and other investments and (ii) contract rights and other rights

1 and assets now or hereafter owned, held or possessed by the Corporation and (g) interest or  
2 investment income on all investments, including investments of proceeds of any Pre-Event  
3 Indebtedness incurred by the Corporation.

4 "Holder" means the holder or owner of Parity Debt.

5 "Incurrence Test" means the test for the incurrence for Parity Obligations established by  
6 Section 704.

7 "Indebtedness" means all obligations incurred or assumed by any Person:

8 (i) for payments of principal and interest with respect to borrowed money, including  
9 any obligation to repay a Credit Provider for moneys drawn to pay and retire Indebtedness; and

10 (ii) for payments under leases which are required to be capitalized in accordance with  
11 generally accepted accounting principles and under installment sale or conditional sale  
12 contracts; and

13 (iii) for payments under installment sale or conditional sale contracts.

14 provided, however, that Indebtedness shall include only Parity Obligations and Subordinated  
15 Indebtedness and that any obligation constituting Indebtedness to pay a Credit Provider for  
16 moneys drawn to purchase, but not pay and retire, indebtedness shall constitute Indebtedness  
17 only to the extent such payments are in excess of any scheduled payments of principal and  
18 interest required to be made to such Credit Provider as an Owner or Holder of such Indebtedness.

19 "indebtedness" means all indebtedness for any of the following:

20 (i) for payments of principal and interest with respect to borrowed money;

21 (ii) for payments on leases which are required to be capitalized in accordance with  
22 generally accepted accounting principles; and

23 (iii) for payments on installment sale or conditional sale contracts.

24 "Interest Account" means the account in the Bond Fund created and so designated by  
25 Section 501 hereof.

26 "Interest Payment Date" means, with respect to any Series of Bonds, each of the interest  
27 payment dates provided for in the Supplemental Indenture authorizing the issuance of such  
28 Series.

29 "Investment Obligations" means any investment authorized under Section 215.47,  
30 Florida Statutes, as amended from time to time, or any successor statute.

31 "Lien" means any mortgage, deed of trust or pledge of, security interest in or  
32 encumbrance on any Property of the Corporation that secures any indebtedness incurred by the  
33 Corporation.

1           “Master Indenture” means the Master Trust Indenture as supplemented.

2           “Master Trust Indenture” means this Master Trust Indenture, dated as of June 1, 2006, as  
3 amended.

4           “Master Trustee” means Wells Fargo Bank, N.A., Jacksonville, Florida, and its  
5 successors in the trusts created under this Master Indenture.

6           “Maximum Debt Service Requirement” means at the date of calculation the greatest Debt  
7 Service Requirement for the current or any succeeding Fiscal Year.

8           “Moody’s” means Moody’s Investors Service, Inc., and its legal successors, provided that  
9 references to “Moody’s” are effective only so long as Moody’s is a Rating Agency.

10          “Net Receipts” for any particular period means the excess of Gross Receipts after the  
11 payment of Current Expenses of the Corporation for such period.

12          “Officer’s Certificate” means a certificate signed by an Authorized Officer of the  
13 Corporation or an Authorized Officer of the State Board of Administration, as the case may be.

14          Each Officer’s Certificate presented pursuant to this Master Indenture shall state that it is  
15 being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate  
16 by reference and use in all appropriate instances all terms defined in, this Master Indenture. Each  
17 Officer’s Certificate shall state that (i) the terms thereof are in compliance with the requirements  
18 of the section or subsection pursuant to which such Officer’s Certificate is delivered or shall state  
19 in reasonable detail the nature of any non-compliance and the steps being taken to remedy such  
20 non-compliance and (ii) it is being delivered together with any opinions, schedules, statements or  
21 other documents required in connection therewith. Each Officer’s Certificate may state that the  
22 certification is made to the best knowledge of such officer.

23          “Opinion of Counsel” means an opinion in writing signed by (i) an attorney or firm of  
24 attorneys, selected by the Corporation and not unacceptable to the Master Trustee, or (ii) an  
25 attorney employed by the State or any agency thereof whose duties include responsibility for  
26 legal matters of the Corporation. Such opinion may rely on Officer’s Certificates and other  
27 Opinions of Counsel and may contain customary exceptions and qualifications.

28          “Other Pledged Money” means Other Pledged Money as defined in Section 1 of the  
29 Pledge Agreement.

30          “Outstanding”, when used with reference to Bonds, means, as of a particular date, all  
31 Bonds theretofore authenticated and delivered under this Master Indenture, except:

32               (a)     Bonds theretofore cancelled by any Bond Registrar or delivered to any  
33 Bond Registrar or the Master Trustee for cancellation;

34               (b)     Bonds in exchange for or in lieu of which other Bonds have been  
35 authenticated and delivered under this Master Indenture; and



1 (c) Bonds paid or deemed to have been paid in accordance with the  
2 defeasance or like provisions of the Supplemental Indenture delivered in connection with the  
3 issuance of such Bonds;

4 provided, however, that in determining whether the Owners of the requisite principal amount of  
5 outstanding Bonds have given any request, demand, authorization, direction, notice, consent or  
6 waiver hereunder, Bonds owned by or under the control of the Corporation or the FHCF or any  
7 other obligor upon the Bonds shall be disregarded and deemed not to be outstanding, except that  
8 the term "obligor upon the Bonds" shall not include any Credit Provider unless otherwise  
9 provided in a Supplemental Indenture, and except that, in determining whether the Master  
10 Trustee shall be protected in relying upon any such request, demand, authorization, direction,  
11 notice, consent or waiver, only Bonds which the Master Trustee knows to be so owned or  
12 controlled shall be so disregarded. Bonds so owned or controlled which have been pledged in  
13 good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the  
14 Master Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is  
15 not the Corporation, the FHCF or any other obligor upon the Bonds except a Credit Provider.

16 The Corporation may provide in a Parity Resolution as to when any Parity Obligations  
17 that are Variable Rate Indebtedness shall be deemed no longer to be Outstanding hereunder in a  
18 manner not inconsistent with the above definition.

19 The Corporation may provide in a Parity Debt Resolution as to when any Parity Debt  
20 shall be deemed no longer to be outstanding hereunder in a manner not inconsistent with the  
21 above definition.

22 When used with reference to Indebtedness other than Parity Obligations, "Outstanding"  
23 means, as of a particular date, all Indebtedness deemed to be outstanding under the documents  
24 pursuant to which it was incurred.

25 "Owner" means a Person in whose name a Bond is registered in the registration books  
26 provided for in Section 205 hereof.

27 "Parity Common Reserve Account" means the account in the Bond Fund created and so  
28 designated by Section 501 hereof.

29 "Parity Common Reserve Account Requirement" means, with respect to all Parity  
30 Obligations secured by the Parity Common Reserve Account, the least of the following: (i) the  
31 sum of ten percent (10%) of the stated principal amount of each Series of Bonds secured by the  
32 Parity Common Reserve Account (adjusted as provided in the Code), (ii) the Maximum Annual  
33 Debt Service Requirement on all such Outstanding Parity Obligations, and (iii) one hundred  
34 twenty-five percent (125%) of the average annual Debt Service Requirements on all such Parity  
35 Obligations. The Parity Common Reserve Account Requirement may be satisfied with cash,  
36 Investment Obligations or Reserve Alternative Instruments, or any combination of the foregoing,  
37 as the Corporation may determine from time to time.

38 "Parity Debt" means all Parity Obligations incurred or assumed by the Corporation and  
39 not evidenced by Bonds which (a) is designated as Parity Debt in the documents pursuant to  
40 which it was incurred, (b) is incurred in compliance with the provisions of Section 704 hereof or

1 is a reimbursement obligation for a Credit Facility supporting Parity Obligations incurred in  
2 compliance with the provisions of Section 704 hereof, and (c) may be accelerated only in  
3 compliance with the procedures set forth in Section 803 hereof.

4 “Parity Debt Resolution” means the resolution and any other documents, instruments or  
5 agreements adopted or executed by the Corporation providing for the incurrence of Parity Debt.

6 “Parity Obligations” means Bonds and Parity Debt.

7 “Parity Resolution” means a Supplemental Indenture or a Parity Debt Resolution, or both,  
8 as the case may be, authorizing the issuance of a Series of Bonds or the incurrence of Parity  
9 Debt.

10 “Parity Tax-Exempt Obligations” means Tax-Exempt Bonds and Tax-Exempt Parity  
11 Debt.

12 “Person” includes an individual, association, unincorporated organization, corporation,  
13 limited liability company, partnership, joint venture, trust, state trust fund, unincorporated  
14 organization, and a government or an agency or a political subdivision thereof, as well as natural  
15 persons.

16 “Pledge Agreement” means the Pledge and Security Agreement, dated as of June 1, 2006,  
17 by and among the Corporation, the State Board of Administration and the Master Trustee,  
18 including any amendments or supplements thereto.

19 “Pledged Collateral” means Pledged Collateral as defined in Section 1 of the Pledge  
20 Agreement.

21 “Predecessor Bonds” of any particular Bond means every previous Bond evidencing all  
22 or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this  
23 definition, any Bond authenticated and delivered under Section 210 hereof in lieu of a lost,  
24 destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or  
25 stolen Bond.

26 “Post-Event” when used in connection with Bonds, other Parity Obligations or the  
27 proceeds thereof refers to the issuance of Parity Obligations following the occurrence of a  
28 Covered Event (i) to pay reimbursement at levels promised in reimbursement contracts for which  
29 moneys credited to the Corpus of the Fund are insufficient, as authorized by the provisions (other  
30 than the last sentence) of Section 215.555(6)(a)1 of the Act or (ii) to refund other Post-Event  
31 Indebtedness or to refund Pre-Event Indebtedness issued or incurred prior to such Covered  
32 Event.

33 “Pre-Event” when used in connection with Bonds, other Parity Obligations or the  
34 proceeds thereof refers to the issuance of Parity Obligations “in the absence of” a Covered Event,  
35 as authorized by the last sentence of Section 215.555(6)(a)1 of the Act.

36 “Pre-Event Bonds Investment Account” means the account in the Revenue Fund created  
37 and so designated by Section 501 hereof.

1       “Premium and Assessment Revenue Available For Debt Service” means the pro forma  
2 amount, indicated in an Officer’s Certificate of the State Board of Administration delivered to  
3 the Master Trustee, that is certified by such Officer to be the excess, over the Current Expenses  
4 of the FHCF and the Current Expenses of the Corporation, of the sum of (a) the amount of  
5 Revenues from Reimbursement Premiums and Reimbursement Premium Earnings received by  
6 the FHCF in any 12 consecutive months of the last 18 calendar months preceding the date of  
7 such Certificate, taking into consideration and adjusted for (1) any changes in the Act or other  
8 applicable law or regulation (described in such Officer’s Certificate) that would prospectively  
9 affect the amount of such Reimbursement Premiums to be received in the current or future Fiscal  
10 Years, and (2) any actuarially indicated adjustments to the Reimbursement Premiums that have  
11 been determined for, or are reasonably expected to take effect subsequent to the applicable 12-  
12 month period and in, the current or following Fiscal Year, as shall be set forth in such Officer’s  
13 Certificate, and (b) the amount of Revenues from Emergency Assessments, such amount being  
14 the product obtained by multiplying (1) the maximum assessment percentage permitted by the  
15 Act on the date of such Certificate by (2) the most recently available 12-month Emergency  
16 Assessment Base, all as demonstrated in such Officer’s Certificate.

17       “Principal” means (a) with respect to any Capital Appreciation Bond, the Accreted  
18 Amount thereof (the difference between the stated amount to be paid at maturity and the  
19 Accreted Amount being deemed unearned interest), except as used in connection with the  
20 authorization and issuance of Bonds and with the order of priority of payments of Bonds after an  
21 Event of Default, in which case “principal” means the initial public offering price of a Capital  
22 Appreciation Bond and the difference between the Accreted Amount and the initial public  
23 offering price shall be deemed to be interest and (b) with respect to any Current Interest Bond,  
24 the principal amount of such Bond payable at maturity or in satisfaction of a Sinking Fund  
25 Requirement, if applicable.

26       “Principal Account” means the account in the Bond Fund created and so designated by  
27 Section 501 hereof.

28       “Property” means any and all rights, titles and interests in and to any and all property  
29 whether real or personal, tangible or intangible and wherever situated.

30       “Qualified Escrow Funds” means amounts deposited in a segregated escrow fund or  
31 other similar fund or account established in connection with Indebtedness, which amounts in  
32 such fund or account are required by the documents establishing such fund or account to be  
33 applied to the payment obligations with respect to principal of or interest on the the  
34 Indebtedness.

35       “Rating Agencies” means each of Fitch, Moody’s, S&P and any other nationally  
36 recognized statistical rating organization that has, at the request of the State Board of  
37 Administration, a rating in effect for the Bonds.

38       “Redemption Account” means the account in the Bond Fund created and so designated  
39 by Section 501 hereof.

1       “Redemption Price” means, with respect to any Indebtedness or portion thereof, the  
2 principal amount of such Indebtedness or portion called for redemption plus the applicable  
3 premium, if any, payable upon redemption thereof.

4       “Regular Record Date” means, with respect to any Series of Bonds, the regular record  
5 date, if any, provided for in the Supplemental Indenture authorizing the issuance of such Series.

6       “Reimbursement Premiums” means Reimbursement Premiums as defined in Section 1 of  
7 the Pledge Agreement.

8       “Reimbursement Premiums Account” means the account in the Revenue Fund created  
9 and so designated by Section 501 hereof.

10       “Reimbursement Premium Earnings” means Reimbursement Premium Earnings as  
11 defined in Section 1 of the Pledge Agreement.

12       “Reserve Alternative Instrument” means an irrevocable insurance policy or surety bond  
13 or an irrevocable letter of credit, guaranty or other facility deposited in the Parity Common  
14 Reserve Account or a Special Reserve Account in lieu of or in partial substitution for the deposit  
15 of cash and Investment Obligations in satisfaction of the Parity Common Reserve Account  
16 Requirement or a Special Reserve Account Requirement.

17       “Revenue Available For Debt Service” means, for any period of time, the excess of  
18 Revenues, including the investment income from the investment of the proceeds of any Pre-  
19 Event Parity Obligations (but not any other Parity Obligations), over the sum of the Current  
20 Expenses of the FHCF and the Current Expenses of the Corporation.

21       “Revenue Fund” means the Florida Hurricane Catastrophe Fund Finance Corporation  
22 Revenue Fund created and so designated by Section 501(a) hereof.

23       “Revenues” means revenues of the FHCF and the Corporation, as determined in  
24 accordance with generally accepted accounting principles, including, without limitation,  
25 Reimbursement Premiums, Reimbursement Premium Earnings, Emergency Assessments,  
26 Emergency Assessment Earnings and the income derived from the investment of the proceeds of  
27 any Pre-Event Parity Obligations (but not any other Indebtedness); provided, however, that (i) no  
28 determination thereof shall take into account any gain or loss resulting from the extinguishment  
29 of Indebtedness and (ii) no determination thereof shall take into account the value of any  
30 Derivative Agreement or any payments made by the Derivative Agreement Counterparty in  
31 accordance with the terms of such Derivative Agreement; provided further, however, that  
32 Revenues shall not include (I) the income from the investment of Qualified Escrow Funds or of  
33 proceeds of Pre-Event Indebtedness to the extent such income is applied to the payment of  
34 interest on Indebtedness which is excluded from the determination of the Debt Service  
35 Requirement and (II) the proceeds of any Indebtedness.

36       “S&P” means Standard & Poor’s Rating Services, and its legal successors, provided that  
37 references to S&P are effective only so long as S&P is a Rating Agency.

1           “Securities Depository” means The Depository Trust Company, New York, New York,  
2 or any other recognized securities depository selected by the Corporation, which maintains a  
3 book-entry system in respect of a Series of Bonds, and shall include any substitute for or  
4 successor to the securities depository initially acting as Securities Depository.

5           “Securities Depository Nominee” means, as to any Securities Depository, such Securities  
6 Depository or the nominee of such Securities Depository in whose name there shall be registered  
7 on the registration books maintained by the Bond Registrar the Bond certificates to be delivered  
8 to and immobilized at such Securities Depository during the continuation of participation with  
9 such Securities Depository in its book-entry system.

10          “Serial Bonds” means the Bonds of any Series that are stated to mature in annual or  
11 semiannual installments.

12          “Series,” whenever used herein with respect to Bonds, means all of the Bonds designated  
13 as being of the same series.

14          “Short-Term Indebtedness” means all Indebtedness incurred for borrowed money, other  
15 than the current portion of Indebtedness and other than Short-Term Indebtedness excluded from  
16 this definition as provided in the definition of Indebtedness, for any of the following:

17           (i)       money borrowed for an original term, or renewable at the option of the borrower  
18 for a period from the date originally incurred, of one year or less;

19           (ii)      leases which are capitalized in accordance with generally accepted accounting  
20 principles having an original term, or renewable at the option of the lessee for a period from the  
21 date originally incurred, of one year or less; and

22           (iii)     installment sale or conditional sale contracts having an original term of one year  
23 or less.

24          “Sinking Fund Account” means the account in the Bond Fund created and so designated  
25 by the provisions of Section 501 hereof.

26          “Sinking Fund Requirement” means, with respect to any Series of Bonds, the Sinking  
27 Fund Requirement provided in the Supplemental Indenture authorizing the issuance of such  
28 Series.

29          “Special Reserve Account” means a special debt service reserve account created by a  
30 Parity Resolution as a debt service reserve account only for the particular Parity Obligations  
31 authorized by such Parity Resolution.

32          “Special Reserve Account Requirement” means the amount to be deposited or maintained  
33 in a Special Reserve Account pursuant to the Parity Resolution creating such Special Reserve  
34 Account. The Special Reserve Account Requirement may be satisfied with cash, Investment  
35 Obligations, a Reserve Alternative Instrument or any combination of the foregoing, as the  
36 Corporation may determine from time to time.

1           “State” means the State of Florida.

2           “State Board of Administration” means the State Board of Administration, acting as the  
3 governing and administrator of the FHCF, and its legal successors.

4           “State Covenant” means the State’s covenant recited in Section 708 hereof.

5           “Subordinated Indebtedness” means Indebtedness the terms of which shall provide that it  
6 shall be subordinate and junior in right of payment to the prior payment in full of Parity  
7 Obligations to the extent and in the manner set forth in Section 211 hereof.

8           “Subordinated Indebtedness Resolution” means the resolution and any other documents,  
9 instruments or agreements adopted or executed by the Corporation providing for the incurrence  
10 of Subordinated Indebtedness. If the Subordinated Indebtedness shall have the benefit of a  
11 Credit Facility, the reimbursement obligation for such Credit Facility shall provide for  
12 repayments on a subordinated basis and the term Subordinated Indebtedness Resolution shall  
13 include any reimbursement agreement or similar repayment agreement executed and delivered  
14 by the Corporation in connection with the provision of such Credit Facility for such  
15 Subordinated Indebtedness.

16           “Supplemental Indenture” means a resolution of the Governing Body of the Corporation  
17 authorizing any particular Series of Bonds, together with a Supplemental Indenture executed and  
18 delivered by the Corporation in connection with the issuance of such Series of Bonds, that is  
19 required to be executed and delivered by the terms of this Master Indenture prior to the issuance  
20 of such Series.

21           “Tax-Exempt Bonds” means all Bonds so identified in the Supplemental Indenture  
22 authorizing the issuance of such Bonds.

23           “Tax-Exempt Parity Debt” means all Parity Debt so identified in the Parity Debt  
24 Resolution authorizing the incurrence of such Parity Debt.

25           “Tax-Exempt Parity Obligations” means collectively all Tax-Exempt Bonds and all  
26 Parity Debt.

27           “Term Bonds” means the Bonds of any Series, other than Serial Bonds, that are  
28 designated as such in the Supplemental Indenture authorizing the issuance of such Series.

29           “Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on  
30 which is not established at the time of incurrence at a fixed or constant rate until maturity.

31           Section 102. Interpretation. (a) Any reference herein to any officer or member of the  
32 Corporation or the State Board of Administration shall include those who succeed to their  
33 functions, duties or responsibilities pursuant to or by operation of law or who are lawfully  
34 performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include all other genders.

(c) Unless the context otherwise indicates, the word "including" means "including without limitation" and the word "or" is used in its inclusive sense.

(d) Where the character or amount of any asset, liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes hereof or of any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, the same shall be done in accordance with generally accepted accounting principles.

(e) Headings of articles and sections herein and in the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(f) Provisions calling for the redemption of Indebtedness or the calling of Indebtedness for redemption do not mean or include the payment of Indebtedness at its stated maturity or maturities.

(g) Unless otherwise provided by a Supplemental Indenture, all times refer to Eastern Time.

Section 103. Status of Parity Obligations. PARITY OBLIGATIONS ISSUED UNDER THIS MASTER INDENTURE SHALL NOT CONSTITUTE A DEBT OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF NOR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. THE CORPORATION DOES NOT HAVE THE POWER OR AUTHORITY TO LEVY ANY TAX.

## Article II.

### INDEBTEDNESS

Section 201. Limitation on Incurrence of Indebtedness. (a) The Corporation may incur Indebtedness by issuing Bonds or incurring Parity Debt hereunder or by creating Subordinated Indebtedness under any other document. The principal amount of Parity Obligations evidencing Indebtedness that may be created hereunder and the principal amount of Indebtedness created under other documents are not limited, except as limited by the provisions hereof, including Section 704, or the provisions of any Parity Resolution. Parity Obligations issued or incurred hereunder or Indebtedness otherwise incurred by the Corporation shall constitute the special and limited obligations of the Corporation payable from the Net Receipts of the Corporation.

(b) No Bonds may be issued nor Parity Debt incurred under this Master Indenture except in accordance with the provisions of this Article. The principal of and the interest on and the redemption premium, if any, on all Parity Obligations issued and incurred

1 under the provisions of this Master Indenture shall be payable solely from the moneys and assets  
2 pledged by this Master Indenture and the respective Supplemental Indentures for their payment.  
3 All covenants, agreements and provisions of this Master Indenture shall be for the benefit and  
4 security of all present and future Owners and Holders without preference, priority or distinction  
5 as to lien or otherwise, except as otherwise hereinafter provided or as provided in any Parity  
6 Resolution, of any one Parity Obligation over any other Parity Obligation by reason of priority in  
7 the issue, sale or negotiation thereof, or otherwise.

8 (c) Parity Obligations shall be issued or incurred in such forms as may from  
9 time to time be created by Parity Resolutions permitted hereunder. Each Parity Obligation or  
10 series of Parity Obligations shall be created by a different Parity Resolution and shall be  
11 designated in such a manner as will differentiate such Parity Obligation from any other Parity  
12 Obligation.

13 (d) The Corporation and the Master Trustee may from time to time enter into  
14 a Supplemental Indenture or the Corporation may from time to time adopt a Parity Debt  
15 Resolution in order to create Parity Obligations hereunder. Each such Parity Resolution shall,  
16 with respect to a Parity Obligation evidencing Indebtedness created thereby, set forth the date  
17 thereof, and the date or dates on which the principal of and redemption premium, if any, and  
18 interest on such Parity Obligation shall be payable, and the form of such Parity Obligation and  
19 such other terms and provisions as shall conform with the provisions hereof.

20 (e) With respect to Parity Obligations created hereunder, simultaneously with  
21 or prior to the execution, authentication and delivery of such Parity Obligations evidencing such  
22 Indebtedness pursuant to this Master Indenture:

23 (i) All requirements and conditions to the issuance of such Parity  
24 Obligations, if any, set forth in the Parity Resolution or in this Master Indenture shall have been  
25 complied with and satisfied, as provided in an Officer's Certificate, a certified copy of which  
26 shall be delivered to the Master Trustee;

27 (ii) The Corporation shall have delivered to the Master Trustee an  
28 Opinion of Counsel to the effect that (1) registration of such Parity Obligations under the  
29 Securities Act of 1933, as amended, and qualification of this Master Indenture or the Parity  
30 Resolution under the Trust Master Indenture Act of 1939, as amended, are not required, or, if  
31 such registration or qualification is required, that all applicable registration and qualification  
32 provisions of said acts have been complied with, and (2) the Master Indenture and the Parity  
33 Obligations are valid, binding and enforceable obligations of the Corporation in accordance with  
34 their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent  
35 conveyance and other laws affecting creditors' rights generally and usual equity principles.

36 Section 202. Details of Bonds. Bonds authorized hereunder may be issued in one or  
37 more Series that may be delivered from time to time. The Corporation shall by Supplemental  
38 Indenture authorize such Series and shall specify, to the extent appropriate, (1) the authorized  
39 principal amount of such Series, (2) the purposes to be financed with the proceeds of such Series,  
40 or the Bonds or other indebtedness to be refunded or refinanced with the proceeds thereof,  
41 including costs of issuance; (3) the creation of a debt service reserve account for such Series, if



1 any; (4) the date and terms of maturity or maturities of the Bonds of such Series, or the dates of  
2 payment of the Bonds on the demand of the Owner thereof; (5) the interest rate or rates of the  
3 Bonds of such Series, which may include variable, adjustable, convertible or other rates, original  
4 issue discount, Capital Appreciation Bonds, Current Interest Bonds, municipal multipliers or  
5 other deferred interest arrangements and zero interest rate Bonds, provided that the interest cost  
6 of such Series shall never exceed for such Series the maximum interest rate, if any, permitted by  
7 law in effect at the time such Series is issued; (6) the Interest Payment Dates for such Series of  
8 Bonds; (7) the denominations, numbering, lettering and series designation of such Series of  
9 Bonds; (8) the Bond Registrar or paying agents and place or places of payment of such Bonds;  
10 (9) the Redemption Prices for such Series of Bonds and any terms of redemption not inconsistent  
11 with the provisions of this Master Indenture, which may include redemption at the election of the  
12 Owner thereof to the extent permitted by law; (10) the amount and date of each mandatory  
13 redemption requirement, if any, for such Series of Bonds; (11) the use to be made of the  
14 proceeds of such Series of Bonds, including deposits required to be made into the appropriate  
15 account of the Costs of Issuance Fund, the Capitalized Interest Account, the Interest Account and  
16 any debt service reserve account; and (12) any other terms or provisions applicable to the Series  
17 of Bonds not inconsistent with the provisions of this Master Indenture or the Act. All of the  
18 foregoing may be added by a Supplemental Indenture executed and delivered by the Corporation  
19 and the Master Trustee at any time or from time to time prior to the issuance of such Series of  
20 Bonds.

21       Section 203. Execution and Form of Bonds. The definitive Bonds are issuable as  
22 permitted or required and shall be executed as provided by the respective Supplemental  
23 Indenture providing for the issuance of Bonds of any Series. Bonds may be issued under a book-  
24 entry system and held by a Securities Depository. All Bonds may have endorsed thereon such  
25 legends or text as may be necessary or appropriate to conform to the applicable rules and  
26 regulations of any governmental authority or any securities exchange on which the Bonds may  
27 be listed or to any requirement of law with respect thereto.

28       Section 204. Exchange of Bonds. Bonds may, at the option of the Owner thereof, be  
29 exchanged, as provided by the Supplemental Indenture pursuant to which such Bonds were  
30 issued, for an equal aggregate principal amount of Bonds of the same Series and maturity, of any  
31 authorized denomination or denominations, bearing interest at the same rate and in the same  
32 form as the Bonds surrendered for exchange. The Corporation shall make provision for the  
33 exchange of Bonds at the designated corporate trust office of the Bond Registrar.

34       Section 205. Negotiability and Registration of Transfer of Bonds. The Bond Registrar  
35 shall keep books for the registration and the registration of transfer of the Series of Bonds as to  
36 which it is Bond Registrar as provided in this Master Indenture. The registration books shall be  
37 available at all reasonable times for inspection by the Corporation and any Owner of such Bonds  
38 and may be copied by either of the foregoing and their agents or representatives.

39       The Bond Registrar shall evidence acceptance of the duties, responsibilities and  
40 obligations of the Bond Registrar under this Master Indenture and the applicable Supplemental  
41 Indenture by the execution of the certificate of authentication on the related Series of Bonds.

1           Section 206. Ownership of Bonds. The Corporation, the Master Trustee, the Bond  
2 Registrar and any agent of the Corporation, the Master Trustee or the Bond Registrar, may treat  
3 the person in whose name any Bond is registered, including any Securities Depository Nominee,  
4 as the Owner of such Bond for the purpose of receiving payment of the principal of and  
5 premium, if any, and interest on such Bond, and for all other purposes whatsoever, whether or  
6 not such Bond be overdue, and, to the extent permitted by law, neither the Corporation, the  
7 Master Trustee, the Bond Registrar nor any such agent shall be affected by notice to the contrary.

8           Section 207. Authentication of Bonds. Only such Bonds as have endorsed thereon a  
9 certificate of authentication substantially in the form set forth in the Supplemental Indenture  
10 pursuant to which such Bonds are issued, duly executed as provided in the Supplemental  
11 Indenture, shall be entitled to any benefit or security under this Master Indenture. No Bond shall  
12 be valid or become obligatory for any purpose unless and until such certificate of authentication  
13 on the Bond has been duly executed and dated as provided in the Supplemental Indenture, and  
14 such certificate upon any such Bond shall be conclusive evidence that such Bond has been duly  
15 authenticated and delivered under this Master Indenture. The certificate of authentication on any  
16 Bond shall be deemed to have been duly executed and dated if signed by an authorized officer of  
17 the party authorized under the Supplemental Indenture but it shall not be necessary that the same  
18 officer sign the certificate of authentication on all of the Bonds or any Series thereof that may be  
19 issued hereunder at any one time.

20           Section 208. Terms and Conditions for Incurrence of Indebtedness. (a) The  
21 Corporation covenants and agrees that it will not incur any Indebtedness if, after giving effect to  
22 all other Indebtedness incurred by the Corporation, such Indebtedness could not be incurred  
23 pursuant to this Section 208. Indebtedness may be incurred only in the manner and pursuant to  
24 the terms set forth in the following subsections.

25                   (b) Parity Obligations may be incurred if, prior to incurrence thereof, the  
26 Corporation shall file or cause to be filed with the Master Trustee an Officer's Certificate (which  
27 may rely upon certificates or other evidence prepared by the officials of the Fund) demonstrating  
28 and stating that the Incurrence Test, if applicable by its terms, will be met with respect to such  
29 separate issuance of Parity Obligations. The Corporation may incur Parity Obligations in one or  
30 more separate issuances, which Parity Obligations may be issued in any form or combination of  
31 forms permitted by this Master Indenture.

32                   (c) Before any Bonds shall be issued or Parity Debt incurred, the Corporation  
33 shall execute and deliver a Supplemental Indenture or adopt a Parity Resolution authorizing the  
34 issuance of such Bonds or the incurrence of such Parity Debt, fixing the amount and the details  
35 thereof as provided in Section 202 hereof and describing in brief and general terms the purpose  
36 for issuing such Parity Obligations. Bonds may be issued and Parity Debt may be incurred for  
37 any purpose permitted under the Act.

38                   (d) The Supplemental Indenture may determine to use the Parity Common  
39 Reserve Account or to establish a Special Reserve Account for such Series of Bonds and fix the  
40 provisions with respect thereto or not to establish any debt service reserve account.

1 (e) The Bonds of each Series shall be designated "Florida Hurricane  
2 Catastrophe Fund Finance Corporation Hurricane Catastrophe Revenue Bonds [Notes],  
3 [Refunding] Series ....." (inserting the year such Bonds are issued and any other distinctive  
4 letter or number), shall be stated to mature, subject to the right of prior redemption as therein set  
5 forth, on the date or dates specified therein, in such year or years not later than thirty (30) years  
6 from their date, shall bear interest at a rate or rates not exceeding the maximum rate then  
7 permitted by law, shall be numbered and shall have such redemption provisions (subject to the  
8 provisions of Article III of this Master Indenture), all as provided in the Supplemental Indenture.  
9 Except as to any differences in the maturities thereof or in the rate or rates of interest or the  
10 provisions for redemption or the provisions regarding the respective accounts and subaccounts  
11 within the Interest Account, the Principal Account, the Sinking Fund Account and the  
12 Redemption Account, and any provisions with respect to the Parity Common Reserve Account or  
13 a Special Reserve Account, all such Bonds shall be on a parity with each other and any Parity  
14 Debt and shall be entitled to the same benefit and security of this Master Indenture, including, in  
15 particular, the pledge of Net Receipts.

16 (f) The proceeds (including accrued interest) of the Parity Obligations shall  
17 be applied simultaneously with the delivery thereof the Bonds as provided in the Parity  
18 Resolution for the particular Parity Obligations.

19 (g) In the case of Parity Obligations issued to refund Outstanding Parity  
20 Obligations, the Corporation may direct the Master Trustee (i) to withdraw moneys and  
21 Investment Obligations from the appropriate accounts in the Revenue Fund and from  
22 subaccounts in the Principal Account, Interest Account and Parity Common Reserve Account or  
23 Special Reserve Account to the extent that, following the issuance of such refunding Parity  
24 Obligations and the defeasance of such refunded Parity Obligations, such moneys and  
25 Investment Obligations would be in excess of the requirements of this Master Indenture and (ii)  
26 to set aside such moneys and Investment Obligations so withdrawn, together with proceeds of  
27 the refunding Parity Obligations and any other moneys provided by the Corporation, to effect the  
28 defeasance of such refunded Parity Obligations in accordance with the provisions of the Parity  
29 Resolution applicable to the refunded Parity Obligations.

30 (h) Subordinated Indebtedness may be incurred subject to the provisions of  
31 Section 211 hereof.

32 Section 209. Temporary Bonds. Until the definitive Bonds of any Series are ready for  
33 delivery, there may be executed, and upon direction of the Corporation, the Bond Registrar shall  
34 deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, except as  
35 to identifying numbers, printed, engraved, lithographed or typewritten temporary Bonds in  
36 denominations permitted by the applicable Supplemental Indenture for the definitive Bonds,  
37 substantially of the tenor hereinabove set forth, with such appropriate omissions, insertions and  
38 variations as may be required. The Corporation shall cause the definitive Bonds to be prepared  
39 and to be executed and delivered to the Bond Registrar, and the Bond Registrar, upon  
40 presentation to it of any temporary Bond, shall cancel the same or cause the same to be canceled  
41 and shall authenticate and deliver, in exchange therefor, at the place designated by the Owner,  
42 without expense to the Owner, a definitive Bond or Bonds of the same Series and in the same  
43 aggregate principal amount, maturing on the same date and bearing interest at the same rate as

1 the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall be entitled to  
2 the same benefit of this Master Indenture, as the definitive Bonds to be issued and authenticated  
3 hereunder, including the privilege of registration if so provided. Until definitive Bonds are ready  
4 for exchange, interest on temporary Bonds shall be paid when due and notation of such payment  
5 shall be endorsed thereon.

6 Section 210. Mutilated, Destroyed, Lost or Stolen Bonds. The Corporation shall cause  
7 to be executed, and the Bond Registrar shall authenticate and deliver, a new Bond of like date,  
8 number and tenor in exchange and substitution for and upon the cancellation of any mutilated  
9 Bond, or in lieu of and in substitution for any destroyed, lost or stolen Bond, and the Owner shall  
10 pay the reasonable expenses and charges of the Corporation in connection therewith. Prior to the  
11 delivery of a substitute Bond, the Owner of any Bond which was destroyed, lost or stolen shall  
12 file with the Bond Registrar evidence satisfactory to it of the destruction, loss or theft of such  
13 Bond and of the Owner's ownership thereof and shall furnish to the Corporation and to the Bond  
14 Registrar such security or indemnity as may be required by them to save each of them harmless  
15 from all risks, however remote.

16 Every Bond issued pursuant to the provisions of this Section in exchange or substitution  
17 for any Bond which is mutilated, destroyed, lost or stolen shall constitute an additional  
18 contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Bonds are  
19 found at any time or are enforceable by anyone, and shall be entitled to all the benefits and  
20 security hereof equally and proportionately with any and all other Bonds of the same Series duly  
21 issued under this Master Indenture.

22 Section 211. Subordinated Indebtedness. (a) Subordinated Indebtedness may be  
23 incurred by the Corporation from time to time for any purpose for which Parity Obligations may  
24 be issued under Section 208 hereof. Except to the extent otherwise expressly provided in this  
25 Master Indenture, Subordinated Indebtedness shall be issued in compliance, to the extent  
26 applicable, with the provisions of Section 208 hereof setting forth certain terms and conditions  
27 for the issuance of Bonds.

28 In addition, the following conditions must be met for the issuance of Subordinated  
29 Indebtedness:

30 (1) The Corporation shall adopt a Subordinated Indebtedness Resolution  
31 authorizing the incurrence of any such Subordinated Indebtedness and setting  
32 forth the amount and details thereof.

33 (2) Any such Subordinated Indebtedness shall be incurred pursuant to the  
34 provisions of the Act.

35 (b) In the event (1) any Subordinated Indebtedness is declared or otherwise becomes due  
36 and payable before its stated maturity because of the occurrence of an event of default occurring  
37 under the documents pursuant to which such Subordinated Indebtedness was incurred, and such  
38 declaration has not been rescinded and annulled, or (2) any Event of Default under this Master  
39 Indenture shall occur and be continuing with respect to Parity Obligations and (i) written notice  
40 of such default shall have been given to the Corporation and (ii) judicial proceedings shall be

1 commenced in respect of such Event of Default within 180 days in the case of a default in  
2 payment of principal of or interest on Parity Obligations and within 90 days in the case of any  
3 other default after the giving of such notice, then the Owners and Holders shall be entitled to  
4 receive payment in full of all principal, premium and interest on all Parity Obligations before the  
5 holders of the Subordinated Indebtedness are entitled to receive any payment on account of  
6 principal or interest upon such Subordinated Indebtedness, and to that end the Owners and  
7 Holders shall be entitled to receive for application in payment thereof any payment or  
8 distribution of any kind or character, whether in cash or property or securities, which may be  
9 payable or deliverable in any such proceedings in respect of the Subordinated Indebtedness after  
10 giving effect to any concurrent payment or distribution in respect of such Parity Obligations.

11 Nothing contained in the definition "Subordinated Indebtedness" or elsewhere in this  
12 Master Indenture, or in any Subordinated Indebtedness, shall (1) affect the obligation of the  
13 Corporation to make, or prevent the Corporation from making, at any time except during the  
14 continuance of any Event of Default under this Master Indenture, payments of principal of or  
15 premium, if any, or interest on the Subordinated Indebtedness or of amounts to be available as a  
16 sinking fund for such Subordinated Indebtedness, or (2) prevent the application by the Master  
17 Trustee or any paying agent of any moneys held by the Master Trustee or such paying agent in  
18 trust for the benefit of the holders of the Subordinated Indebtedness as to which notice of  
19 redemption shall have been mailed or published at least once prior to the happening of an Event  
20 of Default under this Master Indenture, to the payment of or on account of the principal of and  
21 premium, if any, and interest on such Subordinated Indebtedness, or (3) prevent the application  
22 by the Master Trustee or any paying agent of any moneys deposited, prior to the happening of  
23 any Event of Default under this Master Indenture, with the Master Trustee or such paying agent  
24 in trust for the purpose of paying a specified installment or installments of interest on the  
25 Subordinated Indebtedness, to the payment of such installments of interest on such Subordinated  
26 Indebtedness.

27 The Corporation's obligation to pay any and all amounts to the Derivative Agreement  
28 Counterparty with respect to Derivative Indebtedness, other than its regularly scheduled payment  
29 liability, shall constitute Subordinated Indebtedness.

30 Section 212. Additional Restrictions. A Parity Resolution or a Subordinated  
31 Indebtedness Resolution may establish restrictions, in addition to those established in this Master  
32 Indenture, including additional restrictions as to the application of Net Receipts after the  
33 payments required by Section 504(a), (b) and (c) hereof and additional restrictions on the  
34 incurrence of Indebtedness in addition to those set forth in Section 704 hereof.

Article III.

REDEMPTION

Section 301. Redemption Generally. The Bonds of any Series issued under this Master Indenture may be made subject to redemption, at such times and prices, as may be provided by the Supplemental Indenture authorizing the issuance of such Bonds.

Article IV.

COSTS OF ISSUANCE FUND

Section 401. Costs of Issuance Fund. A special fund is hereby established with the Master Trustee and designated the "Florida Hurricane Catastrophe Fund Finance Corporation Costs of Issuance Fund". The proceeds of any Series of Bonds to be used for Costs of Issuance shall be deposited upon the delivery of such Series of Bonds in a separate account to be established by the Supplemental Indenture providing for the issuance of such Series of Bonds.

The money in the Costs of Issuance Fund shall be held by the Master Trustee in trust and, pending application to the payment of Costs of Issuance, or transfer as provided herein or in any Supplemental Indenture, shall, to the extent permitted by law, be subject to a lien and charge in favor of the Owners of the Series of Bonds, and shall be held for the security of such Owners.

Section 402. Payments from Costs of Issuance Fund. All Costs of Issuance incurred in connection with a Series of Bonds shall be paid from the relevant account in the Costs of Issuance Fund.

Section 403. Requisitions from Costs of Issuance Fund. Payments from the Costs of Issuance Fund shall be made in accordance with the provisions of this Section. Before any payment shall be made, there shall be filed with the Master Trustee a requisition, signed by an Authorized Officer of the Corporation, stating or identifying:

- (a) the number of such requisition,
- (b) the respective amounts to be paid,
- (c) the name of the Person to whom such payment is due,
- (d) that the obligation in the stated amount has been incurred by the Person to whom such payment is due, is presently due and payable, and is a proper charge against the Costs of Issuance Fund that has not been paid, and
- (e) that no notice of any lien, right to lien or attachment upon, or claim affecting the right of any such Person to receive payment of, the amount stated in such requisition has been filed or attached or, if any of the foregoing has been filed or attached, that the same either has been or will be satisfied or discharged or that provisions have been made

(which shall be specified) to protect adequately the Master Trustee and the Owners from incurring any loss as a result of the same.

Any requisition filed with the Master Trustee may be accompanied by a certificate of an Authorized Officer of the State Board of Administration, together with such documents or writings as such Authorized Officer shall deem necessary or appropriate, certifying or verifying the accuracy of any of the matters or items contained in such requisition.

Upon receipt of each requisition, the Master Trustee shall pay the obligations set forth in such requisition out of money in the applicable account in the Costs of Issuance Fund, and each such obligation shall be paid by check signed by one or more officers or employees of the Master Trustee designated for such purpose by the Master Trustee. If for any reason the Corporation should decide prior to the payment of any item in a requisition not to pay such item, it shall give written notice of such decision to the Master Trustee and thereupon the Master Trustee shall not make such payment.

Section 404. Reliance upon Requisitions. All requisitions and certifications received by the Master Trustee as conditions of payment from the Costs of Issuance Fund may be conclusively relied upon by the Master Trustee. Such requisitions and certifications shall be retained by the Master Trustee for a period of time not less than that required by the law of the State for the retention of public records and shall be subject at all reasonable times to examination by the Corporation, the State Board of Administration and the Owners of Bonds then Outstanding.

Section 405. Disposition of Costs of Issuance Fund Balance. When all Costs of Issuance related to a Series of Bonds have been paid, which fact shall be evidenced to the Master Trustee by an Officer's Certificate delivered to the Master Trustee by an Authorized Officer of the Corporation, the Master Trustee shall transfer any money then remaining in the relevant account in the Costs of Issuance Fund as directed in writing by an Authorized Officer of the Corporation, and the Corporation may apply the same, subject to Section 604 hereof, for any purpose permitted under the Act which will not cause the interest on any Series of Tax-Exempt Bonds to become includable in the gross income of the Owners thereof for federal income tax purposes.

## Article V.

### APPLICATION OF GROSS RECEIPTS AND NET RECEIPTS; FUNDS AND ACCOUNTS

Section 501. Establishment of Funds and Accounts. In addition to the Costs of Issuance Fund, there are hereby established the following funds and accounts:

(a) Florida Hurricane Catastrophe Fund Finance Corporation Revenue Fund, in which there are established four special accounts to be known as the Emergency Assessments Account, the Reimbursement Premiums Account, the Pre-Event Bonds Investment Income Account and the Derivative Agreements Account; and

1 (b) Florida Hurricane Catastrophe Fund Finance Corporation Bond Fund, in  
2 which there are established six special accounts to be known as the Capitalized Interest Account,  
3 the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Account  
4 and the Parity Common Reserve Account.

5 A Parity Resolution may provide for the creation of a Special Reserve Account for the  
6 Parity Obligations authorized by such Parity Resolution and for the deposit of amounts to and the  
7 withdrawal of amounts from such Special Reserve Account. A Special Reserve Account may be  
8 established with and maintained by the Master Trustee in the Bond Fund or by a Depositary in  
9 which case the Account shall be deemed to be part of the Bond Fund, as the Corporation may  
10 determine. A Parity Resolution may also provide for the creation of such other accounts and  
11 subaccounts as the Corporation may determine for the Parity Obligations authorized by such  
12 Parity Resolution.

13 The Revenue Fund and the Bond Fund and the accounts and subaccounts therein shall be  
14 established with and held by the Master Trustee.

15 The money in the Bond Fund and all of the accounts and subaccounts therein established  
16 pursuant to this Article V shall be held in trust and applied as hereinafter provided and, pending  
17 such application, the money in the Bond Fund and the accounts and subaccounts therein shall be  
18 subject to a pledge, charge and lien in favor of the Owners of the respective Series of Bonds  
19 issued and Outstanding under this Master Indenture and for the further security of such Owners,  
20 except as otherwise provided herein or in any Supplemental Indenture.

21 Each Supplemental Indenture shall provide, to the extent applicable, for the creation of a  
22 separate subaccount within the Capitalized Interest Account, the Interest Account, the Principal  
23 Account, the Redemption Account and the Sinking Fund Account with respect to each Series of  
24 Bonds, which subaccounts shall bear the designation of such Series of Bonds. A Supplemental  
25 Indenture may provide that the Bonds authorized thereby may be additionally secured by the  
26 Parity Common Reserve Account or a Special Reserve Account or it may provide that there shall  
27 not be any debt service reserve account established in respect of such Series of Bonds. If a  
28 Series of Bonds shall be additionally secured by a Special Reserve Account or shall not be  
29 additionally secured by any debt service reserve account, such Series of Bonds shall have no  
30 claim on the Parity Common Reserve Account.

31 Each Parity Debt Resolution may provide for the creation of such funds and accounts as  
32 the Corporation may determine, including an account for the payment of interest as mentioned in  
33 Section 504(a) hereof, an account or accounts for the payment of principal, whether at maturity  
34 or pursuant to an amortization requirement, as mentioned in Section 504(b) hereof or a debt  
35 service reserve account, which may be the Parity Common Reserve Account or a Special  
36 Reserve Account, as mentioned in Section 504(c) hereof.

37 Each Parity Resolution shall be filed with the Master Trustee on or prior to the date of  
38 issuance of any Parity Obligations and shall contain or be accompanied by a schedule of  
39 payments with respect to such Parity Obligations.



1  
2           Section 502. Gross Receipts Received by the Corporation or the Master Trustee.

3           Except as hereinafter provided, all Gross Receipts and all proceeds of any Derivative  
4 Agreement received by the Corporation or the Master Trustee for the account of the Corporation  
5 shall be deposited when received in the Revenue Fund as follows:

6                   (a)     Emergency Assessments and Emergency Assessment Earnings shall be  
7 deposited to the credit of the Emergency Assessments Account;

8                   (b)     Reimbursement Premiums and Reimbursement Premium Earnings shall be  
9 deposited to the credit of the Reimbursement Premiums Account;

10                  (c)     investment income from the investment of proceeds of Pre-Event Bonds  
11 shall be deposited to the credit of the Pre-Event Bonds Investment Income Account; and

12                  (d)     proceeds of any Derivative Agreement shall be deposited to the credit of  
13 the Derivative Agreements Account.

14           No money deposited in any of the Emergency Assessments Account, the Reimbursement  
15 Premiums Account, the Pre-Event Bonds Investment Income Account, the Derivative  
16 Agreements Account or any other account or subaccount established in the Revenue Fund shall  
17 be commingled with, and instead shall be segregated from, money deposited to the credit of the  
18 any other such Account or any other account or subaccount established in the Revenue Fund.

19           A Parity Resolution may provide for the creation of such other accounts or subaccounts  
20 in the Revenue Fund as the Corporation may determine for the deposit of any other Gross  
21 Receipts received by the Corporation or the Master Trustee for the account of the Corporation,  
22 including, without limitation, any Other Pledged Money, and may also establish restrictions, in  
23 addition to those established in this Master Indenture, as to the deposit of such Gross Receipts to  
24 such accounts or subaccounts and the application of amounts deposited therein.

25           Section 503. Application of Money in Revenue Fund. (a) Except as hereinafter  
26 provided, moneys in the Revenue Fund shall be withdrawn by the Master Trustee at the times  
27 and in the amounts provided herein or in Parity Resolutions but only in the manner and order  
28 specified in this Master Indenture.

29                   (b)     The Master Trustee shall withdraw immediately from the Reimbursement  
30 Premiums Account, and, to the extent the amount is insufficient for the purpose, from the Pre-  
31 Event Bonds Investment Account, and transfer to the Corporation, or, if so directed in writing by  
32 an Authorized Officer of the Corporation, to a Depositary for the account of the Corporation, the  
33 balance of the amount included in the Corporation's annual budget (which may be revised from  
34 time to time), delivered to the Master Trustee pursuant to Section 707 hereof, for the payment of  
35 Current Expenses of the Corporation in the current Fiscal Year and not previously so transferred.  
36 Current Expenses of the Corporation shall be a first charge against the Revenue Fund and shall  
37 be paid by the Corporation from the amount so transferred from the Revenue Fund; provided,  
38 however, that nothing in this Master Indenture shall prevent the Corporation from paying any

1 Current Expenses of the Corporation from moneys to the credit of the Emergency Assessments  
2 Account or any other funds legally available to the Corporation for such purpose to the extent  
3 that moneys to the credit of the Reimbursement Premiums Account and the Pre-Event Bonds  
4 Investment Account are insufficient for the purpose. The Current Expenses of the Corporation  
5 shall be paid by the Corporation as the same become due and payable in conformity with the  
6 applicable budgetary and payment procedures of the Corporation.

7 (c) (i) At such time or times as are specifically provided for in this Master  
8 Indenture, in any Parity Resolution or in any Derivative Agreement, the Master Trustee shall  
9 withdraw from the Revenue Fund the amounts necessary to make the deposits or payments  
10 required by Section 504(a), (b) and (c) hereof.

11 (ii) So long as any Post-Event Bonds or Post-Event Parity Debt is  
12 Outstanding, the Master Trustee shall withdraw from the Emergency Assessments Account the  
13 amounts necessary to make the deposits or payments required by Section 504(a), (b) or (c)  
14 hereof with respect to such Post-Event Bonds or Post-Event Parity Debt, and, if and to the  
15 extent that the amounts on deposit to the credit of the Emergency Assessments Account are  
16 insufficient to make such deposits or payments, the Master Trustee shall withdraw from the  
17 Reimbursement Premiums Account, the Derivative Agreements Account or any other account  
18 or subaccount established in the Revenue Fund, in the order of priority provided for in the  
19 Supplemental Indenture or Parity Debt Resolution authorizing the issuance or incurrence of  
20 such Post-Event Bonds or Post-Event Parity Debt, as the case may be, the amounts necessary to  
21 satisfy such deposits or payments.

22 (iii) So long as any Bonds (other than Post-Event Bonds) or Parity Debt  
23 (other than Post-Event Parity Debt), including Pre-Event Bonds, is Outstanding, the Master  
24 Trustee shall withdraw, immediately following any withdrawal required by subsection (b), from  
25 the Reimbursement Premiums Account and, subsequent to such withdrawal, from the Pre-Event  
26 Bonds Investment Income Account, the Derivative Agreements Account or any other account or  
27 subaccount established in the Revenue Fund (other than the Emergency Assessments Account)  
28 in the order of priority provided for in the Supplemental Indenture or Parity Debt Resolution  
29 authorizing the issuance or incurrence of such Bonds or Parity Debt, as the case may be, the  
30 amounts necessary to make the deposits or payments required by Section 504(a), (b) or (c)  
31 hereof with respect to such Bonds or Parity Debt, and, if and to the extent that the amounts on  
32 deposit to the credit of the Reimbursement Premiums Account, the Pre-Event Bonds Investment  
33 Income Account, the Derivative Agreements Account or any other account or subaccount  
34 established in the Revenue Fund are insufficient to make such deposits or payments, the Master  
35 Trustee shall withdraw from the Emergency Assessments Account the amounts necessary to  
36 satisfy such deposits or payments; provided, however, in the case of Pre-Event Bonds, the  
37 Master Trustee shall draw first from the Reimbursement Premiums Account and then from the  
38 Pre-Event Bonds Investment Income Account, prior to making any withdrawal from any of such  
39 other Accounts or any other account or subaccount.

40 (d)(i) If at any time the amounts on deposit to the credit of the accounts and  
41 subaccounts established in the Revenue Fund are insufficient to make the deposits or payments  
42 required by Section 504(a), (b) or (c) hereof with respect to Post-Event Bonds and Post-Event  
43 Parity Debt then Outstanding, the Master Trustee (1) shall give prompt written notice of such

1 deficiency to the State Board of Administration and the Corporation and (2) shall, in accordance  
2 with Sections 502(b) and 503(c)(i) hereof, deposit any Reimbursement Premiums and  
3 Reimbursement Premium Earnings thereafter received from the FHCF in the Reimbursement  
4 Premiums Account for application in accordance Section 504(a), (b) and (c) hereof.

5 (ii) If, after the date on which the Master Trustee receives any Reimbursement  
6 Premiums and Reimbursement Premium Earnings pursuant to clause (i) and prior to the dates on  
7 which the deposits or payments are required to be made pursuant to Section 504(a), (b) or (c)  
8 hereof, the Master Trustee receives any Emergency Assessments and Emergency Assessment  
9 Earnings, the Master Trustee shall (X) deposit such Emergency Assessments and Emergency  
10 Assessment Earnings to the credit of the Emergency Assessments Account for application in  
11 accordance with Section 504(a), (b) and (c) hereof, (Y) release from the Reimbursement  
12 Premiums Account and transfer to the FHCF an amount equal to the amount of Emergency  
13 Assessments and Emergency Assessment Earnings so received and deposited by the Master  
14 Trustee in the Emergency Assessments Account and (Z) if the amounts then on deposit to the  
15 credit of the accounts and subaccounts established in the Revenue Fund are sufficient to make all  
16 the deposits or payments required by Section 504(a), (b) and (c) hereof, transfer to the FHCF  
17 from any Emergency Assessments and Emergency Assessment Earnings the amount in excess of  
18 such requirements of Section 504(a), (b) and (c) hereof, as certified in an Officer's Certificate  
19 delivered to the Master Trustee by the State Board of Administration.

20 (e) Except during the continuation of an Event of Default, immediately  
21 following the date on which the amounts on deposit to the credit of the accounts and subaccounts  
22 in the Revenue Fund are sufficient for the Master Trustee to make (i) the transfer to the  
23 Corporation or a Depositary for the account of the Corporation of the amount required for the  
24 payment of the Current Expenses of the Corporation in the then current Fiscal Year in  
25 accordance with the provisions of Section 503(b) hereof and (ii) the deposits or payments of the  
26 amounts required by Section 504(a), (b) and (c) hereof in the then current Fiscal Year with  
27 respect to the Parity Obligations then Outstanding, (Y) any Reimbursement Premiums and  
28 Reimbursement Premium Earnings held by the Master Trustee in the Revenue Fund on such date  
29 in such Fiscal Year in excess of such requirements for such Fiscal Year shall be delivered to the  
30 FHCF and be used for any purpose permitted by the Act, and (Z) any Emergency Assessments,  
31 Emergency Assessment Earnings and Other Pledged Money held by the Master Trustee in the  
32 Revenue Fund on such date in such Fiscal Year in excess of such requirements for the remainder  
33 of such Fiscal Year and for the next succeeding Fiscal Year shall, except as otherwise provided  
34 for by subsection (d)(ii) hereof, be transferred by the Master Trustee to the Bond Fund for  
35 application in accordance with the provisions of Section 504(a) and (b) hereof, unless an  
36 Authorized Officer of the State Board of Administration delivers to the Master Trustee an  
37 Officer's Certificate certifying that the amount of Emergency Assessments and Emergency  
38 Assessment Earnings on deposit with the Master Trustee in the appropriate accounts and  
39 subaccounts in the Bond Fund (excluding the Parity Common Reserve Account and any Special  
40 Reserve Account) for Post-Event Parity Obligations is sufficient to pay the debt service thereon  
41 for the remainder of such Fiscal Year and for the next succeeding Fiscal Year and that there are  
42 no deficiencies in the amounts required to be on deposit in the Parity Common Reserve Account,  
43 any Special Reserve Account or any account or subaccount in the Bond Fund established for Pre-  
44 Event Parity Obligations, in which event such Emergency Assessments and Emergency

1 Assessment Earnings will be transferred by the Master Trustee as directed in such Officer's  
2 Certificate.

3 Any funds transferred from any account or subaccount in the Revenue Fund in  
4 accordance with this paragraph (e), other than transfers made to any account or subaccount of the  
5 Bond Fund, shall no longer be subject to the pledge of, security interest in and lien upon the Net  
6 Receipts created by this Master Indenture.

7 Section 504. Use of Money for Debt Service Accounts and Reserve Accounts. The  
8 amounts withdrawn from the Revenue Fund in accordance with Section 503(c) hereof shall be  
9 applied by the Master Trustee in the following manner and order:

10 (a) (i) At such time or times as provided in the Parity Resolutions, the Master  
11 Trustee shall (A) deposit the amounts required by the Supplemental Indentures to be deposited in  
12 the appropriate subaccounts in the Interest Account and (B) deliver the amounts required by the  
13 Parity Debt Resolutions to be deposited with or paid to the appropriate Persons designated in  
14 such Parity Debt Resolutions for the payment of interest on the related Parity Debt in accordance  
15 with such Parity Debt Resolutions, and (ii) if a Derivative Agreement provides for any payments  
16 thereunder by the Corporation relating to interest on Parity Obligations constituting Derivative  
17 Indebtedness, then, at such time or times as provided in the Derivative Agreement, the Master  
18 Trustee shall deliver, to or for the account of the Derivative Agreement Counterparty or other  
19 appropriate Person designated in the Derivative Agreement, the amount required by such  
20 Derivative Agreement (but not any termination payment) to be paid thereunder by the  
21 Corporation, provided that if there shall not be sufficient Net Receipts to satisfy all such deposits  
22 and payments, such deposits and payments shall be made to each such subaccount in the Interest  
23 Account and to each appropriate Person designated in such Parity Debt Resolutions or Derivative  
24 Agreement ratably according to the amount so required to be deposited or paid.

25 (b) At such time or times as provided in the Parity Resolutions, the Master  
26 Trustee shall (i) deposit the amounts required by the Supplemental Indentures to be deposited in  
27 the appropriate subaccounts in the Principal Account and the Sinking Fund Account and (ii)  
28 deliver the amounts required by the Parity Debt Resolutions to be deposited with or paid to the  
29 appropriate Persons designated in such Parity Debt Resolutions for the payment of the principal  
30 of Parity Debt, whether at maturity or pursuant to an amortization requirement, in accordance  
31 with such Parity Debt Resolutions, provided that if there shall not be sufficient Net Receipts to  
32 satisfy all such deposits and payments, such deposits and payments shall be made to each such  
33 subaccount in the Principal Account and the Sinking Fund Account and to each appropriate  
34 Person designated in such Parity Resolutions ratably according to the amount so required to be  
35 deposited or paid.

36 (c) At such time or times as provided in the Parity Resolutions, if the amount  
37 in the Parity Common Reserve Account is less than the Parity Common Reserve Account  
38 Requirement or the amount in any Special Reserve Account is less than the applicable Special  
39 Reserve Account Requirement, the Master Trustee shall (i) deposit the amounts required by this  
40 Master Indenture to make up such deficiency in the Parity Common Reserve Account and (ii)  
41 deposit, or deliver to the appropriate Depositary for deposit, the amounts required by any  
42 Supplemental Indenture or Parity Debt Resolution to make up any deficiency in any Special

1 Reserve Account, provided that if there shall not be sufficient Net Receipts to satisfy all such  
2 deposits, such deposits shall be made among the Parity Common Reserve Account and each  
3 Special Reserve Account ratably according to the amounts so required to be deposited.

4 (d) To the extent that investment earnings are credited to the Interest Account,  
5 the Principal Account, the Sinking Fund Account or any subaccount therein in accordance with  
6 Section 602 hereof or amounts are credited thereto as a result of the application of the proceeds  
7 of a Series of Bonds or a transfer of investment earnings on any other fund or account held by  
8 the Master Trustee, or otherwise, future deposits to such accounts or subaccounts shall be  
9 reduced by the respective amounts so credited.

10 (e) The Corporation may provide in a Subordinated Indebtedness Resolution  
11 for the deposit or payment of Net Receipts for the purpose of paying the interest on or principal  
12 of Subordinated Indebtedness or in a Derivative Agreement for the making of payments or  
13 repayments thereunder, including any termination payment, on a subordinated basis, but only  
14 after the making of the deposits or payments required by paragraphs (a), (b) and (c) of this  
15 Section 504. Each Subordinated Indebtedness Resolution shall be filed with the Master Trustee  
16 on or prior to the date of incurrence of any Subordinated Indebtedness and shall contain or be  
17 accompanied by a schedule of payments with respect to such Subordinated Indebtedness,  
18 including any scheduled payments (to the extent determinable) under a Derivative Agreement.

19 (f) The Corporation may provide in a Parity Resolution or a Subordinated  
20 Indebtedness Resolution for a disposition of Net Receipts for the purpose of paying amounts  
21 owing to a Credit Provider, but only after the making of the deposits or payments required by  
22 paragraphs (a), (b) and (c) of this Section 504.

23 (g) The calculation of the amounts to be deposited or required to be deposited  
24 pursuant to this Section 504 shall be the responsibility of the Master Trustee, which shall deliver  
25 copies of such calculations to the Corporation and the State Board of Administration not less  
26 than three (3) Business Days prior to any withdrawal from the Revenue Fund pursuant to Section  
27 503(c) hereof.

28 Section 505. Application of Money in Interest Account and Capitalized Interest  
29 Account. Unless otherwise provided by a Supplemental Indenture, not later than 10:00 A.M. on  
30 each Interest Payment Date, date for the payment of Defaulted Interest or date upon which Bonds  
31 are to be redeemed, or on such other date as may be specified in the applicable Supplemental  
32 Indenture, the Master Trustee shall withdraw from the applicable subaccount in the Interest  
33 Account and wire transfer to the Bond Registrar, in Federal Reserve or other immediately  
34 available funds, the amounts required for paying interest on the respective Bonds on such date.  
35 The Bond Registrar shall remit or otherwise set aside the amount due and payable to the Owners  
36 as provided in the Supplemental Indentures.

37 Unless otherwise provided by a Supplemental Indenture, on the date of issuance of any  
38 Series of Parity Obligations, an Authorized Officer of the Corporation shall deliver to the Master  
39 Trustee a schedule of transfers to be made from the applicable subaccount of the Capitalized  
40 Interest Account to the applicable subaccount of the Interest Account. The Master Trustee shall  
41 make such transfers as required by the schedule of such Authorized Officer of the Corporation.

1 Unless otherwise provided by a Supplemental Indenture, if the amounts transferred from  
2 the accounts and subaccounts in the Revenue Fund are insufficient to satisfy the amounts  
3 required to be deposited in the Interest Account as provided in Section 504 hereof, or if the  
4 balance in the Interest Account on the Business Day next preceding an Interest Payment Date is  
5 insufficient to pay the interest coming due on the Bonds on such Interest Payment Date, the  
6 Master Trustee shall, not later than such Interest Payment Date, transfer an amount sufficient to  
7 cure the same, drawing upon funds in the Parity Common Reserve Account, if any, securing such  
8 Series of Bonds, or in the Special Reserve Account, if any, securing such Series of Bonds.

9 Section 506. Application of Money in Principal Account. Unless otherwise provided  
10 by a Supplemental Indenture, not later than 10:00 A.M. on each principal payment date, the  
11 Master Trustee shall withdraw from the applicable subaccount in the Principal Account and wire  
12 transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the  
13 amount necessary to pay the principal of the related Serial Bonds at their respective maturities.  
14 The Bond Registrar shall remit or otherwise set aside the amount due and payable to the Owners  
15 as provided in the Supplemental Indentures.

16 Unless otherwise provided by a Supplemental Indenture, if on any date there is money in  
17 the Principal Account and no Serial Bonds are then Outstanding or if on any principal payment  
18 date money remains therein after the payment of the principal of Serial Bonds then due, the  
19 Master Trustee shall withdraw such money therefrom and shall apply the same in the following  
20 order: (a) deposit into the Sinking Fund Account the amount then required to be deposited  
21 thereto pursuant to Section 504 hereof, (b) deposit, if and to the extent determined by an  
22 Authorized Officer of the Corporation, into the Parity Common Reserve Account or in one or  
23 more Special Reserve Accounts such amounts as may be determined by an Authorized Officer of  
24 the Corporation in order to make the amounts on deposit therein equal to the Parity Common  
25 Reserve Account Requirement or the Special Reserve Account Requirement, as the case may be,  
26 and (c) transfer to the FHCF all remaining amounts for any use permitted or authorized by the  
27 Act.

28 Unless otherwise provided by a Supplemental Indenture, if the amounts transferred from  
29 the accounts and subaccounts in the Revenue Fund are insufficient to satisfy the amounts  
30 required to be deposited in the Principal Account as provided in Section 504 hereof, or if the  
31 balance in the Principal Account on the Business Day next preceding a principal payment date is  
32 insufficient to pay the principal coming due on the Serial Bonds on such principal payment date,  
33 the Master Trustee shall, not later than such principal payment date, transfer an amount sufficient  
34 to cure the same, drawing upon funds in the Parity Common Reserve Account, if any, securing  
35 such Series of Bonds, or in the Special Reserve Account, if any, securing such Series of Bonds.

36 Section 507. Application of Money in Sinking Fund Account. Unless otherwise  
37 provided by a Supplemental Indenture, not later than 10:00 A.M. on each mandatory sinking  
38 fund redemption date, the Master Trustee shall withdraw from the applicable subaccount in the  
39 Sinking Fund Account and wire transfer to the Bond Registrar, in Federal Reserve or other  
40 immediately available funds, the amount necessary to pay the principal of the related Term  
41 Bonds on their respective mandatory sinking fund redemption dates. The Bond Registrar shall  
42 remit or otherwise set aside the amount due and payable to the Owners as provided in the  
43 Supplemental Indentures.

1 Money held for the credit of the subaccounts in the Sinking Fund Account shall be  
2 applied to the retirement, purchase, redemption or payment of Term Bonds in the manner  
3 provided in the applicable Supplemental Indentures. If the amounts transferred from the  
4 accounts and subaccounts in the Revenue Fund are insufficient to satisfy the amounts required to  
5 be deposited in the Sinking Fund Account as provided in Section 504 hereof, or if the balance in  
6 the Sinking Fund Account on the Business Day next preceding a sinking fund payment date is  
7 insufficient to retire the Term Bonds on such date as required by a Supplemental Indenture, the  
8 Master Trustee shall, not later than such sinking fund payment date, transfer an amount sufficient  
9 to cure the same, drawing upon funds in the Parity Common Reserve Account, if any, securing  
10 such Series of Bonds, or in the Special Reserve Account, if any, securing such Series of Bonds.

11 Section 508. Deposit and Application of Money in Parity Common Reserve Account  
12 and Any Special Reserve Account; Replenishment of Deficiencies. (a) If a Parity Resolution  
13 provides that the Parity Obligations issued thereunder are to be additionally secured by the Parity  
14 Common Reserve Account, the Corporation shall deposit, from the proceeds of such Parity  
15 Obligations or from any other available sources, concurrently with the delivery of and payment  
16 for such Parity Obligations, to the Parity Common Reserve Account such amount as is required  
17 to make the balance to the credit of such Account equal to the Parity Common Reserve Account  
18 Requirement; provided, however, that in the case of Post-Event Parity Obligations, the initial  
19 deposit required to the Parity Common Reserve Account to make the total amount to the credit of  
20 such Account equal to the Parity Common Reserve Account Requirement may be funded from  
21 Emergency Assessments and other Revenues (but not Reimbursement Premiums or  
22 Reimbursement Premium Earnings) ratably over not more than thirty-six (36) months from the  
23 date of delivery of such Parity Obligations. If a Parity Resolution provides that the Parity  
24 Obligations issued thereunder are to be secured by a Special Reserve Account, the Corporation  
25 shall fund, from the proceeds of such Parity Obligations or from any other available sources, at  
26 the time or times and in the manner specified in the applicable Parity Resolution, such Special  
27 Reserve Account in an amount equal to the Special Reserve Account Requirement for such  
28 Parity Obligations.

29 (b) Unless the applicable Parity Resolution shall otherwise provide or modify  
30 the following, the Corporation may deposit with the Master Trustee a Reserve Alternative  
31 Instrument in satisfaction of all or any portion of the Parity Common Reserve Account  
32 Requirement or may substitute a Reserve Alternative Instrument for all or any portion of the  
33 cash or another Reserve Alternative Instrument credited to the Parity Common Reserve Account,  
34 provided that the following minimum provisions have been fulfilled:

35 (i) The Reserve Alternative Instrument shall be payable (upon the giving of notice as  
36 required thereunder) to remedy any deficiency in the appropriate subaccounts in the Interest  
37 Account, the Principal Account and the Sinking Fund Account, or in an account for the payment  
38 of interest as mentioned in Section 504(a) hereof, or in an account or accounts for the payment of  
39 principal as mentioned in Section 504(b) hereof, in order to provide for the timely payment of  
40 the principal (whether at maturity or pursuant to a Sinking Fund Requirement or an amortization  
41 requirement therefor) of and interest on the Parity Obligations secured thereby.

42 (ii) The provider of a Reserve Alternative Instrument shall be (a) an insurance  
43 company or other financial institution that has been assigned, for obligations insured by the

1 provider of the Reserve Alternative Instrument, a rating by at least two Rating Agencies in one  
2 of the two highest rating categories (without regard to gradations by numerical modifier or  
3 otherwise) or (b) a commercial bank, insurance company or other financial institution the  
4 obligations payable or guaranteed by which have been assigned a rating by at least two Rating  
5 Agencies in one of the two highest rating categories (without regard to gradations by numerical  
6 modifier or otherwise).

7 (iii) If the Reserve Alternative Instrument is an unconditional irrevocable letter of credit  
8 issued to the Master Trustee, the letter of credit shall be payable in one or more draws upon  
9 presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds  
10 insufficient funds to make a required payment of principal or interest on the Parity Obligations  
11 having the benefit of the Parity Common Reserve Account. The draws shall be payable within  
12 two days of presentation of the sight draft. The letter of credit shall be for a term of not less than  
13 three years. The issuer of the letter of credit shall be required to notify the Corporation and the  
14 Master Trustee, not later than 30 months prior to the stated expiration date of the letter of credit,  
15 as to whether such expiration date shall be extended, and if so, shall indicate the new expiration  
16 date. The Master Trustee is directed to draw upon the letter of credit prior to its expiration or  
17 termination unless an acceptable replacement is in place or the Parity Common Reserve Account  
18 is fully funded to the Parity Common Reserve Account Requirement.

19 (iv) The Master Trustee shall ascertain the necessity for a claim or draw upon the  
20 Reserve Alternative Instrument and shall provide notice to the issuer of the Reserve Alternative  
21 Instrument in accordance with its terms not later than three days (or such longer period as may  
22 be necessary depending on the permitted time period for honoring a draw under the Reserve  
23 Alternative Instrument ) prior to each Interest Payment Date.

24 (v) Cash on deposit in the Parity Common Reserve Account shall be used (or  
25 Investment Obligations purchased with such cash shall be liquidated and the proceeds applied as  
26 required) prior to any drawing on any Reserve Alternative Instrument. If and to the extent that  
27 more than one Reserve Alternative Instrument is deposited in the Parity Common Reserve  
28 Account, drawings thereunder and repayments of costs associated therewith shall be made on a  
29 pro rata basis, calculated by reference to the maximum amounts available thereunder.

30 (b) The Master Trustee shall use amounts in the Parity Common Reserve  
31 Account to make transfers, or use moneys provided under a Reserve Alternative Instrument to  
32 make deposits, in the following order, in respect of all Parity Obligations additionally secured by  
33 the Parity Common Reserve Account, to the appropriate subaccounts in the Interest Account, the  
34 Principal Account and the Sinking Fund Account to remedy any deficiency therein as of any  
35 Interest Payment Date, principal payment date or sinking fund payment date (or any earlier date  
36 as set forth in a Parity Resolution), or to pay the interest on or the principal of or amortization  
37 requirements in respect of any Parity Debt when due, whenever and to the extent the money on  
38 deposit for such purposes is insufficient.

39 (c) The Master Trustee shall use amounts in any Special Reserve Account  
40 held by it to make transfers, or use moneys provided under a Reserve Alternative Instrument to  
41 make deposits, in the following order, in respect of the particular Parity Obligations secured by  
42 such Special Reserve Account, to the appropriate subaccounts in the Interest Account, the



1 Principal Account and the Sinking Fund Account to remedy any deficiency therein as of any  
2 Interest Payment Date, principal payment date or sinking fund payment date (or any earlier date  
3 as set forth in a Parity Resolution) or to pay the interest on or the principal of or amortization  
4 requirement in respect thereof on Parity Debt when due, whenever and to the extent the money  
5 on deposit for such purposes is insufficient.

6 (d) Any deficiency in the Parity Common Reserve Account resulting from the  
7 withdrawal of moneys therein shall be made up by depositing to the credit of such Account the  
8 amount of such deficiency within one year following the date on which such withdrawal is made,  
9 such deposit to be made pursuant to Section 504(c) hereof. Any deficiency in the Parity  
10 Common Reserve Account resulting from a draw on a Reserve Alternative Instrument shall be  
11 made up as provided in such Reserve Alternative Instrument or documentation relating thereto,  
12 but any such deficiency must be made up by not later than the final date when such deficiency  
13 would have been required to be made up if there had been a withdrawal of moneys from the  
14 Parity Common Reserve Account rather than a draw on a Reserve Alternative Instrument.  
15 Deficiencies, whether resulting from withdrawals or draws, may be satisfied through the deposit  
16 of additional cash, the delivery of an additional Reserve Alternative Instrument or an increase in  
17 the amount available to be drawn under a Reserve Alternative Instrument. Unless otherwise  
18 provided in a Reserve Alternative Instrument or the documentation relating thereto, cash or  
19 Investment Obligations on deposit to the credit of the Parity Common Reserve Account shall be  
20 used to satisfy deficiencies, as provided in paragraph (b) of this Section, prior to any draw on a  
21 Reserve Alternative Instrument.

22 (e) Unless a Reserve Alternative Instrument shall be in effect, if on any date  
23 of valuation pursuant to Section 603 hereof, the amount on deposit in the Parity Common  
24 Reserve Account is less than ninety percent (90%) of the Parity Common Reserve Account  
25 Requirement, the Corporation shall deposit into the Parity Common Reserve Account within one  
26 year following such date the amount required as of such date to cause the amount then on deposit  
27 in the Parity Common Reserve Account to be equal to the Parity Common Reserve Account  
28 Requirement. Any such deficiency may be satisfied through the deposit of additional cash, the  
29 delivery of an additional Reserve Alternative Instrument or an increase in the amount available  
30 to be drawn under a Reserve Alternative Instrument.

31 (f) Any deficiency in a Special Reserve Account resulting from the  
32 withdrawal of moneys therein or a draw on a Reserve Alternative Instrument or resulting from a  
33 valuation of the Investment Obligations therein pursuant to Section 603 hereof shall be made up  
34 as provided in the Parity Resolution establishing such Special Reserve Account.

35 Section 509. Application of Money in Redemption Account. The Master Trustee shall  
36 apply money in the Redemption Account to the purchase or redemption of Bonds as follows:

37 (a) Subject to the provisions of paragraph (c) of this Section, and if instructed  
38 to do so by an Authorized Officer of the Corporation, the Master Trustee shall endeavor to  
39 purchase and cancel Bonds or portions thereof, whether or not such Bonds or portions thereof are  
40 then subject to redemption, at the most advantageous price obtainable with reasonable diligence,  
41 provided that the purchase price of each Bond, plus accrued interest to the date of purchase, shall  
42 not exceed the Redemption Price that would be payable on the next redemption date to the

1 Owners of such Bonds under the provisions of the applicable Supplemental Indenture plus  
2 accrued interest to the redemption date if such Bond or such portion thereof were called for  
3 redemption on such redemption date from the money in the applicable subaccount of the  
4 Redemption Account. The Master Trustee shall pay the interest accrued on such Bonds or  
5 portions thereof to the date of settlement from the applicable subaccount of the Interest Account  
6 and the purchase price from the applicable subaccount of the Redemption Account, but no such  
7 purchase shall be made by the Master Trustee from money in the applicable subaccount of the  
8 Redemption Account within the period of forty-five (45) days immediately preceding any date  
9 on which such Bonds or portions thereof are to be redeemed except from moneys other than the  
10 moneys set aside in the applicable subaccount of the Redemption Account for the redemption of  
11 Bonds.

12 (b) Subject to the provisions of paragraph (c) of this Section, the Master  
13 Trustee shall call for redemption on a date permitted by the applicable Supplemental Indenture  
14 such amount of Bonds or portions thereof as, with the redemption premium, if any, will exhaust  
15 the moneys then held in the applicable subaccount of the Redemption Account as nearly as may  
16 be practicable; provided, however, that not less than One Hundred Thousand Dollars (\$100,000)  
17 in principal amount of Bonds shall be called for redemption at any one time unless the Master  
18 Trustee is so instructed by the Corporation in writing. The Master Trustee shall pay the accrued  
19 interest on the Bonds or portions thereof to be redeemed to the date of redemption from the  
20 applicable subaccount of the Interest Account and the Redemption Price of such Bonds or  
21 portions thereof from the applicable subaccount of the Redemption Account. On or before the  
22 redemption date, the Master Trustee shall withdraw from the Redemption Account and the  
23 Interest Account and transfer to the Bond Registrar the respective amounts required to pay the  
24 Redemption Price and accrued interest to the redemption date of the Bonds or portions thereof so  
25 called for redemption.

26 (c) Money in the Redemption Account may be applied by the Master Trustee  
27 in each Fiscal Year to the purchase or the redemption of Bonds of any one or more Series then  
28 Outstanding in accordance with the latest Officer's Certificate of an Authorized Officer of the  
29 Corporation filed with the Master Trustee (i) designating one or more Series of Bonds to be  
30 purchased or redeemed, (ii) if more than one Series of Bonds is so designated, setting forth the  
31 aggregate principal amount of Bonds of each Series to be purchased or redeemed, and (iii) unless  
32 the Supplemental Indenture relating to the Bonds to be redeemed specifies the order of  
33 redemption, designating the Bonds to be redeemed within each Series, and if such Bonds are  
34 Term Bonds, the Fiscal Years in which future Sinking Fund Requirements are to be reduced as a  
35 result of such redemption and the amount of such reduction in each such Fiscal Year. In the  
36 event no such Certificate is filed and unless the Supplemental Indenture relating to the Bonds to  
37 be redeemed specifies otherwise, (A) the Master Trustee shall apply such money to the purchase  
38 of one or more Series of Bonds as it shall determine or to the redemption of Bonds bearing the  
39 highest rate of interest, (B) if Bonds of more than one maturity bear the same interest rate, the  
40 Master Trustee shall redeem such Bonds in the inverse order of maturities, and (C) if the Bonds  
41 bearing the highest rate of interest are Term Bonds, the Master Trustee shall reduce Sinking  
42 Fund Requirements for such Term Bonds in inverse order of the scheduled redemption of such  
43 Term Bonds. All Bonds shall be redeemed as provided in the applicable Supplemental  
44 Indenture.

1 Money held for the credit of the subaccounts in the Redemption Account shall be applied  
2 to the purchase or redemption of Bonds in the manner provided in the applicable Supplemental  
3 Indenture.

4 Section 510. Escheat. All money that the Master Trustee shall have withdrawn from  
5 the Bond Fund or shall have received from any other source and set aside or delivered to the  
6 Bond Registrar for the purpose of paying any of the Bonds hereby secured, either at maturity or  
7 by purchase or call for redemption, shall be held in trust for the respective Owners.

8 Any money that is so set aside and that remains unclaimed by the Owners for a period of  
9 30 months after the date on which such Bonds have become payable shall be treated as  
10 abandoned property pursuant to the provisions of Section 717.1035, Florida Statutes, and the  
11 Master Trustee or the Bond Registrar shall report and remit this property to the Unclaimed  
12 Property Trust Fund established by and according to the requirements of Sections 717.117 to  
13 717.124, inclusive, Florida Statutes, and thereafter the Owners shall look only to the Unclaimed  
14 Property Trust Fund for payment and then only to the extent of the amounts so received, without  
15 any interest thereon, and the Master Trustee, the Bond Registrar and the Corporation shall have  
16 no responsibility with respect to such money.

17 Section 511. Cancellation of Bonds. Upon receipt of the same, the Bond Registrar shall  
18 cancel all Bonds paid, redeemed or purchased by the Master Trustee or purchased by the  
19 Corporation and delivered to the Bond Registrar, and all Bonds delivered to the Bond Registrar  
20 in exchange for other Bonds or delivered to the Bond Registrar upon the transfer of any Bond if a  
21 new Bond is delivered upon such transfer. The Bond Registrar shall certify to the Corporation  
22 the details of all Bonds so canceled. All Bonds canceled under any of the provisions of this  
23 Master Indenture either shall be delivered to the Corporation or destroyed by the Bond Registrar,  
24 as the Corporation directs. Upon destruction of any Bonds, the Bond Registrar shall execute a  
25 certificate in duplicate, describing the Bonds so destroyed; and one executed certificate shall be  
26 filed with the Corporation and the other executed certificate shall be retained by the Bond  
27 Registrar.

28 Section 512. Disposition of Fund Balances. After provision is made for the payment of  
29 all Outstanding Parity Obligations, including the interest thereon and for the payment of all other  
30 obligations, expenses and charges required to be paid under or in connection with this Master  
31 Indenture and any Parity Resolution, and receipt by the Master Trustee of an Officer's Certificate  
32 of an Authorized Officer of the Corporation to the effect that there are no other Master  
33 Indentures, resolutions, bond orders or other agreements that impose a continuing lien on the  
34 balances hereinafter mentioned, the Master Trustee shall pay all amounts in any fund, account or  
35 subaccount then held by it under this Master Indenture to the FHCF. If the Corporation notifies  
36 the Master Trustee that a continuing lien has been imposed on such balance by another indenture,  
37 resolution, bond order or any other agreement, by court order or decree, or by law, the Master  
38 Trustee shall, at the written direction of the Corporation, pay such balance to such person as is  
39 entitled to receive the same by law or under the terms of such indenture, resolution, bond order,  
40 agreement, or by court order or decree.

41 Section 513. Use of Available Funds. Nothing in this Master Indenture shall be  
42 construed to prevent the Corporation from paying all or any part of the Current Expenses of the

1 Corporation from any money available to the Corporation for such purpose, or, subject to Section  
2 604 hereof, from depositing in any fund or account created under, or subaccount created pursuant  
3 to, the provisions of this Master Indenture or any fund or account created under or pursuant to a  
4 Parity Debt Resolution or a Subordinated Indebtedness Resolution, any money available to the  
5 Corporation for such deposit, except to the extent the Corporation is prohibited from making  
6 such deposit by this Master Indenture, any Parity Resolution, any Subordinated Indebtedness  
7 Resolution or otherwise.

Article VI.

DEPOSITARIES OF MONEY, SECURITY FOR DEPOSITS,  
INVESTMENT OF FUNDS AND COVENANT AS TO ARBITRAGE

Section 601. Security for Deposits. Any and all money received by the Corporation under the provisions of this Master Indenture shall be deposited as received with the Master Trustee or one or more other Depositaries as provided in this Master Indenture and shall, in the case of deposits with the Master Trustee, be trust funds under the terms hereof, and, shall not be subject to any lien or attachment by any creditor of the Corporation.

All money deposited with and held by the Master Trustee or any Depositary hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured, for the benefit of the Corporation and the Owners, either (a) by lodging with a bank or trust company chosen by the Master Trustee or Depositary or, if then permitted by law, by setting aside under control of the trust department of the bank or trust company holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States or applicable State law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Master Trustee or any Depositary to give security for the deposit of any money with it for the payment of the principal of or the redemption premium, if any, or the interest on any Parity Obligations or Subordinated Indebtedness, or for the Master Trustee or any Depositary to give security for any money that shall be represented by Investment Obligations purchased under the provisions of this Article as an investment of such money.

All money deposited with the Master Trustee or any Depositary shall be credited to the particular fund, account or subaccount to which such money belongs.

Section 602. Investment of Money. Money held for the credit of all funds, accounts and subaccounts established under this Master Indenture and held by the Master Trustee shall, in accordance with the written directions of the Corporation, be continuously invested and reinvested by the Master Trustee or the Depositaries, whichever is applicable, in Investment Obligations to the extent practicable. Except as hereinafter provided in this Section with respect to the disposition of investment income, the particular investments to be made and other related matters in respect of investments shall, as to each Series of Bonds, be provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

Except as hereinafter provided in this Section with respect to the Parity Common Reserve Account, Investment Obligations shall mature or be redeemable at the option of the holder

thereof not later than the respective dates when the money held for the credit of such funds, accounts and subaccounts will be required for the purposes intended.

Investment Obligations in the Parity Common Reserve Account shall mature or be redeemable at the option of the Master Trustee not later than the final maturity date of the Parity Obligations to which such Parity Common Reserve Account is pledged.

Notwithstanding the foregoing, no Investment Obligations pertaining to any Series of Bonds in any fund, account or subaccount held by the Master Trustee or any Depositary shall mature on a date beyond the latest maturity date of the Bonds of such Series Outstanding at the time such Investment Obligations are deposited. For purposes of this Section, the maturity date of any repurchase agreement shall be deemed to be the stated maturity date of such agreement and not the maturity dates of the underlying Investment Obligations.

The Corporation shall cause the State Board of Administration either to enter into agreements with the Master Trustee or any Depositary for the investment of any money required or permitted to be invested under this Master Indenture or to give the Master Trustee or any Depositary written directions respecting the investment of such money, subject, however, to the provisions of this Article, and the Master Trustee or such Depositary shall then invest such money in accordance with such agreements or directions. The Master Trustee or any Depositary may request additional directions or authorization from the State Board of Administration or an Authorized Officer of the State Board of Administration in writing with respect to the proposed investment of money under the provisions of this Master Indenture. Upon receipt of such directions, the Master Trustee or any Depositary shall invest, subject to the provisions of this Article, such money in accordance with such directions or authorization. The Master Trustee shall have no liability for any losses on investments made in accordance with this Section.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under this Master Indenture shall be deemed at all times to be part of such fund, account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations shall be charged against such fund, account or subaccount unless otherwise directed by a Supplemental Indenture. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations shall be credited to such fund, account or subaccount.

Any such interest accruing and any such profit realized shall be transferred upon the receipt thereof by the Depositaries or the Master Trustee, as the case may be, pursuant to the provisions of this Master Indenture and any Supplemental Indenture.

The Master Trustee shall sell or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so to provide money to make any payment from any fund, account or subaccount established under this Master Indenture. The Master Trustee shall not be liable or responsible for any loss resulting from any such action.

Whenever a transfer of money between two or more of the funds, accounts or subaccounts established under this Master Indenture is permitted or required, such transfer may be made as a whole or in part by transfer of one or more Investment Obligations at a value

1 determined at the time of such transfer in accordance with this Article, provided that the  
2 Investment Obligations transferred are those in which money of the receiving fund, account or  
3 subaccount could be invested on the date of such transfer.

4 For purposes of making any investment hereunder, the Master Trustee or any Depositary  
5 may consolidate money held by it in any fund, account or subaccount with money in any other  
6 fund, account or subaccount, except to the extent such consolidation is prohibited by this Master  
7 Indenture, any Parity Resolution or any Subordinated Indebtedness Resolution. Transfers from  
8 any fund, account or subaccount to the credit of any other fund, account or subaccount provided  
9 for in this Master Indenture may be effectuated on the books and records of the Master Trustee,  
10 the Corporation or any Depositary without any actual transfer of funds or liquidation of  
11 investments. Investment Obligations purchased with consolidated funds shall be allocated to  
12 each fund, account or subaccount on a pro-rata basis in accordance with the initial amount so  
13 invested from each such fund, account or subaccount.

14 Unless otherwise directed by the State Board of Administration or an Authorized Officer  
15 of the State Board of Administration, Investment Obligations may be purchased by the Master  
16 Trustee or any Depositary through its own investment division or other bank facilities  
17 established for such purpose.

18 Section 603. Valuation. For the purpose of determining the amount on deposit in any  
19 fund, account or subaccount established under this Master Indenture, Investment Obligations in  
20 which money in such fund, account or subaccount is invested shall be valued at cost.

21 All Investment Obligations in all of the funds, accounts and subaccounts established  
22 under this Master Indenture shall be valued as of the Business Day immediately preceding each  
23 Interest Payment Date. If a valuation is made by the Master Trustee, the Master Trustee shall  
24 report the result of such valuation to the Corporation and the State Board of Administration as  
25 soon as practicable following such valuation. In addition, Investment Obligations shall be  
26 valued at any time requested by an Authorized Officer of the Corporation or an Authorized  
27 Officer of the State Board of Administration on reasonable notice to the Master Trustee (which  
28 period of notice may be waived or reduced by the Master Trustee at its sole discretion);  
29 provided, however, that the Master Trustee shall not be required to value Investment Obligations  
30 more than once in any calendar month.

31 Whenever, following a valuation described above, the value of the cash and Investment  
32 Obligations in the Parity Common Reserve Account held by the Master Trustee, plus accrued  
33 interest to the date of valuation, is less than ninety percent (90%) of the Parity Common Reserve  
34 Account Requirement, the Master Trustee shall compute the amount by which the Parity  
35 Common Reserve Account Requirement exceeds the balance in the Parity Common Reserve  
36 Account, and shall immediately give the Corporation and the State Board of Administration  
37 notice of such deficiency and the amount necessary to cure the same in accordance with Section  
38 508 hereof. Whenever the value of the cash and Investment Obligations in the Parity Common  
39 Reserve Account or a Special Reserve Account held by the Master Trustee, plus accrued interest  
40 to the date of valuation, is greater than the Parity Common Reserve Account Requirement or the  
41 Special Reserve Account Requirement, as the case may be, the Master Trustee shall compute the  
42 amount by which the balance in the Parity Common Reserve Account or the Special Reserve

1 Account, as the case may be, exceeds the Parity Common Reserve Account Requirement or the  
2 Special Reserve Account Requirement, as the case may be, and shall transfer the excess in  
3 accordance with the provisions of the applicable Parity Resolution.

4 Section 604. Covenant as to Arbitrage. The Corporation covenants that so long as any  
5 Tax-Exempt Parity Obligations remain Outstanding, the money on deposit in any fund, account  
6 or subaccount maintained in connection with such Tax-Exempt Parity Obligations, regardless of  
7 whether such money was derived from the proceeds of the sale of such Tax-Exempt Parity  
8 Obligations or from any other sources, will not be used in a manner that would cause such Tax-  
9 Exempt Parity Obligations to be "arbitrage bonds" within the meaning of Section 148 of the  
10 Code and applicable regulations promulgated from time to time thereunder. The Corporation  
11 further covenants and agrees to comply with the requirements of Section 148 of the Code and  
12 applicable regulations promulgated from time to time thereunder with respect to any Tax-Exempt  
13 Parity Obligations.

## 14 Article VII.

### 15 COVENANTS OF THE CORPORATION AND THE STATE

16  
17 Section 701. Security; Restrictions on Encumbering Net Receipts; Payment of Principal  
18 and Interest. (a) Any Bond issued under this Master Indenture shall be a special and limited  
19 obligation of the Corporation payable solely from Net Receipts and money, Investment  
20 Obligations and Reserve Alternative Instruments held in the funds, accounts and subaccounts  
21 established under this Master Indenture and the income from such Investment Obligations and  
22 the investment of such money.

23 As security for the payment of the Bonds and any Parity Debt and the interest thereon and  
24 as authorized by the Act, the Corporation hereby (i) grants to the Master Trustee a pledge of,  
25 security interest in and lien upon its Net Receipts and (ii) assigns to the Master Trustee all its  
26 right, title and interest (including the right to enforce the same and the right to receive and collect  
27 the Pledged Collateral) in and to the Pledge Agreement (except for those certain rights that are  
28 set forth in the granting clauses of this Master Indenture).

29 In addition, as further security for the payment of each Series of Bonds and the interest  
30 thereon, the Corporation hereby grants to the Master Trustee a pledge of, security interest in and  
31 lien upon the money and Investment Obligations in any and all of the related accounts and  
32 subaccounts of the Bond Fund and the accounts and subaccounts established under the  
33 Supplemental Indenture authorizing the issuance of such Series.

34 The pledge, security interest and lien shall be effective and operate immediately, and the  
35 Master Trustee shall have the right to collect and receive the Net Receipts in accordance with the  
36 provisions hereof and the Pledged Collateral in accordance with the provisions of the Pledge  
37 Agreement at all times during the period from and after the date of delivery of the Bonds issued  
38 hereunder until the Bonds and all Parity Debt have been fully paid and discharged, including at  
39 all times after the institution and during the pendency of any bankruptcy or similar proceedings.



1 The aforementioned pledge, security interest and lien shall not impair or restrict the  
2 ability of the Corporation to invest in securities and other forms of investment, subject to the  
3 provisions of this Master Indenture.

4 The Corporation covenants that it will prepare and file such financing statements or  
5 amendments to or terminations of existing financing statements as shall, in the Opinion of  
6 Counsel, be necessary to comply with applicable law or as required due to changes in the Net  
7 Receipts. In addition, if financing statements are filed pursuant to the requirements of the  
8 preceding sentence, the Corporation covenants that it will, at least thirty (30) days prior to the  
9 expiration of any financing statement, prepare and file such continuation statements of existing  
10 financing statements as shall, in the Opinion of Counsel, be necessary to continue the security  
11 interest evidenced thereby and shall provide to the Master Trustee written notice of such filing.  
12 If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to  
13 the expiration date of any such financing statement, the Master Trustee shall prepare and file or  
14 cause the Corporation to prepare and file such continuation statements in a timely manner.

15 (b) The Corporation covenants that it will not pledge or grant a security  
16 interest in (except as provided in (a) above and as may be otherwise provided in this Master  
17 Indenture) any of the Net Receipts.

18 (c) The Corporation covenants to pay or cause to be paid the principal of,  
19 premium, if any, and interest on the Parity Obligations secured by this Master Indenture at the  
20 places, on the dates and in the manner provided in this Master Indenture and in the Parity  
21 Obligations according to the terms thereof whether at maturity, upon proceedings for  
22 redemption, by acceleration or otherwise.

23 Section 702. Covenants as to Existence, Etc. The Corporation hereby covenants:

24 (a) Except as otherwise expressly provided herein, to preserve its corporate or  
25 other legal existence and all its rights and licenses to the extent necessary or desirable in the  
26 operation of its business and affairs and be qualified to do business in each jurisdiction where its  
27 ownership of Property or the conduct of its business requires such qualification.

28 (b) To do all things reasonably necessary to conduct its affairs and carry on its  
29 business and operations in such manner as to comply with any and all applicable laws of the  
30 United States and the several states thereof and duly observe and conform to all valid orders,  
31 regulations or requirements of any governmental authority relative to the conduct of its business  
32 and the ownership of its Property; provided, however, that nothing herein contained shall require  
33 it to comply with, observe and conform to any such law, order, regulation or requirement of any  
34 governmental authority so long as the validity thereof or the applicability thereof to it shall be  
35 contested in good faith.

36 (c) To pay promptly all lawful taxes, governmental charges and assessments  
37 at any time levied or assessed upon or against it or its Property; provided, however, that it shall  
38 have the right to contest in good faith any such taxes, charges or assessments or the collection of  
39 any such sums and pending such contest may delay or defer payment thereof.

(d) To pay promptly or otherwise satisfy and discharge all of its indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Indebtedness created and Outstanding hereunder) whose validity, amount or collectibility is being contested in good faith.

(e) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

Section 703. Limitations on Creation of Liens. (a) The Corporation agrees that it will not create or suffer to be created or permit the existence of any Lien upon the Net Receipts other than Permitted Liens as defined in clause (b) below.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of deposits by the Corporation to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license;

(iii) the Lien of this Master Indenture;

(iv) any Lien securing all Parity Obligations on a pari passu basis;

(v) any Lien on Net Receipts securing Subordinated Indebtedness; and

(vi) any Lien securing the obligations of the Corporation under a Derivative Agreement which, if required by the provider of such Derivative Agreement, may be pari passu with the Lien on the Net Receipts securing the Parity Obligations created under this Master Indenture, so long as the notional amount of all Derivative Agreements secured by such pari passu Liens does not at any time exceed the aggregate amount of Parity Obligations then Outstanding and so long as the Corporation's obligation to make any termination payment constitutes Subordinated Indebtedness.

Section 704. Incurrence Test. Subsequent to the effective date of this Master Indenture and the Corporation's issuance of its \$1,350,025,000 Series 2006A Bonds in accordance with its Supplement No. 1 dated as of June 1, 2006 and its issuance of up to \$2,800,000,000 of Pre-Event Parity Bonds on or prior to August 1, 2006, all of which may be issued without compliance with the Incurrence Test established by this Section,

(a) The Corporation may incur Parity Obligations at one time or from time to time in any form or combination of forms permitted by this Master Indenture if, prior to the incurrence of such Parity Obligations, the Corporation shall file or cause to be filed with the Master Trustee an Officer's Certificate of the Corporation (which may rely upon certificates or

1 other documentation delivered by an Authorized Officer of the State Board of Administration)  
2 certifying that (i) the Debt Service Coverage Ratio, taking into account the proposed additional  
3 Parity Obligations, is not less than 1.25 and (ii) in the case of Post-Event Parity Obligations, the  
4 product of the aggregate percentage rate of all Emergency Assessments (A) currently levied by  
5 the Office of Insurance Regulation and (B) not currently levied by the Office of Insurance  
6 Regulation but which the State Board of Administration has authorized and directed the Office of  
7 Insurance Regulation to impose, in each case as of the date of such Certificate, multiplied by the  
8 Emergency Assessment Base for the most recent 12-month period for which such information is  
9 available, is not less than 100% of the Maximum Debt Service Requirement for all of the Post-  
10 Event Parity Obligations, including the proposed additional Post-Event Parity Obligations, that  
11 will be Outstanding immediately following the issuance of such proposed Post-Event Parity  
12 Obligations.

13 (b) The Corporation may incur Parity Obligations for the purpose of refunding  
14 or reissuing any Outstanding Indebtedness if, prior to the incurrence of such Parity Obligations,  
15 (i) either (A) the Master Trustee receives an Officer's Certificate of the Corporation (which may  
16 rely upon certificates or other documentation delivered by an Authorized Officer of the State  
17 Board of Administration) stating that, taking into account the Parity Obligations proposed to be  
18 incurred, the Parity Obligations to remain Outstanding after the refunding and the refunding of  
19 the Outstanding Indebtedness proposed to be refunded, the Maximum Debt Service  
20 Requirement will not be increased by more than five percent (5%), or (B) the Corporation files  
21 or causes to be filed with the Master Trustee an Officer's Certificate of the Corporation (which  
22 may rely upon certificates or other documentation delivered by an Authorized Officer of the  
23 State Board of Administration) certifying that the Debt Service Coverage Ratio, taking into  
24 account the Parity Obligations proposed to be incurred, the refunding of the Outstanding  
25 Indebtedness proposed to be refunded and the Parity Obligations to remain Outstanding after the  
26 refunding, is not less than 1.25, (ii) in the case of Post-Event Parity Obligations, the product of  
27 the aggregate percentage rate of all Emergency Assessments (A) currently levied by the Office of  
28 Insurance Regulation and (B) not currently levied by the Office of Insurance Regulation but  
29 which the State Board of Administration has authorized and directed the Office of Insurance  
30 Regulation to impose, in each case as of the date of such Certificate, multiplied by the  
31 Emergency Assessment Base for the most recent 12-month period for which such information is  
32 available, is not less than 100% of the Maximum Debt Service Requirement for all of the Post-  
33 Event Parity Obligations, including the proposed additional Post-Event Parity Obligations, that  
34 will be Outstanding immediately following the issuance of such proposed Post-Event Parity  
35 Obligations, and (iii) the Master Trustee receives a report by a nationally-recognized verification  
36 agent verifying the computations supporting the determinations in (i) and (ii) above.

37 (c) For purposes of demonstrating compliance with the Incurrence Test set  
38 forth in subsection (a) or (b), the Corporation may (but is not required to) elect in the applicable  
39 Supplemental Indenture to treat all Parity Obligations authorized in a Credit Facility (including,  
40 for example and without limitation, a line of credit or a liquidity facility supporting a commercial  
41 paper program), but not immediately issued or incurred under such Credit Facility, as subject to  
42 such Incurrence Test as of a single date, notwithstanding that none, or less than all, of the  
43 authorized principal amount of such Parity Obligations shall have been issued or incurred as of  
44 such date.

1 (d) Short-Term Indebtedness may be incurred under this Master Indebtedness  
2 as a Parity Obligation only in compliance with the Incurrence Test in subsection (a). In addition,  
3 the Corporation may incur Short-Term Indebtedness as Subordinated Indebtedness under this  
4 Master Indenture.

5 (e) Notwithstanding the foregoing provisions of this Section, nothing herein  
6 contained shall preclude the Corporation from incurring any obligation under a Credit Facility.

7 (f) Notwithstanding the foregoing provisions of this Section, nothing herein  
8 contained shall preclude the Corporation from entering into a Derivative Agreement either in  
9 connection with Indebtedness or otherwise.

10 Section 705. Fiscal Year End Certificate. Not later than ninety (90) days after the end  
11 of each Fiscal Year, commencing with the Fiscal Year ending on June 30, 2007, the Corporation  
12 shall file with the Master Trustee an Officer's Certificate demonstrating and stating that the  
13 Revenue Available for Debt Service for the prior Fiscal Year (set forth in such Certificate) was  
14 not less than the greater of (i) one hundred twenty-five percent (125%) of the principal and  
15 interest that became due and payable in such Fiscal Year on Parity Obligations and (ii) one  
16 hundred percent (100%) of the principal and interest that became due and payable in such Fiscal  
17 Year for Parity Obligations and Subordinated Indebtedness (both such calculations set forth in  
18 such Certificate); provided, however, that if the Corporation is unable to deliver such an  
19 Officer's Certificate, the Corporation covenants to take all actions permitted by law or under the  
20 Pledge Agreement, including (A) petitioning the Legislature of the State for any amendment or  
21 amendments to the Act deemed appropriate by the Governing Body of the Corporation, (B)  
22 cooperating with the State Board of Administration in connection with any action to increase  
23 collections of Pledged Collateral and (C) retaining a Consultant within thirty (30) days to make  
24 recommendations to increase the Revenue Available for Debt Service in the following Fiscal  
25 Year to the levels required or, if in the opinion of the Consultant the attainment of such levels is  
26 impracticable, to the highest levels attainable. Any Consultant so retained shall be required to  
27 submit such recommendations within sixty (60) days after being so retained. The Corporation  
28 agrees that it will, to the extent permitted by law, follow, or cause to be followed, the  
29 recommendations of any Consultant so retained. For purposes of the Officer's Certificate  
30 described in this Section, there may be subtracted from the amount of the interest otherwise  
31 includable in the amounts described in clauses (i) and (ii) above an amount equal to the sum of  
32 the interest on Parity Obligations paid during such Fiscal Year from (Y) the Capitalized Interest  
33 Account in the Bond Fund and (Z) without duplication, investment income on and proceeds of  
34 Pre-Event Parity Obligations. The Officer's Certificate described in this Section 705 may be  
35 provided jointly by an Authorized Officer of the Corporation and an Authorized Officer of the  
36 State Board of Administration.

37 Section 706. Filing of Audited Financial Statements, Certificate of No Default, Other  
38 Information. The Corporation covenants that it will:

39 (a) Within thirty (30) days after receipt of the audit report mentioned below  
40 but in no event later than two hundred seventy (270) days after the end of each Fiscal Year, file  
41 with the Master Trustee and with each Owner or Holder who may have so requested of the  
42 Corporation in writing, a copy of the Audited Financial Statements as of the end of such Fiscal

1 Year accompanied by the opinion of an Auditor. Such Audited Financial Statements shall be  
2 prepared in accordance with generally accepted accounting principles.

3 (b) Within thirty (30) days after receipt of the audit report mentioned above  
4 but in no event later than two hundred seventy (270) days after the end of each fiscal reporting  
5 period, file with the Master Trustee and with each Owner or Holder who may have so requested  
6 or on whose behalf the Master Trustee may have so requested, an Officer's Certificate of an  
7 Authorized Officer of the Corporation and a report of an Auditor stating, to the best knowledge  
8 of the signers, whether the Corporation is in default in the performance of any covenant  
9 contained in this Master Indenture and, if so, specifying each such default of which the signers  
10 may have knowledge and whether each such default has been corrected. If any default has not  
11 been remedied then such report of such independent certified public accountant or firm of  
12 independent certified public accountants shall identify what, if any, corrective action will be  
13 taken to cure such default.

14 (c) If an Event of Default shall have occurred and be continuing, file with the  
15 Master Trustee such other financial statements and information concerning its operations and  
16 financial affairs as the Master Trustee may from time to time reasonably request, excluding  
17 specifically personnel records.

18 Section 707. Annual Budget. The Corporation covenants that on or before the first  
19 (1st) day of each Fiscal Year the Governing Body will adopt a budget for such Fiscal Year. The  
20 Corporation shall promptly file copies of such annual budget with the State Board of  
21 Administration and the Master Trustee and with each Owner and Holder who may have so  
22 requested of the Corporation in writing. To the extent possible, the Corporation shall prepare its  
23 annual budget so that it will be possible to determine from such budget the Current Expenses of  
24 the Corporation and the amounts to be deposited to the credit of the various funds, accounts and  
25 subaccounts created by this Master Indenture.

26 Section 708. State Covenant. The Corporation incorporates herein the State's covenant  
27 with the Owners of Outstanding Bonds that the State will not limit or alter the denial of authority  
28 to file a petition in bankruptcy, or the rights vested in the FHCF or the Corporation to fulfill the  
29 terms of any agreements made with the Owners, or in any way impair the rights and remedies of  
30 such Owners so long as any such Bonds of the Corporation remain Outstanding unless adequate  
31 provision has been made for the payment of such Bonds pursuant to the documents authorizing  
32 the issuance of such Bonds.

## 33 Article VIII.

### 34 35 DEFAULTS AND REMEDIES

36 Section 801. Extension of Interest Payment. If the time for the payment of the interest  
37 on any Parity Obligation is extended, whether or not such extension is by or with the consent of  
38 the Corporation, such interest so extended shall not be entitled in case of default hereunder to the  
39 benefit or security of this Master Indenture and in such case the Owner of the Bond or the Holder  
40 of any Parity Debt for which the time for payment of interest was extended shall be entitled only  
41 to the payment in full of the principal of all Parity Obligations then Outstanding and of interest

1 for which the time for payment shall not have been extended. The time for the payment of the  
2 interest on any Parity Obligation shall not be extended in respect of any Parity Obligation  
3 covered by a Credit Facility without the consent of the Credit Provider.

4 Section 802. Events of Default. Each of the following events is hereby declared an  
5 Event of Default with respect to Parity Obligations:

6 (a) the Corporation shall fail to make any payment of the principal of and the  
7 redemption premium, if any, on any of the Bonds or any Parity Debt when and as the same shall  
8 be due and payable, either at maturity or by redemption or otherwise;

9 (b) the Corporation shall fail to make any payment of the interest on any of  
10 the Bonds or any Parity Debt when and as the same shall be due and payable;

11 (c) an event of default shall have occurred under any Supplemental Indenture  
12 or the Master Trustee shall have received written notice from any Holder of an event of default  
13 under any Parity Debt Resolution;

14 (d) the Corporation shall fail duly to perform, observe or comply with any  
15 covenant or agreement on its part under this Master Indenture for a period of thirty (30) days  
16 after the date on which written notice of such failure, requiring the same to be remedied, shall  
17 have been given to the Corporation by the Master Trustee; provided, however, that if such failure  
18 be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall  
19 not constitute an Event of Default if corrective action is instituted within such 30-day period and  
20 diligently pursued until the Event of Default is corrected;

21 (e) the Corporation shall fail to make any required payment with respect to  
22 any Subordinated Indebtedness or other indebtedness (other than any Bond, Parity Debt or  
23 Subordinated Indebtedness), whether such indebtedness now exists or shall hereafter be created,  
24 and any period of grace with respect thereto shall have expired, or an event of default as defined  
25 in any mortgage, indenture or instrument under which there may be issued, or by which there  
26 may be secured or evidenced, any indebtedness, whether such indebtedness now exists or shall  
27 hereafter be created, shall occur, which event of default shall not have been waived by the holder  
28 of such mortgage, indenture or instrument or a trustee acting on its behalf, and as a result of such  
29 failure to pay or other event of default such indebtedness shall have been accelerated and such  
30 acceleration, in the opinion of the Master Trustee, does or could materially adversely affect the  
31 Owners of Bonds and the Holders of Parity Debt; or

32 (f) the State shall (i) amend, alter, repeal or fail to comply with the State  
33 Covenant as in effect on the date hereof, or (ii) enact a moratorium or other similar law affecting  
34 the Bonds.

35 Section 803. Acceleration of Maturities. Upon the happening and continuance for a  
36 period of not less than one hundred eighty (180) days of any Event of Default described in  
37 Section 802(a) or (b) hereof, then and in every case the Master Trustee may, and upon the  
38 written request of the Owners or Holders of not less than a majority in aggregate principal  
39 amount of the Parity Obligations then Outstanding shall, by a notice in writing to the  
40 Corporation, declare the principal of all the Parity Obligations then Outstanding (if not then due

1 and payable) to be due and payable immediately, and upon such declaration the same shall  
2 become and be immediately due and payable, anything contained in the Parity Obligations, this  
3 Master Indenture or any Parity Resolution to the contrary notwithstanding; provided, however,  
4 that if at any time after the principal of the Parity Obligations shall have been so declared to be  
5 due and payable, and before the entry of final judgment or decree in any suit, action or  
6 proceeding instituted on account of such default, or before the completion of the enforcement of  
7 any other remedy under this Master Indenture, moneys shall have accumulated sufficient to pay  
8 the principal of all matured Parity Obligations and all arrears of interest, if any, upon all the  
9 Parity Obligations then Outstanding (except the principal of any Parity Obligations not then due  
10 and payable by their terms and the interest accrued on such Parity Obligations since the last  
11 interest payment date) and sufficient to satisfy the sinking fund requirement, if any, for any Term  
12 Parity Obligations then Outstanding, for the then current Fiscal Year, and the charges,  
13 compensation, expenses, disbursements, advances and liabilities of the Master Trustee and all  
14 other amounts then payable by the Corporation hereunder shall have been paid or a sum  
15 sufficient to pay the same shall have been deposited with the Master Trustee or any Bond  
16 Registrar and every other default known to the Master Trustee in the observance or performance  
17 of any covenant, condition, agreement or provision contained in the Bonds, any Parity Debt, this  
18 Master Indenture or any Parity Resolution (other than a default in the payment of the principal of  
19 such Parity Obligations then due and payable only because of a declaration under this Section)  
20 shall have been remedied to the satisfaction of the Master Trustee, then and in every such case  
21 the Master Trustee shall, by written notice to the Corporation, rescind and annul such declaration  
22 and its consequences, but no such rescission or annulment shall extend to or affect any  
23 subsequent Event of Default or impair any right consequent thereon.

24 Section 804. Remedies. (a) Upon the happening and continuance of any Event of  
25 Default, then and in every such case the Master Trustee may proceed, and upon the written  
26 request of the Owners or Holders of not less than a majority in aggregate principal amount of the  
27 Parity Obligations then Outstanding shall proceed, subject to the provisions of Section 902  
28 hereof, to protect and enforce its rights and the rights of the Owners or Holders of the Parity  
29 Obligations under applicable laws and under this Master Indenture by such suits, actions or  
30 special proceedings in equity or at law, or by proceedings in the office of any board or officer  
31 having jurisdiction, either for the specific performance of any covenant or agreement contained  
32 herein or in aid or execution of any power herein granted or for the enforcement of any proper  
33 legal or equitable remedy, as the Master Trustee, being advised by counsel, chosen by the Master  
34 Trustee, shall deem most effectual to protect and enforce such rights, including but not limited  
35 to:

36 (i) Enforcement of the right of the Owners and Holders to collect and enforce the  
37 payment of amounts due or becoming due under the Parity Obligations;

38 (ii) Suit upon all or any part of the Parity Obligations;

39 (iii) Civil action to require any Person holding moneys, documents or other property  
40 pledged to secure payment of amounts due or to become due on the Parity Obligations to  
41 account as if it were the trustee of an express trust for the Owners and Holders;

1 (iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of  
2 the rights of the Owners and Holders;

3 (v) Enforcement of any other right of the Owners and Holders conferred by law or  
4 hereby; and

5 (vi) Enforcement of the provisions of the Pledge Agreement.

6 (b) Regardless of the happening of an Event of Default, the Master Trustee, if  
7 requested in writing by the Owners or Holders of not less than a majority of the aggregate  
8 principal amount of the Parity Obligations then Outstanding, shall, subject to Section 902 hereof,  
9 institute and maintain such suits and proceedings as it may be advised shall be necessary or  
10 expedient (i) to prevent any impairment of the security hereunder by any acts which may be  
11 unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Owners and  
12 Holders, provided that such request and the action to be taken by the Master Trustee are not in  
13 conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master  
14 Trustee, are not unduly prejudicial to the interest of the Owners and Holders not making such  
15 request.

16 Section 805. Pro Rata Application of Funds. Anything in this Master Indenture to the  
17 contrary notwithstanding, if at any time the money deposited with the Master Trustee pursuant to  
18 Section 502 hereof or pursuant to any remedial action is not sufficient to pay the interest on or  
19 the principal of the Parity Obligations as the same become due and payable (either by their terms  
20 or by acceleration of maturities under the provisions of Section 803 hereof), such money,  
21 together with any money then available or thereafter becoming available for such purposes,  
22 whether through the exercise of the remedies provided for in this Article or otherwise, shall, after  
23 payment of the accrued and unpaid fees, costs and expenses of the Master Trustee, be applied as  
24 follows:

25 (a) if the principal of all Parity Obligations shall not have become or shall not  
26 have been declared due and payable, all such money shall be applied as follows:

27 first: to the payment to the persons entitled thereto of all installments of  
28 interest on the Parity Obligations or regularly scheduled payments to a Derivative  
29 Agreement Counterparty with respect to Derivative Indebtedness then due and  
30 payable in the order in which such installments became due and payable and, if  
31 the amount available shall not be sufficient to pay in full any particular  
32 installment, then to the payment, ratably according to the amounts due on such  
33 installment, to the persons entitled thereto, without any discrimination or  
34 preference except as to any difference in the respective rates of interest specified  
35 in such Parity Obligations;

36 second: to the payment to the persons entitled thereto of the unpaid  
37 principal of any Parity Obligations that shall have become due and payable (other  
38 than Parity Obligations deemed to have been paid pursuant to the provisions of  
39 Section 1201 hereof), in the order of their due dates, with interest on the overdue  
40 principal at a rate equal to the rate on such Parity Obligations, and, if the amount



1 available shall not be sufficient to pay in full the principal of Parity Obligations  
2 due and payable on any particular date, then to the payment ratably according to  
3 the amount of such principal due on such date, to the persons entitled thereto  
4 without any discrimination or preference; and

5 third: to the payment of the interest on and the principal of Parity  
6 Obligations, to the purchase and retirement of Parity Obligations, and to the  
7 redemption of Parity Obligations, all in accordance with the provisions of this  
8 Master Indenture and any Parity Resolution.

9 (b) If the principal of all Parity Obligations shall have become or shall have  
10 been declared due and payable, all such money shall be applied to the payment of principal and  
11 interest then due upon such Parity Obligations and regularly scheduled payments to a Derivative  
12 Agreement Counterparty with respect to Derivative Indebtedness, without preference or priority  
13 of principal over interest or of interest over principal, or of any installment of interest over any  
14 other installment of interest, or of any Bond or Parity Debt over any other Bond or Parity Debt,  
15 ratably, according to the amounts due respectively for principal and interest, to the persons  
16 entitled thereto without any discrimination or privilege.

17 (c) If the principal of all Parity Obligations shall have been declared due and  
18 payable and if such declaration shall thereafter have been rescinded and annulled under the  
19 provisions of Section 803 hereof, then, subject to the provisions of paragraph (b) of this Section  
20 in the event that the principal of all Parity Obligations shall later become due and payable or be  
21 declared due and payable, the money then remaining on deposit with the Master Trustee and  
22 thereafter accruing shall be applied in accordance with the provisions of paragraph (a) of this  
23 Section.

24 Whenever money is to be applied by the Master Trustee pursuant to the provisions of this  
25 Section: (a) such money shall be applied by the Master Trustee at such times and from time to  
26 time as the Master Trustee in its sole discretion shall determine, having due regard for the  
27 amount of money available for such application and the likelihood of additional money  
28 becoming available for such application in the future, (b) setting aside such money as provided  
29 herein in trust for the proper purpose shall constitute proper application by the Master Trustee,  
30 and (c) the Master Trustee shall incur no liability whatsoever to the Corporation, to any Owner  
31 or Holder or to any other Person for any delay in applying any such money so long as the Master  
32 Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately  
33 applies the same in accordance with such provisions of this Master Indenture as may be  
34 applicable at the time of application by the Master Trustee. Whenever the Master Trustee  
35 exercises such discretion in applying such money, it shall fix the date (which shall be an Interest  
36 Payment Date unless the Master Trustee shall deem another date more suitable) upon which such  
37 application is to be made and upon such date interest on the amounts of principal to be paid on  
38 such date shall cease to accrue. The Master Trustee shall give such notice as it may deem  
39 appropriate of the fixing of any such date and shall not be required to make payment to the  
40 Owner of any Bond or the Holder of any Parity Debt until such Bond or Parity Debt is  
41 surrendered to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

1       Section 806. Effect of Discontinuance of Proceedings. If any proceeding taken by the  
2 Master Trustee or Owners or Holders on account of any Event of Default is discontinued or  
3 abandoned for any reason, then and in every such case, the Corporation, the Master Trustee and  
4 the Owners and the Holders shall be restored to their former positions and rights hereunder, and  
5 all rights, remedies, powers and duties of the Master Trustee shall continue as though no  
6 proceedings had been taken.

7       Section 807. Control of Proceedings. Anything in this Master Indenture to the contrary  
8 notwithstanding, the Owners or Holders of a majority in aggregate principal amount of Parity  
9 Obligations at any time Outstanding shall have the right, subject to the provisions of Section 902  
10 hereof, by an instrument or concurrent instruments in writing executed and delivered to the  
11 Master Trustee, to direct the method and place of conducting all remedial proceedings to be  
12 taken by the Master Trustee hereunder, provided that such direction shall be in accordance with  
13 law and the provisions of this Master Indenture, and, in the sole judgment of the Master Trustee,  
14 is not unduly prejudicial to the interest of any Owners or Holders not joining in such direction,  
15 and provided further, that the Master Trustee shall have the right to decline to follow any such  
16 direction if the Master Trustee in good faith shall determine that the proceeding so directed  
17 would involve it in personal liability, and provided further that nothing in this Section shall  
18 impair the right of the Master Trustee in its discretion to take any other action hereunder which it  
19 may deem proper and which is not inconsistent with such direction by the Owners or Holders.

20       Section 808. Restrictions Upon Action. Except as provided in Section 813 hereof, no  
21 Owner or Holder shall have any right to institute any suit, action or proceeding in equity or at  
22 law on any Bond or Parity Debt or for the execution of any trust hereunder or for any other  
23 remedy hereunder unless such Owner or Holder previously shall (a) has given to the Master  
24 Trustee written notice of the Event of Default on account of which suit, action or proceeding is to  
25 be instituted, (b) has requested the Master Trustee to take action after the right to exercise such  
26 powers or right of action, as the case may be, shall have accrued, (c) has afforded the Master  
27 Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or  
28 to institute such action, suit or proceedings in its or their name, and (d) has offered to the Master  
29 Trustee reasonable security and satisfactory indemnity against the costs, expenses and liabilities  
30 to be incurred therein or thereby, and the Master Trustee shall have refused or neglected to  
31 comply with such request within a reasonable time. Such notification, request and offer of  
32 indemnity are hereby declared in every such case, at the option of the Master Trustee, to be  
33 conditions precedent to the execution of the powers and trusts of this Master Indenture or to any  
34 other remedy hereunder. Notwithstanding the foregoing provisions of this Section and without  
35 complying therewith, the Owners or Holders of not less than a majority in aggregate principal  
36 amount of Parity Obligations then Outstanding may institute any such suit, action or proceeding  
37 in their own names for the benefit of all Owners or Holders. It is understood and intended that,  
38 except as otherwise above provided, no one or more Owners or Holders shall have any right in  
39 any manner whatsoever by his or their action to affect, disturb or prejudice the security of this  
40 Master Indenture or to enforce any right hereunder except in the manner provided, that all  
41 proceedings at law or in equity shall be instituted, had and maintained in the manner herein  
42 provided and for the benefit of all Owners and Holders and that any individual rights of action or  
43 other right given to one or more of such Owners or Holders by law are restricted by this Master  
44 Indenture to the rights and remedies herein provided.

1           Section 809. Enforcement of Rights of Action. All rights of action (including the right  
2 to file proof of claim) under this Master Indenture or under any Bonds and any Parity Debt may  
3 be enforced by the Master Trustee without the possession of any Bonds and any Parity Debt or  
4 the production thereof in any proceedings relating thereto, and any such suit or proceedings  
5 instituted by the Master Trustee shall be brought in its name as Master Trustee, without the  
6 necessity of joining as plaintiffs or defendants any Owners or Holders, and any recovery of  
7 judgment shall be for the equal benefit of the Owners or Holders, subject to the provisions of  
8 Section 801 hereof.

9           Section 810. No Remedy Exclusive. No remedy herein conferred upon or reserved to  
10 the Master Trustee or to the Owners or Holders is intended to be exclusive of any other remedy  
11 or remedies herein provided, and each and every such remedy shall be cumulative and shall be in  
12 addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

13           Section 811. Delay Not a Waiver. No delay or omission by the Master Trustee or of  
14 any Owner or Holder in the exercise of any right or power accruing upon any default shall impair  
15 any such right or power or shall be construed to be a waiver of any such default or any  
16 acquiescence therein, and every power or remedy given by this Master Indenture to the Master  
17 Trustee and to the Owners or Holders may be exercised from time to time and as often as may be  
18 deemed expedient.

19           The Master Trustee may, and upon written request of the Owners or Holders of not less  
20 than a majority in principal amount of the Parity Obligations then Outstanding shall, waive any  
21 Event of Default which in its opinion has been remedied before the entry of final judgment or  
22 decree in any suit, action or proceeding instituted by it under the provisions of this Master  
23 Indenture or before the completion of the enforcement of any other remedies under this Master  
24 Indenture; provided, however, that, except under the circumstances set forth in Section 803  
25 hereof for the rescission and annulment of a declaration of acceleration, a default in the payment  
26 of the principal of, premium, if any, or interest on any Bond or Parity Debt, when the same shall  
27 become due and payable by the terms thereof or upon call for redemption, may not be waived  
28 without the written consent of the Owners of all the Bonds or the Holders of all the Parity Debt  
29 (with respect to which such payment default exists) at the time Outstanding; and provided  
30 further, however, that no such waiver shall extend to or affect any other existing or subsequent  
31 Event of Default or impair any rights or remedies consequent thereon.

32           Section 812. Notice of Default. The Master Trustee shall mail to (a) all Owners at their  
33 addresses as they appear on the registration books and (b) to all Holders who shall have filed  
34 their names with the Master Trustee for such purpose, written notice of the occurrence of any  
35 Event of Default within ten (10) days after the Master Trustee has notice, pursuant to the  
36 provisions of Section 908 hereof, that any such Event of Default shall have occurred. The  
37 Master Trustee shall not be subject to any liability to any Owner or Holder by reason of its  
38 failure to mail any such notice.

39           Section 813. Right to Enforce Payment of Parity Obligations Unimpaired. Nothing in  
40 this Article shall affect or impair the right of any Owner or Holder to enforce the payment of the  
41 principal of and interest on his Bonds or Parity Debt or the obligation of the Corporation to pay

1 the principal of and interest on each Bond and Parity Debt to the Owner or Holder thereof at the  
2 time and place specified in said Bond or Parity Debt.

3 Section 814. Remedies Subject to Provisions of Law. All rights, remedies and powers  
4 provided by this Article may be exercised only to the extent that the exercise thereof does not  
5 violate any applicable provision of law, and all the provisions of this Article are intended to be  
6 subject to all applicable mandatory provisions of law which may be controlling and to be limited  
7 to the extent necessary so that they will not render this Master Indenture or the provisions hereof  
8 invalid or unenforceable under the provisions of any applicable law.

9 Article IX.

10  
11 THE MASTER TRUSTEE AND THE BOND REGISTRAR

12 Section 90I. Acceptance of Trusts. The Master Trustee by execution hereof accepts  
13 and agrees to fulfill the trusts imposed upon it by this Master Indenture, but only upon the terms  
14 and conditions set forth in this Article and subject to the provisions of this Master Indenture, to  
15 all of which the Corporation, the Master Trustee and the respective Owners of the Bonds and any  
16 Holders of Parity Debt agree. Prior to the occurrence of any Event of Default and after the  
17 curing of all such Events of Default that may have occurred, the Master Trustee shall perform  
18 such duties and only such duties of the Master Trustee as are specifically set forth in this Master  
19 Indenture. Upon the occurrence and during the continuation of any Event of Default, the Master  
20 Trustee shall use the same degree of care and skill in their exercise as a prudent person would  
21 exercise or use under the circumstances in the conduct of such person's own affairs.

22 No provision of this Master Indenture or any Parity Resolution shall be construed to  
23 relieve the Master Trustee from liability for its own negligent action, its own negligent failure to  
24 act, or its own willful misconduct, except that:

25 (a) prior to any such Event of Default hereunder, and after the curing of any Event of  
26 Default that may have occurred:

27 (i) the duties and obligations of the Master Trustee shall be determined solely  
28 by the express provisions of this Master Indenture, and the Master Trustee shall not be  
29 liable except for the performance of such duties and obligations of the Master Trustee as  
30 are specifically set forth in this Master Indenture, and no implied covenants or obligations  
31 shall be read into this Master Indenture against the Master Trustee, and

32 (ii) in the absence of bad faith on its part, the Master Trustee may  
33 conclusively rely, as to the accuracy of the statements and the correctness of the opinions  
34 expressed therein, upon any certificate or opinion furnished to it conforming to the  
35 requirements of this Master Indenture, but in the case of any such certificate or opinion  
36 by which any provision hereof is specifically required to be furnished to the Master  
37 Trustee, the Master Trustee shall be under a duty to examine the same to determine  
38 whether or not it conforms to the requirements of this Master Indenture; and

39 (b) at all times, regardless of whether or not any such Event of Default shall exist:

1 (i) the Master Trustee shall not be liable for any error of judgment made in  
2 good faith by a responsible officer or officers of the Master Trustee unless it shall be  
3 proved that the Master Trustee was negligent in ascertaining the pertinent facts, and

4 (ii) the Master Trustee shall not be liable with respect to any action taken or  
5 omitted to be taken by it in good faith in accordance with the direction of the Owners and  
6 Holders of not less than twenty-five percent (25%) or a majority, as this Master Indenture  
7 shall require, in aggregate principal amount of the Parity Obligations then Outstanding  
8 relating to the time, method and place of conducting any proceeding for any remedy  
9 available to the Master Trustee, or exercising any power conferred upon the Master  
10 Trustee under this Master Indenture.

11 None of the provisions contained in this Master Indenture shall require the Master  
12 Trustee to expend or risk its own funds or otherwise incur individual financial liability in the  
13 performance of any of its duties or in the exercise of any of its rights or powers.

14 Section 902. Indemnification of Master Trustee as Condition for Remedial Action. The  
15 Master Trustee shall be under no obligation to institute any suit or to take any remedial  
16 proceeding (including, but not limited to, the acceleration of the maturity date of all Parity  
17 Obligations under this Master Indenture) under this Master Indenture or the Pledge Agreement or  
18 to enter any appearance or in any way defend in any suit in which it may be made defendant, or  
19 to take any steps in the execution of any of the trusts hereby created or in the enforcement of any  
20 rights and powers under this Master Indenture or the Pledge Agreement, until it shall be  
21 indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees  
22 and other reasonable disbursements, and against all liability. The Master Trustee nevertheless  
23 may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be  
24 done by it as such Master Trustee, without indemnity, and in such case the Corporation, at the  
25 request of the Master Trustee, shall reimburse the Master Trustee as Current Expenses of the  
26 Corporation for all costs, expenses, outlays and counsel fees and other reasonable disbursements  
27 properly incurred in connection therewith. If the Corporation shall fail to make such  
28 reimbursement, the Master Trustee may reimburse itself from any money in its possession under  
29 the provisions of this Master Indenture and shall be entitled to a preference therefor over any  
30 Parity Obligations Outstanding.

31 Section 903. Limitations on Obligations and Responsibilities of Master Trustee. The  
32 Master Trustee shall be under no obligation to effect or maintain insurance or to renew any  
33 policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the  
34 Corporation, or to report, or make or file claims or proof of loss for, any loss or damage insured  
35 against or that may occur, or to keep itself informed or advised as to the payment of any taxes or  
36 assessments, or to require any such payment to be made. Except as to the acceptance of the  
37 trusts under this Master Indenture, the Master Trustee shall have no responsibility in respect of  
38 the validity or sufficiency of this Master Indenture, or in respect of the validity of Bonds or  
39 Parity Debt or the due execution or issuance thereof. The Master Trustee shall be under no  
40 obligation to see that any duties herein imposed upon the Corporation, the Bond Registrar, any  
41 consultant, any Depositary other than a Master Trustee Depositary, or any party other than itself,  
42 or any covenants herein contained on the part of any party other than itself to be performed, shall

1 be done or performed, and the Master Trustee shall be under no obligation for failure to see that  
2 any such duties or covenants are so done or performed.

3       Section 904. Master Trustee Not Liable for Failure of Corporation to Act. The Master  
4 Trustee shall not be liable or responsible because of the failure of the Corporation or of any of its  
5 employees or agents to make any collections or deposits or to perform any act herein required of  
6 the Corporation or because of the loss of any money arising through the insolvency or the act or  
7 default or omission of any Depositary other than the Master Trustee or a Depositary in which  
8 such money shall have been deposited by the Master Trustee under the provisions of this Master  
9 Indenture. The Master Trustee shall not be responsible for the application of any of the proceeds  
10 of Bonds or Parity Debt or any other money deposited with it and paid out, withdrawn or  
11 transferred hereunder if such application, payment, withdrawal or transfer shall be made in  
12 accordance with the provisions of this Master Indenture. The immunities and exemptions from  
13 liability of the Master Trustee hereunder shall extend to its directors, officers, employees and  
14 agents.

15       Section 905. Compensation and Indemnification of Master Trustee and Bond Registrar.  
16 Subject to the provisions of any contract between the Corporation and the Master Trustee or any  
17 Bond Registrar relating to the compensation of the Master Trustee or such Bond Registrar, the  
18 Corporation shall pay to the Master Trustee and such Bond Registrar from Gross Receipts  
19 reasonable compensation for all services performed by them hereunder and also all their  
20 reasonable expenses, charges and other disbursements and those of their attorneys, agents and  
21 employees incurred in and about the administration and the performance of their powers and  
22 duties hereunder and, to the extent permitted by law, shall indemnify and save the Master  
23 Trustee and the Bond Registrar harmless against any liabilities that they may incur in the proper  
24 exercise and performance of their powers and duties hereunder. If the Corporation shall fail to  
25 cause any payment required by this Section to be made, the Master Trustee or any Bond  
26 Registrar may make such payment from any money in its possession under the provisions of this  
27 Master Indenture and shall be entitled to a preference therefor over any Parity Obligations  
28 Outstanding. The Corporation covenants that it shall promptly deposit or cause to be deposited  
29 to the credit of the respective fund, account or subaccount the amount withdrawn therefrom by  
30 the Master Trustee to make any such payment.

31       Section 906. Monthly Statements from Master Trustee. It shall be the duty of the  
32 Master Trustee, on or before the 10th day of each month, to file with the Corporation a statement  
33 setting forth in respect of the preceding calendar month:

34               (a)     the amount withdrawn or transferred by it and the amount deposited with  
35 it on account of each fund, account or subaccount held by it under the provisions of this Master  
36 Indenture,

37               (b)     the amount on deposit with it at the end of such month in each such fund,  
38 account or subaccount,

39               (c)     a brief description of all obligations held by it as an investment of money  
40 in each such fund, account or subaccount,

1 (d) the amount applied to the payment, purchase or redemption of Bonds  
2 under the provisions of Article V of this Master Indenture and a description of the Bonds or  
3 portions thereof so paid, purchased or redeemed, and

4 (e) any other information that the Corporation may reasonably request.

5 All records and files pertaining to Bonds in the custody of the Master Trustee not  
6 otherwise restricted or excluded from disclosure by the terms of this Master Indenture, including,  
7 without limitation, Section 1002 hereof, shall be open at all reasonable times to the inspection of  
8 the Corporation and its agents and representatives.

9 Section 907. Master Trustee May Rely on Certificates. If at any time it shall be  
10 necessary or desirable for the Master Trustee to make any investigation respecting any fact  
11 preparatory to taking or not taking any action or doing or not doing anything as such Master  
12 Trustee, and in any case in which this Master Indenture provides for permitting or taking any  
13 action, the Master Trustee may rely upon any certificate required or permitted to be filed with it  
14 under the provisions of this Master Indenture, and any such certificate shall be evidence of such  
15 fact or protect the Master Trustee in any action that it may or may not take or in respect of  
16 anything it may or may not do, in good faith, by reason of the supposed existence of such fact.  
17 Except as otherwise provided in this Master Indenture, any request, notice, certificate or other  
18 instrument from the Corporation to the Master Trustee shall be deemed to have been signed by  
19 the proper party or parties if signed by any Authorized Officer of the Corporation, and the  
20 Master Trustee may accept and rely upon a certificate signed by any Authorized Officer of the  
21 Corporation as to any action taken by the Corporation.

22 Section 908. Notice of Default. Except upon the happening of any Event of Default  
23 specified in clauses (a), (b) and (c) of Section 802 hereof, the Master Trustee shall not be obliged  
24 to take notice or be deemed to have notice of any Event of Default under this Master Indenture  
25 unless specifically notified in writing of such Event of Default by the Corporation or the Owners  
26 and Holders of not less than twenty-five percent (25%) in aggregate principal amount of Parity  
27 Obligations then Outstanding.

28 Section 909. Master Trustee Not Responsible for Recitals. The recitals, statements and  
29 representations contained herein and in the Bonds shall be taken and construed as made by and  
30 on the part of the Corporation and not by the Master Trustee, and the Master Trustee assumes  
31 and shall be under no responsibility for the correctness of the same.

32 Section 910. Master Trustee Protected in Relying on Certain Documents. The Master  
33 Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or  
34 not proceeding, in good faith, reasonably and in according with the terms of this Master  
35 Indenture, upon any resolution, order, notice, request, consent, waiver, certificate, statement,  
36 affidavit, requisition, bond or other paper or document that it shall in good faith reasonably  
37 believe to be genuine and to have been adopted or signed by the proper board or person or to  
38 have been prepared and furnished pursuant to any of the provisions of this Master Indenture, or  
39 upon the written opinion of any attorney, consultant or accountant believed by the Master  
40 Trustee to be qualified in relation to the subject matter, and the Master Trustee shall be under no  
41 duty to make any investigation or inquiry as to any statements contained or matters referred to in

1 any such instrument. The Master Trustee shall not be under any obligation to see to the  
2 recording or filing of this Master Indenture or otherwise to the giving to any person of notice of  
3 the provisions hereof.

4       Section 911. Master Trustee May Pay Taxes and Assessments. In case the Corporation  
5 shall fail to pay or cause to be paid any lawful tax, assessment or governmental charge or other  
6 charge upon any part of the Corporation to the extent, if any, that the Corporation may be  
7 deemed by the Master Trustee liable for same, the Master Trustee may pay from sources  
8 provided under this Master Indenture such tax, assessment or governmental charge, without  
9 prejudice, however, to any rights of the Master Trustee or the Owners or Holders arising in  
10 consequence of such failure; and any amount at any time so paid under this Section shall be  
11 repaid upon demand by the Master Trustee by the Corporation from Gross Receipts, but the  
12 Master Trustee shall be under no obligation to make any such payment from sources provided in  
13 this Master Indenture unless it shall have available or be provided with adequate funds for the  
14 purpose of such payment.

15       Section 912. Resignation and Removal of Master Trustee and Bond Registrar Subject  
16 to Appointment of Successor. No resignation or removal of the Master Trustee or any Bond  
17 Registrar and no appointment of a successor Master Trustee or successor Bond Registrar  
18 pursuant to this Article shall become effective until the acceptance of appointment by the  
19 successor Master Trustee under Section 915 hereof or the successor Bond Registrar under  
20 Section 917 hereof, as the case may be.

21       Section 913. Resignation of Master Trustee. Subject to the provisions of Section 912  
22 hereof, the Master Trustee may resign and thereby become discharged from the trusts hereby  
23 created, by notice in writing given to the Corporation, and mailed, postage prepaid, at the Master  
24 Trustee's expense, to each Owner and Holder, not less than sixty (60) days before such  
25 resignation is to take effect, but such resignation shall take effect immediately upon the  
26 appointment of a new Master Trustee hereunder if such new Master Trustee shall be appointed  
27 before the time limited by such notice and shall then accept the trusts hereof.

28       Section 914. Removal of Master Trustee. The Master Trustee may be removed at any  
29 time by an instrument or concurrent instruments in writing, (i) executed by the Owners and  
30 Holders of not less than a majority in aggregate principal amount of Parity Obligations then  
31 Outstanding and filed with the Corporation, or (ii) so long as no Event of Default shall have  
32 occurred and be continuing, a resolution adopted or an instrument executed by the Corporation,  
33 not less than sixty (60) days before such removal is to take effect as stated in said resolution,  
34 instrument or instruments. A photographic copy of any resolution, instrument or instruments  
35 filed with the Corporation under the provisions of this paragraph, duly certified by the Secretary  
36 of the Corporation as having been received by the Corporation, shall be delivered promptly by  
37 the Corporation to the Master Trustee.

38       The Master Trustee may also be removed at any time for acting or proceeding in  
39 violation of, or for failing to act or proceed in accordance with, any provisions of this Master  
40 Indenture with respect to the duties and obligations of the Master Trustee by any court of  
41 competent jurisdiction upon the application of the Corporation or the Owners and Holders of not



1 less than twenty-five percent (25%) in aggregate principal amount of Parity Obligations then  
2 Outstanding.

3       Section 915. Appointment of Successor Master Trustee. If at any time hereafter the  
4 Master Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting,  
5 or the bank or trust company acting as Master Trustee shall be taken over by any governmental  
6 official, agency, department or board, the position of Master Trustee shall thereupon become  
7 vacant. If the position of Master Trustee shall become vacant for any reason, the Corporation  
8 shall appoint a Master Trustee to fill such vacancy. A successor Master Trustee shall not be  
9 required if the Master Trustee shall sell or assign substantially all of its corporate trust business  
10 and the vendee or assignee shall continue in the corporate trust business, or if a transfer of the  
11 corporate trust department of the Master Trustee is required by operation of law, provided that  
12 such vendee, assignee or transferee (i) is a bank or trust company within or without the State  
13 which is duly authorized to exercise corporate trust powers and subject to examination by federal  
14 or State authority, (ii) has good standing, and (iii) has a combined capital, surplus and undivided  
15 profits aggregating not less than One Hundred Million Dollars (\$100,000,000) (or whose  
16 obligations hereunder are guaranteed by a bank, banking association or trust company duly  
17 authorized to exercise corporate trust powers and subject to examination by federal or state  
18 authority, of good standing, and having at the time of the appointment of such Master Trustee, a  
19 combined capital, surplus and undivided profits of at least such amount). The Corporation shall  
20 mail notice of any such appointment made by it, postage prepaid, to all Owners and Holders.

21       At any time within one year after any such vacancy shall have occurred, the Owners and  
22 Holders of not less than twenty-five percent (25%) in principal amount of Parity Obligations then  
23 Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners  
24 and Holders and filed with the Corporation, may nominate a successor Master Trustee, which the  
25 Corporation shall appoint and which shall supersede any Master Trustee theretofore appointed by  
26 the Corporation. Photographic copies, duly certified by the Secretary of the Corporation as  
27 having been received by the Corporation, of each such instrument shall be delivered promptly by  
28 the Secretary of the Corporation to the predecessor Master Trustee and to the Master Trustee so  
29 appointed by the Owners and the Holders.

30       If no appointment of a successor Master Trustee shall be made pursuant to the foregoing  
31 provisions of this Section, any Owner or Holder or any retiring Master Trustee may apply to any  
32 court of competent jurisdiction to appoint a successor Master Trustee. Such court may  
33 thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a  
34 successor Master Trustee.

35       Any successor Master Trustee hereafter appointed (i) shall be a bank or trust company  
36 within the State which is duly authorized to exercise corporate trust powers and subject to  
37 examination by federal or State authority, (ii) shall be of good standing and (iii) shall have a  
38 combined capital, surplus and undivided profits aggregating not less than One Hundred Million  
39 Dollars (\$100,000,000) (or whose obligations hereunder are guaranteed by a bank, banking  
40 association or trust company duly authorized to exercise corporate trust powers and subject to  
41 examination by federal or state authority, of good standing, and having at the time of the  
42 appointment of such Master Trustee, a combined capital, surplus and undivided profits of at least  
43 such amount).

1       Section 916. Vesting of Duties in Successor Master Trustee. Every successor Master  
2 Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also  
3 to the Corporation and the State Board of Administration, an instrument in writing accepting  
4 such appointment under this Master Indenture and the Pledge Agreement, and thereupon such  
5 successor Master Trustee, without any further act, shall become fully vested with all the rights,  
6 immunities and powers, and subject to all the duties and obligations, of its predecessor; but such  
7 predecessor shall nevertheless, on the written request of its successor or of the Corporation and  
8 upon payment of the expenses, charges and other disbursements of such predecessor that are  
9 payable pursuant to the provisions of Section 905 hereof, execute and deliver an instrument  
10 transferring to such successor Master Trustee all the rights, immunities and powers of such  
11 predecessor under this Master Indenture and the Pledge Agreement; and every predecessor  
12 Master Trustee shall deliver all property and money held by it under this Master Indenture and  
13 the Pledge Agreement to its successor. Should any instrument in writing from the Corporation or  
14 the State Board of Administration be required by any successor Master Trustee for more fully  
15 and certainly vesting in such Master Trustee the rights, immunities, powers and trusts vested or  
16 intended to be vested by this Master Indenture and the Pledge Agreement in the predecessor  
17 Master Trustee, any such instrument in writing shall and will, on request, be executed,  
18 acknowledged and delivered by the Corporation or the State Board of Administration, as the case  
19 may be.

20       Section 917. Removal and Resignation of Bond Registrar. A Bond Registrar may be  
21 removed at anytime, with or without cause, by the Corporation, upon thirty (30) days' written  
22 notice by the Corporation to such Bond Registrar. A copy of such written notice shall be  
23 delivered promptly by the Corporation to the Master Trustee. Upon receipt of such notice the  
24 Master Trustee shall cause notice of such removal to be mailed, postage prepaid, to the Owners  
25 not less than sixty (60) days before such removal is to take effect.

26       A Bond Registrar may resign and thereby become discharged from the duties, obligations  
27 and responsibilities of Bond Registrar under this Master Indenture, by written notice delivered to  
28 the Corporation and the Master Trustee. Upon receipt of such notice the Master Trustee shall  
29 cause notice of such resignation to be mailed, postage prepaid, at such Bond Registrar's expense,  
30 to the Owners not less than sixty (60) days before such resignation is to take effect, but such  
31 resignation shall take effect immediately upon the appointment of a new Bond Registrar  
32 hereunder if such new Bond Registrar shall be appointed before the time limited by such notice  
33 and shall then accept the duties, obligations and responsibilities of Bond Registrar under this  
34 Master Indenture. If at any time thereafter a Bond Registrar shall resign, be removed, be  
35 dissolved or otherwise become incapable of acting, or the entity acting as Bond Registrar shall be  
36 taken over by any governmental official, agency, department or board, the position of Bond  
37 Registrar shall thereupon become vacant. If the position of Bond Registrar shall become vacant  
38 for any reason, the Corporation shall appoint a Bond Registrar to fill such vacancy. A successor  
39 Bond Registrar shall not be required if a Bond Registrar shall sell or assign substantially all of its  
40 business and the vendee or assignee shall be qualified in the sole judgment of the Corporation to  
41 carry out the duties, obligations and responsibilities of Bond Registrar under this Master  
42 Indenture. The Corporation shall promptly deliver written notice of any such appointment by it  
43 to the Master Trustee and mail such notice, postage prepaid, to all Owners.

Article X.

EXECUTION OF INSTRUMENTS BY OWNERS AND HOLDERS,  
PROOF OF OWNERSHIP OF BONDS OR PARITY DEBT, AND  
DETERMINATION OF CONCURRENCE OF OWNERS AND HOLDERS

Section 1001. Execution of Instruments. Any request, direction, consent or other instrument in writing required or permitted by this Master Indenture to be signed or executed by any Owners or Holders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners or Holders or their attorneys or legal representatives or legal representative of his estate if the Owner or Holder is deceased. Proof of the execution of any such instrument and of the ownership of Parity Obligations shall be sufficient for any purpose of this Master Indenture and shall be conclusive in favor of the Master Trustee and the Corporation with regard to any action taken by either under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification, by any officer in any jurisdiction who by the laws thereof has power to take affidavits within such jurisdictions, to the effect that such instrument was subscribed and sworn to before him or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 205 hereof. The ownership or holding of Parity Debt shall be proved as provided in the related Parity Debt Resolution.

Nothing contained in this Article shall be construed as limiting the Master Trustee to such proof, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of any Owner or Holder shall bind every future Owner or Holder of the same Bond or Parity Debt in respect of anything done by the Master Trustee in pursuance of such request or consent.

Notwithstanding any of the foregoing provisions of this Section, the Master Trustee shall not be required to recognize any person as an Owner or Holder or to take any action at an Owner's or Holder's request unless such Bonds or Parity Debt shall be deposited with it.

Section 1002. Preservation of Information; Communications. (a) The Master Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Owners received by the Master Trustee from the Bond Registrar.

(b) If an Owner which is a Securities Depository Nominee or the Owners of not less than ten percent (10%) in aggregate principal amount of Bonds then Outstanding which are not Securities Depository Nominees (hereinafter collectively referred to as "applicants") apply in writing to the Master Trustee and furnish reasonable proof that each such applicant has owned a Bond for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Owners with respect to

1 their rights under this Master Indenture or under the Bonds and such application is accompanied  
2 by a copy of the form of communication which such applicants propose to transmit, then the  
3 Master Trustee shall, within five (5) Business Days after receipt of such application, at its  
4 election, either

5 (i) afford such applicants access to the information preserved at the time by  
6 the Master Trustee in accordance with paragraph (a) of this Section, or

7 (ii) inform such applicants as to the approximate number of Owners whose  
8 names and addresses appear in the information preserved at the time by the Master  
9 Trustee in accordance with paragraph (a) of this Section, and as to the approximate cost  
10 of mailing to such Owners the form of communication, if any, specified in such  
11 application.

12 If the Master Trustee shall elect not to afford such applicants access to such information,  
13 the Master Trustee shall, upon the written request of such applicants, mail to each Owner whose  
14 name and address appears in the information preserved at the time by the Master Trustee in  
15 accordance with paragraph (a) of this Section a copy of the form of communication which is  
16 specified in such request, with reasonable promptness after a tender to the Master Trustee of the  
17 material to be mailed and of payment, or provision for the payment, of the reasonable expenses  
18 of mailing.

19 (c) Every Owner, by receiving and holding one or more Bonds, agrees with  
20 the Corporation and the Master Trustee that neither the Corporation nor the Master Trustee shall  
21 be held accountable by reason of the disclosure of any such information as to the names and  
22 addresses of the Owners in accordance with paragraph (b) of this Section, regardless of the  
23 source from which such information was derived, and that the Master Trustee shall not be held  
24 accountable by reason of mailing any material pursuant to a request made under such paragraph.

25 Section 1003. Credit Provider as Owner or Holder. Notwithstanding any provision of  
26 this Master Indenture to the contrary, a Parity Resolution may provide that a Credit Provider  
27 providing credit enhancement or substitution for the payment of principal and interest with  
28 respect to the Bonds of a Series or Parity Debt shall be deemed to be the Owner of such Bonds or  
29 Holder of such Parity Debt, for all purposes of this Master Indenture, including, without  
30 limitation, Article VIII and Article XI, and the Pledge Agreement, in the proportion that the  
31 aggregate principal amount of Bonds of such Series or of such Parity Debt then Outstanding for  
32 which such Credit Provider is providing credit enhancement or substitution bears to the  
33 aggregate principal amount of all Parity Obligations then Outstanding, to the exclusion and in  
34 lieu of the Owners of such Bonds or Holders of such Parity Debt.

## 35 Article XI.

## 36 SUPPLEMENTS AND AMENDMENTS

37  
38 Section 1101. Supplemental Indentures Without Consent. The Corporation and the  
39 Master Trustee may, from time to time and at any time, without the consent of or notice to any of  
40 the Owners or Holders, execute and deliver Supplemental Indentures hereto (which

1 Supplemental Indentures shall thereafter form a part hereof) as shall be substantially consistent  
2 with the terms and provisions of this Master Indenture:

3 (a) to cure any ambiguity or formal defect or omission herein, or any conflict  
4 between the provisions hereof and of the Pledge Agreement or of any Parity Resolution delivered  
5 to the Master Trustee at the same time as the Corporation delivers this Master Indenture, to  
6 correct or supplement any provision herein that may be inconsistent with any other provision  
7 herein, to make any other provisions with respect to matters or questions arising under this  
8 Master Indenture, or to modify, alter, amend, add to or rescind, in any particular, any of the  
9 terms or provisions contained in this Master Indenture, or

10 (b) to grant or to confer upon the Master Trustee, for the benefit of the  
11 Owners or Holders, any additional rights, remedies, powers, authority or security that may  
12 lawfully be granted to or conferred upon the Owners, the Holders or the Master Trustee, or

13 (c) to add to the provisions of this Master Indenture other conditions,  
14 limitations and restrictions thereafter to be observed, or

15 (d) to add to the covenants and agreements of the Corporation in this Master  
16 Indenture other covenants and agreements thereafter to be observed by the Corporation or to  
17 surrender any right or power herein reserved to or conferred upon the Corporation, or

18 (e) to permit the qualification of this Master Indenture under any federal  
19 statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith,  
20 if the Corporation so determines, to add to this Master Indenture or any Supplemental Indenture  
21 such other terms, conditions and provisions as may be permitted or required by such federal  
22 statute or Blue Sky law, or

23 (f) to provide for the issuance of Bonds in bearer form, or

24 (g) to provide for the issuance of Bonds under a book-entry system, or

25 (h) to obtain a Credit Facility, Reserve Alternative Instrument, a Derivative  
26 Agreement, or other credit enhancement; provided, however, that no Rating Agency shall reduce  
27 or withdraw its rating on any of the Parity Obligations then Outstanding as a consequence of any  
28 such provision of such Supplemental Indenture, or

29 (i) to make any amendment or modification to this Master Indenture  
30 (including any modification to the Incurrence Test) resulting from the elimination of any  
31 restriction on the use of Reimbursement Premiums under the Code to pay or to secure debt  
32 service on Tax-Exempt Parity Obligations to the extent the elimination of such restriction is  
33 permitted by any administrative pronouncement of the Internal Revenue Service (including a  
34 private letter ruling) addressed to the Corporation, the FHCF, or any successor of either, or to the  
35 extent such elimination of such use restriction is permitted (based upon an Opinion of Counsel)  
36 by the Code, or

37 (j) to enable the Corporation to comply with its obligations, covenants and  
38 agreements made in Section 604 or in any Parity Resolution for the purpose of maintaining the

1 tax status of interest on any Tax-Exempt Parity Obligations, provided that such change shall not  
2 materially adversely affect the security for any Parity Obligations, or

3 (k) to make any other change that, in the opinion of the Master Trustee, which  
4 may, but is not required to, rely upon one or more of affirmation of ratings by the Rating  
5 Agencies, certificates of Consultants and Opinions of Counsel for such purpose, shall not  
6 materially adversely affect the security for the Parity Obligations.

7 Section 1102. Supplemental Indentures With Consent. Subject to the terms and  
8 provisions contained in this Section, and not otherwise, the Owners and Holders of not less than  
9 a majority in aggregate principal amount of the Parity Obligations then Outstanding shall have  
10 the right, from time to time, anything contained in this Master Indenture to the contrary  
11 notwithstanding, to consent to and approve the execution and delivery of such Supplemental  
12 Indentures as are deemed necessary or desirable by the Corporation for the purpose of  
13 modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or  
14 provisions contained in this Master Indenture or in any Supplemental Indenture hereto; provided,  
15 however, that nothing herein contained shall permit, or be construed as permitting (a) an  
16 extension of the maturity of the principal of or the interest on any Bond or Parity Debt without  
17 the consent of the Owner of such Bond or the Holder of such Parity Debt, (b) a reduction in the  
18 principal amount of any Bond or Parity Debt or the redemption premium or the rate of interest  
19 thereon without the consent of the Owner of such Bond or the Holder of such Parity Debt, (c) the  
20 creation of a security interest in or a pledge of Net Receipts other than the security interest and  
21 pledge created by this Master Indenture without the consent of the Owners of all Bonds  
22 Outstanding and the Holders of all Parity Debt Outstanding, (d) a preference or priority of any  
23 Bond or Parity Debt over any other Bond or Parity Debt without the consent of the Owners of all  
24 Bonds Outstanding and the Holders of all Parity Debt Outstanding or (e) a reduction in the  
25 aggregate principal amount of the Parity Obligations required for consent to such Supplemental  
26 Indenture without the consent of the Owners of all Bonds Outstanding and the Holders of all  
27 Parity Debt Outstanding. Nothing herein contained, however, shall be construed as making  
28 necessary the approval by Owners or Holders of the execution and delivery of any Supplemental  
29 Indenture as authorized in Section 1101 hereof.

30 If at any time the Corporation and the Master Trustee determine that it is necessary or  
31 desirable to execute and deliver any Supplemental Indenture for any of the purposes of this  
32 Section, the Master Trustee shall cause notice of the proposed execution of the Supplemental  
33 Indenture to be mailed, postage prepaid, to all Owners at their addresses as they appear on the  
34 registration books and to all Holders in accordance with the related Parity Debt Resolution. Such  
35 notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state  
36 that copies thereof are on file at the designated corporate trust office of the Master Trustee for  
37 inspection by all Owners and Holders. The Master Trustee shall not, however, be subject to any  
38 liability to any Owner or Holder by reason of its failure to cause the notice required by this  
39 Section to be mailed and any such failure shall not affect the validity of such Supplemental  
40 Indenture when consented to and approved as provided in this Section.

41 Whenever, at any time within three years after the date of the mailing of such notice, the  
42 Corporation delivers to the Master Trustee an instrument or instruments in writing purporting to  
43 be executed by the Owners or Holders of not less than a majority in aggregate principal amount

1 of Parity Obligations then Outstanding, which instrument or instruments shall refer to the  
2 proposed Supplemental Indenture described in such notice and shall specifically consent to and  
3 approve the execution and delivery thereof in substantially the form of the copy thereof referred  
4 to in such notice, thereupon, but not otherwise, the Corporation and the Master Trustee may  
5 execute and deliver such Supplemental Indenture in substantially such form, without liability or  
6 responsibility to any Owner or Holder whether or not such Owner or Holder shall have  
7 consented thereto.

8 If the Owners or Holders of not less than a majority in aggregate principal amount of  
9 Parity Obligations Outstanding at the time of the execution and delivery of such Supplemental  
10 Indenture have consented to and approved the execution and delivery thereof as herein provided,  
11 to the extent permitted by law, no Owner or Holder shall have any right to object to the  
12 execution and delivery of such Supplemental Indenture, to object to any of the terms and  
13 provisions contained therein or the operation thereof, to question the propriety of the execution  
14 and delivery thereof, or to enjoin or restrain the Corporation and the Master Trustee from  
15 executing and delivering the same or from taking any action pursuant to the provisions thereof.

16 Section 1103. Supplemental Indentures Part of Master Indenture. Any Supplemental  
17 Indenture executed and delivered in accordance with the provisions of this Article shall  
18 thereafter form a part of this Master Indenture, and this Master Indenture shall be and be deemed  
19 to be modified and amended in accordance therewith. Thereafter the respective rights, duties and  
20 obligations under the Master Indenture of the Corporation, the Master Trustee, any Bond  
21 Registrar and all Owners of Bonds and Holders of Parity Debt then Outstanding shall thereafter  
22 be determined, exercised and enforced in all respects under the provisions of this Master  
23 Indenture as so modified and amended. If any Supplemental Indenture is executed and  
24 delivered, Bonds issued thereafter and Parity Debt incurred thereafter may contain an express  
25 reference to such Supplemental Indenture, if deemed necessary or desirable by the Corporation.

26 Section 1104. Not a Supplemental Indenture. For purpose of this Article, a  
27 Supplemental Indenture or Parity Debt Resolution that relates only to a particular Series of  
28 Bonds issued hereunder or Parity Debt incurred under a Parity Debt Resolution and that does not  
29 purport to alter or amend the rights or security of any Owners of any Bonds of any other Series  
30 issued hereunder or any Holder of any Parity Debt incurred under a Parity Debt Resolution shall  
31 not be deemed or considered to be a Supplemental Indenture for purposes of this Article.

32 Section 1105. Responsibilities of the Master Trustee. The Master Trustee shall be  
33 entitled to receive, and shall be fully protected in relying upon, an opinion of counsel, who may  
34 be Bond Counsel for the Corporation, as conclusive evidence that any proposed supplemental  
35 indenture does or does not comply with the provisions of this Master Trust Indenture, and that it  
36 is or is not proper for it, under the provisions of this Article, to execute and deliver such  
37 supplemental indenture.

Article XII.

DEFEASANCE

Section 1201. Release of Master Indenture. When:

(a) the Bonds and any Parity Debt shall have become due and payable in accordance with their terms or otherwise as provided in this Master Indenture, and the whole amount of the principal and the interest and premium, if any, so due and payable upon all Parity Obligations shall be paid, or

(b) if the Bonds and any Parity Debt shall not have become due and payable in accordance with their terms, the Master Trustee or the Bond Registrar shall hold sufficient money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of and the interest and redemption premium, if any, on all Parity Obligations then Outstanding to the maturity date or dates of such Parity Obligations or to the date or dates specified for the redemption thereof, as verified by a nationally recognized independent certified public accountant, and, if Bonds or any Parity Debt are to be called for redemption, irrevocable instructions to call the Bonds or Parity Debt for redemption shall have been given by the Corporation to the Master Trustee, and

(c) sufficient funds shall also have been provided or provision made for paying all other obligations payable hereunder by the Corporation;

then and in that case the right, title and interest of the Master Trustee in the funds, accounts and subaccounts mentioned in this Master Indenture shall thereupon cease, determine and become void and, upon being furnished with an opinion, in form and substance satisfactory to the Master Trustee, of counsel approved by the Master Trustee, to the effect that all conditions precedent to the release of this Master Indenture have been satisfied, the Master Trustee shall release this Master Indenture and shall execute such documents to evidence such release as may be required by such counsel and shall turn over to the Corporation any surplus in, and all balances remaining in, all funds, accounts and subaccounts other than money held for the redemption or payment of Parity Obligations; otherwise, this Master Indenture shall be, continue and remain in full force and effect; provided, however, that in the event Defeasance Obligations shall be deposited with and held by the Master Trustee or the Bond Registrar as hereinabove provided, (i) in addition to the requirements set forth in Article III of this Master Indenture, the Master Trustee, within thirty (30) days after such Defeasance Obligations shall have been deposited with it, shall cause a notice signed by the Master Trustee to be mailed, postage prepaid, to all Owners of Bonds and to all Holders of Parity Debt, setting forth (a) the date or dates, if any, designated for the redemption of the Parity Obligations, (b) a description of the Defeasance Obligations so held by it, and (c) that this Master Indenture has been released in accordance with the provisions of this Section, and (ii) (a) the Master Trustee shall nevertheless retain such rights, powers and privileges under this Master Indenture as may be necessary and convenient in respect of the Bonds and any Parity Debt for the payment of the principal, interest and any premium for which



1 such Defeasance Obligations have been deposited and (b) the Bond Registrar shall retain such  
2 rights, powers and privileges under this Master Indenture as may be necessary and convenient  
3 for the registration, transfer and exchange of Bonds; and provided, further, however, that failure  
4 to mail such notice to any Owner or to the Owners, or to any such Holder or to such Holders, or  
5 any defect in such notice so mailed, shall not affect the validity of the proceedings for the release  
6 of this Master Indenture.

7 All money and Defeasance Obligations held by the Master Trustee (or any Bond  
8 Registrar) pursuant to this Section shall be held in trust and applied to the payment, when due, of  
9 the obligations payable therewith.

## 10 Article XIII.

### 11 MISCELLANEOUS PROVISIONS

12  
13 Section 1301. Successorship of Corporation. In the event the Corporation for any reason  
14 shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants,  
15 stipulations, obligations and agreements contained in this Master Indenture by or on behalf of or  
16 for the benefit of the Corporation shall bind or inure to the benefit of the successor or successors  
17 of the Corporation from time to time and any officer, board, commission, authority, agency or  
18 instrumentality to whom or to which any power or duty affecting such covenants, stipulations,  
19 obligations and agreements shall be transferred by or in accordance with law, and the term  
20 "Corporation" as used in this Master Indenture shall include such successor or successors.

21 Section 1302. Successorship of Depositary and Bond Registrar. Any bank or trust  
22 company with or into which a Depositary or Bond Registrar may be merged or consolidated, or  
23 to which the assets and business of such Depositary or Bond Registrar may be sold, shall be  
24 deemed the successor of such Depositary or Bond Registrar for the purposes of this Master  
25 Indenture. If the position of any Depositary shall become vacant for any reason or the position  
26 of Bond Registrar shall become vacant for any reason not provided for by Section 917 hereof,  
27 the Corporation shall appoint a bank or trust company to fill such vacancy within thirty (30) days  
28 thereafter; provided, however, that if the Corporation shall fail to appoint such Depositary or  
29 Bond Registrar within such period, the Master Trustee shall make such appointment.

30 Section 1303. Manner of Giving Notice. All notices, demands and requests to be given  
31 to or made hereunder by the Corporation or the Master Trustee shall be given or made in writing  
32 and shall be deemed to be properly given or made if sent by United States certified or registered  
33 mail, return receipt requested postage prepaid, addressed as follows:

34 (a) As to the Corporation--

35 Florida Hurricane Catastrophe Fund  
36 Finance Corporation  
37 c/o State Board of Administration of the  
38 State of Florida  
39 1801 Hermitage Boulevard  
40 Tallahassee, Florida 32308  
41 Attention: President

1 (b) As to the Master Trustee--

2 Wells Fargo Bank, N.A.  
3 7077 Bonneval Road, Suite 400  
4 Jacksonville, FL 32216  
5 Attention: Corporate Trust Department

6 Any such notice, demand or request may also be transmitted to the appropriate above-  
7 mentioned party by telephone or electronic transmission and shall be deemed to be properly  
8 given or made at the time of such transmission if, and only if, such transmission of notice shall  
9 be confirmed in writing and sent as specified above.

10 Any of such addresses may be changed at any time upon written notice of such change  
11 sent by United States certified or registered mail, postage prepaid, to the other parties by the  
12 party effecting the change.

13 All documents received by the Master Trustee under the provisions of this Master  
14 Indenture, or photographic copies thereof, shall be retained in its possession until this Master  
15 Indenture shall be released under the provisions of Section 1201 hereof, subject at all reasonable  
16 times to the inspection of the Corporation, any Owner, any Holder and the agents and  
17 representatives thereof.

18 Section 1304. Substitute Mailing. If, because of the temporary or permanent suspension  
19 of postal service, the Corporation or the Master Trustee shall be unable to mail any notice  
20 required to be given by the provisions of this Master Indenture, the Corporation or the Master  
21 Trustee shall give notice in such other manner as in the judgment of the Corporation or the  
22 Master Trustee shall most effectively approximate mailing, and the giving of notice in such  
23 manner shall for all purposes of this Master Indenture be deemed to be in compliance with the  
24 requirement for the mailing thereof.

25 Section 1305. Parties, Bond Registrar, Owners and Holders Alone Have Rights Under  
26 Master Indenture. Except as herein otherwise expressly provided, nothing in this Master  
27 Indenture, express or implied, is intended or shall be construed to confer upon any person, firm  
28 or corporation, other than the Master Trustee, any Bond Registrar, the Corporation, the Owners  
29 and the Holders any right, remedy or claim, legal or equitable, under or by reason of this Master  
30 Indenture or any provision thereof, this Master Indenture and all its provisions all being intended  
31 to be and being for the sole and exclusive benefit of the Master Trustee, the Corporation, any  
32 Bond Registrar, the Owners and the Holders.

33 Section 1306. Effect of Partial Invalidity. In case any one or more of the provisions of  
34 this Master Indenture or the Bonds or any Parity Debt shall for any reason be held to be illegal or  
35 invalid, such illegality or invalidity shall not affect any other provisions of this Master Indenture  
36 or the Bonds or any Parity Debt, but this Master Indenture and the Parity Obligations shall be  
37 construed and enforced as if such illegal or invalid provisions had not been contained therein. In  
38 case any covenant, stipulation, obligation or agreement contained in the Parity Obligations or  
39 this Master Indenture shall for any reason be held to be in violation of law, then such covenant,

1 stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or  
2 agreement of the Corporation to the full extent permitted by law.

3       Section 1307. Effect of Covenants; Governing Law. All covenants, stipulations,  
4 obligations and agreements of the Corporation contained in this Master Indenture shall be  
5 deemed to be covenants, stipulations, obligations and agreements of the Corporation to the full  
6 extent permitted by the Constitution and laws of the State. This Master Indenture is executed  
7 and delivered with the intent that the laws of the State shall govern this construction.

8       Section 1308. No Recourse Against Members, Officers or Employees of Corporation or  
9 State Board of Administration. No recourse under, or upon, any statement, obligation, covenant  
10 or agreement contained in this Master Indenture, or in any Bond or Parity Debt hereby secured,  
11 or in any document or certification whatsoever, or under any judgment obtained against the  
12 Corporation or the State Board of Administration, or by the enforcement of any assessment, or  
13 by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under  
14 any circumstances, shall be had against any member, officer or employee of the Corporation or  
15 the State Board of Administration, either directly or through the Corporation of the FHCF for the  
16 payment for or to, the Corporation or any receiver of it, or for, or to, any Owner or Holder or  
17 otherwise, of any sum that may be due and unpaid upon any such Bond or Parity Debt. Any and  
18 all personal liability of every nature, whether at common law or in equity or by statute or by  
19 constitution or otherwise, of any such member, officer or employee to respond by reason of any  
20 act or omission on his or her part or otherwise, for the payment for, or to, the Corporation or any  
21 receiver of either of them, or for, or to, any Owner, Holder or otherwise, of any sum that may  
22 remain due and unpaid upon the Bonds or any Parity Debt hereby secured or any of them, is  
23 hereby expressly waived and released as an express condition of, and in consideration for, the  
24 execution and delivery of this Master Indenture, the issuance of the Bonds and the incurrence of  
25 any Parity Debt.

26       Section 1309. Dealing in Parity Obligations. The Master Trustee and any Bond  
27 Registrar, and their directors, officers, employees or agents, and any officer, employee or agent  
28 of the Corporation, may in good faith, buy, sell, own, hold and deal in any Parity Obligations and  
29 may join in any action which any Owner or Holder may be entitled to take with like effect as if  
30 such Master Trustee were not a Master Trustee and such bank or trust company were not a Bond  
31 Registrar under this Master Indenture or as if such officer, employee or agent of the Corporation  
32 did not serve in such capacity.

33       Section 1310. Headings. Any heading preceding the text of the several articles hereof,  
34 any table of contents or marginal notes appended to copies hereof, shall be solely for  
35 convenience of reference and shall not constitute a part of this Master Indenture, nor shall they  
36 affect its meaning, construction or effect.

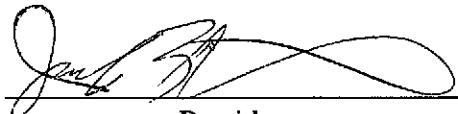
37       Section 1311. Further Authority. The officers, attorneys and other agents or employees  
38 of the Corporation are hereby authorized to do all acts and things required of them by this Master  
39 Indenture for the full, punctual and complete performance of all of the terms, covenants and  
40 agreements contained in the Parity Obligations and this Master Indenture.

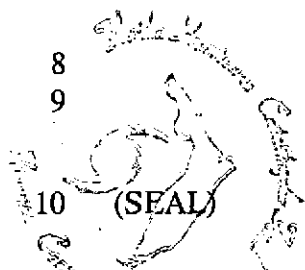
1           Section 1312. Payments Due on Non-Business Days. Except as otherwise provided in a  
2 Parity Resolution, if the date for making any payment or the last day for performance of any act  
3 or the exercising of any right as provided in this Master Indenture is not a Business Day, such  
4 payment may be made or act performed or right exercised on the next Business Day with the  
5 same force and effect as if done on the date provided in this Master Indenture.

6           Section 1313. Multiple Counterparts. This Master Indenture may be executed in  
7 multiple counterparts, each of which shall be regarded for all purposes as an original, and such  
8 counterparts shall constitute but one and the same instrument.

1 IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its  
2 name and on its behalf and attested by its duly authorized officers and to evidence its acceptance  
3 of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name  
4 and on its behalf and attested by its duly authorized officers, all of as of the day and year first  
5 above written.

6 FLORIDA HURRICANE CATASTROPHE FUND  
7 FINANCE CORPORATION

8 By: \_\_\_\_\_  
9 President



10 (SEAL)  
11 Attest:

12 \_\_\_\_\_  
13 Secretary

14 WELLS FARGO BANK, N.A.,  
15 as Master Trustee

16 By: \_\_\_\_\_  
17 [Title]

18 (SEAL)

19 Attest:

20 \_\_\_\_\_  
21 [Title]

1 IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its  
2 name and on its behalf and attested by its duly authorized officers and to evidence its acceptance  
3 of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name  
4 and on its behalf and attested by its duly authorized officers, all of as of the day and year first  
5 above written.

6 FLORIDA HURRICANE CATASTROPHE FUND  
7 FINANCE CORPORATION

8 By: \_\_\_\_\_  
9

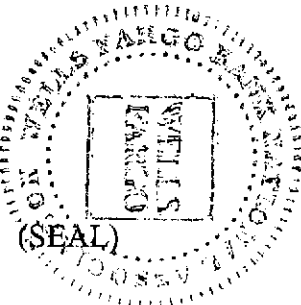
10 (SEAL)

11 Attest:

12 \_\_\_\_\_  
13

14 WELLS FARGO BANK, N.A.,  
15 as Master Trustee

16 By:   
17 Brian P. Clark, Vice President



19 Attest:

20   
21 Title:

**SEVENTH SUPPLEMENTAL INDENTURE**

**by and between**

**STATE BOARD OF ADMINISTRATION FINANCE CORPORATION**

**and**

**WELLS FARGO BANK, N.A.,  
as Master Trustee**

**Dated as of \_\_\_\_\_, 2015**

**Authorizing and Securing**

**\$ \_\_\_\_\_**

**State Board of Administration Finance Corporation  
Revenue Bonds, Series 2015A**

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## SEVENTH SUPPLEMENTAL INDENTURE

**THIS SEVENTH SUPPLEMENTAL INDENTURE**, dated as of \_\_\_\_\_ ("Supplement No. 7"), by and between the State Board of Administration Finance Corporation, an instrumentality of the State of Florida (the "Corporation"), and Wells Fargo Bank, N.A., a national banking association duly incorporated and existing under the laws of the United States of America and having a corporate trust office in Jacksonville, Florida, which is authorized under such laws to exercise trust powers (the "Master Trustee"),

### WITNESSETH:

**WHEREAS**, Section 215.555, Florida Statutes, as amended (the "Act") creates the Florida Hurricane Catastrophe Fund, a trust fund established for bond covenants, indentures or resolutions within the meaning of Section 19(f)(3), Article III of the Constitution of the State of Florida (the "FHCF"), and provides that the FHCF will be administered by the State Board of Administration of the State of Florida (in its capacity as the governing body and administrator of the FHCF, the "State Board of Administration"); and

**WHEREAS**, the Corporation has executed and delivered a Master Trust Indenture, dated as of June 1, 2006 (the "Master Trust Indenture" and as supplemented and amended, the "Master Indenture"), by and between the Corporation and the Master Trustee, which authorizes the Corporation to issue Parity Obligations (as defined in the Master Indenture) in accordance with the provisions thereof and hereof; and

**WHEREAS**, the Corporation issued on July 6, 2006, a series of Parity Obligations in the form of Bonds, in the aggregate principal amount of \$1,350,025,000 (the "Series 2006A Bonds") in accordance with the Master Indenture and a First Supplemental Indenture for the purpose of providing funds, together with other available funds, to (i) enable the FHCF to make reimbursement payments through the FHCF to participating insurers for reimbursable losses caused by Hurricanes Dennis, Katrina, Rita and Wilma pursuant to reimbursement contracts for the Contract Year ended May 31, 2006, subject to the limitations on such reimbursements set forth in the Act, (ii) pay capitalized interest on the Series 2006A Bonds, (iii) make a deposit to the credit of the Parity Common Reserve Account, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2006A Bonds; and

**WHEREAS**, the Corporation issued on July 21, 2006, a series of Parity Obligations in the form of Bonds, designated for purposes of sale as notes, in the aggregate principal amount of \$2,800,000,000 (the "Series 2006B Notes") in accordance with the Master Indenture and a Second Supplemental Indenture for the purpose of providing funds, together with other available funds, to (i) maximize the ability of the

FHCF to meet future obligations, specifically to provide funds to enable the FHCF to make reimbursement payments through the FHCF to participating insurers for reimbursable losses caused by any Covered Events (as defined in the Act) occurring in the Contract Year ended May 31, 2007 or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act, (ii) pay capitalized interest on the Series 2006B Notes, and (iii) pay certain expenses incurred in connection with the issuance of the Series 2006B Notes; and

**WHEREAS**, the Corporation issued in October 2007, a series of Parity Obligations in the form of Bonds, designated for purposes of sale as notes, in the aggregate principal amount of \$3,500,000,000 (the "Series 2007A Notes"), in accordance with the Master Indenture and a Third Supplemental Indenture (the "Third Supplemental Indenture") for the purpose of providing funds, together with other available funds, to (i) maximize the ability of the FHCF to meet future obligations, specifically to provide funds to enable the FHCF to make reimbursement payments through the FHCF to participating insurers for reimbursable losses caused by any Covered Events occurring in the Contract Year ended May 31, 2008 or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act, and (ii) pay certain expenses incurred in connection with the issuance of the Series 2007A Notes; and

**WHEREAS**, the Corporation issued on July 31, 2008, a series of Parity Obligations in the form of Bonds, in the aggregate principal amount of \$625,000,000 (the "Series 2008A Bonds"), in accordance with the Master Indenture and a Fourth Supplemental Indenture for the purpose of providing funds, together with other available funds, to (i) enable the FHCF to make additional reimbursement payments through the FHCF to participating insurers of reimbursable losses caused by Hurricanes Dennis, Katrina, Rita and Wilma pursuant to reimbursement contracts for the Contract Year ended May 31, 2006, subject to the limitations on such reimbursements set forth in the Act, and (ii) pay certain expenses incurred in connection with the issuance of the Series 2008A Bonds; and

**WHEREAS**, the Corporation issued on May 25, 2010, a series of Parity Obligations in the form of Bonds, in the aggregate principal amount of \$675,920,000 (the "Series 2010A Bonds"), in accordance with the Master Indenture and a Fifth Supplemental Indenture for the purpose of providing funds, together with other available funds, to (i) enable the FHCF to make additional reimbursement payments through the FHCF to participating insurers of reimbursable losses caused by Hurricanes Dennis, Katrina, Rita and Wilma pursuant to reimbursement contracts for the Contract Year ended May 31, 2006, subject to the limitations on such reimbursements set forth in the Act, (ii) pay capitalized interest on the Series 2010A Bonds, (iii) make a deposit to the credit of the Parity Common Reserve Account, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2010A Bonds; and

**WHEREAS**, the Corporation issued on April 23, 2013, a series of Parity Obligations in the form of Bonds, in the aggregate principal amount of \$2,000,000,000 (the "Series 2013A Bonds"), in accordance with the Master Indenture and a Sixth Supplemental Indenture for the purpose of providing funds, together with other available funds, to (i) maximize the ability of the FHCF to meet future obligations, specifically to provide funds to enable the FHCF to make reimbursement payments through the FHCF to participating insurers for reimbursable losses caused by any Covered Events occurring in the Contract Year ended May 31, 2014 or any subsequent Contract year, subject to the limitations on such reimbursements set forth in the Act, and (ii) and pay certain expenses incurred in connection with the issuance of the Series 2013A Bonds; and

**WHEREAS**, the Corporation has now determined to issue a series of Parity Obligations in the form of Bonds, in the aggregate principal amount of \$\_\_\_\_\_ (the "Series 2015A Bonds"), in accordance with the Master Indenture and this Supplement No. 7 for the purpose of providing funds, together with other available funds, to (i) maximize the ability of the FHCF to meet future obligations, specifically to provide funds to enable the FHCF to make reimbursement payments through the FHCF to participating insurers for reimbursable losses caused by any Covered Events occurring in the Contract Year ended May 31, \_\_\_\_\_ or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act, and (ii) pay certain expenses incurred in connection with the issuance of the Series 2015A Bonds; and

**WHEREAS**, the Series 2006A Bonds, the Series 2006B Notes, the Series 2007A Notes and the Series 2008A Bonds have been retired, the Series 2010A Bonds have been defeased, and the Series 2015A Bonds shall be issued on a parity basis with the Outstanding Series 2013A Bonds; and

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

## **ARTICLE I DEFINITIONS**

**SECTION 101. MEANING OF WORDS AND TERMS.** Unless otherwise required by the context, words and terms used herein which are defined, or the definitions of which are incorporated by reference, in the Master Indenture or the form of the Series 2015A Bonds shall have the meanings assigned to them therein, and the following words and terms shall have the following meanings herein; provided that where the Master Indenture provides that a word or term defined in the Master Indenture may be modified by a Supplemental Indenture and such word or term is defined herein, the definition herein shall control:

**"Bond Counsel"** means a firm of lawyers, selected by the Corporation, nationally recognized for legal expertise in matters relating to municipal bonds.

**"Bond Registrar"** means the institution serving at the time as Master Trustee.

**"Closing"** means the delivery of and payment for the Series 2015A Bonds.

**"Closing Date"** means the date of the Closing.

**"Defaulted Interest"** means Defaulted Interest as defined in Section 203 hereof.

**"Interest Payment Date"** means each July 1 and January 1, the first interest payment date being \_\_\_\_\_.

**"Principal Payment Date"** means July 1.

**"Regular Record Date"** means the June 15 and December 15 next preceding each Interest Payment Date.

**"Serial Bonds"** means the Series 2015A Bonds that are stated to mature on July 1, \_\_\_\_\_, July 1, \_\_\_\_\_ and July 1, \_\_\_\_\_.

**"Series 2015A Account of the Costs of Issuance Fund"** means the account created and designated by Section 401 hereof.

**"Series 2015A Bonds"** means the State Board of Administration Finance Corporation Revenue Bonds, Series 2015A, issued pursuant to Section 208 of the Master Indenture and Section 208 of this Supplement No. 7.

**"Series 2015A Subaccount of the Interest Account"** means the subaccount created and so designated by Section 401 hereof.

**"Series 2015A Subaccount of the Principal Account"** means the subaccount created and so designated by Section 401 hereof.

**"Special Record Date"** means a date fixed by the Master Trustee for the payment of Defaulted Interest pursuant to Section 203 hereof.

**SECTION 102. RULES OF CONSTRUCTION.** The Rule of Construction contained in the Master Indenture shall control the construction of this Supplement No. 7, mutatis mutandis, except as otherwise provided herein.

**ARTICLE II**  
**AUTHORIZATION, FORM, ISSUANCE, DELIVERY**  
**AND REGISTRATION OF THE SERIES 2015A BONDS**

**SECTION 201. LIMITATION ON ISSUANCE OF SERIES 2015A BONDS.** No Series 2015A Bonds may be issued under the provisions of this Supplement No. 7 except in accordance with the provisions of the Master Indenture and this Article.

**SECTION 202. FORM AND NUMBERING OF SERIES 2015A BONDS.** The Series 2015A Bonds are issuable in fully registered form in denominations of \$5,000 and any integral multiple thereof, shall be lettered "RA-", shall be numbered from 1 consecutively upward and shall be substantially in the form set forth in Exhibit A hereto and made a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by the Master Indenture or this Supplement No. 7.

**SECTION 203. DETAILS OF SERIES 2015A BONDS.**

(a) The Series 2015A Bonds shall be dated the date of their delivery, shall bear interest until their payment, such interest to the maturity thereof being payable semi-annually on each January 1 and July 1, the first interest payment date being \_\_\_\_\_, at the rates and shall be stated to mature on July 1 in the years (without right of prior redemption), all as set forth in Section 208 hereof.

(b) Each Series 2015A Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (i) authenticated upon an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) authenticated prior to the first Interest Payment Date, in which event it shall bear interest from its date; provided, however, that if at the time of authentication of any Series 2015A Bond interest is in default, such Series 2015A Bond shall bear interest from the date to which interest has been paid.

(c) Both the principal of and the interest on the Series 2015A Bonds shall be payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof. The payment of interest on each Series 2015A Bond shall be made by the Bond Registrar on each Interest Payment Date to the person appearing on the registration books of the Bond Registrar as the Owner thereof as of the Regular Record Date (i) by check mailed to the Owner at his address as it appears on such registration books or (ii) by wire transfer to any Owner of Series 2015A Bonds in the aggregate principal amount of \$1,000,000 or more that requests such method of payment and has furnished the necessary instructions and information to the Bond Registrar. Payment of the principal of all Series 2015A

Bonds shall be made upon the presentation and surrender of such Series 2015A Bonds at the designated corporate trust office of the Bond Registrar as the same become due and payable (whether at maturity or by acceleration or otherwise).

(d) Any interest on any Series 2015A Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner; and such Defaulted Interest may be paid by the Corporation, at its election in each case, as provided in paragraph 1 or 2 below:

(1) The Corporation may elect to make payment of any Defaulted Interest on the Series 2015A Bonds to the persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Corporation shall notify the Master Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Series 2015A Bond and the date of the proposed payment (which date shall be such as will enable the Master Trustee to comply with the next sentence hereof), and at the same time, the Corporation shall deposit with the Master Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Master Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subparagraph provided. Thereupon the Master Trustee shall fix a Special Record Date for the payment of such Defaulted Interest, which shall be neither more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Master Trustee of the notice of the proposed payment. The Master Trustee shall promptly notify the Corporation of such Special Record Date and, in the name and at the expense of the Corporation, such expense to be paid from Gross Receipts or any moneys available to the Corporation for such purpose, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given by first-class mail, postage prepaid, to each Owner at such Owner's address as it appears in the registration books maintained under Section 206 hereof not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Series 2015A Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the following paragraph (2).

(2) The Corporation may make payment of any Defaulted Interest on the Series 2015A Bonds in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed and upon such notice as may be required by such exchange, if, after notice given by the Corporation to the Master Trustee of the proposed payment pursuant to this subparagraph, such payment shall be deemed practicable by the Master Trustee.

Subject to the foregoing provisions of this Section 203, each Series 2015A Bond delivered under this Supplement No. 7 upon registration of, transfer of, in exchange for, or in lieu of any other Series 2015A Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Series 2015A Bond and each such Bond shall bear interest from such date, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

**SECTION 204. EXECUTION AND FORM OF SERIES 2015A BONDS.**

(a) The Series 2015A Bonds shall be signed by, or bear the facsimile signatures of, the President and the Treasurer of the Corporation and the corporate seal of the Corporation shall be impressed, or a facsimile thereof printed, on the Series 2015A Bonds. In case any officer whose signature or a facsimile of whose signature appears on any Series 2015A Bonds ceases to be such officer before the delivery of such Bonds, such signature or such facsimile nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery, and any Series 2015A Bond may bear the facsimile signature of, or may be signed by, such persons as at the actual time of the execution of such Bond are the proper officers to execute such Bond although at the date of such Bond such persons may not have been such officers.

(b) The definitive Series 2015A Bonds are issuable as permitted or required by this Supplement No. 7. All Series 2015A Bonds may have endorsed thereon such legends or text as may be necessary or appropriate to conform to the applicable rules and regulations of any governmental authority or any securities exchange on which the Series 2015A Bonds may be listed or to any requirement of law with respect thereto.

(c) The Series 2015A Bonds shall be issued by means of a book-entry system with no physical distribution of bond certificates to be made except as hereinafter provided. One bond certificate with respect to each date on which the Series 2015A Bonds are stated to mature, in the aggregate principal amount of the Series 2015A Bonds stated to mature on such date and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), shall be issued and delivered as directed by DTC. The book-entry system shall evidence ownership of the Series 2015A Bonds in the principal amount of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of each Series 2015A Bond and interest with respect thereto shall be payable to Cede & Co. or



any other person appearing in the registration books of the Corporation kept by the Bond Registrar as the Owner of such Series 2015A Bond or its registered assigns or legal representatives. Transfer of principal and interest payments to participants of DTC shall be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Series 2015A Bonds by participants of DTC shall be the responsibility of such participants and other nominees of such beneficial owners. The Corporation, the Bond Registrar and the Master Trustee shall not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

(d) In the event that (i) DTC determines not to continue to act as Securities Depository for the Series 2015A Bonds or (ii) the Corporation determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2015A Bonds would adversely affect the interests of the beneficial owners of the Series 2015A Bonds, or (iii) an Event of Default shall occur with respect to the Series 2015A Bonds and is continuing and the beneficial owners of a majority in principal amount of the Series 2015A Bonds shall advise DTC to cease acting as Securities Depository, the Corporation shall discontinue the book-entry system with DTC. If the Corporation identifies another qualified Securities Depository to replace DTC, the Corporation shall make arrangements with DTC and such other Securities Depository to effect such replacement and deliver replacement bonds registered in the name of such other Securities Depository or its Securities Depository Nominee in exchange for the Outstanding Series 2015A Bonds, and the references to DTC or Cede & Co. in this Supplement No. 7 shall thereupon be deemed to mean such other Securities Depository or its Securities Depository Nominee. If the Corporation fails to identify another qualified Securities Depository to replace DTC, the Corporation shall deliver replacement bonds in the form of fully registered certificates in the denomination of \$5,000 or any integral multiple thereof in exchange for the Outstanding Series 2015A Bonds as required by DTC.

**SECTION 205. EXCHANGE OF SERIES 2015A BONDS.** (a) Series 2015A Bonds, upon surrender thereof at the designated corporate trust office of the Bond Registrar, together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as shall be satisfactory to the Bond Registrar, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Series 2015A Bonds of the same maturity, of any denomination or denominations authorized by this Supplement No. 7, bearing interest at the same rate and in the same form as the Series 2015A Bonds surrendered for exchange.

(b) The Corporation shall make provision for the exchange of Series 2015A Bonds at the designated corporate trust office of the Bond Registrar.

**SECTION 206. NEGOTIABILITY AND REGISTRATION OF TRANSFER OF SERIES 2015A BONDS.** (a) The institution at the time serving as Master Trustee under the Master Indenture shall be and is hereby appointed Bond Registrar for the Series 2015A Bonds under this Supplement No. 7.

(b) The Bond Registrar shall keep books for the registration and the registration of transfer of Series 2015A Bonds as to which it is Bond Registrar as provided in this Supplement No. 7. The registration books shall be available at all reasonable times for inspection by the Corporation and any Owner of such Bonds and may be copied by either of the foregoing and their agents or representatives.

(c) The Bond Registrar shall evidence acceptance of the duties, responsibilities and obligations of the Bond Registrar under this Supplement No. 7 by the execution of the certificate of authentication on the Series 2015A Bonds.

(d) The transfer of any Series 2015A Bond may be registered only upon the books kept for the registration and registration of transfer of Series 2015A Bonds upon presentation thereof to the Bond Registrar together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as shall be satisfactory to the Bond Registrar. No transfer of any Series 2015A Bond shall alter the ownership of such Bond for purposes of this Supplement No. 7 unless such transfer is registered with the Bond Registrar. Upon any such registration of transfer, the Corporation shall, if necessary, execute and the Bond Registrar shall authenticate and deliver in exchange for such Bond a new Series 2015A Bond or Series 2015A Bonds, registered in the name of the transferee, of any denomination or denominations authorized by this Supplement No. 7, in the aggregate principal amount equal to the principal amount of such Bond surrendered or exchanged, of the same maturity and bearing interest at the same rate.

(e) In all cases in which Series 2015A Bonds shall be exchanged or the transfer of Series 2015A Bonds shall be registered hereunder, the Corporation shall, if necessary, execute and the Bond Registrar shall authenticate and deliver at the earliest practicable time Series 2015A Bonds in accordance with the provisions of this Supplement No. 7. All Series 2015A Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Bond Registrar. No service charge shall be made for any registration, transfer or exchange of Series 2015A Bonds, but the Corporation and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Series 2015A Bonds.

**SECTION 207. OWNERSHIP OF SERIES 2015A BONDS.** The Corporation, the Master Trustee, the Bond Registrar and any agent of the Corporation, the Master Trustee or the Bond Registrar, may treat the person in whose name any Series

2015A Bond is registered, including any Securities Depository Nominee, as the absolute Owner of such Bond for the purpose of receiving payment of the principal of and interest on such Bond, and for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent permitted by law, neither the Corporation, the Master Trustee, the Bond Registrar nor any such agent shall be affected by notice to the contrary.

**SECTION 208. AUTHORIZATION OF SERIES 2015A BONDS.** There shall be issued under and secured by the Master Indenture and this Supplement No. 7 Series 2015A Bonds of the Corporation in the aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) for the purpose of providing funds, together with other available funds, to enable the FHCF to make additional reimbursement payments through the FHCF to participating insurers of reimbursable losses caused by any Covered Events in the Contract Year ending May 31, \_\_\_\_\_ or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act. The Series 2015A Bonds shall be designated "State Board of Administration Finance Corporation Revenue Bonds, Series 2015A". The Series 2015A Bonds are Pre-Event Parity Obligations and Pre-Event Bonds entitled to the benefits of the covenants and agreements in the Pledge Agreement, the Master Trust Indenture and this Supplement No. 7.

The Series 2015A Bonds shall be stated to mature (subject to the right of prior redemption, if any, as provided in Article III hereof) on July 1 of the following years, and shall bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months), payable semi-annually on each January 1 and July 1, the first interest payment date being July 1, \_\_\_\_\_, until their respective maturities, at the following rates:

<u>Year of Maturity</u> <u>(July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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The Series 2015A Bonds shall be executed substantially in the form and in the manner herein set forth and shall be deposited with the Bond Registrar for authentication, but before the Series 2015A Bonds shall be authenticated and delivered to the purchasers thereof, there shall be filed with the Master Trustee, in addition to the items required to be delivered to the Master Trustee pursuant to Section 208 of the Master Indenture, the following:

(a) a copy, certified by an Authorized Officer of the State Board of Administration to be a true and correct copy, of the resolution of the State Board of Administration determining that the Series 2015A Bonds should be issued in the absence

of a hurricane in order to maximize the ability of the FHCF to meet future obligations, as contemplated by the last sentence of Section 215.555(6)(a)1. of the Act;

(b) a copy, certified by the Treasurer of the Corporation to be a true and correct copy, of the Master Trust Indenture;

(c) an executed counterpart of this Supplement No. 7;

(d) a copy, certified by the Treasurer of the Corporation to be a true and correct copy, of the Pledge Agreement;

(e) a copy, certified by the Treasurer of the Corporation to be a true and correct copy, of the resolution of the Corporation (which resolution may be incorporated in this Supplement No. 7), approving the award of the Series 2015A Bonds and directing the authentication and delivery of such Bonds to or upon the order of the underwriters therein named upon payment of the purchase price therein set forth, plus the accrued interest (if any) thereon; provided, however, that the final determination of any of the details of such Bonds, including the purchase price therefor, may be delegated by such resolution to one or more Authorized Officers of the Corporation to the extent set forth therein;

(f) an Officer's Certificate of the Corporation (which may rely upon certificates or other documentation delivered by an Authorized Officer of the State Board of Administration) evidencing compliance with the requirements of Section 704 of the Master Indenture;

(g) an opinion or opinions of special counsel to the Corporation to the effect that (1) this Supplement No. 7, the Master Indenture and the Pledge Agreement have each been duly and validly authorized, executed and delivered by the Corporation and are each valid and binding agreements of the Corporation enforceable in accordance with their respective terms, (2) no provision of the Master Indenture, this Supplement No. 7 or the Pledge Agreement results in or constitutes a default under any agreement, indenture or other instrument to which the Corporation is a party or by which the Corporation may be bound and of which such special counsel to the Corporation has knowledge, (3) the Corporation's execution and delivery of the Master Indenture, this Supplement No. 7 and the Pledge Agreement and execution and issuance of the Series 2015A Bonds are not subject to any authorization, consent, approval or review of any governmental body, public officer or regulatory authority not theretofore obtained or effected, and (4) the form, terms, execution, issuance and delivery of the Series 2015A Bonds have been duly and validly authorized by the Corporation;

(h) an opinion or opinions of counsel to the State Board of Administration to the effect that (1) the Pledge Agreement has been duly and validly authorized, executed and delivered by the State Board of Administration, acting as the governing body and

administrator of the FHCF, and is a valid and binding agreement of the FHCF enforceable in accordance with its terms, (2) the execution and delivery of the Pledge Agreement and compliance with the provisions on the part of the State Board of Administration contained therein will not, to the best knowledge of such counsel, constitute a material breach of or material default under any applicable constitutional provision, law, administrative regulation, judgment, decree, or any relevant loan agreement, indenture, bond, note, resolution, agreement or other relevant instrument to which the State Board of Administration is a party or to which the State Board of Administration or any of the property or assets of the FHCF is otherwise subject, which breach or default would materially adversely affect the ability of the State Board of Administration to perform its obligations under the Pledge Agreement, and (3) the State Board of Administration's execution and delivery of the Pledge Agreement are not subject to any authorization, consent, approval or review of any governmental body, public officer or regulatory authority not theretofore obtained or effected;

- (i) an opinion of Bond Counsel relating to the Series 2015A Bonds; and
- (j) such other documents as are required to be delivered to the Master Trustee pursuant to this Supplement No. 7.

When the documents mentioned in the Master Indenture and subparagraphs (a) through (j), inclusive, above shall have been filed with the Master Trustee, and when the Series 2015A Bonds shall have been executed and authenticated as required by this Supplement No. 7, the Series 2015A Bonds shall be delivered to or upon the order of the purchasers thereof, but only upon the deposit with the Master Trustee or the State Board of Administration, as the case may be, of the purchase price of the Series 2015A Bonds and the accrued interest, if any, thereon.

Simultaneously with the Closing, from the proceeds of the Series 2015A Bonds (net of Underwriters' discount), which is equal to \$\_\_\_\_\_, (i) \$\_\_\_\_\_ shall be deposited with the State Board of Administration, for the account of the FHCF, and be deposited to the credit of the Series 2015A Bonds Proceeds Subaccount of the Pre-Event Parity Obligations Account in the Covered Events Relief Fund established pursuant to Section 8 of the Pledge Agreement, and (ii) \$\_\_\_\_\_ shall be deposited with the Master Trustee into the Series 2015A Account of the Costs of Issuance Fund to pay or reimburse the Corporation for paying the Costs of Issuance associated with the issuance of the Series 2015A Bonds. Of such \$\_\_\_\_\_ proceeds, \$\_\_\_\_\_ shall represent the good faith deposit received by the Corporation, via deposit with the State Board of Administration, from the Underwriters of the Series 2015A Bonds.

**ARTICLE III**  
**REDEMPTION OF SERIES 2015A BONDS**

**SECTION 301. MAKE-WHOLE REDEMPTION OF SERIES 2015A BONDS. [TO COME]**

**SECTION 302. NOTICE OF REDEMPTION.** When redemption of Series 2015A Bonds is authorized pursuant to the provisions hereof, the Trustee shall give to the Owners of Series 2015A Bonds to be redeemed notice, at the expense of the Corporation, of the redemption of the Series 2015A Bonds. Notice of such redemption of the Series 2015A Bonds shall be given by mail, postage prepaid, not more than sixty (60) days or fewer than thirty (30) days prior to said date of redemption, to the Owners of any Series 2015A Bonds to be redeemed. Such notice shall state: (i) the CUSIP numbers of all Series 2015A Bonds being redeemed, (ii) the original issue date of such Series 2015A Bonds, (iii) the maturity date and rate of interest borne by each Series 2015A Bond being redeemed, (iv) the redemption date, (v) the date on which such notice is mailed, (vi) if less than all Outstanding Series 2015A Bonds are to be redeemed, the bond number (and, in the case of a partial redemption of any Series 2015A Bond, the principal amount) of each Series 2015A Bond to be redeemed, (vii) that on such redemption date there shall become due and payable upon each Series 2015A Bond to be redeemed the Make-Whole Redemption Price thereof, or the Make-Whole Redemption Price of the specified portions of the principal thereof in the case of Series 2015A Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, and (viii) that the Series 2015A Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment at the designated corporate trust office of the Trustee at an address specified. Any such notice may be a conditional notice. In the event the conditions stated in such a notice have not been satisfied on the proposed redemption date, such redemption shall not occur and such notice shall be of no further force or effect. Such mailing shall not be a condition precedent to such redemption, and failure to mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the redemption of the Series 2015A Bonds for which proper notice was given.

In the case of redemption of the Series 2015A Bonds, the Corporation will select the maturities of the Series 2015A Bonds to be redeemed. If the Series 2015A Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2015A Bonds shall be effected by the Bond Registrar among owners on a pro-rata basis subject to minimum authorized denominations. The particular Series 2015A Bonds to be redeemed shall be determined by the Bond Registrar, using such method as it shall deem fair and appropriate. If the Series 2015A Bonds are registered in book-entry only form and so long as DTC is the sole registered owner of the Series 2015A Bonds, if less than all of the Series 2015A Bonds of a maturity are called for prior redemption, the

particular Series 2015A Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the Series 2015A Bonds are held in book-entry form, the selection for redemption of such Series 2015A Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Bond Registrar pursuant to DTC operational arrangements. If the Bond Registrar does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Series 2015A Bonds will be selected for redemption in accordance with DTC procedures by lot. It is the Corporation's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Corporation and the Beneficial Owners be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. However, the Corporation can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2015A Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the Series 2015A Bonds will be selected for redemption in accordance with DTC procedures by lot.

**ARTICLE IV**  
**ESTABLISHMENT OF ACCOUNTS AND**  
**SUBACCOUNTS, APPLICATION OF NET RECEIPTS**  
**AND INVESTMENT OF FUNDS**

**SECTION 401. ESTABLISHMENT OF ACCOUNTS AND SUBACCOUNTS.** The following accounts and subaccounts are hereby established:

- (a) Series 2015A Subaccount of the Interest Account of the Bond Fund;
- (b) Series 2015A Subaccount of the Principal Account of the Bond Fund; and
- (c) Series 2015A Account of the Costs of Issuance Fund.

The account and subaccounts mentioned above shall be established with and held by the Master Trustee pursuant to the Master Indenture and this Supplement No. 7 for the benefit of the Owners of the Series 2015A Bonds.

**SECTION 402. APPLICATION OF NET RECEIPTS.** On or before the dates set forth below, so long as any of the Series 2015A Bonds is Outstanding, the Master Trustee shall withdraw, immediately following any withdrawal required by Section 503(b) of the Master Trust Indenture, from the Reimbursement Premiums Account in the Revenue Fund and, subsequent to such withdrawal, from the Pre-Event Bonds Investment Income Account, the Derivative Agreements Account or any other account or subaccount established in the Revenue Fund (other than the Emergency Assessments Account) in the order specified below, the amounts necessary to make the deposits or payments required by Sections 503(c)(iii) and 504 of the Master Trust Indenture, and, if and to the extent that the amounts on deposit to the credit of the Reimbursement Premiums Account, the Pre-Event Bonds Investment Income Account, the Derivative Agreements Account or any other account or subaccount established in the Revenue Fund are insufficient to make such deposits or payments, the Master Trustee shall withdraw from the Emergency Assessments Account in the Revenue Fund the amounts necessary to satisfy such deposits or payments; provided, however, in the case of the Series 2015A Bonds, the Master Trustee shall draw first from the Reimbursement Premiums Account, then from the Pre-Event Bonds Investment Income Account and then from the Series 2015A Bonds Proceeds Subaccount of the Pre-Event Parity Obligations Account in the Covered Events Relief Fund, prior to making any withdrawal from any of such other Accounts or any other account or subaccount, and the Master Trustee shall apply such amounts to the various subaccounts specified herein in the following order:

- (a) into the Series 2015A Subaccount of the Interest Account, on the Business Day immediately preceding each Interest Payment Date, an amount equal to the interest payable on the Series 2015A Bonds on such Interest Payment Date; and



(b) into the Series 2015A Subaccount of the Principal Account, on the Business Day immediately preceding each Principal Payment Date, an amount equal to the principal of the Series 2015A Bonds coming due on such Principal Payment Date.

**SECTION 403. INVESTMENT OF MONEY.** (a) Money held for the credit of the subaccounts established hereunder on deposit with the Master Trustee shall be continuously invested and reinvested by the Master Trustee, at the written direction of the Corporation, in Investment Obligations to the extent practicable. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such subaccounts will be required for the purposes intended. No Investment Obligations in any such subaccount may mature beyond the latest maturity date of any Series 2015A Bonds Outstanding at the time such Investment Obligations are deposited.

(b) Investment Obligations acquired with money in or credited to any subaccount established hereunder shall be deemed at all times to be part of such subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations shall be charged against such subaccount. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations to the credit of such subaccounts shall be credited to such respective subaccounts.

(c) Any such interest accruing and any such profit realized from the subaccounts established hereunder shall be transferred upon the receipt thereof by the Corporation or the Master Trustee, as the case may be, pursuant to the provisions of the Master Indenture and this Supplement No. 7.

(d) An Authorized Officer of the Corporation shall give to the Master Trustee written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Section 403, and the Master Trustee shall then invest such money in Investment Obligations as so directed. The Master Trustee may request in writing additional directions or authorization from an Authorized Officer of the Corporation with respect to the proposed investment of money. Upon receipt of such directions, the Master Trustee shall invest, subject to the provisions of this Section 403, such money in accordance with such directions.

(e) The Master Trustee shall sell at the fair market price or, acting in a commercially reasonable manner, reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so in order to provide money to make any payment from any such subaccount. The Master Trustee shall not be liable or responsible for any loss resulting from any such investment.

(f) Whenever a transfer of money between two or more of the subaccounts is permitted or required, such transfer may be made as a whole or value determined at the time of such transfer in accordance with Article VI of the Master Indenture, provided that the Investment Obligations transferred are those in which money of the receiving subaccount could be invested at the date of such transfer.

**SECTION 404. PAYMENT OF PRINCIPAL AND INTEREST.** (a) The Corporation covenants that it will promptly pay the principal of and the interest on every Series 2015A Bond issued under the provisions of this Supplement No. 7 at the places, on the dates and in the manner provided herein and in the Series 2015A Bonds, according to the true intent and meaning thereof and in accordance with the provisions of the Master Indenture and this Supplement No. 7. The Series 2015A Bonds shall constitute Bonds and Parity Obligations under the Master Indenture and shall be secured by the trust estate set forth in the Master Indenture. The Corporation further covenants that it will faithfully perform at all times all of its covenants, undertakings and agreements contained in this Supplement No. 7 and the Master Indenture, or in any Series 2015A Bond executed, authenticated and delivered hereunder or in any proceedings of the Corporation pertaining thereto. The Corporation represents and covenants that it is duly authorized under the Constitution and laws of the State, particularly the Act, to issue the Series 2015A Bonds authorized hereby and to pledge the Net Receipts in the manner and to the extent in the Master Indenture set forth; that all action on its part for the issuance of the Series 2015A Bonds has been duly and effectively taken; and that such Series 2015A Bonds in the hands of the Owners thereof are and will be valid and binding special obligations of the Corporation payable according to their terms.

(b) Subject to the provisions of Sections 503 and 504 of the Master Indenture, on the Business Day preceding each Interest Payment Date or Interest Payment Date and Principal Payment Date, the Master Trustee shall first set aside an amount sufficient to pay the interest on the Series 2015A Bonds becoming due and payable on such Interest Payment Date, and then an amount sufficient to pay the principal of the Series 2015A Bonds becoming due and payable on such Principal Payment Date, and shall make payments as provided herein and in the forms of the Series 2015A Bonds.

(c) At such time as to enable the Bond Registrar to make payments of interest on the Series 2015A Bonds in accordance with Section 203(c) hereof, the Master Trustee shall withdraw from the Series 2015A Subaccount of the Interest Account and make available to the Bond Registrar the amounts required to pay interest on the Series 2015A Bonds on the next succeeding Interest Payment Date. At such time as to enable the Bond Registrar to make payments of principal of the Series 2015A Bonds, the Master Trustee shall withdraw from the Series 2015A Subaccount of the Principal Account the amount required to pay the Series 2015A Bonds on the next succeeding Principal Payment Date and make the same available to the Bond Registrar for the payment of the Series 2015A

Bonds in accordance with the provisions of Section 203(c) hereof and in the manner provided in the forms of the Series 2015A Bonds.

(d) The Series 2015A Bonds shall not be secured by the Parity Common Reserve Account.

**SECTION 405. STATE COVENANT.** The Corporation acknowledges that Section 708 of the Master Indenture constitutes an important security provision of the Series 2015A Bonds, and confirms that the acknowledgement set forth in this Section 405 has been included as a result of negotiations with the underwriters of the Series 2015A Bonds.

**ARTICLE V**  
**THE MASTER TRUSTEE**

**SECTION 501. ACCEPTANCE OF DUTIES BY MASTER TRUSTEE.**

The Master Trustee by execution hereof accepts and agrees to perform the duties and fulfill the trusts imposed upon it by this Supplement No. 7.

## **ARTICLE VI SUPPLEMENTAL INDENTURES**

**SECTION 601. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF OWNERS.** The Corporation and the Master Trustee may, from time to time and at any time, without the consent of or notice to any of the Owners of the Series 2015A Bonds, execute and deliver such indentures supplemental hereto (which supplemental indentures shall thereafter form a part hereof) as shall be substantially consistent with the terms and provisions of this Supplement No. 7:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision herein that may be inconsistent with any other provision herein, to make any other provisions with respect to matters or questions arising under this Supplement No. 7 or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Supplement No. 7;

(b) to grant or to confer upon the Master Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Master Trustee;

(c) to add to the covenants and agreements of the Corporation in this Supplement No. 7 other covenants and agreements thereafter to be observed by the Corporation or to surrender any right or power herein reserved to or conferred upon the Corporation;

(d) to permit the qualification of this Supplement No. 7 under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Corporation so determines, to add to this Supplement No. 7 or any supplemental indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law;

(e) to provide for the issuance of Series 2015A Bonds in bearer form; or

(f) to make any other change that, in the opinion of the Trustee, which may, but is not required to, rely upon one or more of affirmation of ratings by the Rating Agencies, certificates of Consultants and Opinions of Counsel for such purpose, shall not materially adversely affect the security for the Parity Obligations.

**SECTION 602. MODIFICATION OF SUPPLEMENT NO. 7 WITH CONSENT OF OWNERS.** (a) Subject to the terms and provisions contained in this Section 602, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Series 2015A Bonds then Outstanding shall have the right, from time to time, anything contained in this Supplement No. 7 to the contrary

notwithstanding, to consent to and approve the adoption by the Corporation and the acceptance by the Master Trustee of such supplemental indentures as shall be deemed necessary or desirable by the Corporation for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Supplement No. 7 or in any supplemental indenture hereto; provided, however, that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Series 2015A Bond without the consent of the Owner of such Series 2015A Bond, (b) a reduction in the principal amount of any Series 2015A Bond or the rate of interest on any Series 2015A Bond without the consent of the Owner of such Series 2015A Bond, (c) the creation of a pledge of Net Receipts other than the lien and pledge created by the Master Indenture without the consent of the Owners of all Series 2015A Bonds, (d) a preference or priority of any Series 2015A Bond over any other Series 2015A Bond without the consent of the Owners of all Series 2015A Bonds, or (e) a reduction in the aggregate principal amount of Series 2015A Bonds required for consent to such supplemental indenture without the consent of the Owners of all Series 2015A Bonds. Nothing herein contained, however, shall be construed as making necessary the approval by the Owners of the execution and delivery of any supplemental indenture as authorized in Section 601 hereof.

(b) The Master Trustee shall, at the expense of the Corporation, such expense to be paid from Gross Receipts or from any other available moneys, cause notice of the proposed execution and delivery of such supplemental indenture to be mailed, first class, postage prepaid, to all Owners of the Series 2015A Bonds. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the designated corporate trust office of the Master Trustee for inspection by all Owners. The Master Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by this Section 602, and any such failure shall not affect the validity of such supplemental indenture when approved and consented to as provided in this Section 602.

(c) Whenever, at any time within three years after the date of the mailing of such notice, the Corporation shall deliver to the Master Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority in aggregate principal amount of Series 2015A Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental indenture described in such notice and shall specifically consent to and approve the execution and delivery thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Corporation and the Master Trustee may execute and deliver such supplemental indenture in substantially such form, without liability or responsibility to any Owner, whether or not such Owner shall have consented thereto.

(d) If the Owners of not less than a majority in aggregate principal amount of the Series 2015A Bonds Outstanding at the time of the execution of such supplemental

indenture have consented to and approved the execution and delivery thereof as herein provided, to the extent permitted by law, no Owner shall have any right to object to the execution and delivery of such supplemental indenture, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution and delivery thereof, or enjoin or restrain the Corporation or the Master Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

(e) Upon the execution and delivery of any supplemental indenture pursuant to the provisions of this Section 602 or Section 601 hereof, this Supplement No. 7 shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Supplement No. 7 of the Corporation, the Master Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Supplement No. 7, as so modified and amended.

**SECTION 603. EXCLUSION OF SERIES 2015A BONDS.** Series 2015A Bonds owned or held by or for the account of the Corporation shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Series 2015A Bonds provided for in this Article VI, and the Corporation as Owner of such Series 2015A Bonds shall not be entitled to consent or take any other action provided for in this Article VI. At the time of any consent or other action taken under this Article VI, the Corporation shall furnish the Master Trustee an Officer's Certificate, upon which the Master Trustee may rely, describing all Series 2015A Bonds so to be excluded.

**SECTION 604. RESPONSIBILITIES OF MASTER TRUSTEE AND CORPORATION UNDER THIS ARTICLE.** The Master Trustee and the Corporation shall be entitled to exercise their discretion in determining whether or not any proposed supplemental indenture or any term or provision therein contained is desirable, after considering the purposes of such instrument, the needs of the Corporation, the rights and interests of the Owners, and the rights, obligations and interests of the Master Trustee. The Master Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of counsel approved by it, who may be Bond Counsel for the Corporation, as conclusive evidence that any such proposed supplemental indenture does or does not comply with the provisions of this Supplement No. 7, and that it is or is not proper for it, under the provisions of this Article VI, to execute and deliver such supplemental indenture.

**ARTICLE VII**  
**QUALIFIED ESCROW FUNDS**

**SECTION 701. QUALIFIED ESCROW FUNDS.** Notwithstanding any provisions herein to the contrary, any and all moneys in the Series 2015A Bonds Proceeds Subaccount of the Pre-Event Parity Obligations Account in the Covered Events Relief Fund, the Series 2015A Subaccount of the Interest Account of the Bond Fund, the Series 2015A Subaccount of the Principal Account of the Bond Fund and any other account or subaccount designated by the President or other authorized officer may be designated as Qualified Escrow Funds as provided in the Master Trust Indenture pursuant to a certificate of the President or other authorized officer. In the event of such designation, such Qualified Escrow Funds shall be used solely to pay principal of, redemption premium, if any, and interest on such Series 2015A Bonds as may be designated by the President or other authorized officer of the Corporation.



**ARTICLE VIII.  
MISCELLANEOUS PROVISIONS**

**SECTION 801. MANNER OF GIVING NOTICE.** All notices, demands and requests to be given to or made hereunder by the Corporation, the Master Trustee or the Bond Registrar shall be given or made in writing and shall be deemed to be properly given or made if sent by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

(a) As to the Corporation--

State Board of Administration Finance Corporation  
c/o State Board of Administration of the State of Florida  
1801 Hermitage Boulevard  
Tallahassee, Florida 32308  
Attention: President

(b) As to the Master Trustee or Bond Registrar--

Wells Fargo Bank, N.A.  
One Independent Drive, Suite 620  
Jacksonville, Florida 32202  
Attention: Corporate Trust Department

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by electronic mail or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change sent by United States certified or registered mail, postage prepaid, to the other parties by the party effecting the change.

**SECTION 802. SUBSTITUTE NOTICE.** If, because of the temporary or permanent suspension of postal service, the Corporation, the Master Trustee or the Bond Registrar shall be unable to mail any notice required to be given by the provisions of this Supplement No. 7, such party shall give notice in such other manner as in the judgment of such party shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Supplement No. 7 be deemed to be in compliance with the requirement for the mailing thereof.

**SECTION 803. CORPORATION, MASTER TRUSTEE, BOND REGISTRAR AND OWNERS ALONE HAVE RIGHTS UNDER SUPPLEMENT NO. 7.** Except as herein otherwise expressly provided, nothing in this Supplement No. 7, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the Corporation, the Master Trustee, the Bond Registrar and the Owners, any right, remedy or claim, legal or equitable, under or by reason of this Supplement No. 7 or any provision being intended to be and being for the sole and exclusive benefit of the Corporation, the Master Trustee, the Bond Registrar and the Owners.

**SECTION 804. EFFECT OF PARTIAL INVALIDITY.** All covenants, stipulations, obligations and agreements of the Corporation contained in this Supplement No. 7 shall be deemed to be covenants, stipulations, obligations and agreements of the Corporation to the full extent permitted by the Constitution and laws of the State. In case any one or more of the provisions of this Supplement No. 7 or the Series 2015A Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Supplement No. 7 or the Series 2015A Bonds, but this Supplement No. 7 and the Series 2015A Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in this Supplement No. 7 or the Series 2015A Bonds shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Corporation to the full extent permitted by law.

**SECTION 805. EFFECT OF COVENANTS: GOVERNING LAW.** This Supplement No. 7 is executed and delivered with the intent that the laws of the State shall govern this construction.

**SECTION 806. HEADINGS.** Any heading preceding the text of the several articles hereof, any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Supplement No. 7, nor shall they affect its meaning, construction or effect.

**SECTION 807. FURTHER AUTHORITY.** The officers, attorneys and other agents or employees of the Corporation are hereby authorized to do all acts and things required of them by this Supplement No. 7 for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Series 2015A Bonds and this Supplement No. 7.

**SECTION 808. PAYMENT DUE ON NON-BUSINESS DAYS.** In the case of the Series 2015A Bonds, if the date for making any payment or the last day for performance of any act or the exercising of any right as provided in this Supplement No. 7 is not a Business Day, such payment may be made or act performed or right exercised

on the next Business Day with the same force and effect as if done on the date provided in this Supplement No. 7.

**SECTION 809. MULTIPLE COUNTERPARTS.** This Supplement No. 7 may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

**IN WITNESS WHEREOF,** the Corporation and the Master Trustee have caused this Supplement No. 7 to be executed in their respective names by their respective duly authorized officers all as of the date first written above.

**STATE BOARD OF ADMINISTRATION  
FINANCE CORPORATION**

(SEAL)

By: \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Treasurer

**WELLS FARGO BANK, N.A.,** as  
Master Trustee

By: \_\_\_\_\_  
Authorized Signatory

## EXHIBIT A

### FORM OF SERIES 2015A BONDS

RA-

\$ \_\_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF FLORIDA  
STATE BOARD OF ADMINISTRATION FINANCE CORPORATION  
REVENUE BOND, SERIES 2015A**

Interest Rate

Maturity Date

CUSIP

State Board of Administration Finance Corporation (the "Corporation"), an instrumentality of the State of Florida, for value received, hereby promises to pay, but solely from the sources and in the manner hereinafter provided, to CEDE & CO. or registered assigns or legal representative (the "Owner"), on the Maturity Date set forth above, upon the presentation and surrender hereof, at the designated corporate trust office of Wells Fargo Bank, N.A., in the City of Jacksonville, Florida (the "Bond Registrar"), the principal sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_). The Corporation also promises to pay, but solely from said sources, interest on this bond (calculated on the basis of a 360-day year consisting of twelve 30-day months) from the interest payment date next preceding the date on which it is authenticated, unless it is authenticated on an interest payment date, in which event it shall bear interest from such interest payment date, or it is authenticated prior to \_\_\_\_\_, in which event it shall bear interest from its date, payable semiannually on each January 1 and July 1, the first interest payment date being \_\_\_\_\_, at the Interest Rate per annum set forth above until the principal sum hereof is paid. The interest so payable and punctually paid or duly provided for on any interest payment date will be paid to the person in whose name this bond (or one or more Predecessor Bonds, as defined in the Master Indenture hereinafter defined) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month preceding the calendar month in which an interest payment date occurs. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Owner on such Regular Record Date, and may be paid to the person in whose name this bond is registered at the close of business on a Special Record Date (as defined in the Master Indenture) for the payment of such defaulted interest to be fixed by the Master Trustee (hereinafter mentioned), notice whereof being given to such Owners not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on

which the Series 2015A Bonds (hereinafter mentioned) may be listed and upon such notice as may be required by such exchange, or as more fully provided in the Master Indenture. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This bond is one of a duly authorized series of revenue bonds of the Corporation, designated "State Board of Administration Finance Corporation Revenue Bonds, Series 2015A" (the "Series 2015A Bonds"), issued under and pursuant to the Constitution and laws of the State of Florida, including Section 215.555, Florida Statutes (the "Act"), a Master Trust Indenture, dated as of June 1, 2006 (as amended and supplemented, the "Master Indenture"), by and between the Corporation and Wells Fargo Bank, N.A., Jacksonville, Florida, as master trustee (the "Master Trustee"), and the Seventh Supplemental Indenture, dated as of \_\_\_\_\_ ("Supplement No. 7"), by and between the Corporation and the Master Trustee. The Master Trustee is also the Bond Registrar for the Series 2015A Bonds. The Series 2015A Bonds are being issued for the purpose of providing funds, together with other available funds, to enable the FHCF to make reimbursement payments through the FHCF to participating insurers of reimbursable losses caused by any Covered Events occurring in the Contract Year ending May 31, \_\_\_\_\_ or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act.

The Series 2015A Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in Supplement No. 7. One bond certificate with respect to each date on which the Series 2015A Bonds are stated to mature, in the aggregate principal amount of the Series 2015A Bonds stated to mature on such date and registered in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York ("DTC"), is being issued and required to be deposited with DTC and immobilized in its custody. The book-entry system will evidence ownership of the Series 2015A Bonds in the principal amount of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Transfer of principal and interest payments to beneficial owners of the Series 2015A Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. The Corporation will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. While Cede & Co. is the Owner of this bond, notwithstanding the provisions hereinabove contained, payments of principal of and interest on this bond shall be made in accordance with the existing arrangements between the Bond Registrar and DTC.

The Corporation, the State Board of Administration, acting as the governing body and administrator of the FHCF, and the Master Trustee have entered into a Pledge and

Security Agreement, dated as of June 1, 2006 (the "Pledge Agreement"), pursuant to which the State Board of Administration has pledged to the Corporation all of the right, title and interest of the FHCF in and to the Pledged Collateral (as defined in the Pledge Agreement), and has agreed to transfer directly to the Master Trustee the Pledged Collateral in such amounts and at such times as are required to provide for the timely payment of the principal of and interest on the Series 2015A Bonds.

The Series 2015A Bonds are special obligations of the Corporation secured by a pledge, security interest in and lien upon the Net Receipts (as defined in the Master Indenture) and an assignment of the Corporation's right, title and interest in and to the Pledge Agreement (subject to the reservation of certain rights of the Corporation). The Corporation is not obligated to pay the principal of or the interest on the Series 2015A Bonds except as provided in the Master Indenture from Net Receipts, and neither the faith and credit nor the taxing power of the State of Florida or any political subdivision thereof is pledged to the payment of the principal of and the interest on the Series 2015A Bonds. The Corporation has no taxing power. The Master Indenture provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds and Parity Debt (as defined in the Master Indenture) secured on a parity as to the pledge of Net Receipts with the Series 2015A Bonds. The Series 2015A Bonds are being issued on parity under the Master Indenture with the Corporation's Revenue Bonds, Series 2013A.

The Master Indenture provides for the creation of a special fund designated "State Board of Administration Finance Corporation Bond Fund" (the "Bond Fund"). Pursuant to Supplement No. 7, special subaccounts have been created within the certain accounts of the Bond Fund with respect to the Series 2015A Bonds (the "Subaccounts"), which Subaccounts are charged with the payment of the principal of and the interest on the Series 2015A Bonds. Supplement No. 7 also provides for the deposit of Net Receipts to the credit of the Subaccounts to the extent and in the manner provided in the Master Indenture.

#### [REDEMPTION - TO COME]

Notice of any such redemption shall be given by mail, postage prepaid, not more than 60 days or fewer than 30 days prior to said date of redemption, to the Owners of any Series 2015A Bonds to be redeemed. Such notice shall specify, among other things: (1) that the whole or a designated portion of this Series 2015A Bond is to be redeemed, (2) the date of redemption, and (3) the place or places where the redemption will be made. Any such notice may be a conditional notice. In the event the conditions stated in such a notice have not been satisfied on the proposed redemption date, such redemption shall not occur and such notice shall be of no further force or effect.

Under the Master Indenture, in certain events of default, on the conditions, in the manner and with the effect, the principal of all Parity Obligations then outstanding may be declared to be and become due and payable prior to the stated maturities thereof, together with the interest accrued thereon.

Reference is made to the Master Indenture, Supplement No. 7 and the Pledge Agreement for a more complete statement of the provisions thereof and of the rights of the Corporation, the Master Trustee and the Owners of the Series 2015A Bonds. Copies of the Master Indenture, Supplement No. 7 and the Pledge Agreement shall be available for inspection by any Owner of the Bonds at all reasonable times at the designated corporate trust office of the Master Trustee. By the purchase and acceptance of this bond, the Owner hereof signifies assent to all of the provisions of the Master Indenture, Supplement No. 7 and the Pledge Agreement.

At the designated corporate trust office of the Bond Registrar, in the manner and subject to the conditions provided in the Master Indenture, Series 2015A Bonds may be exchanged for an equal aggregate principal amount of Series 2015A Bonds of the same series and maturity, of authorized denominations and bearing interest at the same rate.

The Bond Registrar shall keep at its designated corporate trust office books for the registration of transfer of the Series 2015A Bonds. The transfer of this bond may be registered only upon such books and as otherwise provided in the Master Indenture upon the surrender hereof to the Bond Registrar together with an assignment duly executed by the Owner hereof or such Owner's attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer, the Bond Registrar shall deliver in exchange for this bond a new Series 2015A Bond or Bonds, registered in the name of the transferee, of authorized denominations, in an aggregate principal amount equal to the principal amount of this bond, of the same series and maturity and bearing interest at the same rate.

This bond, notwithstanding the provisions for registration of transfer stated herein and contained in the Master Indenture and Supplement No. 7, at all times shall be, and shall be understood to be, an investment security within the meaning of and for all the purposes of the Uniform Commercial Code of Florida. This bond is issued with the intent that the laws of the State of Florida shall govern its construction.

Modifications or alterations of the Master Indenture and Supplement No. 7 or in any supplemental indenture thereto may be made only to the extent and in the circumstances permitted by the Master Indenture and Supplement No. 7, as the case may be.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of this bond and the execution and delivery of the Master

Indenture and Supplement No. 7 have happened, exist and have been performed as so required.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Master Indenture or Supplement No. 7 until it shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the State Board of Administration Finance Corporation has caused this bond to be manually signed by its President and Treasurer and its corporate seal to be impressed hereon, all as of the 23rd day of April, 2013.

**STATE BOARD OF ADMINISTRATION  
FINANCE CORPORATION**

(SEAL)

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Treasurer

**CERTIFICATE OF AUTHENTICATION**

This bond is a Bond of the Series designated therein and issued under the provisions of the within-mentioned Master Indenture and Supplement No. 7.

Date of Authentication:

**WELLS FARGO BANK, N.A.,**  
Bond Registrar

By: \_\_\_\_\_  
Authorized Signatory



Unless this certificate is presented by an authorized representative of The Depository Trust Company to the Corporation or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by the authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

### **ASSIGNMENT**

**FOR VALUE RECEIVED**, the undersigned sells, assigns and transfers unto

---

Insert Social Security or Other Identifying Number of Assignee

---

(Name and Address of Assignee)

---

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_, as attorneys to register the transfer of the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature guaranteed:

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**NOTICE:** Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

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**NOTICE:** The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

**State Board of Administration Finance Corporation**  
**\$ \_\_\_\_\_**  
**Revenue Bonds, Series 2015A**

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**BOND PURCHASE CONTRACT**

\_\_\_\_\_ (the "Senior Manager"), acting for itself and on behalf of \_\_\_\_\_ (collectively, including the Senior Manager, the "Underwriters"), offers to enter into the following agreement (the "Purchase Contract") with the State Board of Administration Finance Corporation (the "Corporation"). The offer made hereby is subject to acceptance thereof by execution of this Purchase Contract and its delivery, to the Senior Manager or counsel to the Underwriters at or prior to 5:00 p.m., Eastern time, on the date hereof or such later date or time as may be mutually agreed upon by the Underwriters and the Corporation, and if not so accepted, will terminate. All capitalized undefined terms used herein shall have the meanings set forth in the hereinafter defined Indenture.

The Corporation acknowledges and agrees that (i) the purchase and sale of the Bonds (as defined below) pursuant to this Purchase Contract is an arm's-length commercial transaction between the Corporation and the Underwriters, (ii) in connection with such transaction, each Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Corporation, (iii) the Underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the Corporation with respect to the offering of the Bonds or the process leading thereto (whether or not any Underwriter, Or any affiliate of an Underwriter, has advised or is currently advising the Corporation on other matters) or any other obligation to the Corporation, (iv) the Corporation has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds (as defined herein), (v) the Underwriters have financial and other interests that differ from those of the Corporation, and (vi) this Purchase Contract expresses the entire relationship among the parties hereto with respect to the Bonds hereinafter mentioned.

1. Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriters, jointly and severally, hereby agree to purchase from the Corporation for a bona fide offering to the public and the Corporation hereby agrees to sell and deliver to the Underwriters for such purpose, all (but not less than all) of the \$ \_\_\_\_\_ State Board of Administration Finance Corporation Revenue Bonds, Series 2015A (the "Bonds"). The Bonds will be dated the date of their delivery. The interest on the Bonds will be payable from their dated date semi-annually each January 1 and July 1, beginning \_\_\_\_\_. The purchase price for the Bonds is \$ \_\_\_\_\_ (which is the aggregate principal amount of the Bonds, less

Underwriters' discount of \$\_\_\_\_\_). As used in this Purchase Contract, "Closing" shall mean the payment for and delivery of the Bonds and the other actions contemplated by this Purchase Contract to take place at the time of such payment and delivery.

The difference between the purchase price for the Bonds and the prices at which the Bonds are initially offered to the investing public set forth in Exhibit A, attached hereto, is herein referred to as the "Underwriters' Spread" and the components of the Underwriters' Spread are as they appear on the "Memorandum of Understanding of Pricing" in Exhibit A.

2. Prior to the date hereof, the Corporation has provided to the Underwriters for their review the Preliminary Official Statement of the Corporation relating to the Bonds, dated \_\_\_\_\_ (such Preliminary Official Statement including the cover page and all exhibits and appendices thereto and attached hereto as Exhibit B, the "Preliminary Official Statement"), The Corporation hereby ratifies and approves the distribution of the Preliminary Official Statement by the Underwriters in connection with the offering for sale of the Bonds. The Corporation shall, at its expense, deliver, or cause to be delivered, to the Underwriters within seven (7) business days after the date hereof but not later than two (2) business days prior to the Closing and in sufficient time to accompany any confirmation that requests payment from any customer such number of copies of the Official Statement (as defined below) as the Underwriters shall reasonably request, but not to exceed \_\_\_\_\_ copies, in order to comply with all applicable rules of the Municipal Securities Rulemaking Board ("MSRB") and Rule 15c2-12(b)(4) of the Securities and Exchange Commission ("SEC").

As of the date of the Preliminary Official Statement, the Preliminary Official Statement was "deemed final" (except for permitted omissions) by the Corporation for purposes of SEC Rule 15c2-12(b)(1). The final Official Statement to be dated the date hereof (the "Official Statement") for purposes of Rule 15c2-12(b)(3) and (4) of the SEC, which will be determined to be final by the execution thereof by the Corporation, will be in substantially the form of the Preliminary Official Statement, with such changes to the Preliminary Official Statement as are necessary to include the terms and provisions of this Purchase Contract.

From the date hereof until the end of the underwriting period (as hereinafter defined), if the Corporation becomes aware of any event which may make it necessary to amend or supplement the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Corporation shall notify the Underwriters and if, in the reasonable opinion of the Corporation or the Underwriters, such event requires the preparation and publication of an amendment or supplement to the Official Statement, the Corporation, at its expense (unless such amendment or supplement is as a result of misinformation provided by the Underwriters, in which case the expense shall be borne by the Underwriters), promptly

shall prepare, in a form and in a manner approved by the Underwriters, an appropriate amendment or supplement thereto so that the statements in the Official Statement as so amended or supplemented will not, in light of the circumstances under which they were made, be inaccurate, incomplete or misleading.

The term "end of the underwriting period" means the later of (i) the date of the Closing, or (ii) the date on which the Underwriters do not retain an unsold balance of the Bonds for sale. Unless the Underwriters otherwise notify the Corporation in writing, the Corporation may treat the Closing as the end of the underwriting period.

The Bonds shall be as described in, and shall be issued and secured under, a resolution of the Corporation adopted on \_\_\_\_\_, and the provisions of a Master Trust Indenture dated as of June 1, 2006 (the "Master Indenture"), between the Corporation and Wells Fargo Bank, N.A., Jacksonville, Florida, as Master Trustee, as supplemented by the Seventh Supplemental Indenture dated as of \_\_\_\_\_ (together with the Master Indenture, the "Indenture"), and pursuant to a Pledge and Security Agreement dated as of June 1, 2006 (the "Pledge Agreement") among the State Board of Administration of Florida, as administrator of the Florida Hurricane Catastrophe Fund (the "FHCF") (in this capacity, the "State Board of Administration"), the Corporation and the Master Trustee. The Bonds shall be dated, shall mature on such dates and in such amounts, shall bear interest at the rates as are set forth in Exhibit A attached hereto and shall have such other terms and provisions as are described in the Indenture.

[INSERT REDEMPTION PROVISIONS]

The Senior Manager hereby represents that (a) it is authorized by each of the other Underwriters, as evidenced by the Agreement Among Underwriters (the "AAU") (or other agreement or written authorization) attached hereto as Exhibit C, to execute this Purchase Contract, to act on their behalf and to take such action as it may deem advisable with respect to all matters pertaining to this Purchase Contract; (b) each Underwriter is registered as a municipal securities dealer under the Securities Exchange Act of 1934, as amended; (c) the Senior Manager has not, and, based solely on certifications made to the Senior Manager by the Underwriters other than the Senior Manager in the AAU, such other Underwriters have not, been convicted or entered a plea of guilty or nolo contendere to fraud in a federal or state court, during the two year period immediately preceding the date of this Purchase Contract; and (d) it has provided to the Corporation a disclosure statement in a form agreed to by the Corporation and the Underwriters, which is attached as Exhibit E to this Purchase Contract. The payment for, acceptance of and execution and delivery of any receipt for the Bonds and any other instruments or documents at or in connection with the Closing shall be made solely by the Senior Manager, for and in the name and on behalf of the Underwriters and shall be valid and sufficient for all purposes and binding upon each of the Underwriters; *provided, however*, that none of such actions by the Senior Manager shall impose any obligation or liability

upon the Senior Manager or any other Underwriter, other than an obligation or liability set forth expressly in this Purchase Contract.

The Senior Manager, on behalf of the Underwriters, shall deliver to the order of the Corporation an amount equal to \$\_\_\_\_\_ by wire transfer to be received by the Corporation no later than 5:00 p.m. Eastern Time, on the date of execution of this Purchase Contract (such wire transfer being hereinafter referred to as the "Good Faith Wire"). If the Good Faith Wire is not received in the amount and at the time set forth in this paragraph, the Corporation reserves the right to cancel this Purchase Contract. In the event the Corporation does not accept this offer or upon the failure of the Corporation to deliver the Bonds at the Closing, or if the Corporation shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Contract, such Good Faith Wire shall be immediately returned to the Senior Manager. If the offer is hereby accepted, the Corporation agrees to hold the Good Faith Wire until Closing as security for the performance by the Underwriters at the Closing, and the Good Faith Wire shall be applied to the purchase price for the Bonds, Interest on the Good Faith Wire shall accrue to the benefit of the Corporation and shall not offset the amount due from the Underwriters at Closing. In the event the Underwriters fail to purchase the Bonds at the Closing, unless such failure is permitted as herein provided, the Good Faith Wire and the interest accrued thereon shall be retained by the Corporation as full liquidated damages for such failure and, except as set forth in Paragraphs 10 and 11 hereof, neither party hereto shall have any further rights against the other hereunder.

3. The Underwriters agree to make an initial public offering of all of the Bonds at not in excess of the public offering prices or yields set forth on the inside cover page of the Official Statement. If such offering does not result in the sale of all of the Bonds, the Underwriters may offer and sell the Bonds at prices lower or higher than the offering prices or yields set forth on the inside cover page of the Official Statement. A group of selected dealers may be created by the Underwriters.

4. The Corporation hereby authorizes the use by the Underwriters of the Indenture, the Pledge Agreement and the Official Statement, including any supplements or amendments thereto, in connection with the public offering and sale of the Bonds.

5. The Corporation hereby represents and agrees with the Underwriters that:

(a) the Corporation is a public benefits corporation and instrumentality of the State of Florida with the powers and authority set forth in Section 215.555, Florida Statutes, as amended and supplemented from time to time (the "Act");

(b) The Corporation has full legal right, power and authority to and has taken all necessary official actions to: (i) enter into this Purchase Contract (including, without limitation, the provisions of Section 11, hereof), (ii) enter into the Indenture, the Pledge Agreement, and the Continuing Disclosure Agreement

dated as of the date of Closing between the Corporation and the State Board of Administration (the "Continuing Disclosure Agreement"), (iii) sell, issue and deliver the Bonds to the Underwriters as provided herein, (iv) use the proceeds from the sale of the Bonds for the purposes described in the Official Statement, (v) secure the Bonds as provided in the Indenture and the Pledge Agreement and to pledge the Trust Estate (as hereinafter defined) to the Master Trustee as provided in the Indenture, and (vi) carry out and consummate the transactions contemplated by this Purchase Contract, the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, and the Official Statement, and as of the date of Closing will be in compliance in all material respects with the terms of the Act, the Indenture, the Pledge Agreement, and the Continuing Disclosure Agreement;

(c) (1) By all necessary official actions, the Corporation has (i) duly authorized the execution and delivery of the Indenture, the Continuing Disclosure Agreement, and the Pledge Agreement, (ii) duly approved and authorized the distribution and use of the Preliminary Official Statement and the Official Statement, and (iii) duly authorized the execution and delivery of the Bonds and the performance by the Corporation of the obligations on its part contained or described in the Bonds, the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, the Official Statement, and this Purchase Contract, and the consummation by the Corporation of all other transactions contemplated thereby to be undertaken by the Corporation in connection with the issuance of the Bonds;

(2) Upon delivery and execution by the Corporation and the Master Trustee and assuming the due authorization, execution and delivery of the Indenture by the Master Trustee, the Indenture will constitute a legal, valid and binding obligation of the Corporation, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity. Upon execution by the Corporation and the other parties thereto (and assuming the due authorization, execution and delivery of such agreements by the other parties thereto), this Purchase Contract, and the Continuing Disclosure Agreement will constitute the legal, valid and binding obligations of the Corporation, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights and subject, as to enforceability, to general principles of equity. Neither the Master Indenture nor the Pledge Agreement have been amended since their execution as of June 1, 2006, and the Master Indenture and the Pledge Agreement constitute valid and binding obligations of the Corporation, enforceable in accordance with their terms, subject to

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applicable bankruptcy, insolvency and similar laws affecting creditors' rights and subject, as to enforceability, to general principles of equity;

(3) The Bonds, when issued and delivered to the Underwriters in accordance with the Indenture and this Purchase Contract, will constitute legal, valid and binding obligations of the Corporation, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity;

(d) To the best knowledge of the Corporation:

(1) The Corporation is not, and as of the Closing will not be, in material breach of or material default under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree, or any relevant loan agreement, indenture, bond, note or resolution, agreement or other relevant instrument to which the Corporation is a party or to which the Corporation is otherwise subject, and no event has occurred and is continuing which would have a material adverse effect on the financial condition of the Corporation or which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument, which breach or default covered by this subparagraph would materially adversely affect the ability of the Corporation to perform its obligations under the Indenture, the Continuing Disclosure Agreement, the Pledge Agreement, the Bonds or this Purchase Contract;

(2) The execution and delivery of the Indenture, the Pledge Agreement, the Bonds, the Continuing Disclosure Agreement, and this Purchase Contract and compliance with the provisions on the part of the Corporation contained therein, will not constitute a material breach of or material default under any applicable constitutional provision, law, administrative regulation, judgment, decree, or any relevant loan agreement, indenture, bond, note, resolution, agreement or other relevant instrument to which the Corporation is a party or to which the Corporation is otherwise subject, which breach or default would materially adversely affect the authority or ability of the Corporation to perform its obligations under the Indenture, the Continuing Disclosure Agreement, the Pledge Agreement, the Bonds or this Purchase Contract, nor, to the best knowledge of the Corporation will any such execution, delivery, adoption or compliance result in the creation or imposition of any material lien, charge or other security interest or encumbrance of any nature whatsoever upon the Trust Estate (as hereinafter defined) except as provided by the Bonds, the Indenture, and the Pledge Agreement;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required to be obtained by the Corporation for the due authorization by or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Corporation of its obligations in connection with the issuance of the Bonds or for the execution and delivery of this Purchase Contract, the Indenture, the Continuing Disclosure Agreement, and the Pledge Agreement, have been duly obtained;

(f) The Bonds, when issued, executed and delivered in accordance with the Indenture and sold to the Underwriters as provided herein, will be entitled to the benefits of the Indenture and the Pledge Agreement; and upon such issuance, execution and delivery, the Indenture will provide, for the benefit of the owners from time to time of the Bonds, a legally valid and binding pledge of and prior lien upon the moneys pledged by the State Board of Administration pursuant to the Pledge Agreement, consisting of the Reimbursement Premiums and earnings thereon, Emergency Assessments and earnings thereon, net proceeds of the Bonds until spent, investment earnings on proceeds of the Bonds and Other Pledged Money remaining after the payment of Current Expenses of the Florida Hurricane Catastrophe Fund (the aforementioned moneys are collectively referred to as "Pledged Collateral" or the "Trust Estate"), subject only to the provisions of the Indenture and the Pledge Agreement permitting the application thereof on the terms and conditions set forth in the Indenture and the Pledge Agreement;

(g) As of the date hereof, except as described in the Preliminary Official Statement and the Official Statement or previously disclosed in writing to the Underwriters, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending (and concerning which service of process or other adequate legal notice has been made) or, to the best knowledge of the Corporation, threatened against the Corporation, affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge or collection of the Trust Estate pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge of and lien upon the Trust Estate, or contesting or affecting as to the Corporation, the validity or enforceability of the Act in any respect relating to the authorization for the issuance of the Bonds, the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, this Purchase Contract, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Corporation, or any authority for the issuance of the Bonds, or the execution and delivery by the Corporation of the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, and this Purchase Contract;



(h) The Corporation will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order to (1) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (2) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions or to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Corporation shall not be required to (1) spend money, (2) execute a general or special consent to service of process, or (3) qualify to do business in connection with any such qualification or determination in any jurisdiction;

(i) As of the date of the Preliminary Official Statement and as of the date of this Purchase Contract, to the best knowledge of the Corporation, the Preliminary Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) At the time of the Corporation's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to the third paragraph of Section 2 of this Purchase Contract), at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement does not and will not, to the best knowledge of the Corporation, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading;

(k) Any certificate signed by an authorized official of the Corporation and delivered to the Underwriters shall be deemed a representation by the Corporation to the Underwriters as to the statements made therein;

(l) The Corporation is not in default and has not been in default at any time after December 31, 1975 as to principal or interest with respect to an obligation issued or guaranteed by the Corporation which would require disclosure pursuant to Section 517.051, Florida Statutes, as amended;

(m) Except as described in the Preliminary Official Statement and the Official Statement, the Corporation has never failed to comply with any continuing disclosure obligations previously undertaken by the Corporation, if any, in accordance with the continuing disclosure requirements of Rule 15c2-12 of the SEC;

(n) If the Official Statement is supplemented or amended pursuant to the third paragraph of Section 2 of this Purchase Contract, at the time of each

supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the Underwriting Period, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which made, not misleading.

6. On \_\_\_\_\_, or on such other date as may be mutually agreed upon by the Corporation and the Underwriters as the Closing date, the Corporation shall, subject to the terms and conditions hereof, deliver the Bonds to the Underwriters in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by immediately available funds to the order of the Corporation. Delivery and payment as aforesaid shall be made at such place as may be mutually agreed upon by the Corporation and the Underwriters. At or prior to 1:00 p.m. New York time on the Closing date, the Corporation shall deliver or cause to be delivered to the Underwriters through the facilities of The Depository Trust Company ("DTC"), New York, New York, or through the Bond Registrar on behalf of DTC via its F.A.S.T. delivery system, the Bonds in definitive form (one typewritten Bond for each maturity and registered in the name of Cede & Co., as the nominee of DTC), duly executed and authenticated, together with the items identified in Section 9 below. It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of the Bonds in accordance with the terms of this Purchase Contract. The Bonds shall be prepared and made available to the Underwriters at least 24 hours before the Closing date for purposes of inspection.

7. (a) The State Board of Administration, by execution of an endorsement and acceptance of this Purchase Contract, agrees to:

(i) furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order to (1) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (2) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions or to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the State Board of Administration shall not be required to (1) spend money, (2) execute a general or special consent to service of process, or (3) qualify to do business in connection with any such qualification or determination in any jurisdiction;

(ii) deliver to the Underwriters its certificate to the effect that the audited financial records of the FHCF for the fiscal year ended June 30, 2014 and June 30, 2013, contained in the Official Statement as Appendix B thereto, to the best of its knowledge, present fairly the financial position of the FHCF as of the dates indicated and the results of its operations for the periods specified, and other financial information and statistical data relating to the FHCF and included in the Official Statement are, to the best of its knowledge, true and correct as of the date hereof; and

(iii) certify at the Closing that all liens, encumbrances, covenants, conditions and restrictions, if any, to the real and personal property of the FHCF will not interfere with or impair the operations of the FHCF.

(b) The State Board of Administration, by execution of an endorsement and acceptance of this Purchase Contract, represents and agrees with the Underwriters that it has full legal right, power and authority to and has taken all necessary official actions to: (i) acknowledge and accept the provisions of this Purchase Contract, (ii) adopt appropriate resolutions authorizing and requesting the issuance and sale of the Bonds, and (iii) carry out and consummate the transactions contemplated by this Purchase Contract, the Pledge Agreement, the Continuing Disclosure Agreement and other appropriate resolutions of the State Board of Administration, and the Official Statement and that the State Board of Administration has complied, as of the date of this Purchase Contract, and at the Closing will be in compliance in all material respects, with the obligations on its part in connection with the issuance of the Bonds contained in the Pledge Agreement and other appropriate resolutions of the State Board of Administration, the Bonds and this Purchase Contract, including execution of its endorsement and acceptance hereto;

(c) The State Board of Administration hereby represents and agrees with the Underwriters as follows:

(i) At the time of the State Board of Administration's endorsement and acceptance hereof, the portions of the Preliminary Official Statement relating to the State Board of Administration and the Florida Hurricane Catastrophe Fund under the headings "AUTHORITY FOR THE ISSUANCE OF THE 2015A BONDS," "DEBT SERVICE COVERAGE," "PLEDGE AND SECURITY OF THE 2015A BONDS," "OPERATION OF THE FHCF," "INVESTMENT POLICY OF THE FHCF," "FUTURE LEGISLATIVE AND REGULATORY CHANGES," "LITIGATION," "AUDITED FINANCIAL STATEMENTS," and "APPENDIX B - FINANCIAL STATEMENTS OF THE FLORIDA HURRICANE CATASTROPHE FUND FOR FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013" do not contain any untrue statement of a material

fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(ii) At Closing the portions of the Official Statement relating to the State Board of Administration and the Florida Hurricane Catastrophe Fund under the headings "AUTHORITY FOR THE ISSUANCE OF THE 2015A BONDS," "DEBT SERVICE COVERAGE," "PLEDGE AND SECURITY OF THE 2015A BONDS," "OPERATION OF THE FHCF," "INVESTMENT POLICY OF THE FHCF," "FUTURE LEGISLATIVE AND REGULATORY CHANGES," "LITIGATION," "AUDITED FINANCIAL STATEMENTS," and "APPENDIX B - FINANCIAL STATEMENTS OF THE FLORIDA HURRICANE CATASTROPHE FUND FOR FISCAL YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013" will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(iii) The Pledge Agreement has not been amended since its execution as of June 1, 2006, and constitutes a legal, valid and binding obligation of the State Board of Administration, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

(d) The State Board of Administration hereby further represents and agrees with the Underwriters that, to the best knowledge of the State Board of Administration:

(i) The State Board of Administration is currently not, and as of the Closing will not be, in material breach of or material default under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree, or any relevant loan agreement, indenture, bond, note or resolution, agreement or other relevant instrument to which the State Board of Administration is a party or to which the State Board of Administration or any of the property or assets of the FHCF is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, of both, would constitute a default or event of default under any such instrument, which breach or default covered by this subparagraph would materially adversely affect the ability of the State Board of Administration to perform its obligations under the Pledge Agreement or this Purchase Contract;

(ii) The execution and delivery of the Pledge Agreement, the Bonds and this Purchase Contract and compliance with the provisions on the part of the State Board of Administration contained herein and therein will not constitute a material breach of or material default under any applicable constitutional provision, law, administrative regulation, judgment, decree, or any relevant loan agreement, indenture, bond, note, resolution, agreement or other relevant instrument to which the State Board of Administration is a party or to which the State Board of Administration or any of the property or assets of the FHCF is otherwise subject, which breach or default would materially adversely affect the ability of the State Board of Administration to perform its obligations under the Pledge Agreement, the Continuing Disclosure Agreement, the Official Statement, or this Purchase Contract, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any material lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the FHCF except as provided by the Pledge Agreement;

(iii) as of the date hereof, and as of the date of Closing, except as otherwise described in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending (and concerning which service of process or other adequate legal notice has been made) or, to the best knowledge of the State Board of Administration, threatened against the State Board of Administration, affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge or collection of the Pledged Collateral pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge of and lien upon the Pledged Collateral, or contesting or affecting the authorization for the issuance of the Bonds, the appropriate resolutions of the State Board of Administration, this Purchase Contract, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any supplement or amendment thereto, or contesting the powers of the State Board of Administration, or any authority for the issuance of the Bonds, the adoption of the appropriate resolutions of the State Board of Administration or the acknowledgement and acceptance by the State Board of Administration of this Purchase Contract; and

(iv) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by or which would constitute a condition precedent to or the

absence of which would materially adversely affect the due performance by the State Board of Administration of its obligations in connection with the issuance of the Bonds under this Purchase Contract and the Pledge Agreement and which are required to be obtained by the State Board of Administration have been duly obtained.

8. The Underwriters shall have the right to cancel their obligations to purchase the Bonds if, between the date hereof and the date of Closing,

(a) legislation shall have been enacted by the Congress, or recommended by the President of the United States to the Congress for passage, or favorably reported for the passage of either House of Congress by any Committee of either House or proposed for consideration by a Conference Committee of the House and Senate, or passed by either House of Congress, with an effective date being prior to the date of issuance of the Bonds, or a decision by a court of the United States shall have been rendered, or a ruling or regulation by the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall have been made, the effect of which is that the Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect; or

(b) a stop order, ruling or regulation by the Securities and Exchange Commission shall have been issued or made, the effect of which, in the reasonable opinion of Bond Counsel or Disclosure Counsel, is that the issuance, offering or sale of the Bonds as contemplated hereby or by the final Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or of the Securities Exchange Act of 1934, as amended and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect; or

(c) there shall exist any event which either (A) makes untrue or incorrect any statement of material fact contained in the Official Statement or, (B) is not reflected in the Official Statement but should be reflected therein in order to make any statement of material fact contained therein, in light of the circumstances under which it was made, not misleading and, in either such event, after the Underwriters have notified the Corporation and given the Corporation a reasonable opportunity to correct or supplement the Official Statement to take into account the events referred to in (A) or (B) above, the Corporation refuses to permit the Official Statement to be supplemented to correct or supply such statement or information, or the statement or information as supplemented is such as would materially adversely affect the sale of the Bonds by the Underwriters; or

(d) a war involving the United States shall have been declared or the escalation of war or major hostilities involving the United States, the effect of which on the financial markets of the United States is such as would materially adversely affect the sale of the Bonds by the Underwriters; or

(e) there shall be in force by the New York Stock Exchange a general suspension of trading securities, maximum or minimum prices for trading securities or maximum ranges or prices for securities, the effect of any of which on the financial markets of the United States is such as would materially adversely affect the sale of the Bonds by the Underwriters; or

(f) a general banking moratorium shall have been declared by federal, Florida or New York authorities such as would materially adversely affect the sale of the Bonds by the Underwriters or a material disruption in the commercial banking, securities settlement or clearance services shall have occurred which would materially adversely affect the ability to settle the purchase of the Bonds at Closing; or

(g) there shall have occurred since June 30, 2014, any material change in the financial affairs of the FHCF from that reflected in the audited financial records of the FHCF included in the Official Statement other than as disclosed in the Official Statement, and after the Underwriters have notified the Corporation and given the Corporation a reasonable opportunity to supplement or correct the Official Statement to reflect such change in the financial affairs of the FHCF, the Corporation refuses to permit the Official Statement to be supplemented or corrected, or such change in the financial affairs of the FHCF as reflected in the supplemented or corrected Official Statement is such as would materially adversely affect the sale of the Bonds by the Underwriters; or

(h) except as disclosed in the Preliminary Official Statement and any subsequent disclosure wire or document, agreed to by the parties hereto, an order, decree or injunction of any court of competent jurisdiction, or any order, ruling, regulation or administrative proceeding by any governmental body or board shall have been issued or commenced, or any legislation enacted, with the purpose or effect of prohibiting the issuance, offering or sale of the Bonds as contemplated hereby or by the Official Statement or prohibiting the adoption or performance of the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, or any applicable resolutions of the Corporation or the State Board of Administration; or

(i) any of the underlying ratings on the Bonds or on the Corporation's outstanding Parity Obligations are withdrawn or modified downward; or

(j) there shall have occurred any outbreak or escalation of hostilities (whether or not foreseeable at the time of execution hereof) or other national or international calamity or crisis, the effect of such outbreak, calamity or crisis on the financial markets of the United States being such as would materially adversely affect the sale of the Bonds by the Underwriters; or

(k) except as disclosed in the Official Statement, any litigation shall be instituted or be pending at the time of the Closing to restrain or enjoin the issuance, sale or delivery of the Bonds, the Pledge Agreement, the Indenture, the Continuing Disclosure Agreement, the pledge or application of any moneys or securities provided for the payment of the Bonds, or the existence or powers of the Corporation, that would materially adversely affect the sale of the Bonds by the Underwriters; or

(l) the New York Stock Exchange, other national securities exchange or any governmental authority shall have (a) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities; generally, on the Bonds or similar obligations, or (b) materially increased restrictions in force as of the date hereof with respect, to the extension of credit by or the charge to the net capital requirements of underwriters or broker dealers in general, the effect of which on the financial markets of the United States is such as would materially adversely affect the sale of the Bonds by the Underwriters.

The Corporation shall have the right to cancel its obligation to sell the Bonds if, between the date hereof and the date of Closing, except as disclosed in the Preliminary Official Statement and any subsequent disclosure wire or document agreed to by the parties hereto, an order, decree or injunction of any court of competent jurisdiction, or any order, ruling, regulation or administrative proceeding by any governmental body or board shall have been issued or commenced, or any legislation enacted, with the purpose or effect of prohibiting the issuance, offering or sale of the Bonds as contemplated hereby or by the Official Statement or prohibiting the adoption or performance of the Indenture or any applicable resolutions of the Corporation or the State Board of Administration.

This Section 8 is not a complete list of conditions the existence of which give a party the right to cancel their obligations under this Purchase Contract or which otherwise excuses a party's performance hereunder. Other such conditions may be provided for elsewhere in this Purchase Contract or may arise by operation of law. The Underwriters' right pursuant to subsections (d) through (f), inclusive, (j) and (l) to cancel their obligations to purchase the Bonds shall be subject to the prior written consent of the Corporation, which consent shall not be unreasonably withheld.

9. The Underwriters have entered into this Purchase Contract in reliance upon the representations and agreements of the Corporation and the State Board of Administration contained herein, and in reliance upon the representations and agreements



to be contained in the documents and instruments to be delivered at the Closing enumerated in paragraph (d) below, and upon the performance by each of the Corporation and the State Board of Administration of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the joint and several obligations of the Underwriters under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds are conditioned upon the performance by each of the Corporation and the State Board of Administration of their respective obligations to be performed hereunder and the delivery of such documents and instruments enumerated herein in form and substance reasonable under the circumstances, at or prior to the Closing, and are also subject to the following additional conditions:

(a) The representations and agreements of the Corporation and the State Board of Administration contained herein shall be true, complete and correct to the best of their knowledge and belief on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, and each applicable resolution of the Corporation and the State Board of Administration shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended in any material respect, except as expressly authorized in this Purchase Contract;

(c) At the time of the Closing, all official action of the Corporation and the State Board of Administration relating to this Purchase Contract and the Bonds, the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, the State Board of Administration's resolution authorizing and requesting the issuance and sale of the Bonds, the Corporation's resolution authorizing the Preliminary Official Statement and the Official Statement, and the issuance of the Bonds, shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect; and

(d) At or prior to the Closing, each of the following shall have been made available to the Underwriters:

(1) The Official Statement, and each supplement or amendment, if any, thereto executed on behalf of the Corporation and the State Board of Administration by their respective authorized officials;

(2) Executed copies of the Indenture, Pledge Agreement, Continuing Disclosure Agreement, and certified copies of authorizing resolutions of the Corporation and the State Board of Administration;

(3) A final approving opinion of Nabors, Giblin & Nickerson, P.A., Bond Counsel, addressed to the Corporation, dated the date of the Closing, in form and substance reasonable under the circumstances and substantially in the form attached to the Official Statement as Appendix E;

(4) An opinion of Nabors, Giblin & Nickerson, P.A., Bond Counsel, addressed to the Corporation and the Underwriters, and dated the date of Closing, to the effect that:

(i) their final approving opinion referred to in Section 9(d)(3) hereof may be relied upon by the Underwriters to the same extent as if such opinion were addressed to the Underwriters,

(ii) (A) the information set forth in the Official Statement under the headings: "INTRODUCTION," "AUTHORITY FOR THE ISSUANCE OF 2015A BONDS," "PLAN OF FINANCING," "DESCRIPTION OF THE 2015A BONDS" (excluding the sub-heading "Book-Entry Only System"), "PLEDGE AND SECURITY FOR 2015A BONDS," "OPERATION OF THE FHCF," "FUTURE LEGISLATIVE AND REGULATORY CHANGES," and "APPENDIX C," insofar as such information purports to describe or summarize the Indenture, the Pledge Agreement, the Bonds, the Act, the Constitution and tax laws of the State of Florida, and provisions of the Internal Revenue Code of 1986, as amended, is correct as to matters of law and, to the extent indicated therein, an accurate and fair statement or summary of the matters set forth or documents referred to therein, and (B) the information in the Official Statement under the heading "TAX MATTERS" insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986, as amended, and State tax law present an accurate summary of such provisions, and

(iii) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(5) An opinion of [Nabors, Giblin & Nickerson, P.A.,] as counsel to the Corporation, addressed to the Underwriters, dated the date of Closing to the effect that based on certain certifications of the Corporation and its actual knowledge, it is of the opinion that:

(i) The Corporation is duly organized and has full legal right, power and authority to and has taken all necessary official

actions to: (a) enter into this Purchase Contract, (b) adopt its resolution authorizing the issuance and sale of the Bonds, (c) enter into the Indenture, the Pledge Agreement, and the Continuing Disclosure Agreement, (a) sell, issue and deliver the Bonds to the Underwriters as provided in this Purchase Contract, (e) use the proceeds from the sale of the Bonds for the purposes described in the Official Statement, (f) secure the Bonds as provided in the Indenture and the Pledge Agreement and to pledge to the Master Trustee the Pledged Collateral as provided in the Indenture, and (g) carry out and consummate the transactions contemplated by this Purchase Contract, the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, and the Official Statement, and, to the best of their knowledge, after due inquiry and upon reliance on a certificate of the President of the Corporation, as of the date hereof is in compliance in all material respects with the terms of the Act, the Indenture, the Pledge Agreement, and the Continuing Disclosure Agreement.

(ii) By all necessary official actions, the Corporation has (a) duly adopted its resolution authorizing the issuance and sale of the Bonds, (b) duly authorized the execution and delivery of the Indenture, the Continuing Disclosure Agreement, the Pledge Agreement and this Purchase Contract, (c) duly authorized the distribution of the Preliminary Official Statement, and (4) duly authorized the execution and delivery of the Bonds and the performance by the Corporation of the obligations on its part contained or described in the Bonds, the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, the Official Statement and this Purchase Contract, and the consummation by the Corporation of all other transactions contemplated thereby to be undertaken by the Corporation in connection with the issuance of the Bonds.

(iii) Upon execution and delivery by the Corporation and the Master Trustee and assuming the due authorization, execution and delivery of the Indenture by the Master Trustee, the Indenture will constitute a legal, valid and binding obligation of the Corporation, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity. Upon execution by the Corporation and the other parties thereto (and assuming the due authorization, execution and delivery of such agreements by the other parties thereto), this

Purchase Contract, the Pledge Agreement, and the Continuing Disclosure Agreement will constitute the legal, valid and binding obligations of the Corporation, enforceable in accordance with their terms; subject to and limited by (a) bankruptcy, insolvency, reorganization, moratorium and similar laws, in each case relating to or affecting the enforcement of creditors' rights and (b) applicable laws and equitable principles that may affect remedies or injunctive or other equitable relief.

(iv) The Bonds, when issued and delivered to the Underwriters in accordance with the Indenture and this Purchase Contract, will constitute legal, valid and binding obligations of the Corporation, enforceable in accordance with their terms; subject to and limited by (a) bankruptcy, insolvency, reorganization, moratorium and similar laws, in each case relating to or affecting the enforcement of creditors' rights and (b) applicable laws and equitable principles that may affect remedies or injunctive or other equitable relief.

(v) To the best of their knowledge, after due inquiry and upon reliance on a certificate from the President of the Corporation, the Corporation is not as of the date hereof in material breach of or material default under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree, or any relevant loan agreement, indenture, bond, note or resolution, agreement or other relevant instrument to which the Corporation is a party or to which the Corporation is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument, which breach or default covered by this paragraph would materially adversely affect the ability of the Corporation to perform its obligations under the Indenture, the Continuing Disclosure Agreement, the Pledge Agreement, the Bonds or this Purchase Contract.

(vi) To the best of their knowledge, after due inquiry and upon reliance on a certificate from the President of the Corporation, the execution and delivery of the Indenture, the Pledge Agreement, the Bonds, the Continuing Disclosure Agreement, and this Purchase Contract and compliance with the provisions on the part of the Corporation contained therein, will not constitute a material breach of or material default under any applicable constitutional provision,

law, administrative regulation, judgment, decree, or any relevant loan agreement, indenture, bond, note, resolution, agreement or relevant instrument to which the Corporation is a party or to which the Corporation is otherwise subject, which breach or default would materially adversely affect the ability of the Corporation to perform its obligations under the Indenture, the Continuing Disclosure Agreement, the Pledge Agreement, the Bonds or this Purchase Contract, nor, to the best of their knowledge, will any such execution, delivery, adoption or compliance result in the creation or imposition of any material lien, charge or other security interest or encumbrance of any nature whatsoever upon the Trust Estate except as provided by the Bonds, the Indenture, and the Pledge Agreement.

(vii) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required to be obtained by the Corporation for the due authorization by or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Corporation of its obligations in connection with the issuance of the Bonds or for the execution and delivery of this Purchase Contract, the Indenture, the Continuing Disclosure Agreement and the Pledge Agreement, have been duly obtained, and the notice required to be given pursuant to Section 215.555(6)(b)6., Florida Statutes, has been given.

(viii) The Bonds, when issued, executed and delivered in accordance with the Indenture and sold to the Underwriters as provided in this Purchase Contract, will be entitled to the benefits of the Indenture and the Pledge Agreement; and upon such issuance, execution and delivery, the Indenture will provide, for the benefit of the owners from time to time of the Bonds, a legally valid and binding pledge of and prior lien upon the moneys pledged by the State Board of Administration pursuant to the Pledge Agreement, consisting of the Pledged Collateral, and the balance of the Trust Estate, subject only to the provisions of the Indenture and the Pledge Agreement permitting the application thereof on the terms and conditions set forth in the Indenture and the Pledge Agreement.

(ix) To the best of their knowledge after inquiry and upon reliance on a certificate from the President of the Corporation, except as disclosed in the Official Statement, to the extent to which counsel has been advised or for which service of process has been

made, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending (and concerning which service of process or other adequate legal notice has been made) or threatened against the Corporation, affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of the Trust Estate or the lien on the Trust Estate, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto or contesting the powers of the Corporation or the authority for the issuance of the Bonds.

(6) An opinion of counsel to the State Board of Administration, addressed to the Underwriters and to Nabors, Giblin & Nickerson, P.A., Bond Counsel, dated the date of Closing, to the effect that:

(i) The State Board of Administration is duly organized and validly existing and has full legal right, power and authority to perform its obligations under the Pledge Agreement and the appropriate resolutions of the State Board of Administration and to perform its obligations under this Purchase Contract.

(ii) The State Board of Administration has duly adopted the resolution requesting the Corporation to issue the Bonds.

(iii) With respect to the information in the Official Statement, counsel has no reason to believe that the Official Statement (except for the financial and statistical data contained therein, as to which no view need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(iv) To the best knowledge of the counsel, the State Board of Administration is currently not in material breach of or material default under any applicable Constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree, or any relevant loan agreement, indenture, bond, note or resolution, agreement or other relevant instrument to which the State Board of Administration is a party or to which the State Board of Administration or any of the property or assets of the State Board of Administration is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or

event of default under any such instrument, which breach or default covered by this paragraph would materially adversely affect the ability of the State Board of Administration to perform its obligations under the Pledge Agreement, the Bonds or this Purchase Contract

(v) The execution and delivery of the Pledge Agreement, the Bonds and this Purchase Contract and compliance with the provisions on the part of the State Board of Administration contained therein will not, to the best knowledge of the Office of General Counsel, constitute a material breach of or material default under any applicable constitutional provision, law, administrative regulation, judgment, decree, or any relevant loan agreement, indenture, bond, note, resolution, agreement or other relevant instrument to which the State Board of Administration is a party or to which the State Board of Administration or any of the property or assets of the FHCF is otherwise subject, which breach or default would materially adversely affect the ability of the State Board of Administration to perform its obligations under the Pledge Agreement, the Bonds or this Purchase Contract, nor, to the best knowledge of the counsel, will any such execution, delivery, adoption or compliance result in the creation or imposition of any material lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the FHCF except as provided by the Bonds and the Pledge Agreement, which lien, charge or other security interest or encumbrance would materially adversely affect the ability of the State Board of Administration to perform its obligations under the Pledge Agreement, the Bonds or this Purchase Contract.

(vi) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the State Board of Administration of its obligations in connection with the issuance of the Bonds under this Purchase Contract and the Pledge Agreement and which are required to be obtained by the State Board of Administration have, to the best knowledge of the counsel, been duly obtained, and the notice required to be given pursuant to Section 215.555(6)(b)6., Florida Statutes, has been given.

(vii) Except as disclosed in the Official Statement, to the extent to which the counsel has been advised or for which service of process has been made, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending (and concerning which service of process or other adequate legal notice has been made) or threatened against the State Board of Administration, affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of the Trust Estate or the lien on the Trust Estate, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto or contesting the powers of the State Board of Administration or the authority for the issuance of the Bonds.

(viii) Except as disclosed in the Official Statement, to the extent to which counsel has been advised or for which service of process has been made, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending (and concerning which service of process or other adequate legal notice has been made) or threatened against the Corporation, affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of the Trust Estate or the lien on the Trust Estate, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto or contesting the powers of the Corporation or the authority for the issuance of the Bonds.

(7) An opinion of Bryant Miller Olive P.A., Disclosure Counsel, addressed to the State Board of Administration and the Corporation with a reliance letter to the Underwriters, in form and substance satisfactory to the Corporation and the Senior Manager, substantially to the effect that, without having undertaken to determine the accuracy or completeness of the statements contained in the Preliminary Official Statement and Official Statement, but on the basis of their conferences with the Corporation, the State Board of Administration, Bond Counsel, Counsel to the Corporation, and the Senior Manager and their examination of certain documents referred to in the Preliminary Official Statement and Official Statement, other than the financial or statistical data contained therein and the information contained in the appendices (as to which no view need be expressed), the Preliminary Official Statement did not as of its date, and the Official Statement does not as of the date of Closing, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Preliminary Official



Statement or Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

(8) A certificate of the Corporation, dated the date of Closing, signed by the President or other appropriate official satisfactory to the Underwriters, to the effect that, to the best of its knowledge,

(i) each of the representations of the Corporation contained herein was true and accurate in all material respects on the date when made, has been true and accurate in all material respects at all times since, and continues to be true and accurate in all material respects on the date of the Closing as if made on such date;

(ii) the Corporation has performed all obligations to be performed hereunder as of the date of Closing;

(iii) except as disclosed in the Official Statement, no litigation is pending or, to the best knowledge of the Corporation, threatened, in any court or administrative body (A) to restrain or enjoin the issuance or delivery of any of the Bonds, (B) in any way contesting or affecting any authority for the issuance of the Bonds or the validity of the Bonds, the Indenture, the Pledge Agreement, the Continuing Disclosure Agreement, or this Purchase Contract, (C) in any way contesting the existence or powers of the Corporation, (D) to restrain or enjoin the collection of the Trust Estate pledged or to be pledged to pay the principal of, premium, if any, and interest, on the Bonds, (E) which may result in any material adverse change in the business, operations or the financial condition of the Corporation or (F) asserting that the Preliminary Official Statement or the Official Statement contain any untrue statement of a material fact or omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (but in lieu of such certificate, the Senior Manager may in its sole discretion accept an opinion of Bond Counsel, Counsel to the Corporation or both, acceptable to the Senior Manager in form and substance, that in the opinion of such counsel the issues raised in any such pending or threatened litigation are without substance or that the contentions of any plaintiffs therein are without merit); and

(iv) the Official Statement did not as of its date, and does not as of the date of Closing, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is

to be used, or which is necessary in order to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

(9) The certificate of the State Board of Administration, dated the date of Closing, signed by the Executive Director or other appropriate official satisfactory to the Senior Manager in the form attached hereto as Exhibit D;

(10) Evidence that Fitch Ratings, Standard & Poor's Ratings Service and Moody's Investors Service have issued ratings for the Bonds which are not lower than ["AA," "AA-" and "Aa3,"] respectively;

(11) All certificates, documents and opinions required as conditions precedent to the issuance of the Bonds as set forth in the Indenture;

(12) The opinion of counsel to the Master Trustee, dated the Closing date and addressed to the Corporation, the Underwriters and Bond Counsel, in form and substance acceptable to the Corporation, the Underwriters, and Bond Counsel;

(13) A customary authorization and incumbency certificate, dated the Closing date, signed by authorized officers of the Master Trustee;

(14) A specimen bond;

(15) A copy of the Blanket Letter of representations to DTC executed by the Corporation;

(16) A copy of any "blue sky" survey or legal investment memoranda indicating the jurisdictions in which the Bonds may be sold in compliance with the "blue sky" or securities laws of and as legal investments in the various jurisdictions;

(17) [A certificate of Paragon Strategic Solutions Inc. in form and substance reasonably satisfactory to the Corporation and the Underwriters]; and

(18) Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of Closing, of the Corporation's and the State Board of Administration's representations and agreements contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction

by the Corporation on or prior to the date of Closing of all the agreements then to be performed and conditions then to be satisfied by it.

10. If the Corporation shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, then this Purchase Contract shall terminate and neither the Underwriters nor the Corporation shall be under any further obligation hereunder, except that (1) the Good Faith Wire shall immediately be returned to the Senior Manager by the Corporation, unless the Corporation's failure to satisfy a condition precedent to the Underwriters' obligations was proximately and wrongfully caused by any of the Underwriters, and (ii) the respective obligations of the Corporation and the Underwriters set forth in Section 11 hereof shall continue in full force and effect. However, the Underwriters may, in their sole discretion, waive one or more of the conditions imposed by this Purchase Contract and proceed with Closing.

11. (a) The Underwriters shall be under no obligation to pay, and the Corporation shall pay from the proceeds of the sale of the Bonds or other legally available funds of the Corporation, any expense incident to the performance of the Corporation's obligations hereunder including, but not limited to (i) the cost of preparation, printing and delivery of the Indenture, the Continuing Disclosure Agreement, and the Pledge Agreement, a reasonable number of copies of the Preliminary Official Statement and no more than \_\_\_\_\_ copies of the final Official Statement and any supplement and amendments thereto; (ii) the cost of preparation and printing of the Bonds; (iii) the fees and disbursements of Bond Counsel, Disclosure Counsel and Counsel to the Corporation and the State Board of Administration; (iv) initial fees for bond ratings; (v) fees and disbursements of Raymond James & Associates, Inc., for their services as financial advisor to the Corporation; and (vi) other reasonable costs of the Corporation incurred in connection with the marketing and issuance of the Bonds including reimbursement for costs of certain meals for employees, agents, and representatives of the Corporation and the State Board of Administration related to investor presentations; provided that the costs of printing described in (i) and (ii) above shall be paid by the Corporation only if the printers used are the printers designated and authorized by the Corporation. Upon the prior approval of the Corporation, in the event that the Underwriters incur or advance the cost of any expense for which the Corporation is responsible hereunder, the Corporation shall reimburse the Underwriter at or prior to Closing for such cost; if at Closing, reimbursement may be included in the expense component of the Underwriters' spread.

(b) The Underwriters shall pay any expense incident to the performance of the Underwriters' obligations hereunder including but not limited to: (i) the cost of preparation of the Agreement Among Underwriters, if any, and the Blue Sky and Legal

Investment Surveys; (ii) all advertising expenses and Blue Sky filing fees in connection with the public offering of the Bonds and the cost, if any, to continue the eligibility of the Bonds for investment; (iii) all expenses associated with obtaining CUSIP numbers for the Bonds; and (iv) all other expenses incurred by them or any of them in connection with the public offering of the Bonds and delivery of and the payment for the Bonds, including the fees and disbursements of Underwriters' Counsel.

12. Any notice or other communication to be given to the Corporation under this Purchase Contract may be given by delivering the same in writing to the Corporation, c/o State Board of Administration of Florida, P.O. Box 13300, Tallahassee, Florida 32317-3300 (for non-postal delivery, to 1801 Hermitage Boulevard, Hermitage Centre, Suite 100, Tallahassee, Florida 32308), Attention: Chief Operating Officer-FHCF; any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing \_\_\_\_\_ Attention: \_\_\_\_\_.

13. This Purchase Contract is made solely for the benefit of the Corporation, the State Board of Administration and the Underwriters (including the successors of any of the parties) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the representations contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (i) any investigations made by or on behalf of any of the Underwriters; (ii) delivery of and payment for the Bonds pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

14. This Purchase Contract shall become effective upon the execution by the Senior Manager, for and on behalf of all of the Underwriters including the Senior Manager, and appropriate Corporation officials and the acceptance hereof by the State Board of Administration and shall be valid and enforceable at the time of such acceptance and shall be governed by and construed in accordance with the laws of the State of Florida. This Purchase Contract shall not be construed for or against, any party because that party wrote it. Venue of any action arising out of or relating to this Purchase Contract shall be in Leon County, Florida.

15. Neither the Corporation, the State Board of Administration, nor any of the members thereof, nor any officer, agent or employee thereof, as the case may be, shall be charged personally by the Underwriters with any liability or held liable to the Underwriters under any term or provision of this Purchase Contract because of its execution or attempted execution or because of any breach or attempted or alleged breach thereof.

16. This Purchase Contract may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed an original.

[Signature Page - Bond Purchase Contract - State Board of Administration Finance Corporation Revenue Bonds, Series 2015A]

Done this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_, as representative of  
the Underwriters

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page - Bond Purchase Contract - State Board of Administration Finance Corporation Revenue Bonds, Series 2015A]

Done this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

STATE BOARD OF ADMINISTRATION FINANCE  
CORPORATION

By: \_\_\_\_\_  
Name: Jack E. Nicholson  
Title: President

[Signature Page - Bond Purchase Contract - State Board of Administration Finance Corporation Revenue Bonds, Series 2015A]

ENDORSEMENT AND ACCEPTANCE

The undersigned hereby endorses and accepts the foregoing Bond Purchase Contract and agrees to be bound by the terms and conditions relating to it set forth therein as fully and to the same extent as if the undersigned were a party thereto.

Accepted at \_\_\_\_\_ a.m./p.m. Eastern Time, this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

STATE BOARD OF ADMINISTRATION OF  
FLORIDA, AS ADMINISTRATOR OF THE  
FLORIDA HURRICANE CATASTROPHE FUND

By: \_\_\_\_\_  
Name: Ashbel C. Williams  
Title: Executive Director and Chief Investment  
Officer

**NEW ISSUE- BOOK ENTRY ONLY**

RATINGS: Moody's: "Aa3"  
S & P: "AA-"  
Fitch: "AA"  
See "RATINGS" herein

*In the opinion of Nabors, Giblin & Nickerson, P.A., Bond Counsel, interest on the 2013A Bonds is not excluded from gross income of the holders thereof for federal income tax purposes. See "TAX MATTERS" herein.*

**Florida Hurricane Catastrophe Fund Finance Corporation**

**\$2,000,000,000  
Revenue Bonds, Series 2013A**

**Dated: Date of Delivery**

**Due: July 1, as shown on the inside cover**

The Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation") is issuing its Revenue Bonds, Series 2013A (the "2013A Bonds") pursuant to Section 215.555, Florida Statutes, as amended, and other applicable provisions of law, including administrative rules relating to the Florida Hurricane Catastrophe Fund (the "FHCF"), and certain resolutions of the Corporation and the State Board of Administration of Florida (the "SBA") as the administrator of the FHCF, adopted January 23, 2013. The 2013A Bonds will be issued pursuant to a Master Trust Indenture, as supplemented from time to time and in particular by a Sixth Supplemental Indenture (collectively, the "Master Indenture"), each with Wells Fargo Bank, N.A., Jacksonville, Florida, Master Trustee. See "PLAN OF FINANCE" herein.

The 2013A Bonds are being issued to provide funds to (i) enable the FHCF to reimburse Participating Insurers for Losses relating to any Covered Events occurring in the Contract Year ending May 31, 2014 or any subsequent Contract Year, and (ii) pay certain expenses incurred in connection with the authorization and issuance of the 2013A Bonds.

The 2013A Bonds will be issued on a parity basis with each other and with the Corporation's Revenue Bonds, Series 2008A, outstanding in the principal amount of \$625,000,000 (the "2008A Bonds"), the Corporation's Revenue Bonds, Series 2010A, outstanding in the principal amount of \$675,920,000 (the "2010A Bonds"), and any future Parity Obligations. The 2013A Bonds, the 2010A Bonds, and the 2008A Bonds are secured by a first lien pledge of the Pledged Collateral, which is described below, including, with respect to the 2013A Bonds only, the net proceeds of the 2013A Bonds prior to expenditure thereof.

The Corporation is an instrumentality of the State of Florida (the "State") and its obligations are exclusively secured by the Pledged Collateral, which consists primarily of: (i) Reimbursement Premiums and investment earnings thereon (after provision for Current Expenses of the FHCF and the Corporation), (ii) Emergency Assessments ("Assessments") and investment earnings thereon, and (iii) net proceeds of, and investment earnings on proceeds of Parity Obligations, including the 2013A Bonds; provided, however, that the pledge of net proceeds is solely for the benefit of the Series of Parity Obligations from which such proceeds were derived. The 2013A Bonds shall not constitute a debt of the State, and holders of the 2013A Bonds shall have recourse only against the Pledged Collateral. The Corporation has no general taxing power nor does it have the power to pledge the credit, the revenues or the taxing power of the State. Neither the credit, the revenues nor the taxing power of the State shall be deemed to be pledged to the payment of the 2013A Bonds.

The 2013A Bonds are subject to optional redemption as described herein.

Interest on the 2013A Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2013, at the rates set forth on the inside cover. The 2013A Bonds will mature on July 1 in the years and principal amounts set forth on the inside cover. Individual purchases of 2013A Bonds will be made in denominations of \$5,000 or any integral multiple thereof. The Master Trustee will also serve as Bond Registrar with respect to the 2013A Bonds. So long as Cede & Co. is the registered owner of the 2013A Bonds, principal of and interest on the 2013A Bonds will be payable by the Master Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to Beneficial Owners of the 2013A Bonds, as more fully described herein. See "DESCRIPTION OF THE 2013A Bonds – Book-Entry-Only System" herein.

THIS COVER PAGE, INCLUDING THE INSIDE COVER PAGE HERETO, CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELATING TO AN INVESTMENT IN THE 2013A BONDS. INVESTORS ARE ADVISED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY BEFORE MAKING AN INVESTMENT DECISION.

*The 2013A Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to prior sale or withdrawal or modification of the offer without notice, and subject to receipt of an approving legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Corporation by Nabors, Giblin & Nickerson, P.A., Tampa, Florida. Certain legal matters will be passed upon for the FHCF by its internal counsel. Bryant Miller Olive P.A., Tallahassee, Florida, is Disclosure Counsel. The Underwriters are represented by Greenberg Traurig, P.A., Miami, Florida. Raymond James & Associates, Inc. has served as Financial Advisor to the FHCF. The 2013A Bonds are expected to be available for delivery through the facilities of DTC in New York, New York, on or about April 23, 2013.*

**Barclays**

**Citi**

**Goldman, Sachs & Co.**

**J.P. Morgan**

BofA Merrill Lynch

BB&T Capital Markets

Jefferies

Loop Capital Markets

Morgan Stanley

M.R. Beal & Company

Ramirez & Co., Inc.

RBC Capital Markets

Siebert Brandford Shank & Co., LLC

SunTrust Robinson Humphrey

Wells Fargo Securities

Dated: April 10, 2013.



**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND  
INITIAL CUSIP NUMBERS**

**\$2,000,000,000 REVENUE BONDS, SERIES 2013A**

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Initial CUSIP No.*</b>
2016	\$ 500,000,000	1.298%	1.298%	34074GDF8
2018	500,000,000	2.107	2.107	34074GDG6
2020	1,000,000,000	2.995	2.995	34074GDH4

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\*CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is provided for convenience of reference only. The Corporation, the Financial Advisor, the Underwriters, the Master Trustee and their agents take no responsibility for the accuracy of such data.

## ADDITIONAL INFORMATION

The 2013A Bonds are exempt from registration under the Securities Act of 1933, as amended. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation, the SBA, the FHCF or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2013A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been furnished by the Corporation, the SBA, the FHCF and other sources which are deemed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Corporation, the SBA or the FHCF since the date hereof.

Neither the Securities and Exchange Commission nor any state securities commission or other governmental authority has approved or disapproved of these securities or determined that this Official Statement is truthful or complete. Any representation to the contrary is a criminal offense.

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as "plan", "project", "expect", "anticipate", "intend", "believe", "estimate", "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any results, performances or achievements expressed or implied by such forward-looking statements. Except as specifically set forth herein, neither the Corporation, the SBA, nor the FHCF plans to issue any updates or revisions to those forward-looking statements due to changes in its expectations or subsequent events, conditions or circumstances on which such statements are based.

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

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2013A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

**FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION**

c/o State Board of Administration of Florida  
1801 Hermitage Boulevard, Tallahassee, Florida 32308

**BOARD OF DIRECTORS OF THE CORPORATION**

Governor of the State of Florida, Rick Scott, *Chairman*  
Chief Financial Officer of the State of Florida, Jeff Atwater  
Attorney General of the State of Florida, Pam Bondi  
Director of the Division of Bond Finance, J. Ben Watkins III  
Chief Operating Officer of FHCF, Jack E. Nicholson

**FLORIDA HURRICANE CATASTROPHE FUND**

c/o State Board of Administration of Florida  
1801 Hermitage Boulevard, Tallahassee, Florida 32308

Jack E. Nicholson, PhD, CLU, CPCU  
*Chief Operating Officer*

Anne T. Bert, CPM  
*Director of Operations*

Leonard Schulte, J.D., CPCU  
*Director of Legal Analysis & Risk Evaluation*

Tracy Allen, J.D., LLM  
*Senior Attorney*

**BOND COUNSEL**

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

**DISCLOSURE COUNSEL**

Bryant Miller Olive P.A.  
Tallahassee, Florida

**FINANCIAL ADVISOR**

Raymond James & Associates, Inc.  
St. Petersburg, Florida

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**OFFICIAL STATEMENT**  
**Relating to**

**Florida Hurricane Catastrophe Fund Finance Corporation**

**\$2,000,000,000**  
**Revenue Bonds, Series 2013A**

**INTRODUCTION**

The purpose of this Official Statement, including the cover page, the inside cover page and the Appendices, is to set forth certain information in connection with the offering of Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2013A (the "2013A Bonds") being issued by the Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation"). All capitalized, undefined terms used in this Official Statement have the meanings given to them in "Appendix C-1, DEFINITIONS".

The 2013A Bonds are being issued by the Corporation pursuant to Section 215.555, Florida Statutes, as amended (the "Act"), and other applicable provisions of law, including administrative rules of the Florida Hurricane Catastrophe Fund (the "FHCF"), and certain resolutions of the Corporation and the State Board of Administration of Florida as the administrator of the FHCF (in such capacity, the "SBA") adopted on January 23, 2013. The Corporation has no business activities other than serving as a conduit issuer for the FHCF and facilitating the issuance of revenue bonds and other forms of indebtedness for the FHCF. See "AUTHORITY FOR THE ISSUANCE OF 2013A BONDS" herein.

The proceeds of the 2013A Bonds, together with other available funds, will be used to (i) enable the FHCF to reimburse Participating Insurers for Losses relating to any future Covered Events, and (ii) pay certain expenses incurred in connection with the authorization and issuance of the 2013A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The proceeds from the sale of the 2013A Bonds will be held and invested by the SBA. See "ESTIMATED SOURCES AND USES OF FUNDS" and "INVESTMENT POLICY OF THE FHCF" herein.

The 2013A Bonds will be issued by the Corporation pursuant to a Master Trust Indenture dated as of June 1, 2006, as supplemented by a Sixth Supplemental Indenture, dated as of April 1, 2013 (collectively, the "Master Indenture"), each with Wells Fargo Bank, N.A., Jacksonville, Florida, the Master Trustee, Paying Agent, Authenticating Agent and Registrar (the "Master Trustee"). The 2013A Bonds will be issued on a parity basis with the Corporation's Revenue Bonds, Series 2008A, outstanding in the principal amount of \$625,000,000 (the "2008A Bonds"), the Corporation's Revenue Bonds, Series 2010A, outstanding in the principal amount of \$675,920,000 (the "2010A Bonds"), and any future Parity Obligations. The 2008A Bonds and 2010A Bonds were issued as Post-Event Parity Obligations.

The 2013A Bonds will be secured by Pledged Collateral consisting primarily of: (i) Reimbursement Premiums and investment earnings thereon (after provision for Current Expenses of the FHCF and the Corporation), (ii) Emergency Assessments (the "Assessments") and investment earnings thereon, and (iii) net proceeds of, and investment earnings on, proceeds of the 2013A Bonds, all pursuant to the Pledge and Security Agreement, dated as of June 1, 2006, among the Corporation, the SBA and the Master Trustee (the "Pledge Agreement"). Pledged Collateral also includes net receipts from Derivative Agreements, if any, and Other Pledged Money. There are no Derivative Agreements currently outstanding and the Corporation, the FHCF and the SBA do not expect to enter into any Derivative Agreements with respect to the 2013A Bonds, the 2010A Bonds or the 2008A Bonds. See "PLEDGE AND SECURITY FOR 2013A BONDS" herein for a discussion of the Pledge Agreement and the Pledged Collateral.

The Corporation is an instrumentality of the State of Florida (the "State"), and its obligations are exclusively secured by the Pledged Collateral. The 2013A Bonds shall not constitute a debt of the State, and holders of the 2013A Bonds shall have recourse only against the Pledged Collateral. The Corporation has no general taxing power nor does it have the power to pledge the credit, the revenues or the taxing power of the State. Neither the credit, the revenues nor the taxing power of the State shall be deemed to be pledged to the payment of the 2013A Bonds.

Under the Pledge Agreement, the FHCF is required to transfer to the Master Trustee all Reimbursement Premiums, Assessments received by the FHCF and investment earnings on proceeds of Outstanding Parity Obligations, including the 2013A Bonds. Once debt service on all Outstanding Parity Obligations has been provided for a Fiscal Year, the requirement to continue to transfer Reimbursement Premiums to the Master Trustee ceases for the remainder of the Fiscal Year. Unlike Reimbursement Premiums, the lien of the Master Indenture and Pledge Agreement on Assessments is not automatically released once debt service for the Fiscal Year on Outstanding Parity Obligations has been provided for. Instead, the FHCF is required to continue to transfer Assessments to the Master Trustee. Excess Assessments transferred to the Master Trustee may be released from the lien of the Pledge Agreement and Master Indenture if the SBA certifies to the Master Trustee that there are sufficient funds on deposit with the Master Trustee to provide for the payment of debt service when due on Post-Event Parity Obligations for the current and the next succeeding Fiscal Years. See "PLEDGE AND SECURITY FOR 2013A BONDS—Flow of Funds" herein.

From these amounts, the Master Trustee will (i) from Reimbursement Premiums, pay the Current Expenses of the Corporation (which are insignificant) and provide for debt service on the 2013A Bonds coming due during the then-current Fiscal Year (to the extent not paid from investment earnings on proceeds of the 2013A Bonds), and (ii) transfer all Assessments to an account for the benefit of the 2008A Bonds and the 2010A Bonds. To the extent the foregoing proves insufficient to provide for debt service on Outstanding Parity Obligations, the Master Trustee will provide notice to the FHCF, which will transfer the Pledged Collateral to the Master Trustee at such times and in such amounts as necessary to provide for such debt service when due.

The net proceeds of the 2013A Bonds, together with certain other funds of the Corporation, will be deposited into and held in a separate account pursuant to the Pledge Agreement and invested by the SBA consistent with Section 215.47, Florida Statutes, as amended, as described herein, and withdrawn as needed to pay Participating Insurers for Losses relating to any future Covered Events. See "INVESTMENT POLICY OF THE FHCF" herein. The investment earnings on the 2013A Bonds will be part of the Pledged Collateral, and such earnings will be available to pay debt service on the 2013A Bonds, 2010A Bonds, the 2008A Bonds and any future Parity Obligations; provided, however, such investment earnings are anticipated to be used to pay debt service on the 2013A Bonds. The Corporation anticipates that if proceeds of the 2013A Bonds are used to reimburse Participating Insurers for Losses from any future Covered Events, it may refinance a corresponding portion of the 2013A Bonds in the approximate amount withdrawn through the issuance of tax-exempt Post-Event Parity Obligations. The timing of any such financing will depend upon a number of factors, including, but not limited to, market conditions. Further, under certain conditions, the withdrawal may be replaced with future collections of Reimbursement Premiums or, alternatively, debt service on the 2013A Bonds may be paid from Reimbursement Premiums, Assessments or other Pledged Collateral rather than refinancing such withdrawals with Post-Event Obligations. See "PLAN OF FINANCE" and "PLEDGE AND SECURITY FOR 2013A BONDS – Additional Parity Obligations and Subordinate Indebtedness" herein for a description of the Incurrence Test.

The Corporation may issue additional Parity Obligations only upon satisfaction of the Incurrence Test and the other terms and conditions of the Master Indenture. The issuance of the 2013A Bonds satisfies the Incurrence Test. See "PLEDGE AND SECURITY FOR 2013A BONDS - Additional Parity Obligations and Subordinate Indebtedness" and "Appendix C-2, MASTER TRUST INDENTURE – Section 704". The Pledge Agreement and the Master Indenture require the FHCF and the Corporation to take certain action if the Revenue Available for Debt Service during a Fiscal Year is insufficient to cover debt service on certain Outstanding debt of the Corporation by a certain amount (1.25 times the debt service on Outstanding Parity Obligations and 1.00 times the debt service on both the Outstanding Parity Obligations and any Subordinate Indebtedness). See "PLEDGE AND SECURITY FOR 2013A BONDS – Debt Service Coverage Requirement" herein and "Appendix C-2, MASTER TRUST INDENTURE – Section 705".

Forms of the Master Indenture, the Sixth Supplemental Indenture and the Pledge Agreement are set forth in Appendices C-2, C-3 and C-4, respectively. All references in this Official Statement to the Master Indenture, the Sixth Supplemental Indenture and the Pledge Agreement are qualified in their entirety by reference to the final executed documents. Copies of the final executed documents will be on file at the corporate office of the Master Trustee in Jacksonville, Florida.



## **AUTHORITY FOR THE ISSUANCE OF 2013A BONDS**

### **General Legal Authority**

The 2013A Bonds are being issued by the Corporation pursuant to the Act and other applicable provisions of law, including administrative rules of the FHCF, and resolutions of the Corporation and the SBA, adopted on January 23, 2013, authorizing the issuance and sale of the 2013A Bonds, authorizing the execution and delivery of the Sixth Supplemental Indenture and confirming the pledge of revenue to the payment of debt of the Corporation pursuant to the Pledge Agreement.

The 2013A Bonds are being issued as Pre-Event Parity Obligations to provide a source of funds for the FHCF to reimburse Participating Insurers for Losses relating to any future Covered Events. Under the Act, a Pre-Event financing may be undertaken in the absence of a hurricane upon a determination that such action would maximize the ability of the FHCF to meet future obligations. The SBA has determined by a resolution adopted on January 23, 2013, that the issuance of the 2013A Bonds will maximize the ability of the FHCF to meet its future obligations.

### **The Florida Hurricane Catastrophe Fund Finance Corporation**

In 1996, the Corporation was created as a public benefits corporation under the Act and as an instrumentality of the State to provide a mechanism necessary for the cost-effective and efficient issuance of debt. Under the Act, the Corporation has the power to issue bonds or notes and engage in such other financial transactions as are necessary to provide sufficient funds to achieve the purposes of the Act.

The proceeds of debt issued by the Corporation may be used to reimburse Participating Insurers pursuant to Reimbursement Contracts for Losses from Covered Events; to refinance or replace previously existing borrowings or financial arrangements; to pay interest on such debt; to fund reserves; to provide a source of funds to the FHCF to reimburse Participating Insurers for Losses from subsequent hurricanes that are Covered Events; to pay expenses incident to the issuance or sale of such debt; and for such other purposes relating to the financial obligations of the FHCF as the SBA may determine.

Under the Act, the Corporation has all of the powers of corporations under Chapter 607 (Florida Business Corporation Act) and Chapter 617 (Florida Not For Profit Corporation Act), Florida Statutes, subject only to limitations of the Act, which include, among other things, a provision prohibiting the Corporation from filing for voluntary federal bankruptcy protection as long as the Corporation has any debt outstanding.

The Corporation is governed under the Act by a five-member Board of Directors consisting of the Governor or a designee, the Chief Financial Officer or a designee, the Attorney General or a designee, the Director of the Division of Bond Finance of the State Board of Administration, and the Chief Operating Officer of the FHCF. The members of the Board of Directors of the Corporation and the expiration dates of their respective terms in office are set forth below.

<u>Member</u>	<u>Term Expires</u>
Rick Scott, Governor, Chairman	January 1, 2015
Jeff Atwater, Chief Financial Officer	January 1, 2015
Pam Bondi, Attorney General	January 1, 2015
J. Ben Watkins III, Director of the Division of Bond Finance	Indefinite
Jack E. Nicholson, Chief Operating Officer, FHCF	Indefinite

The officers of the Corporation and the expiration dates of their respective terms in office are set forth below:

<u>Officer</u>	<u>Term Expires</u>
Jack E. Nicholson, President	Indefinite
Anne T. Bert, Treasurer	Indefinite
Tracy Allen, Esq., Secretary	Indefinite

The Corporation has no administrative staff and will use the staff of the FHCF for administrative matters. The Corporation has no business activities other than serving as a conduit issuer for the FHCF and facilitating the issuance of revenue bonds and other forms of indebtedness of the FHCF. The Corporation is treated as a blended component unit of the FHCF for financial statement presentation purposes, and does not issue separate financial statements from the FHCF. See "AUDITED FINANCIAL STATEMENTS" herein.

Upon issuance of the 2013A Bonds, the outstanding Parity Obligations of the Corporation will consist solely of the 2008A Bonds, the 2010A Bonds and the 2013A Bonds. Parity Obligations of the Corporation, including the 2013A Bonds, the 2010A Bonds, the 2008A Bonds are not debts of the State, and holders of Parity Obligations shall have recourse only against the Pledged Collateral. The Corporation has no general taxing power, nor does it have the power to pledge the credit, the revenues or the taxing power of the State. Pursuant to the Act, the Corporation and its corporate existence will continue indefinitely until terminated by law; however, no such law shall take effect as long as the Corporation has any debt outstanding unless adequate provision has been made for payment of such debt.

## **The State Board of Administration of the State of Florida**

The SBA was created by Article IX, Section 16 of the State Constitution of 1885, as amended, and is continued under Article IV, Section 4(e) of the Florida Constitution. The SBA is composed of the Governor, as Chairman, the Chief Financial Officer and the Attorney General. The members of the SBA and the dates of expiration of their respective terms are set forth below:

<b><u>Member</u></b>	<b><u>Term Expires</u></b>
Rick Scott, Governor as Chairman	January 1, 2015
Jeff Atwater, Chief Financial Officer	January 1, 2015
Pam Bondi, Attorney General	January 1, 2015

As of the date hereof, all three members of the SBA serve on the Board of Directors of the Corporation.

The SBA fulfills a number of mandates set out under the Florida Constitution and state statutes, including the administration of the FHCF. The SBA appoints a nine-member advisory council (the "FHCF Advisory Council") that serves at the pleasure of the SBA to provide the SBA with information and advice in connection with its administration of the FHCF. As described in the Act, the membership of the FHCF Advisory Council consists of an actuary, a meteorologist, an engineer, a representative of insurers, a representative of insurance agents, a representative of reinsurers and three consumers who are required to be representatives of other affected professions and industries. The FHCF Advisory Council generally discusses policy matters but does not have decision-making authority over the FHCF. The SBA makes all final decisions.

The SBA is authorized under the Act to:

- enter into agreements for the issuance of debt upon the occurrence of Covered Events and a determination that the moneys in the FHCF are or will be insufficient to reimburse Participating Insurers at the coverage levels promised in the Reimbursement Contracts;
- direct OIR to levy Assessments of up to 6% of premium for Losses generated during any Contract Year (as defined herein) and up to 10% of premium in the aggregate to serve as security for debt issued to fund projected shortfalls in the FHCF from Covered Events;
- enter into agreements for the issuance of debt in the absence of a Covered Event upon a determination that such issuance would maximize the ability of the FHCF to meet future obligations.

## **The Florida Hurricane Catastrophe Fund**

The FHCF is a tax-exempt trust fund created by the State Legislature during a special session in November 1993 to address the effects of Hurricane Andrew on the insurance market. The FHCF is administered by the SBA and is not an independent department or administrative unit of the State as defined in Section 20.04, Florida Statutes.

With limited exceptions, participation in the FHCF is mandatory for insurers writing certain residential property insurance policies in the State, including the Citizens Property Insurance Corporation ("Citizens") and any joint underwriting association or similar entity created pursuant to law (each a "Participating Insurer"), and is a condition of doing business in the State. Insurers with less than \$10 million in aggregate exposure under certain residential property insurance policies are not required to participate in the FHCF.

Participation in the FHCF is established through annual Reimbursement Contracts with Participating Insurers that obligate the FHCF to reimburse such Participating Insurers for their respective Losses in excess of their share of an industry-wide loss-retention level. In exchange for this benefit, Participating Insurers pay the FHCF actuarially-determined Reimbursement Premiums. The FHCF's maximum possible liability under Reimbursement Contracts for the Contract Year ending May 31, 2013, is \$17.023 billion but the legal liability of the FHCF is limited to its actual claims paying capacity as defined in Section 215.555(2)(m), Florida Statutes. Such amount may be subject to change in future Contract Years. See "FUTURE LEGISLATIVE AND REGULATORY CHANGES" herein. Also, see "OPERATION OF THE FHCF" herein for a discussion about the operation of the FHCF, Reimbursement Premiums and Assessments.

Paragon Strategic Solutions Inc. provides actuarial and other support services to the FHCF, including services used by the FHCF to set the Reimbursement Premiums. See "OPERATION OF THE FHCF – Administration of the FHCF" for a description of such services.

## **PLAN OF FINANCE**

Pursuant to the Master Trust Indenture and the Act, the Corporation may issue its Parity Obligations as Pre-Event Parity Obligations or Post-Event Parity Obligations. Pre-Event Parity Obligations are issued prior to the occurrence of a Covered Event and the proceeds thereof are held invested until such time as withdrawn to reimburse Participating Insurers for Losses related to any future Covered Events. Under the Act, Pre-Event Parity Obligations may be issued in the absence of a hurricane upon a determination that such action would maximize the liquidity and ability of the FHCF to meet future obligations. Post-Event Parity Obligations are issued following the occurrence of a Covered Event (i) to pay reimbursement pursuant to the reimbursement

contracts for which moneys credited to the Corpus of the Fund are insufficient, or (ii) to refund other Post-Event Parity Obligations or to refund Pre-Event Parity Obligations issued prior to such Covered Event. The 2013A Bonds will constitute Pre-Event Parity Obligations and the 2008A Bonds and 2010A Bonds constitute Post-Event Parity Obligations.

### **The 2013A Bonds and Other Liquidity**

The 2013A Bonds will be issued to supplement the FHCF's available cash balance to provide a source of liquidity for FHCF to reimburse Participating Insurers for Losses relating to any future Covered Events.

Proceeds of the 2013A Bonds will not be used to pay Participating Insurers for Losses relating to prior Covered Events, such as the Losses arising from hurricanes that struck the State in 2004 (the "2004 Covered Events") and 2005 (the "2005 Covered Events"), but will be invested consistent with Section 215.47, Florida Statutes, as amended, and the FHCF's investment policy and will be withdrawn as needed to reimburse Participating Insurers for Losses incurred from any future Covered Events. See "INVESTMENT POLICY OF THE FHCF" herein. Proceeds of the 2013A Bonds and the FHCF available cash balance may be withdrawn in any order of priority to reimburse Participating Insurers in the event of any future Covered Events. See "PLEDGE AND SECURITY FOR THE NOTES – Withdrawal of 2013A Bond Proceeds" herein.

If proceeds of the 2013A Bonds are used to reimburse Participating Insurers for Losses from any future Covered Events, the Corporation may refinance a corresponding portion of the 2013A Bonds in the approximate amount withdrawn through the issuance of tax-exempt Post-Event Parity Obligations. The timing of any such refinancing will depend upon a number of factors, including, but not limited to, market conditions. The issuance of any Post-Event Parity obligations to redeem the 2013A Bonds will be subject to the Incurrence Test, which requires, among other things, that Assessments be levied or ordered in amounts estimated to be sufficient to pay debt service on such Post-Event Parity Obligations. See "PLEDGE AND SECURITY FOR 2013A BONDS – Additional Parity Obligations and Subordinate Indebtedness" herein. Further, the Corporation may replace any 2013A Pre-Event withdrawals with future collections of Reimbursement Premiums or, alternatively, may pay debt service on the 2013A Bonds from Reimbursement Premiums, Assessments or other Pledged Collateral rather than refinancing such withdrawals with Post-Event Parity Obligations.

### **Post-Event Parity Obligations**

On May 31, 2006, the SBA adopted resolutions authorizing the execution and delivery of the Pledge Agreement and directing the OIR to levy an Assessment on all lines of insurance assessable under the Act (the "Assessable Lines") in the amount of 1%, effective January 1, 2007

(the "2007 Assessment"). See "OPERATION OF THE FHCF – Assessments" herein for a more complete description of Assessable Lines. On June 12, 2006, OIR levied the Assessment in two Orders: one directed at insurers directly regulated by OIR and the other directed at the Florida Surplus Lines Service Office (the "FSLSO") to apply to surplus lines agents writing surplus lines policies on Assessable Lines of insurance and on insurance independently procured under Section 626.938, Florida Statutes. See "OPERATION OF THE FHCF" herein. On April 27, 2010, OIR issued two orders that increased the Assessment from 1% to 1.3% (the "2010 Assessment") effective January 1, 2011.

The Act permits the SBA to adjust the Assessment annually as necessary to pay debt service on revenue bonds. The SBA reserves the right to change the Assessment from the current assessment rate provided the Corporation remains in compliance with all covenants under the Master Indenture, including without limitation covenants regarding debt service coverage and the exclusion of interest from federal income taxation. See "SECURITY AND SOURCE OF PAYMENT—Fiscal Year-End Certificate" and "TAX MATTERS—Private Letter Rulings" herein.

As of December 31, 2012, the FHCF actuarially projected Losses from the 2004 Covered Events and the 2005 Covered Events totaled approximately \$9.760 billion. The Corporation paid losses from accumulated Reimbursement Premium and from the now matured Series 2006A Bonds. On July 31, 2008, and May 25, 2010, the Corporation issued its 2008A Bonds in the amount of \$625 million, and its 2010A Bonds in the amount of \$675.92 million, respectively, to pay Losses associated with the 2004 Covered Events and 2005 Covered Events. As of December 31, 2012, all of the 2008A Bond proceeds had been used for that purpose, and \$388.0 million of the proceeds of the 2010A Bonds remained available to pay such Losses. The projected Losses associated with the 2004 Covered Events and the 2005 Covered Events remaining to be paid equal approximately \$404.5 million, leaving a current projected shortfall of approximately \$16.5 million. The settlement of these losses is in process and the FHCF does not expect to issue any additional Post-Event Parity Obligations for payment thereof. FHCF expects to pay any remaining shortfall from Assessments not needed for payment of debt service on Outstanding Parity Obligations. The 2010A Bonds and the 2008A Bonds are all payable from the 2010 Assessment.

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## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2013A Bonds are expected to be applied as shown below.

### Sources of Funds:

Principal Amount of the Bonds .....	\$2,000,000,000.00
Legally Available FHCF Funds.....	<u>1,522,550.00</u>
Total Sources .....	\$2,001,522,550.00

### Uses of Funds:

Deposit to 2013A Covered Events Relief Subaccount .....	\$1,993,048,840.21 <sup>(1)</sup>
Costs of Issuance <sup>(2)</sup> .....	1,522,550.00
Underwriters' Discount.....	<u>6,951,159.79</u>
Total Uses.....	\$2,001,522,550.00

<sup>(1)</sup> The Corporation will deposit \$6,951,159.79 from other available funds for a total deposit of \$2 billion to 2013A Covered Events Relief Subaccount.

<sup>(2)</sup> Includes legal fees, Financial Advisor fees, rating agency fees, printing costs and other miscellaneous expenses relating to the authorization and issuance of the 2013A Bonds.

## DEBT SERVICE COVERAGE

The following table shows projected debt service coverage on the 2013A Bonds, the 2010A Bonds and the 2008A Bonds. Coverages shown are based upon estimates of the future collections of Reimbursement Premiums, Assessments, investment earnings on the proceeds of the 2013A Bonds until their maturity or such time as the proceeds are used to pay Covered Claims, and certain stated assumptions regarding interest rates. Over the term of the 2013A Bonds, the Corporation expects the interest expense on the 2013A Bonds to exceed the investment earnings on the proceeds of the 2013A Bonds. The interest expense on the 2013A Bonds that exceeds the investment earnings on the proceeds thereof is expected to be paid from Reimbursement Premiums.

The amounts shown below are estimates, subject to change, and are based upon various assumptions concerning interest rates, Reimbursement Premiums and other assumptions. There can be no assurance that the assumptions are correct, and actual cash flows and debt service coverage may be different than projected below. Additionally, the debt service coverage table does not reflect potentially substantial and material changes to estimated debt service requirements that could result from withdrawals of proceeds of the 2013A Bonds or the refinancing thereof with Post-Event Parity Obligations.

**Historical and Projected Debt Service Coverage\***  
**Total Outstanding Parity Obligations**  
(dollars in millions)

Fiscal Year (06/30)	Reimbursement Premium Collections <sup>1</sup>	Reimbursement Assessment Collections <sup>2</sup>	Reimbursement Premium and Assessment Collections	Principal of Pre-Event Bonds <sup>3</sup>	Net Interest Expense on Pre- Event Bonds <sup>4</sup>	Total Annual Net Debt Service on Pre- Event Bonds	Total Annual Debt Service on Post- Event Bonds	Pre-Event Bonds Proceeds Available for Pre- Event Debt Service <sup>5</sup>	Total Annual Parity Net Debt Service	Total Debt Service Coverage on Outstanding Parity Obligations
2008	\$ 1,319	\$ 362	\$ 1,682		\$ 73	\$ 73	\$ 32		\$ 105	16.1x
2009	1,276	338	1,614	\$2,800	190	2,990	318	(\$2,800)	508	3.2x
2010	1,427	330	1,757		12	12	335		348	5.1x
2011	1,295	387	1,682		22	22	335		357	4.7x
2012	1,306	457	1,763		25	25	368		393	4.5x
2013	1,254	463	1,717	3,500	5	3,505	368	(3,500)	373	4.6x
2014	1,332	463	1,795		22	22	356		378	4.7x
2015	1,332	463	1,795		37	37	366		403	4.5x
2016	1,332	463	1,795		37	37	367		404	4.4x
2017	1,331		1,331	500	36	536	342	(500)	378	3.5x
2018	1,331		1,331		33	33			33	40.4x
2019	1,331		1,331	500	30	530		(500)	30	44.1x
2020	1,331		1,331		25	25			25	53.3x
2021	1,331		1,331	1,000	15	1,015		(1,000)	15	89.0x

Source: FHCF, except projected Reimbursement Premium information, which has been provided by Paragon Strategic Solutions Inc.

\* Totals may not add due to rounding.

<sup>1</sup> Collections are net of administrative expenses. Includes projected investment earnings beginning in Fiscal Year 2013 estimated at 0.50%. Temporary Increase in Coverage Limit Options for Additional Coverage is only applicable to Fiscal Years 2008 through 2013 and is assumed to not be selected in Fiscal Year 2014. Starting with Fiscal Year 2014, the projected Reimbursement Premium may be lower by approximately \$15 million due primarily to actual net debt service on the 2013A Bonds being less than originally projected.

<sup>2</sup> Assessments are assumed to cease upon final maturity of the outstanding 2010A Bonds.

<sup>3</sup> Fiscal Years 2009 and 2013 reflect the final maturities of the matured 2006B and 2007A Pre-Event Bonds.

<sup>4</sup> Fiscal Years 2008-2013 reflect actual interest expense and investment earnings on the matured 2006B and 2007A Pre-Event Bonds. Fiscal Years 2014-2021 include actual interest expense and projected investment earnings on the 2013A Bonds beginning in Fiscal Year 2013 estimated at 0.50%.

<sup>5</sup> Proceeds of Pre-Event Bonds are available to pay Pre-Event Bonds at maturity.



## **DESCRIPTION OF THE 2013A BONDS**

### **General**

Interest on the 2013A Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2013, at the rates set forth on the cover page of this Official Statement. The 2013A Bonds will mature on July 1 in the years and the principal amounts set forth on the inside cover page of this Official Statement. Individual purchases of 2013A Bonds will be made in denominations of \$5,000 or any integral multiple thereof. The Master Trustee will also serve as Bond Registrar with respect to the 2013A Bonds.

### **Book-Entry-Only System**

The Depository Trust Company ("DTC") will act as securities depository for the 2013A Bonds. The 2013A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's nominee name) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2013A Bonds, each in the aggregate principal amount of such maturity (subject to any DTC restrictions on the maximum principal amount of a bond certificate), and will be deposited with DTC. See "Appendix D, PROVISIONS FOR BOOK-ENTRY-ONLY SYSTEM FOR REGISTERED BONDS" for a description of DTC, certain responsibilities of DTC, the SBA, the Corporation and the Bond Registrar, and the provisions for registration and registration of transfer of the 2013A Bonds if the book-entry-only system of registration is discontinued.

### **Optional Redemption with Make-Whole Premium**

The 2013A Bonds are subject to redemption prior to maturity by written direction of the Corporation, in whole or in part, on any Business Day, at the Make-Whole Redemption Price, as defined below. The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the 2013A Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2013A Bonds to be redeemed, not including any interest accrued and unpaid as of the date on which the 2013A Bonds are to be redeemed, discounted to the date on which the 2013A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below); plus 15 basis points for the 2016 maturity, 20 basis points for the 2018 maturity, and 30 basis points for the 2020 maturity; plus, in each case, accrued and unpaid interest on the 2013A Bonds to be redeemed to the redemption date. The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available prior to the pricing date of the refunding bonds or prior to the redemption date if no refunding

bonds are issued (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the refunding bonds pricing date, if issued, or if no refunding bonds are issued, from the redemption date to the maturity date of the 2013A Bonds to be redeemed.

### **Notice of Optional Redemption**

When redemption of 2013A Bonds is authorized pursuant to the provisions of the Master Indenture, the Trustee shall give to the Owners of 2013A Bonds to be redeemed notice, at the expense of the Corporation, of the redemption of the 2013A Bonds. Notice of such redemption of the 2013A Bonds shall be given by mail, postage prepaid, not more than sixty (60) days or fewer than thirty (30) days prior to said date of redemption, to the Owners of any 2013A Bonds to be redeemed. Such notice shall be in the form provided and shall contain the information required by the Master Indenture and provide that on the redemption date there shall become due and payable upon each 2013A Bond to be redeemed the Make-Whole Redemption Price thereof, or the Make-Whole Redemption Price of the specified portions of the principal thereof in the case of 2013A Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, and that the 2013A Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment at the designated corporate trust office of the Trustee at an address specified. Any such notice may be a conditional notice. In the event the conditions stated in such a notice have not been satisfied on the proposed redemption date, such redemption shall not occur and such notice shall be of no further force or effect. Such mailing shall not be a condition precedent to such redemption, and failure to mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the redemption of the 2013A Bonds for which proper notice was given.

In the case of redemption of the 2013A Bonds, the Corporation will select the maturities of the 2013A Bonds to be redeemed. If the 2013A Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the 2013A Bonds shall be effected by the Bond Registrar among owners on a pro-rata basis subject to minimum authorized denominations. The particular 2013A Bonds to be redeemed shall be determined by the Bond Registrar, using such method as it shall deem fair and appropriate. If the 2013A Bonds are registered in book-entry only form and so long as DTC is the sole registered owner of the 2013A Bonds, if less than all of the 2013A Bonds of a maturity are called for prior redemption, the particular 2013A Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the 2013A Bonds are held in book-entry form, the selection for redemption of such 2013A Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Bond

Registrar pursuant to DTC operational arrangements. If the Bond Registrar does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the 2013A Bonds will be selected for redemption in accordance with DTC procedures by lot. It is the Corporation's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Corporation and the Beneficial Owners be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. However, the Corporation can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the 2013A Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the 2013A Bonds will be selected for redemption in accordance with DTC procedures by lot.

### **PLEDGE AND SECURITY FOR 2013A BONDS**

*The 2013A Bonds shall not be deemed to constitute a debt of the State, and holders of the 2013A Bonds shall have recourse only against the Pledged Collateral. The Corporation has no general taxing power nor does it have the power to pledge the credit, the revenues or the taxing power of the State. Neither the credit, the revenues nor the taxing power of the State shall be deemed to be pledged to the payment of the 2013A Bonds.*

#### **General**

The 2013A Bonds are being issued on a parity basis with the Corporation's outstanding \$625,000,000 2008A Bonds, \$675,920,000 2010A Bonds, and any future Parity Obligations, and are secured by a first lien pledge of the Pledged Collateral consisting primarily of: (i) Reimbursement Premiums and investment earnings thereon (after provision for Current Expenses of the FHCF and the Corporation), (ii) Assessments and investment earnings thereon, and (iii) investment earnings on proceeds of the 2013A Bonds. The net proceeds of the 2013A Bonds are pledged as security for the 2013A Bonds prior to being withdrawn to reimburse Participating Insurers for Losses relating to any future Covered Events. Reimbursement Premiums and Assessments are discussed in detail in "OPERATION OF THE FHCF - Reimbursement Premiums" and – "Assessments" herein. Similarly, information relevant to investment of proceeds of Parity Obligations is discussed under the heading "INVESTMENT POLICY OF THE FHCF" herein.

The 2008A Bonds and the 2010A Bonds were, and the 2013A Bonds and any future Parity Obligations will be, issued pursuant to the Master Indenture and secured thereby and by the Pledge Agreement. The 2008A Bonds and the 2010A Bonds are also secured on a parity basis by the Parity Common Reserve Account funded with a deposit of \$62,500,000 from legally available funds of the FHCF in connection with the issuance of the 2008A Bonds and

\$71,614,954.49 from proceeds of the 2010A Bonds. The 2013A Bonds are not secured by the Parity Common Reserve Account or any other Reserve Account.

#### **Withdrawal of 2013A Bond Proceeds**

The net proceeds derived from the sale of the 2013A Bonds shall be deposited and held in a separate subaccount of the Covered Events Relief Fund pursuant to the Pledge Agreement and will not be commingled with the proceeds of the 2008A Bonds and the 2010A Bonds. The 2013A Bonds will be secured by the net proceeds of the 2013A Bonds prior to withdrawal to pay Losses relating to any future Covered Events. In the event of any future Covered Event, proceeds of the 2013A Bonds and the FHCF available cash balance may be withdrawn in any order or priority. Holders of the 2013A Bonds will have no right to compel the withdrawal of the FHCF's available cash balance or the proceeds of the 2013A Bonds before or after withdrawal of the other Parity Obligations. The proceeds from the sale of the 2013A Bonds are expected to be used to pay Losses of Participating Insurers upon the occurrence of one or more future Covered Events; provided, however, the FHCF can use accumulated fund balance or bond proceeds in any order to pay claims, and expects to use accumulated cash first prior to drawing down bond proceeds. Proceeds of the 2013A Bonds may be withdrawn and used to pay Losses of Participating Insurers by an authorized officer of the SBA certifying to the Master Trustee: (i) the expected aggregate amount and monthly schedule for anticipated withdrawals to be made as a result of any future Covered Event; (ii) that an amount equal to estimated debt service for six months on the amount withdrawn will be deposited with the Master Trustee for credit to the Interest Account for the 2013A Bonds; (iii) taking into account the anticipated withdrawals, there will be sufficient revenues available to pay debt service on the 2013A Bonds when due; and (iv) notice of the anticipated withdrawals has been provided to the SBA along with an estimate of the Assessment percentage, if any, that would be necessary to provide for the estimated debt service in each Fiscal Year on debt in an amount equal to the aggregate withdrawals.

#### **Pledge Agreement**

Under the Pledge Agreement, the FHCF has pledged to the Corporation the Pledged Collateral, consisting primarily of the following items: (i) Reimbursement Premiums and earnings thereon; (ii) Assessments and earnings thereon; and (iii) investment earnings on proceeds of Parity Obligations, including the 2013A Bonds. See "OPERATION OF THE FHCF – Reimbursement Premiums" and " - Assessments" and "INVESTMENT POLICY OF THE FHCF" herein for more detailed discussions of Reimbursement Premiums, Assessments and investment of proceeds of Parity Obligations. The Pledged Collateral applicable to the 2013A Bonds also includes the unspent proceeds of the 2013A Bonds.

Reimbursement Premiums are collected by the FHCF on each August 1, October 1 and December 1. Assessments are received by the FHCF continually throughout the year, with the largest amounts due to the SBA on or about each June 1, September 1, December 1 and March 15. The 2007 Assessment became effective on January 1, 2007 with the majority of the initial collections occurring in May 2007. See "OPERATION OF THE FHCF – Assessments – Collection of Assessments" herein. Reimbursement Premiums (after provision for Current Expenses of the FHCF and the Corporation) and Assessments received by the FHCF will be transferred to the Master Trustee no less frequently than monthly. To the extent the foregoing is insufficient to provide for debt service on Outstanding Parity Obligations, the Master Trustee will provide notice to the FHCF, which will be required to transfer Pledged Collateral at such times and in such amounts as necessary to provide for such debt service.

The Pledge Agreement provides that any Reimbursement Premiums and earnings thereon are transferred to the Master Trustee net of the Current Expenses of the FHCF. Current Expenses of the FHCF include all administrative expenses, salaries and other compensation expenses; fees and expenses incurred for professional consultants and fiduciaries; refunds related to over-payments of Reimbursement Premiums or refunds of interest related to loss reimbursements or overpayments of Reimbursement Premiums; and the premiums, fees and costs of procuring reinsurance for the FHCF. As of the date of this Official Statement, the FHCF had not purchased any such reinsurance.

Current Expenses of the FHCF also include payments required by the Act to be appropriated for certain hurricane preparedness programs of local governments, state agencies, public and private educational institutions and non-profit organizations ("Mitigation Payments"). The Act requires that no less than \$10 million and no more than 35% of investment earnings of the FHCF be appropriated annually for such Mitigation Payments. The Act limits the required appropriation of investment earnings of the FHCF to \$10 million if the SBA determines that an appropriation in excess of that amount would jeopardize the actuarial soundness of the FHCF. In 2011, the Florida Legislature enacted Senate Bill 2156 extending the Hurricane Loss Mitigation Program through June 30, 2021.

Current Expenses of the FHCF have ranged from \$16.2 million to \$17.4 million per year over the five Fiscal Year period ended June 30, 2012. These amounts include \$10 million annual Mitigation Payments. For purposes of the information presented in the table under the heading "OPERATION OF THE FHCF – Historical Summary of Revenues, Expenses and Changes in Net Assets" herein, the portion of the Current Expenses of the FHCF relating to Mitigation Payments has been reflected in the row entitled Transfers to Other Funds, with the remainder of the Current Expenses of the FHCF reflected in the row entitled Administrative, Professional, Personnel and Other.

A copy of the Pledge Agreement is set forth in "Appendix C-4, PLEDGE AND SECURITY AGREEMENT".

### **Flow of Funds**

The FHCF will transfer to the Master Trustee Assessments and Reimbursement Premiums (after provision of Current Expenses of the FHCF) received by the FHCF in such amounts and at such times as provided for in the Master Indenture and Pledge Agreement which requires such transfer no less frequently than monthly until sufficient sums are on deposit therewith. Upon receipt of these amounts, the Master Trustee will deposit all Assessments into the Assessments Account within the Revenue Fund. All Reimbursement Premiums received will be deposited into the Reimbursement Premiums Account within the Revenue Fund. To the extent the Master Trustee receives investment income on the proceeds of Pre-Event Parity Obligations or proceeds of any Derivative Agreements, such amounts will likewise be deposited to corresponding accounts created within the Revenue Fund. See "Appendix C-2, MASTER TRUST INDENTURE—Section 502". The Corporation, the FHCF and the SBA do not expect to enter into any Derivative Agreements with respect to the 2013A Bonds and no Derivative Agreements are currently outstanding.

Prior to each January 1 and July 1, the Master Trustee will transfer from the Assessments Account to the Bond Fund, which is also held by the Master Trustee, amounts sufficient to pay interest and principal on the 2010A Bonds, the 2008A Bonds, Other Post-Event Parity Obligations and any amounts required to eliminate any deficiency in the Parity Common Reserve Account. To the extent amounts contained in the Assessments Account are insufficient to provide for the foregoing, the Master Trustee will transfer the necessary amounts first from amounts on deposit in the Parity Common Reserve Account and then from amounts in the Reimbursement Premiums Account.

Amounts in the Reimbursement Premiums Account will be used first to pay Current Expenses of the Corporation, then (to the extent not paid from investment earnings on proceeds of the 2013A Bonds and any other future Pre-Event Parity Obligations) to pay debt service on any Parity Obligations, including the 2013A Bonds.

Expenses of the Corporation are insignificant. The Corporation has no business activities other than serving as a conduit issuer for the FHCF and facilitating the issuance of revenue bonds and other forms of indebtedness of the FHCF. Current Expenses of the Corporation are anticipated to consist primarily of the fees and expenses due to the Master Trustee and the Bond Registrar and fees and expenses of the Corporation's auditors. The Corporation has no staff and only three officers that serve with no compensation: the President (Chief Operating Officer of the FHCF), the Treasurer (Director of Operations of the FHCF) and the Secretary (the Senior Attorney of the FHCF). To the extent amounts on deposit in the

Reimbursement Premiums Account are insufficient to provide for the Current Expenses of the Corporation, debt service on the 2013A Bonds and other future Pre-Event Parity Obligations and any deficiencies in any applicable debt service reserve account, the Master Trustee will transfer the necessary amounts first from the Pre-Event Bonds Investment Income Account, then from an applicable reserve account, if any, and finally, to the extent necessary, from the Assessments Account.

Once debt service on all Outstanding Parity Obligations has been provided for in a Fiscal Year, the requirement to continue to transfer Reimbursement Premiums to the Master Trustee ceases for the remainder of the Fiscal Year, and any Reimbursement Premiums and investment earnings on proceeds of Pre-Event Parity Obligations received by the FHCF from such date until the end of the Fiscal Year are released from the lien of the Pledge Agreement and Master Indenture. In addition, as of such date, any Reimbursement Premiums held by the Master Trustee and accumulated investment earnings on Pre-Event Parity Obligations held by the FHCF, which amounts are in excess of the amounts needed to pay debt service on all Outstanding Parity Obligations for such Fiscal Year, are also released from the lien of the Master Indenture and Pledge Agreement. All released Reimbursement Premiums that are in possession of the Master Trustee will be returned to the FHCF to be used for any purpose permitted under the Act. Reimbursement Premiums and investment earnings on Pre-Event Parity Obligations released from the lien of the Master Indenture and Pledge Agreement become part of the Corpus of the FHCF, are no longer pledged to payment of debt service on the 2013A Bonds, the 2010A Bonds, the 2008A Bonds or any other Outstanding Parity Obligations, and will be available to pay Losses resulting from Covered Events and any other lawful purpose of the FHCF. See "-Corpus and Corpus Earnings not Pledged" below.

Unlike Reimbursement Premiums, the lien of the Master Indenture and Pledge Agreement on Assessments is not automatically released once debt service for the Fiscal Year on Outstanding Parity Obligations has been provided for. Instead, the FHCF is required to continue to transfer Assessments to the Master Trustee. Excess Assessments transferred to the Master Trustee may be released from the lien of the Pledge Agreement and Master Indenture if the SBA certifies to the Master Trustee that there are sufficient Assessments on deposit with the Master Trustee to adequately provide for the payment of debt service when due on Post-Event Parity Obligations for the current and the next succeeding Fiscal Years. Upon the Master Trustee's receipt of such certificate, Assessments in excess of amounts needed to pay debt service on Post-Event Parity Obligations will be released from the lien of the Master Indenture and Pledge Agreement and will be returned to the FHCF. Such amounts will then be available for any other lawful purpose of the FHCF.

### **Corpus and Corpus Earnings Not Pledged**

Reimbursement Premiums and Assessments released from the lien of the Pledge Agreement and the Master Indenture as described above will become part of the Corpus of the FHCF, which will be used to pay Losses resulting from hurricanes and for other lawful purposes of the FHCF. Neither the Corpus nor the earnings thereon is pledged to payment of debt service on the 2013A Bonds or any other Parity Obligations issued under the Master Indenture.

### **Parity Common Reserve Account**

The 2013A Bonds are not secured by the Parity Common Reserve Account or any other Special Reserve Account. The 2010A Bonds and the 2008A Bonds are secured on a parity basis by the Parity Common Reserve Account created in the Bond Fund which is fully funded with approximately \$134.15 million on deposit therein (as of February 28, 2013) equaling the Parity Common Reserve Requirement for the 2008A Bonds and the 2010A Bonds which amount is invested in Federal Obligations.

A Supplemental Trust Indenture authorizing additional Parity Obligations may establish a Special Reserve Account for such Parity Obligations and determine the amount to be deposited therein. In addition, a Series of Parity Obligations may be issued under the Master Indenture without the benefit of any debt service reserve fund. The Parity Common Reserve Account will not secure Parity Obligations secured by a Special Reserve Account or no debt service reserve fund.

Under the Master Indenture, the Parity Common Reserve Account may be funded with cash, Investment Obligations or a Reserve Alternative Instrument, such as a surety bond. Investment Obligations held in the Parity Common Reserve Account will be valued at cost. Any deficiency in the Parity Common Reserve Account resulting from a withdrawal of cash or Investment Obligations or a draw upon a Reserve Alternative Instrument must be made up within one year of the withdrawal creating such deficiency. See "Appendix C-2, MASTER TRUST INDENTURE—Section 508".

### **No Bankruptcy**

As long as the Corporation has any debt outstanding, neither the FHCF nor the Corporation shall have the authority to file a voluntary petition under Chapter 9 of the Federal Bankruptcy Code or such corresponding chapter or sections as may be in effect, from time to time, and neither any public officer nor any organization, entity, or other person shall authorize the FHCF or the Corporation to be or become a debtor under Chapter 9 of the Federal



Bankruptcy Code or such corresponding chapter or sections as may be in effect, from time to time, during any such period.

### **Non-Impairment**

The State has covenanted under the Act with the holders of debt issued by the Corporation that the State will not repeal or abrogate the power of the SBA to direct the OIR to levy the Assessments and to collect the proceeds of the revenues pledged to the payment of such debt so long as any such debt remains outstanding, unless adequate provision has been made for the payment of such debt pursuant to the documents authorizing the issuance of such debt.

### **Additional Parity Obligations and Subordinate Indebtedness**

Parity Obligations. The Corporation may issue additional Parity Obligations if it certifies compliance with the Incurrence Test. The requirements necessary to certify compliance with the Incurrence Test differ depending on whether the Corporation intends to issue Pre-Event Parity Obligations, Post-Event Parity Obligations, or Parity Obligations to refund or reissue any indebtedness of the Corporation.

The Corporation may incur additional Pre-Event Parity Obligations if it first certifies to the Master Trustee that (i) the sum of (A) Reimbursement Premiums and Reimbursement Premium Earnings for 12 consecutive out of the most-recent 18 consecutive months, after certain permitted adjustments, and (B) the Assessment revenues that could be derived from multiplying the maximum Assessment percentage permitted under the Act by the amount of premium on all Assessable Lines for the most-recent 12-month period, divided by (ii) the Maximum Debt Service Requirement on all Parity Obligations, including the proposed issuance of Pre-Event Parity Obligations, is at least equal to 1.25.

The Corporation may incur Post-Event Parity Obligations if it satisfies the test for issuing Pre-Event Parity Obligations and also establishes that sufficient Assessments are being collected or have been ordered to be assessed to cover 100% of the Maximum Debt Service Requirement for all Outstanding Post-Event Parity Obligations and the proposed Post-Event Parity Obligations to be issued.

The Corporation may issue Parity Obligations to refund or reissue any indebtedness of the Corporation, whether Parity Obligations or Subordinate Indebtedness, provided that either (A) after taking into account the Parity Obligations proposed to be incurred and the Parity Obligations to remain Outstanding after the proposed refunding or reissuance, the Maximum Debt Service Requirement will not be increased by more than five percent (5%), or (B) the Corporation certifies to the Master Trustee the items required to be certified to issue Pre-Event

Parity Obligations after taking into account the Parity Obligations proposed to be incurred and the Parity Obligations to remain Outstanding after the proposed refunding or reissuance; provided, however, if Post-Event Parity Obligations are proposed to be issued to refund or reissue any Outstanding indebtedness of the Corporation, the Corporation must also certify the existence of the conditions required to issue Post-Event Parity Obligations. The Corporation will provide the Master Trustee with a verification report from a nationally-recognized verification agent supporting any determination made in (A) or (B) above with respect to any defeasance of Parity Obligations. See "Appendix C-2, MASTER TRUST INDENTURE - Section 704".

Subordinated Indebtedness. The Master Indenture also permits the Corporation to incur indebtedness which will be subordinate and junior in right of payment to the Parity Obligations issued under the Master Indenture. See "Appendix C-2, MASTER TRUST INDENTURE – Section 211". The Corporation has no outstanding indebtedness which is subordinate and junior to the Parity Obligations.

#### **Debt Service Coverage Requirement**

Not later than ninety (90) days after the end of each Fiscal Year, the Corporation and the FHCF must certify that the Revenue Available for Debt Service for the prior Fiscal Year (which includes investment earnings on proceeds of Pre-Event Parity Obligations), was at least equal to the greater of (i) one hundred twenty-five percent (125%) of the principal and interest (net of capitalized interest) that became due in such Fiscal Year on Parity Obligations and (ii) one hundred percent (100%) of the principal and interest (net of capitalized interest) that became due in such Fiscal Year for Parity Obligations and Subordinated Indebtedness. If the Corporation and the FHCF are unable to certify compliance with the foregoing, each of the Corporation and the FHCF has covenanted to take all actions permitted by law or under the Pledge Agreement, including increasing the rate of Assessment, requesting amendments to the Act deemed appropriate by its governing body and cooperating with the SBA in connection with any action to increase collections of Pledged Collateral. See "DEBT SERVICE COVERAGE – Debt Service Coverage Table" herein.

See "Appendix C-2, MASTER TRUST INDENTURE – Section 705" and "Appendix C-4, PLEDGE AND SECURITY AGREEMENT – Section 4(c)".

#### **Events of Default and Remedies**

Under the Master Indenture and the Pledge Agreement, each of the following is an event of default (an "Event of Default") with respect to any Outstanding Parity Obligations:

- The Corporation fails to pay the principal, redemption premium (if any) or interest on any Parity Obligation when such amounts are due and payable;
- The occurrence of any event of default under a Supplemental Indenture;
- The Corporation fails to comply with any covenant or agreement under the Master Indenture (other than the covenant to pay principal, redemption premium (if any) and interest when due) and such failure is not cured (or if such noncompliance cannot be cured within the following time period, corrective action is not commenced) within thirty (30) days after the Corporation's receipt of written notice from the Master Trustee describing the Event of Default and requiring the default to be remedied;
- The Corporation fails to make any required payment with respect to Subordinated Indebtedness or any other indebtedness (other than Parity Obligations) and any applicable grace period has expired; and
- The State limits or alters the denial of authority of the Corporation to file a petition in bankruptcy, or the rights vested in the FHCF or the Corporation to fulfill the terms of any agreements made with the Owners, or in any way impair the rights and remedies of such Owners so long as any such Parity Obligations of the Corporation remain Outstanding unless adequate provision has been made for the payment of such Parity Obligations.

Immediately upon any Event of Default, the Master Trustee may (and upon the written request of a majority in aggregate principal amount of the holders of Outstanding Parity Obligations, will) proceed to protect and enforce its rights and the rights of the holders of the Parity Obligations under the Master Indenture through any means available to it, including:

- Enforcement of the right to collect and enforce the payment of amounts due or becoming due under the Parity Obligations;
- Suit upon all or any part of the Parity Obligations;
- Civil action to require any person holding moneys, documents or other property pledged to the Parity Obligations to account as if it were the trustee of an express trust for the holders of such Parity Obligations;
- Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Owners and holders;

- Enforcement of any other right of the holders conferred by law or hereby; and
- Enforcement of the provisions of the Pledge Agreement.

Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the holders of not less than a majority in aggregate principal amount of Outstanding Parity Obligations, must institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of the holders of Outstanding Parity Obligations.

In addition to the above-described remedies available upon any Event of Default, the Master Trustee may (and upon the written request of a majority in aggregate principal amount of the holders of Outstanding Parity Obligations, will) accelerate the payment of principal of Outstanding Parity Obligations not yet due and payable upon the Corporation's failure to pay the principal, redemption price (if any) and interest with respect to Parity Obligations for which such amounts are due and payable, and the continuation of such failure for 180 days thereafter. The Master Trustee shall rescind acceleration upon the Corporation's curing of a payment default.

See "Appendix C-2, MASTER TRUST INDENTURE – Sections 802-804".

## **OPERATION OF THE FHCF**

### **General**

The FHCF is a tax-exempt trust fund created by the State Legislature during a special session in November 1993 to address the after-effects from Hurricane Andrew on the insurance market. Hurricane Andrew caused insured and uninsured losses in excess of \$30 billion in the State in August 1992. As a result of these losses, 11 insurers were rendered insolvent, and numerous insurers announced plans to cancel or discontinue writing policies covering residential property, threatening approximately 900,000 policyholders with loss of property coverage.

In recognition of these circumstances and the general trend of contraction in domestic and international reinsurance capacity, the State Legislature passed the original Act and thereby created the FHCF in November 1993 for the purpose of reimbursing certain insurers writing policies covering residential property in the State for a portion of their catastrophic hurricane losses. The FHCF is administered by the SBA and is not an independent department or administrative unit of the State as defined in Section 20.04, Florida Statutes. The Internal Revenue Service has issued a private letter ruling concluding that the FHCF is an integral part

of the State and is therefore not subject to federal income taxation. The FHCF is not a regulated insurance or reinsurance company under State law, does not issue insurance or reinsurance policies and is not required to have the loss reserves which are required of insurers or reinsurers under State law.

Mandatory Coverage. Mandatory coverage is what has traditionally been provided by the FHCF. This portion of the FHCF coverage is mandatory for insurers writing certain residential property insurance policies in the State, including Citizens, certain commercial self-insurance funds and any joint underwriting association or similar entity created pursuant to law (each a "Participating Insurer"), and is a condition of doing business in the State. There are currently 162 Participating Insurers for the Contract Year ending May 31, 2013. Participation in the FHCF is established through the execution of a Reimbursement Contract between the SBA and each Participating Insurer pursuant to which the insurer promises to pay annual, actuarially-determined Reimbursement Premiums, and the SBA promises to reimburse the insurer at one of three specified coverage levels (45 percent, 75 percent or 90 percent) selected by the Participating Insurer for Losses in excess of such insurer's share of an industry-wide loss-retention level (generally referred to as an insurer's "Retention"). The amount of Reimbursement Premiums paid to the FHCF by the Participating Insurers depends upon the coverage level selected. A majority of the Participating Insurers select a coverage level of 90 percent. The portion of a Participating Insurer's Losses above its Retention that are not reimbursed by the FHCF due to the coverage level selected by such insurer effectively operates as that Participating Insurer's "co-payment" for such Losses.

Reimbursement Contracts are renewed annually on June 1 of each year for the ensuing Contract Year. The Act sets the FHCF aggregate Retention at \$4.5 billion to be adjusted annually to reflect increased exposure to the FHCF since 2004. Such adjustment is based upon the reported exposure for the Contract Year occurring two years before the particular Contract Year to reflect the percentage growth in exposure to the Fund for covered policies since 2004, divided by the total estimated reimbursement premium for the Contract Year. Currently, taking into account such exposure growth since 2004, the aggregate Retention is projected to be \$7.213 billion for the Contract Year ending May 31, 2014. The FHCF aggregate Retention is allocated to each Participating Insurer based on such insurer's pro rata share of Reimbursement Premiums due for a Contract Year. A Participating Insurer's share of Retention applies in full to each of the two Covered Events causing the largest Losses for such Participating Insurer in a single Contract Year. For each other Covered Event causing Losses in the Contract Year, the insurer's share of Retention is reduced to one-third of its share of the full Retention. The State Legislature can and has in the past reset the Retention by statute to a level lower than what it would have been had full exposure growth been taken into account. For example, during the 2005 Legislative Session, the retention was reset at the 2004 Contract Year level of \$4.5 billion instead of increasing to the \$4.96 billion level that accounted for growth.

The mandatory coverage provided by the FHCF for any single Contract Year is limited to the lesser of the Actual Claims Paying Capacity of the FHCF or the statutory liability limit of \$17 billion, which is subject to adjustment based upon the increase in claims-paying capacity of the FHCF. See "Optional Coverage" below and "Limited Liability of the FHCF and Bonding Capacity Estimates and Assumptions" herein. Based on computations by the FHCF's independent actuary and statutory limitations, the maximum liability of the FHCF with respect to its mandatory coverage for the Contract Year ending May 31, 2014, is projected to be \$17 billion.

Optional Coverage. For the Contract Year ending May 31, 2014, Participating Insurers may purchase optional coverage up to \$2 billion in the aggregate which is in addition to the mandatory FHCF coverage. All Participating Insurers are eligible to purchase additional FHCF coverage above their mandatory coverage limit, which is referred to as the Temporary Increase in Coverage Limits, or "TICL." However, for the Contract Year ending May 31, 2014, the TICL coverage cost is approximately six times the FHCF actuarially determined premium. As a result, as of March 5, 2013, Participating Insurers have preliminarily selected only \$12.6 million of such TICL coverage for the Contract year ending May 31, 2014. However, the Participating Insurers have until June 1, 2013 to finalize the level purchased. FHCF anticipates that the level of TICL coverage actually purchased for the Contract Year ending May 31, 2014 will be an immaterial amount.

#### **Administration of the FHCF**

The SBA has engaged Paragon Strategic Solutions Inc., Minneapolis, Minnesota ("Paragon"), a wholly owned subsidiary of Aon Benfield Global Inc., as a consultant to provide administrative services to the FHCF. Paragon has served in this capacity since the inception of the FHCF and provides day-to-day support for a variety of activities including: coordinating the annual distribution and collection of the Reimbursement Contracts and insurer reporting requirements; processing reports of insured values; calculating, invoicing and collecting Reimbursement Premiums; and processing loss reimbursement payment requests. Paragon also provides actuarial consulting services to the FHCF which include the development of the annual ratemaking report and the actuarial formula used in determining the Reimbursement Premiums. Fees paid to Paragon for its services are considered Current Expenses of the FHCF under the Master Indenture and are reflected in the line item Administrative, Professional, Personnel and Other under "Historical Summary of Revenues, Expenses and Changes in Net Assets" herein.

Moneys in the FHCF may be expended, loaned or appropriated for payment of (i) obligations of the FHCF arising out of Reimbursement Contracts; (ii) debt service on any debt

permitted under the Act; (iii) costs of mitigation programs under the Act; (iv) costs of procuring reinsurance; and (v) costs related to the administration of the FHCF. In addition, the FHCF has been granted the authority to enter into capital market transactions, including, but not limited to, industry loss warranties, catastrophe bonds, side-car arrangements, futures and options contracts traded on a regulated exchange.

Funding for the reimbursable Losses under Reimbursement Contracts comes predominantly from three sources: (i) the Corpus of the FHCF, (ii) Reimbursement Premiums collected pursuant to Reimbursement Contracts, and (iii) the issuance of debt by the Corporation for the benefit of the FHCF. In addition, Assessments may be used to pay reimbursable Losses.

Senior staff of the FHCF includes the following.

*Dr. Jack Nicholson* is the Chief Operating Officer of the FHCF, and President and on the board of directors of the Corporation. In addition, Dr. Nicholson is on the Florida Commission on Hurricane Loss Projection Methodology, having served as the chair for its first two years. He also served on the My Safe Florida Homes Advisory Council. Prior to coming to the State Board of Administration in September of 1994, Dr. Nicholson worked for the Florida Department of Insurance for eight (8) years as Director of the Office of Insurance Research and Data Analysis, Deputy Director of Property and Casualty Insurers, Assistant Director of Rating, and Bureau Chief of Rates. He served as the Insurance Department's liaison with the State Board of Administration regarding the FHCF from its inception and has played a major role in its implementation and further development. Dr. Nicholson received his Ph.D. in Risk Management and Insurance from the University of Georgia where he also earned his undergraduate degree in Business with a major in insurance. He received an M.B.A. from the University of North Dakota while serving as an officer in the U.S. Air Force. Dr. Nicholson also has the professional designations of Chartered Life Underwriter and Chartered Property and Casualty Underwriter. He has taught in the area of Risk Management and Insurance at the University of Georgia, the University of Iowa, and Florida State University.

*Anne T. Bert* is the Director of Operations of the FHCF and Treasurer of the Corporation. Ms. Bert has been with the FHCF since January of 1999. She is currently responsible for assisting and advising the Chief Operating Officer in matters related to the administration of the FHCF. Other responsibilities include assisting in the management of the day to day operations, strategic and operational planning, reviewing and evaluating the impact and significance of proposed legislative and regulatory actions, coordinating and communicating with the Florida Office of Insurance Regulation on FHCF issues, overseeing contractual agreements between the FHCF and service providers, preparation of the budget and coordinating the staffing of the Florida Commission on Hurricane Loss Projection Methodology.

She also serves as the Treasurer for the Florida Hurricane Catastrophe Fund Finance Corporation. Prior to coming to the FHCF, she was the Finance Director/Town Clerk for the Town of Havana. She was responsible for many areas of management within the organization including coordinating the risk management activities of the local government. Ms. Bert earned her Bachelor of Science degree in Social Science with emphasis in Public Administration from Florida State University. She also has the professional designation of Certified Public Manager from Florida State University.

*Tracy L. Allen* is the Senior Attorney for the FHCF and Secretary of the Corporation. Ms. Allen has worked with the FHCF since September 2000. Prior to coming to the State Board of Administration, Ms. Allen worked for the Florida Department of Revenue ("DOR") for seven years as a Senior Attorney. At DOR, Ms. Allen handled insurance premium and retaliatory tax issues, sales tax issues and bankruptcy matters. Ms. Allen has also worked in private practice, as an Attorney Advisor at the United States Tax Court and as a tax litigator for the U.S. Justice Department in its Tax Division. Ms. Allen received her Juris Doctor degree from the University of Oklahoma in 1984 and her LLM in Taxation from the University of Florida in 1986.

*Leonard Schulte* is the Director of Legal Analysis and Risk Evaluation of the FHCF. He came to the FHCF in October 2010 after 25 years as a staff member in the Florida Senate and House and seven years in private law practice. During the decade of the 1990's he was the lead staff person in the Florida House of Representatives on hurricane-related insurance issues. He was directly involved in the creation of the FHCF and in later changes to the FHCF law, including revisions needed to obtain tax-exempt status and the creation of subsequent season capacity. He was also the key Florida House of Representatives staffer on other property insurance regulatory matters and residual market issues, including the creation of the Florida Commission on Hurricane Loss Projection Methodology and legislation involving the Florida Residential Property and Casualty Joint Underwriting Association, the Florida Windstorm Underwriting Association, and their merger to create Citizens Property Insurance Corporation. He also led the team of House staff members who drafted the legislation merging the Department of Insurance and the Department of Banking and Finance into the current Department of Financial Services. In private practice, his clients reflected a broad range of the property and casualty insurance industry, including trade associations, large national insurers, small domestic insurers, and reinsurers. He is a graduate of Dartmouth College and the University of Florida College of Law. Mr. Schulte also has the professional designation of Chartered Property and Casualty Underwriter.

*Gina Wilson* is the Director of Examinations for the FHCF and has worked with the FHCF since October 1996. She is responsible for the day to day operations of the FHCF examination programs, which include designing and developing exam processes, oversight and training of contract examiners, preparing and finalizing exam report recommendations and



overseeing the implementation of exam results by participants. Her responsibilities include interpreting statutes and rules and communicating to external contractors and participants to ensure the integrity of the data submitted to the FHCF. In her position with the FHCF, Ms. Wilson oversees approximately 100 exams each year, which include examining 99% of the total FHCF premium paid annually and losses paid in a season. Prior to coming to the State Board of Administration, Ms. Wilson worked for the Florida Department of Insurance for five years, and has also worked as an auditor in private industry. Ms. Wilson received her Bachelors of Business Administration from Georgia Southwestern University. She has met the State of Georgia requirements for licensing as a Certified Public Accountant and is member of the American Institute of Certified Public Accountants. Ms. Wilson also has the professional designations of Certified Public Manager from Florida State University, Associate in Reinsurance, and Chartered Property and Casualty Underwriter.

### **Limited Liability of the FHCF and Bonding Capacity Estimates and Assumptions**

Under the Act, the maximum liability of the FHCF to reimburse Participating Insurers for Losses attributable to any single Contract Year is limited to the lesser of (i) the Actual Claims-paying Capacity of the FHCF, and (ii) the statutory liability limit. For the Contract Year ending May 31, 2014, the FHCF estimates that its maximum contractual liability is approximately \$17 billion, which is the estimated Actual Claims-paying Capacity of the FHCF, as compared to the statutory limit of \$19 billion, which includes the \$2 billion of TICL coverage described herein.

Beginning with Contract Year ended May 31, 2011, the Act set the base-line statutory liability limit for mandatory coverage at \$17 billion, which amount may be increased if the Board determines that there is sufficient Estimated claims-paying capacity to provide mandatory coverage at \$17 billion of capacity for the current Contract Year and a mandatory coverage of an additional \$17 billion of capacity for subsequent Contract Years. If the Board makes such a determination, the Estimated claims-paying capacity for the particular Contract Year shall be determined by adding to the \$17 billion limit one-half of the fund's Estimated claims-paying capacity in excess of \$34 billion. For Contract Year ending May 31, 2014, the maximum liability of the FHCF with respect to the mandatory coverage is \$17 billion.

The Act defines the Estimated claims-paying capacity of the FHCF as the FHCF's projected fund balance as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the Board's estimate of the Board's borrowing capacity. The FHCF may issue revenue bonds under the Act to fund a potential shortfall in any year in which the FHCF is required to reimburse Participating Insurers for Losses in excess of the FHCF available fund balance. The maximum amount of bonding is limited to the debt which can be serviced based upon a 6% maximum Assessment percentage on direct written premium in any one year and no

more than 10% in total. However, the Estimated claims-paying capacity of the FHCF must take into account constraints in the financial markets that may limit the FHCF's ability to borrow funds, including an unwillingness of financial market participants to lend funds to the FHCF at the maximum limit under the Act. Credit market disruptions may limit the FHCF borrowing capacity. Also, there can be no guarantee that sufficient market capacity will exist should the FHCF be required to issue a large amount of debt. If market constraints reduce the FHCF's actual claims paying capacity below the maximum statutory liability or maximum contractual liability, the FHCF's liability under the Reimbursement Contract will be capped at the lower amount.

The FHCF estimates that the maximum projected amount of tax-exempt Post-Event Parity Obligations payable from Assessments within the 6% maximum assessment allowed by the Act based upon the current Assessment base is sufficient to meet FHCF's maximum claims paying need for one hurricane season. However, FHCF makes no representation as to the level of demand for such amount of bonds in the credit markets. There can be no guarantee that adequate demand will exist should the FHCF be required to issue a large amount of Post-Event Parity Obligations following a catastrophic windstorm. Other issuers such as Citizens and the Florida Insurance Guarantee Association ("FIGA") may also seek to issue bonds payable from assessments similar to the FHCF's Assessments following the same windstorm event. There can be no assurance that there will be adequate capacity in the marketplace to permit the sale of bonds necessary to meet all of the FHCF's needs.

The FHCF, its Financial Advisor, and the financial team have compiled estimates of future bonding capacity based on the current market estimates of interest rates and market capacity for FHCF bonds provided by the FHCF's senior managing underwriters. The table below assumes an estimated aggregate bonding capacity of \$7 billion in Post-Event Parity Obligations for the Contract Year ending May 31, 2014 over the next 12 months and an additional capacity of \$6 billion for the Contract Year ending May 31, 2015 for a total bonding capacity of \$13 billion over 24 months. The projected cash balance is \$9.773 billion for the Contract Year ending May 31, 2014, which, together with projected 2013A Bond proceeds of \$2 billion, could result in a maximum needed post-event bonding need of \$5.227 billion.

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The table below shows the additional Assessment percentage estimated to be needed to pay debt service on the estimated bonding.

**FHCF Estimated Mandatory Coverage Obligation and Funding Sources**  
(dollars in billions; amounts may not add due to rounding)

FHCF Mandatory Coverage Obligation	\$ 17.000
Less: Projected FHCF Fund Balance for Contract Year Ending May 31, 2014	\$ 9.773
Less: Projected 2013A Bond Proceeds	<u>\$ 2.000</u>
Potential Borrowing Need Net of 2013A Bond Proceeds	\$ 5.227
Projected Assessment Percentage Required to Cover Potential Borrowing Need Net of 2013A Bond Proceeds <sup>1</sup>	1.22%
Projected Assessment Percentage Required to Cover Repayment of 2013A Bond Proceeds <sup>1</sup>	0.47%
Projected Assessment Percentage Required to Cover Potential Borrowing Need Including Repayment of 2013A Bond Proceeds <sup>1</sup>	1.68%
Estimated FHCF Borrowing Capacity Over 24 Months	\$ 13.000
Estimated Remaining Borrowing Capacity <sup>2</sup>	\$ 7.773

Source: FHCF

- (1) Assumes that the FHCF issues Post-Event Parity debt structured for: approximate 30-year level debt service and compliance with the debt service coverage requirement of 1.25 times (of which only amounts in excess of 1.00 times will come from Reimbursement Premiums). The projected Assessment percentage assumes an assessment base of \$34.6 billion, which is the actual 2011 base, and also represents only the incremental Assessment for the borrowings described in this table. The projected Assessment does not include the existing 2010 Assessment of 1.3%.
- (2) The estimated remaining borrowing capacity assumes that the FHCF will draw on 2013A Bond Proceeds and issues \$5.227 billion in Post-Event Parity debt.

The likelihood that the FHCF will reach its maximum contractual liability limit depends on several factors, but prominent among these are the insured value of property for which the

coverage is provided by the FHCF and the likelihood of a major hurricane damaging or destroying such property. The following table shows the growth in insured values reported to the FHCF by Participating Insurers for the last five years and the annual percentage increase from the prior year. The next table shows the Contract Year ending May 31, 2013 modeled losses for the FHCF for hurricanes of varying magnitude.

The incidence and severity of catastrophes are inherently unpredictable. Much of Florida's population is concentrated in coastal areas that appear to be at the highest risk of hurricane damage based upon historical experience and loss model results. Coastal development in recent years has significantly changed the risk profile of hurricane-prone coastal areas. While the FHCF cannot predict the level of hurricanes or other catastrophes in the State, the National Oceanic and Atmospheric Administration ("NOAA") has concluded that the United States has been in a cycle of heightened Atlantic Ocean hurricane activity since 1995 because of naturally occurring cycles in tropical climate patterns near the equator. According to NOAA, this "tropical multi-decadal cycle" can, based upon historical patterns, last 20 to 30 years or even longer.

#### Growth of Insured Values

<b><u>Contract Year</u></b> <b><u>Ended May 31</u></b>	<b><u>Amount</u></b> <b><u>(in billions)</u></b>	<b><u>Percentage Change</u></b>
2009	\$2,116	4.6%
2010	2,166	2.4
2011	2,165	0.0
2012	2,118	(2.2)
2013 <sup>(1)</sup>	2,076	(2.0)

Source: Paragon Strategic Solutions Inc.

<sup>(1)</sup> Projected.

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**Gross Residential Losses Per Event**  
**Contract Year Ending May 31, 2013**

<b>Hurricane</b>		<b>Losses</b>	<b>Estimated Mandatory and TICL</b>
<b><u>Magnitude</u><sup>(1)</sup></b>	<b><u>Probability</u></b>	<b><u>Per Event</u></b>	<b><u>FHCF Liability Aggregate</u></b>
		<b><u>(in billions)</u><sup>(2)</sup></b>	<b><u>(in billions)</u><sup>(3)</sup></b>
1 in 10 years	10.00%	\$8.721	\$1.263
1 in 20 years	5.00	17.105	9.388
1 in 30 years	3.33	23.433	15.536
1 in 40 years	2.50	28.551	17.023
1 in 50 years	2.00	32.708	17.023

Source: Paragon Strategic Solutions Inc.

- (1) Hurricane magnitude in this table refers to categorizing the relative frequency and destructiveness of a hurricane as compared to a base level of frequency and destructiveness. For example, a one in 50-year hurricane will occur less often and be more destructive than a one in 10-year hurricane.
- (2) The differences between the Losses per Event and the Estimated Mandatory and TICL FHCF Liability is due to retention and "co-payment" requirements on the holders of covered residential policies.
- (3) For FHCF participants selecting the TICL coverage option, the additional coverage attaches immediately above the Participating Insurers' Mandatory FHCF coverage limit.

**Historical Summary of Revenues, Expenses and Changes in Net Assets**

The following schedule shows the revenues, expenses and changes in net assets of the FHCF, derived from audited financial information of the FHCF and the Corporation for Fiscal Years ended June 30, 2008 through 2012 (audited). The audited financial statements for the FHCF for Fiscal Years 2012 and 2011 are included in their entirety as "Appendix B, FINANCIAL STATEMENTS OF THE FLORIDA HURRICANE CATASTROPHE FUND FOR FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011".

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**Florida Hurricane Catastrophe Fund**  
**Historical Summary of Revenues, Expenses and Changes in Net Assets**  
(in thousands)

	Fiscal Years Ended June 30 (audited)				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Operating Revenues	\$1,336,195	\$1,292,981	\$1,443,972	\$1,312,328	\$1,322,346
Operating Expenses					
Hurricane Losses <sup>(1)</sup>	700,000	250,000	250,000	110,000	
Administrative, Professional, Personnel, And Other	5,636	6,222	5,465	5,641	4,687
Depreciation	<u>3</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>
Total Operating Expenses	<u>705,639</u>	<u>256,224</u>	<u>255,467</u>	<u>115,644</u>	<u>4,690</u>
Operating Income (Loss)	630,556	1,036,757	1,188,505	1,196,684	1,317,656
Total Nonoperating Revenue (Expense)	<u>295,882</u>	<u>(134,581)<sup>(2)</sup></u>	<u>302,528</u>	<u>312,435</u>	<u>387,467</u>
Income (Loss) before Transfers	926,438	902,176	1,491,033	1,509,119	1,705,123
Transfers to Other Funds	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
Change in Net Assets	916,438	892,176	1,481,033	1,499,119	1,695,123
Net Assets, Beginning of Year	<u>(59,448)</u>	<u>856,990</u>	<u>1,749,166</u>	<u>3,230,199</u>	<u>4,729,318</u>
Net Assets, End of Year	<u>\$856,990</u>	<u>\$1,749,166</u>	<u>\$3,230,199</u>	<u>\$4,729,318</u>	<u>\$6,424,441</u>

Source: FHCF and Corporation audited financial statements for the Fiscal Years ended June 30, 2008, through June 30, 2012.

<sup>(1)</sup> The 2005 ultimate losses were increased by \$700 million in Fiscal year 2008, \$250 million in Fiscal Years 2009 and 2010, \$110 million in Fiscal Year 2011 and were unchanged in Fiscal Year 2012.

<sup>(2)</sup> Includes \$224 million in fees paid for a Liquidity Put Option as a nonoperating expense.

### Reimbursement Premiums

**General.** As a condition for doing business in Florida, each Participating Insurer writing Covered Policies in Florida must enter into a Reimbursement Contract with the SBA. The Reimbursement Contract generally provides that the FHCF will reimburse a Participating Insurer a certain percentage of its Losses above the insurer's share of the industry-wide Retention in exchange for the payment by the Participating Insurer of Reimbursement Premiums. The Contract Year for Reimbursement Contracts entered into by the FHCF begins on June 1 of each year and ends on May 31 of the following year. A Participating Insurer must enter into a Reimbursement Contract every Contract Year. For the Contract Year ending May 31, 2013, there are 162 Participating Insurers, including Citizens.

Each Reimbursement Contract requires the insurer to pay to the FHCF an actuarially-determined premium for the reimbursement contemplated under the Reimbursement Contract. This Reimbursement Premium is then multiplied by each \$1,000 of insured value reported to the SBA by the Participating Insurer to determine the total amount of Reimbursement Premiums due from the Participating Insurer under the Reimbursement Contract. Under the Reimbursement Contract, the Reimbursement Premiums paid for a Contract Year must be used to reimburse Participating Insurers for reimbursable Losses incurred in the current or subsequent Contract Years only or to pay debt service on Pre-Event Parity Obligations. Although the Reimbursement Premiums are also available to pay debt service on Post-Event Parity Obligations, the FHCF expects not to use Reimbursement Premiums for such purpose and, to the extent Reimbursement Premiums are used to pay debt service on Post-Event Parity Obligations, such use would be replenished with future Assessment revenues.

Reimbursement Premiums are paid to the SBA in three installments, on August 1, October 1 and December 1 of each Contract Year. Reimbursement Premiums are collected by Paragon on behalf of the FHCF through the use of a lock-box account held at a custodian bank. Participating Insurers deposit Reimbursement Premiums directly to the lock-box account in the name of the FHCF and amounts therein are not commingled with any other funds of the FHCF, the SBA or Paragon. Once collected, Reimbursement Premiums are transferred to the Master Trustee at least monthly pursuant to the Pledge Agreement until debt service on the Outstanding Parity Obligations for such fiscal year has been paid or provided for. See "PLEDGE AND SECURITY FOR 2013A BONDS – Pledge Agreement" herein. Paragon has no legal entitlement to Reimbursement Premiums deposited to the lock-box account, other than as agent for the FHCF.

Since the total Reimbursement Premiums for any Participating Insurer are not determined until after its insured values have been received and processed, the first two payments of its Reimbursement Premiums in each Contract Year are provisional. Each provisional payment of Reimbursement Premiums is made in an amount equal to approximately one-third of the estimated total Reimbursement Premiums due from a Participating Insurer in the Contract Year. Once the actual Reimbursement Premiums due from the Participating Insurer for the Contract Year are determined, the amount of the final installment due on December 1 is equal to the actual Reimbursement Premiums due from the Participating Insurer for the Contract Year less the two provisional payments of Reimbursement Premiums made by a Participating Insurer.

The following table shows the ten Participating Insurers with the largest Reimbursement Premiums paid to the FHCF for the Contract Year ending May 31, 2013. None of the Reimbursement Premiums below reflect payment for optional FHCF coverage.

<u>Participating Insurers</u>	<u>Mandatory Reimbursement Premiums (in millions)<sup>(2)</sup></u>	<u>Percentage of Mandatory Reimbursement Premiums</u>
Citizens Property Insurance Corporation Coastal Account <sup>(1)</sup>	\$268.8	21.3%
Citizens Property Insurance Corporation Personal Lines/Commercial Lines Accounts <sup>(1)</sup>	218.4	17.3
Universal P&C Insurance Company	77.4	6.1
State Farm Florida Insurance Company	45.3	3.6
American Coastal Assurance Company	31.3	2.5
Chartis Property Casualty Company	31.1	2.5
Federal Insurance Company	28.0	2.2
St. Johns Insurance Company, Inc.	27.5	2.2
Florida Peninsula Insurance Company	27.3	2.2
United Property and Casualty Insurance Company	<u>26.8</u>	<u>2.1</u>
Total	\$781.8	61.9%

Source: Paragon Strategic Solutions Inc.

<sup>(1)</sup> Citizens Property Insurance Corporation has two separate Reimbursement Contracts with the FHCF. See " – Reimbursement Premiums - Citizens as a Participating Insurer" herein.

<sup>(2)</sup> Unaudited.

Collections. Since 2001, the FHCF has collected over 99% of Reimbursement Premiums, with the only exceptions being certain insurers that have been placed into receivership for purposes of liquidation. Reimbursement Premium revenue varies from year to year as a result of annually-adopted changes in the actuarially-indicated Reimbursement Premiums charged to Participating Insurers in Reimbursement Contracts. The following table shows Fiscal Year collections for the last ten years and the annual percentage change in collections of mandatory and optional Reimbursement Premiums.

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<b>Fiscal Year Ended June 30</b>	<b>Total Mandatory and Optional Reimbursement Premium Revenue</b>	
	<b>(in millions)</b>	<b>% Change of Reimbursement Premium Revenue</b>
2004	\$488.6	(1.9)%
2005	618.2	26.5
2006	738.1	19.4
2007	1,204.4	63.2
2008	1,336.1	10.9
2009	1,293.0	(3.2)
2010	1,443.9	11.7
2011	1,312.3	(9.1)
2012	1,322.3	0.8
2013	1,266.1	(4.3) <sup>(1)</sup>

Source: Audited Financial Statements of FHCF, except for 2013, which is provided by the FHCF.

<sup>(1)</sup> The decrease in Reimbursement Premium revenue from Fiscal Years 2012 to 2013 is due to a reduction in the optional TICL coverage and the elimination of the other optional coverage that was available in Fiscal Year 2012. The mandatory Reimbursement Premium increased from Fiscal Years 2012 to 2013. Amounts for Fiscal Year 2013 are unaudited.

**Cash Build-up Factor.** The 2009 Legislature added a "cash build-up factor" that equaled 5% for the Contract Year ended May 31, 2010, 10% for the Contract Year ended May 31, 2011, 15% for the Contract Year ended May 31, 2012, 20% for the Contract Year ending May 31, 2013, and 25% for the Contract Year ending May 31, 2014 and thereafter. The cash build-up factor in Contract Year 2009-2010 and thereafter is not used to reimburse Participating Insurers for Losses stemming from the 2004 Covered Events and 2005 Covered Events but is retained in the Corpus of the FHCF for any future events.

**Citizens as a Participating Insurer.** Citizens is an entity created by the State Legislature and controlled by the State and provides certain residential and commercial property and casualty insurance coverage to owners of certain properties in the State as specified in Section 627.351(6), Florida Statutes, as amended. Citizens is organized legally and financially into three separate accounts – the Coastal Account ("Coastal Account"), which provides residential and commercial wind-only and multi-peril coverage in statutorily-designated coastal areas of the State, the Personal Lines Account ("PLA"), which provides all-perils residential coverage throughout the State, and the Commercial Lines Account ("CLA"), which provides commercial-residential (i.e. apartment and condominium) coverage throughout the State. Citizens has two separate contracts with the FHCF – one for the Coastal Account and one for the combined

PLA/CLA. These accounts are treated as separate Participating Insurers in all respects by the FHCF. Although Citizens accounts for only 2 of 162 Participating Insurers participating in the FHCF, the total mandatory Reimbursement Premiums collected from Citizens' two accounts are substantial. For the Contract Year ending May 31, 2013, the total Reimbursement Premiums from Citizens as of December 31, 2012, was \$487.2 million, or 38.6% of all mandatory Reimbursement Premiums to be collected during that Contract Year.

All Participating Insurers, including Citizens, are entitled to a pro-rata share of the FHCF's Actual Claims-paying Capacity, based on such Participating Insurer's proportionate share of Reimbursement Premiums paid to the FHCF. Because Actual Claims-paying Capacity of the FHCF includes the amount of debt the FHCF is able to issue, the timing and amount of Losses sustained by Citizens could impact the timing and amount of debt issued by the FHCF to a greater extent than the timing and amount of Losses sustained by other Participating Insurers.

Enforcement of Payment of Reimbursement Premiums. The Act and applicable administrative rules relating to the FHCF provide that any violation of a Participating Insurer's obligation to pay Reimbursement Premiums, provide information necessary to verify the amount of Reimbursement Premiums due, or submit to examinations relating to Reimbursement Premiums constitutes a violation of the Florida Insurance Code. The FHCF may notify OIR of such violation, which may then take whatever action it deems appropriate to address the violation. In addition, failure to pay Reimbursement Premiums, provide information or submit to examination, among other things, may subject the Participating Insurer to certain fines, interest charges and other penalties as specified in applicable administrative rules of the FHCF.

## **Assessments**

General. Under the Act, if the SBA determines that the amount of revenue produced from Reimbursement Premiums is insufficient to fund the obligations, costs and expenses of the FHCF and the Corporation, including repayment of debt and that portion of debt service coverage not met by Reimbursement Premiums, the SBA will direct OIR to levy an Assessment on the premiums for all Assessable Lines. Assessable Lines include all property and casualty lines of insurance in Florida, except for those lines identified as accident and health, workers' compensation, Federal Flood Insurance Program and certain hospital self-insurance funds. Assessable Lines may be obtained by policyholders (i) from insurance companies authorized by the Florida OIR to write insurance in Florida ("Admitted Lines Insurers"); (ii) from insurance companies not so authorized ("Surplus Lines Insurers"), provided the insurance is obtained from certain agents licensed in Florida (each a "Surplus Lines Agent"); or (iii) independently pursuant to Section 626.938, Florida Statutes ("Independently Procured Coverage").

Under the Act, Assessments are collected from policyholders and are calculated as a percentage of premium. The same assessment percentage applies to all policies of Assessable Lines issued or renewed during the 12-month period beginning on the effective date of the Assessment. Assessments are assessed annually for so long as debt under the Act is Outstanding, are subject to annual adjustment by the SBA in order to meet debt obligations and are subject to both an annual and overall cap. The annual cap is 6% of premium with respect to obligations arising out of losses attributable to any one Contract Year. The overall cap is 10% of premium.

Admitted Lines Insurers collect the Assessment from policyholders. Such insurers must remit Assessments directly to the FHCF based on a percentage of direct written premium for the preceding calendar quarter, even if not yet collected. Surplus Lines Agents must also collect the Assessment from policyholders, but must remit the collected amounts to the Florida Surplus Lines Service Office (the "FSLSO") at the same time such agents collect and remit to the FSLSO the surplus lines tax. The FSLSO invoices the Surplus Lines Agents quarterly with payments due in 30 days. Insureds obtaining Independently Procured Coverage are invoiced by the FSLSO at the time of the transaction and must remit the Assessment within 30 days as directed by the FSLSO at the same time the insured pays the surplus lines tax. While an insurer is not ultimately liable for uncollectible Assessments, the insurer must treat the failure to pay an Assessment as a failure to pay premium by the insured, which permits termination of the policy.

Each insurer is liable for all Assessments it collects from policyholders except to the extent the insurer is required to return collected Assessments when returning unearned premium. When an Admitted Lines Insurer is required to return unearned premium, it shall also return any collected Assessment attributable to the unearned premium. A credit adjustment to the collected Assessments may be made by such Admitted Lines Insurer to future remittances of Assessments, but the Admitted Lines Insurer is not entitled to a refund. In contrast to the Admitted Lines Insurers, Surplus Lines Agents and insureds obtaining Independently Procured Coverage may receive either a credit or refund of the collected Assessment attributable to returned unearned premium. Since 2003, approximately 90% of premium on Assessable Lines relates to premium written by Admitted Lines Insurers. See "Historical Premium" below.

On May 31, 2006, the SBA adopted a resolution directing the OIR to levy an Assessment on all Assessable Lines in the amount of 1%, effective beginning January 1, 2007. On June 12, 2006, OIR levied the Assessment in two orders: one directed at Admitted Lines Insurers, who are directly regulated by OIR, and the other directed at the FSLSO to apply to Surplus Lines Agents and insureds obtaining Independently Procured Coverage. On April 27, 2010, OIR

issued two orders that increased the Assessment from 1% to 1.3% effective January 1, 2011. The 2010A Bonds and the 2008A Bonds are payable from the 2010 Assessment order, which replaced the 2007 Assessment order.

The Act permits the SBA to adjust the Assessment as necessary to pay debt service. The SBA reserves the right to change the Assessment from the current assessment rate provided the Corporation remains in compliance with all covenants under the Master Indenture, including without limitation covenants regarding debt service coverage and the exclusion of interest from federal income taxation. See "PLEDGE AND SECURITY FOR 2013A BONDS—Debt Service Coverage Requirement" herein.

Assessments are due to the FHCF throughout the year, with the largest amounts expected to be received by the FHCF on or about June 1, September 1, December 1 and March 15 of each year. All payments of Assessments are made directly to an FHCF lock-box account held by an SBA custodian bank. Assessments held in this lock-box account are not commingled with any other moneys of the FHCF or SBA. The payments are transferred to the Master Trustee at least monthly pursuant to the Pledge Agreement. See "PLEDGE AND SECURITY FOR 2013A BONDS – Pledge Agreement" herein. Late payments of collected Assessments could subject an Admitted Lines Insurer or Surplus Lines Agent, as the case may be, to delinquent interest and penalties.

OIR is responsible for verifying the accuracy and timeliness of the collection and remittance of Assessments. See "Collection of Assessments" herein for further discussion regarding the anticipated promulgation of the administrative rule.

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Historical Premium. The following chart shows the historical premium subject to the Assessments for all Assessable Lines (2012 is not yet available).

Calendar	Admitted Lines Direct Written Premium	Surplus Lines and Independently Procured Coverage Premium <sup>(2)</sup>	Total	% Increase (Decrease) From Prior Year
<u>Year</u>	<u>(in billions)</u>	<u>(in billions)</u>	<u>(in billions)</u>	
2003	\$24.41	\$2.43	\$26.84	10.32%
2004 <sup>(1)</sup>	28.65	2.70	31.35	16.80
2005	31.71	3.28	34.99	11.61
2006	33.35	4.21	37.56	7.34
2007	32.55	4.10	36.65	(2.42)
2008	30.83	4.10	34.93	(4.69)
2009	29.45	3.86	33.31	(4.64)
2010	29.89	3.70	33.60	0.87
2011	30.94	3.70	34.64	3.09

Source: OIR and FLSO; Unaudited.

<sup>(1)</sup> Medical Malpractice insurance was excluded from the Assessment base for all Covered Events occurring in 2004-2013.

<sup>(2)</sup> Prior to 2004, the Surplus Lines and Independently Procured Coverage Premiums were excluded from the Assessment base.

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Assessable Lines. The following constitute Assessable Lines subject to Assessments under the Act and applicable administrative rules of the FHCF:

- Fire
- Allied Lines
- Multiple Peril Crop
- Farmowners Multiple Peril
- Homeowners Multiple Peril
- Commercial Multiple Peril (non-liability)
- Commercial Multiple Peril (liability)
- Mortgage Guaranty
- Ocean Marine
- Inland Marine
- Financial Guaranty
- Medical Malpractice\*
- Earthquake
- Other Liability
- Products Liability
- Private Passenger Auto No-Fault
- Other Private Passenger Auto Liability
- Commercial Auto No-Fault
- Other Commercial Auto Liability
- Private Passenger Auto Physical Damage
- Commercial Auto Physical Damage
- Aircraft (all perils)
- Fidelity
- Surety
- Burglary and Theft
- Boiler and Machinery
- Credit
- Warranty
- Aggregate Write-Ins for other Lines of Business

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\* Medical Malpractice policies are exempt from Assessments relating to Covered Event(s) occurring through May 31, 2013.

Lines of insurance included in Assessable Lines may be modified by the State Legislature, subject to the covenant in the Act that the State will not impair the rights and remedies of Owners of the 2013A Bonds. See "PLEDGE AND SECURITY FOR 2013A BONDS – Non-Impairment" herein. In addition, certain hospitals may form alliances to provide self-insurance which would not be subject to Assessments.

The following table provides a summary of the historical direct written premiums for the Admitted Lines and Surplus Lines by major categories of lines of insurance.

**Historical Direct Written Premiums for Admitted Lines and Surplus Lines Insurers**  
(Amounts are in billions)

<u>Year</u>	<u>Homeowner</u>		<u>Auto</u>		<u>Products and Other Liability</u>		<u>Other</u>		<u>Total</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
2006	\$8.06	21%	\$14.90	40%	\$4.69	12%	\$9.91	26%	\$37.56	100%
2007	8.81	24	14.30	39	3.96	11	9.60	26	36.67	100
2008	6.94	20	14.05	40	3.54	10	10.40	30	34.93	100
2009	7.28	22	13.37	40	3.14	9	9.52	29	33.31	100
2010	7.59	23	13.74	41	2.94	9	9.33	28	33.60	100
2011	7.88	23	14.34	41	3.05	9	9.36	27	34.64 <sup>(1)</sup>	100

Source: FHCF; Unaudited.

- <sup>(1)</sup> There is \$0.46 billion of allowed adjustments that were proportionately allocated among the four lines of business. Such adjustment amount is not available by subject line. Amounts for 2012 are not yet available.

Collection of Assessments. OIR is responsible for verifying the accuracy and timely collection and remittance of Assessments. Information used by OIR in the verification process is transmitted directly to OIR by insurers for all Assessable Lines other than Surplus Lines and Independently Procured Coverage. Assessments relating to Surplus Lines and Independently Procured Coverage under Section 626.938, Florida Statutes are remitted as directed by the FLSO. The FLSO is required to assist the FHCF in ensuring the accurate and timely collection and remittance of the Assessments. OIR has the authority to enforce the collection and remittance of Assessments.

Pursuant to reports of OIR and FLSO, substantially all of the Assessments have been remitted to the FHCF on a timely basis. For the Fiscal Years ended June 30, 2011 and June 30, 2012, the FHCF collected approximately \$386.7 million and \$456.8 million, respectively, of Assessments. See Debt Service Coverage Table under "DEBT SERVICE COVERAGE" herein.

While an insurer is liable under State law for all Assessments it collects from policyholders, policyholders, not insurers, are required to pay the Assessments. Policyholders are liable for Assessments only to the extent policyholders wish to retain the insurance on which the Assessment is assessed. Insurers are required to treat the failure of a policyholder to pay the Assessment as a failure to pay premium, which permits an insurer to cancel the policy. Other than having their insurance policy cancelled for non-payment of premium, policyholders are not personally liable for payment of Assessments and are not subject to collection proceedings to pay the Assessment due.

Overlapping Assessment Bases. Citizens also has the power under State law to levy assessments on substantially the same lines of insurance assessable by the FHCF. The assessment processes of Citizens are as follows: for any year in which there is a deficit in Citizens' Coastal Account, it has the power to levy an annual regular assessment of up to 2% of the greater of the deficit experienced by Citizens or the aggregate statewide direct written premium for Citizens' subject lines of business, excluding Citizen's direct written premium. In any year in which there is a deficit in Citizens' Coastal Account, Personal Lines Account or Commercial Lines Account, it has the power to levy an emergency assessment limited to 10% of the greater of the deficit experienced by Citizens or the aggregate statewide direct written premium for Citizens' subject lines of business, *including* Citizen's direct written premium. See "OPERATION OF THE FHCF—Reimbursement Premiums—Citizens as a Participating Insurer" herein for a discussion about the three accounts that comprise Citizens.

Since January 1, 2007, the subject lines of business assessable by Citizens include all of the Assessable Lines that are subject to the Assessment levied by the FHCF. See Assessable Lines above. For 2012, Citizens' projected assessment base of direct written premiums is \$31.43 billion for regular assessments for Coastal Account only and \$34.6 billion for emergency assessments. The difference between the regular and emergency assessment bases is represented by the dollar value of Citizens' own direct written premium, which is subject to Citizens Policyholders Surcharge of 15% in each account.

Citizens currently levies an emergency assessment (collected over 10 years) of 1.0% per year. This assessment is imposed upon the Citizen's assessment base prior to the 2007 expansion of the subject lines of business.

In addition to Citizens, FIGA, a statutorily-created non-profit association designed to pay claims of insolvent insurers, has the power to levy an annual assessment of up to 2% of net direct written premium written on all of the Assessable Lines of Admitted Insurers. This assessment authority is increased an additional 2% if FIGA issues bonds to cover the payment of claims of insolvent insurance companies. FIGA has no authority to levy an assessment on workers compensation, surplus lines, self-insurance or title insurance, among others.

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FIGA can levy a 2% assessment on the following lines of insurance, each of which is also included in Assessable Lines subject to the Assessment:

- |  |                        |
|--|------------------------|
| •Fire                                      | •Medical Malpractice*  |
| •Allied Lines                              | •Earthquake            |
| •Farmowners Multiple Peril                 | •Other Liability       |
| •Homeowners Multiple Peril                 | •Products Liability    |
| •Commercial Multiple Peril (non-liability) | •Aircraft (all perils) |
| •Commercial Multiple Peril (liability)     | •Burglary and Theft    |
| •Inland Marine                             | •Boiler and Machinery  |

\* Medical Malpractice policies are exempt from Assessments relating to Covered Events occurring prior to May 31, 2013.

FIGA's Board of Directors annually evaluates the financial position of the association and determines whether an assessment is necessary. The last FIGA assessment equaled 0.9% and was due on December 15, 2012.

To the extent that the assessment bases of the FHCF, Citizens and FIGA overlap, policyholders will incur the cost of cumulative assessments imposed by such entities.

#### **Collection of Assessments and Reimbursement Premiums from Companies in Receivership**

The risk of nonpayment or delinquent payment on the 2013A Bonds is dependent in part upon the amount of moneys received from Reimbursement Premiums and Assessments and the timeliness of their payment to the FHCF. The amount of moneys received from Reimbursement Premiums and Assessments (see "DEBT SERVICE COVERAGE - Historical and Projected Debt Service Coverage Total Outstanding Parity Obligations" herein) and the timeliness of their payment to the FHCF are dependent in part on the solvency of insurers in that, under certain circumstances, the insolvency of an insurer could affect its ability to make such payments to the FHCF.

Under State law, when an insurer becomes insolvent, it is placed under the control of the Division of Rehabilitation and Liquidation of the Florida Department of Financial Services. State law establishes priorities for the payment of claims against an insurer in liquidation. Liabilities become fixed as of the date of filing the petition for liquidation. Holders of claims which are secured by a pledge of a particular asset and holders of claims described as special deposit claims may discharge their claim against the security pledged or the special deposit, prior to other claims. Special deposit claims are claims secured by a deposit made pursuant to statute for the security or benefit of a limited class or classes of persons. The FHCF believes its claims for Assessments and Reimbursement Premiums should be considered secured claims or

special deposit claims and would argue for such a result should the FHCF be required to enforce its rights to Assessments and Reimbursement Premiums in liquidation. To the extent that Assessments and Reimbursement Premiums are not considered secured claims or special deposit claims, they would likely be considered claims of general creditors.

After the payment of secured creditors and special deposit creditors, there are eleven additional classes of claims. All approved claims in a class must be paid in full before any payment is made to the next lower class. Within a class, all approved claims are paid equal pro-rata shares if there are not sufficient funds to pay the entire class in full. Claims of general creditors are sixth in the hierarchy of ten classes of claims.

Although no assurance can be given as to the continued timeliness of payments of Reimbursement Premiums or Assessments, despite certain insurer insolvencies, including a few that have not paid the Reimbursement Premiums, the FHCF has collected substantially all Reimbursement Premiums and Assessments billed to Participating Insurers during the past five Contract Years.

#### **INVESTMENT POLICY OF THE FHCF**

Upon the issuance of the 2013A Bonds, the FHCF expects to have two investment portfolios. One investment portfolio invests the FHCF Corpus and the other portfolio invests the proceeds of the 2013A Bonds. Together, the aggregate principal balance of these portfolios is expected to be approximately \$10.5 billion. The Act authorizes the SBA to invest moneys in the FHCF pursuant to Sections 215.44-215.52, Florida Statutes, which are the statutory provisions authorizing and governing the investment of other moneys held in trust by the SBA.

Under the Pledge Agreement, proceeds of the 2013A Bonds will be held in a separate subaccount in the Covered Events Relief Fund established with the FHCF by the Pledge Agreement and will be invested pursuant to the investment policy to ensure the availability of those funds to reimburse Participating Insurers for Losses relating to any future Covered Events.

Moneys in the FHCF's portfolio may only be invested at the direction of the SBA in Investment Obligations, which are investments authorized under Section 215.47, Florida Statutes. The SBA investment policy covering FHCF assets is designed to provide adequate liquidity by using highly liquid short-term investment strategies. Liquidity is a primary concern for the FHCF since insurers may file claims weekly, and investment strategies are planned accordingly. The investment policy is periodically reviewed by the SBA and is subject to change.

Because permitted investments are exposed to changes in market value as well as price and yield volatility, the value of such permitted investments could decline below their purchase price and the investment earnings thereon could be lower than anticipated. Such a decline may result in insufficient funds being available, when needed, to pay Losses and other liabilities and expenses, including debt service on the Parity Obligations and the 2013A Bonds.

The primary investment objective of the FHCF's investment policy is defined by the following prioritized goals: (i) liquidity, so that reimbursement to insurers can be paid in a timely manner; (ii) safety of principal; and (iii) competitive returns. The FHCF's investment policy provides for a high level of liquidity such that assets can be converted to cash on a timely basis in order to match insurer loss reimbursement needs.

The FHCF's portfolios include only short-term, high quality and highly liquid fixed income securities. At the time of purchase, all investments must be rated from at least two of the three rating agencies, Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies ("S&P"), and Fitch Ratings ("Fitch"). The minimum ratings for short-term investments are "P-1" by Moody's, "A-1" by S&P, and/or "F1" by Fitch. The minimum ratings for long-term investments are "A2" by Moody's, "A" by S&P, and/or "A" by Fitch. Permitted fixed income securities and their diversification limits are described below:

- Corporate debt securities (not more than 50% of total portfolio amortized cost);
- U.S. Treasury securities and U.S. Government Agency securities (at least 50% of total portfolio amortized cost);
- Repurchase Agreements collateralized at least 102% with U.S. Government, Agency, or Agency Mortgage Backed Securities (not more than 25% of total portfolio amortized cost).

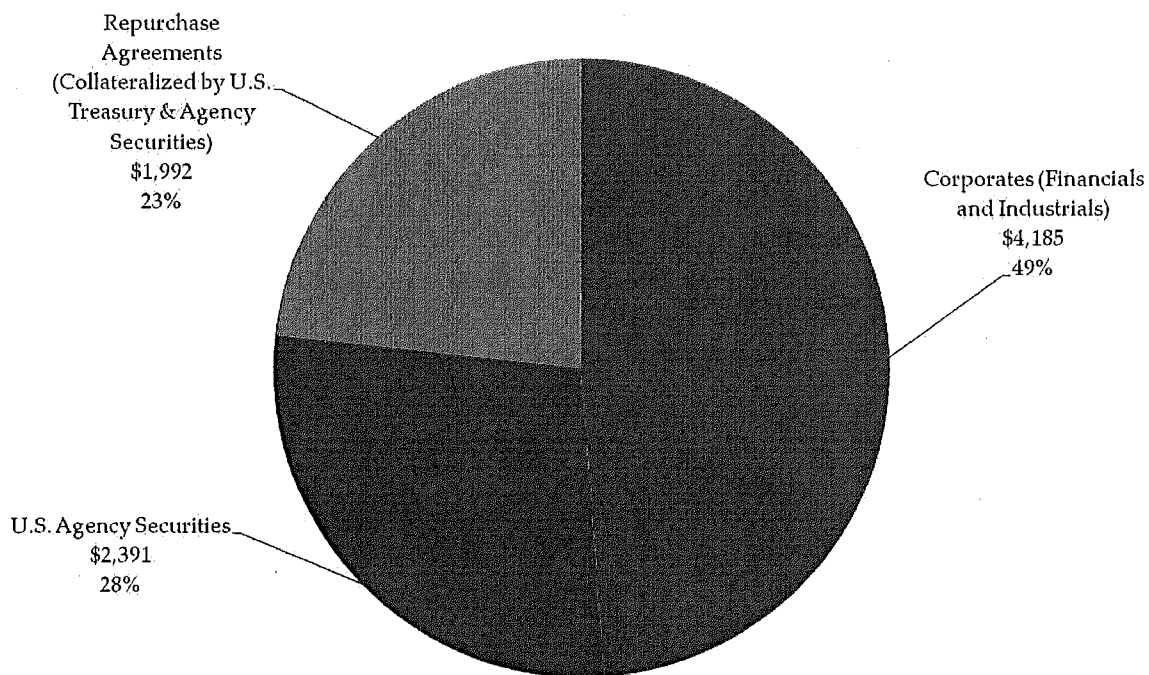
The FHCF's intent is to have a short-term portfolio that can provide ready liquidity at a price approximating amortized cost. Limiting the duration of investments in the portfolios is one important way that this goal can be achieved. The following duration restrictions apply:

- Final maturities shall not exceed 397 days, with the exception of Government securities and Agency securities, which shall not exceed 3 years.
- No more than 20% of total portfolio amortized cost may be invested in fixed rate securities with remaining time to maturity exceeding 397 days.
- The dollar weighted average maturity to reset of the portfolios shall not exceed 90 days, calculated using the interest rate reset period for any Variable Rate Obligations ("VROs"), and the dollar weighted average final maturity of the portfolios shall not exceed 180 days, calculated using the stated legal maturity for any VROs.

- The maximum term for Repurchase Agreements shall not exceed 30 days.

As of January 31, 2013, the FHCF's Operating Funds portfolio (which is a part of the FHCF corpus) totals \$8.568 billion and has an average duration of 189 days with over 58% maturing during the next 120 days. The average portfolio rating is "AA" with 75% of the portfolio in "AA" or "AAA" securities.

**FHCF Investment Portfolio Distribution by Market Value (\$8.6B)**  
(\$ in Millions)



Source: Florida Hurricane Catastrophe Fund. Information as of January 2013.

#### **FUTURE LEGISLATIVE AND REGULATORY CHANGES**

The FHCF is a tax-exempt trust fund created by the State Legislature. The State Legislature has in the past responded to changes in the political climate of the State by enacting significant legislative changes to State law, including adopting amendments to the Act in the 2012 legislative session and each of the prior four regular legislative sessions.

While there can be no assurance that the State Legislature would not make significant subsequent changes in the Act or in the insurance laws of the State that could have a material adverse effect on the financial position and the operations of the FHCF including its assessment base and tax-exempt status, the State has covenanted in the Act that it will not (i) limit or alter the rights of the FHCF and the Corporation to fulfill the terms of any agreements made with holders of the Corporation's obligations, including holders of the 2013A Bonds, or (ii) impair in any way the rights and remedies of holders of the Corporation's obligations, including holders of the 2013A Bonds, as long as such obligations of the Corporation remain outstanding, unless adequate provision has been made for the payment of such obligations of the Corporation. The State has also covenanted in the Act not to limit or alter the statutory prohibition of the FHCF and the Corporation to file a voluntary petition under Chapter 9 of the Federal Bankruptcy Code while Bonds are outstanding.

The Florida Legislature's regular session commenced on March 5, 2013 and is scheduled to end on May 3, 2013. Various bills have been introduced or are expected to be introduced which could affect FHCF. Such legislation, if adopted, could modify the level of Assessments or the Assessment base. However, legislation is prohibited from impairing the FHCF's ability to repay the 2013A Bonds by Article I, Section 10 of the State Constitution which prohibits impairment of obligations of contracts by the passage of legislation. Therefore, any legislation that may be passed during the current legislative session is not expected to have a material effect on the FHCF's ability to meet future obligations with respect to the 2013A Bonds or the Outstanding Parity Obligations.

## **LITIGATION**

### **General**

There is no litigation of any nature now pending against the Corporation or the SBA, or, to the best knowledge of the Corporation and the SBA, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2013A Bonds or in any way contesting or affecting the validity of the 2013A Bonds or any proceedings of the Corporation or the SBA taken with respect to the issuance or sale thereof. There is no litigation of any nature now pending against the Corporation or the SBA, or, to the best knowledge of the Corporation or the SBA, threatened, that in any way questions or affects the validity of the pledge or application of any moneys or security provided for the payment of the 2013A Bonds.

### **Previous Litigation**

After the FHCF's inception in 1993 and until final resolution of the issues in 1996, the FHCF was challenged by over 40 insurance companies on a number of grounds in civil and administrative actions in the State. The Circuit Court of the Second Judicial Circuit in and for

Leon County, Florida upheld the constitutionality of the FHCF under the State Constitution. This decision was affirmed by decision of the First District Court of Appeal on August 1, 1995. The State Supreme Court affirmed the decisions of the circuit court and the appellate court by opinion dated June 27, 1996 in *American Bankers Insurance Company, et al. v. Chiles*, 675 So.2d 922 (Fla. 1996) ("*American Bankers*"). As a result of *American Bankers*, the plaintiff insurance companies dismissed all other civil and administrative actions.

The constitutionality of the FHCF under the United States Constitution was challenged by the Vesta Insurance Company in federal district court. The federal district court upheld the constitutionality of the FHCF on October 25, 1996 in *Vesta Fire Insurance Corporation, f/k/a Liberty National Fire Insurance Company, Vesta Insurance Corporation and Sheffield Insurance Corporation, Alabama corporations, Plaintiffs, v. State of Florida, Department of Insurance, William Nelson in his capacity as Insurance Commissioner, State Board of Administration, Ash Williams, Jr., in his capacity as Executive Director, Defendants*.

#### **Validation Proceedings Pursuant to Florida Statutes**

In July 1996, the Corporation adopted a resolution authorizing the execution and issuance of not to exceed \$10 billion in debt of the Corporation. The Act, as originally enacted, required that the Corporation validate the issuance of its bonds in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida (the "Circuit Court"), pursuant to Chapter 75, Florida Statutes. During the 2006 Legislative Session ended May 5, 2006, the Act was amended to remove the validation requirement.

On November 12, 1996, in connection with the original validation requirement, and pursuant to authority granted by the authorizing resolution, the Corporation filed a validation complaint in the Circuit Court. In accordance with the requirements of State law, the State Attorney for Leon County formally contested the validation, raising ten points in opposition. Several of the defenses asserted by the State Attorney were based upon the State Constitution including: (i) the FHCF was not properly created under Article III, Section 19(f)(1) of the State Constitution; (ii) the FHCF did not contain a sunset provision required by Article III, Section 19(f)(2) of the State Constitution; (iii) the Corporation's debt would pledge the State's credit in violation of Article VII, Sections 10 and 11(a) of the State Constitution and (iv) the revenues of the Corporation were tax revenues pledged to the debt without voter approval.

Following a properly noticed hearing, the Circuit Court found in favor of the Corporation, specifically rejecting the State's Attorney constitutional objections. The Circuit Court determined that the FHCF had been properly created and was exempt from the sunset requirement pursuant to Article III, Section 19(f)(3) of the State Constitution. Moreover, after determining that receipts of the FHCF were not State tax revenues, the Circuit Court found that debt of the Corporation, a "legal entity separate and distinct from the State and its agencies,"

would be payable solely from receipts of the FHCF. Therefore, debt of the Corporation would not pledge the full faith and credit of the State and did not require voter approval.

As then required by the Act, the State Attorney for Leon County filed a mandatory appeal directly with the State Supreme Court. *In State of Florida, et al. v. Florida Hurricane Catastrophe Fund Finance Corporation, et al.* (1997), the State Supreme Court affirmed the trial court's judgment.

The proceedings described in this section and the "Previous Litigation" section above are dispositive of any material State constitutional questions that could have been raised as to the FHCF, the Corporation and the 2013A Bonds. As a result of certain material changes to the Master Indenture and the Pledge Agreement since the conclusion of the validation proceedings described above, no representation can be made that the 2013A Bonds have been validated by the Circuit Court. However, as a result of the amendment to the Act in 2006 removing the validation requirement, validation of the 2013A Bonds is no longer a prerequisite to the valid issuance of the 2013A Bonds under the Act. See "APPROVAL OF LEGALITY" herein and "Appendix E, FORM OF APPROVING OPINION".

#### **ENFORCEABILITY OF REMEDIES**

The remedies available to the holders of the 2013A Bonds upon an Event of Default under the Master Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under the existing constitutional and statutory law and judicial decisions, including specifically the Federal Bankruptcy Code, the remedies specified in the Master Indenture and other remedies under applicable law may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2013A Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "PLEDGE AND SECURITY FOR 2013A BONDS—No Bankruptcy" herein for a discussion regarding the circumstances under which neither the FHCF nor the Corporation will have the ability to file a voluntary petition under Chapter 9 of the Federal Bankruptcy Code.

#### **TAX MATTERS**

In the opinion of Nabors, Giblin & Nickerson, P.A., Bond Counsel, interest on the 2013A Bonds is not excluded from gross income of the holders thereof for Federal income tax purposes. Interest on the 2013A Bonds may also be subject to state or local income taxation under applicable state or local laws. Purchasers of the 2013A Bonds should consult their own tax advisors as to the income tax status of interest on the 2013A Bonds in their particular state or local jurisdiction.

Except as provided above, Bond Counsel is not rendering any opinion regarding the tax consequences of owning the 2013A Bonds. There are several tax-related issues attendant with ownership of the 2013A Bonds including, but not limited to, treatment of original issue discount or premium, if any, treatment of secondary market discount or premium, if any, reporting requirements and possible application of backup withholding tax, determination of an owner's tax basis and gains or losses in connection with sales, exchanges or other dispositions of the 2013A Bonds, foreign ownership, ownership by certain employee benefit plans and other retirement plans and other issues. Many of the rules related to these issues are complicated and purchasers of the 2013A Bonds should consult their own tax advisors and professionals as to the tax consequences of the purchase, ownership and disposition of the 2013A Bonds under Federal, state, local, foreign and other tax laws.

The opinion of Bond Counsel is not intended or written by Bond Counsel to be used and cannot be used by a holder of 2013A Bonds for the purpose of avoiding penalties that may be imposed on the holder of 2013A Bonds. The opinion of Bond Counsel is provided to support the promotion or marketing of the 2013A Bonds.

#### **LEGALITY FOR INVESTMENTS**

By the terms of the Act, the 2013A Bonds are legal investments under the Act for all public bodies of the State, banks, trust companies, savings banks, savings associations, savings and loan associations, investment companies, administrators, executors, trustees, fiduciaries, insurance companies and associations, other persons carrying on an insurance business and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State. The 2013A Bonds also constitute eligible securities for deposit as collateral for the security of any State, county, municipal or other public funds.

#### **APPROVAL OF LEGALITY**

Legal matters incident to the authorization and validity of the 2013A Bonds are subject to the approving opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida. The form of opinion regarding the validity of the 2013A Bonds is attached to this Official Statement as "Appendix E, FORM OF APPROVING OPINION" and will be available at the time of delivery of the 2013A Bonds. The actual legal opinion to be delivered by Bond Counsel may vary from the text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or express any opinion concerning any of the matters referenced in the opinion subsequent to its date.



Certain legal matters will be passed upon for the Corporation by Nabors, Giblin & Nickerson, P.A., Tampa, Florida. Certain legal matters will be passed upon for the SBA and the FHCF by their respective in-house counsels and by Bryant Miller Olive P.A., Tallahassee, Florida, Disclosure Counsel, and for the Underwriters by Greenberg Traurig, P.A., Miami, Florida.

## **RATINGS**

Fitch, Moody's, and S&P have assigned municipal long-term ratings of "AA" (stable), "Aa3" (stable), and "AA-" (stable), respectively, to the 2013A Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch, One State Street Plaza, New York, New York 10004; Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and S&P, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2013A Bonds.

## **AUDITED FINANCIAL STATEMENTS**

The financial statements of the FHCF for the Fiscal Years ended June 30, 2011 and June 30, 2012 and the report thereon of KPMG LLP (the "Independent Accountant") are included in this Official Statement as "Appendix B, FINANCIAL STATEMENTS OF FLORIDA HURRICANE CATASTROPHE FUND". Such statements speak only as of their date. The Corporation is treated as a blended component unit of the FHCF. Accordingly, it does not issue separate stand-alone audited financial statements. Accounts of the Corporation and results of its operations are blended with those of the FHCF for financial statement presentation purposes. The financial statements of the FHCF, including the report of the Independent Accountant, have been included in this Official Statement as public documents, and the consent of the Independent Accountant to include such documents in this Official Statement was not requested. The Independent Accountant has not been engaged to perform and has not performed since the date of its report included herein as Appendix B, any procedures on the financial statements addressed in that report. The Independent Accountant also has not performed any procedures related to this official statement.

## FINANCIAL ADVISOR

Raymond James & Associates, Inc., St. Petersburg, Florida is serving as Financial Advisor to the Corporation and the FHCF with respect to the sale of the 2013A Bonds. The Financial Advisor assisted in matters relating to the planning, structuring and issuance of the 2013A Bonds. Raymond James & Associates, Inc., did not engage in any underwriting activities with regard to the issuance and sale of the 2013A Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to review or ensure compliance with the undertaking by the Corporation and SBA to provide continuing secondary market disclosure.

## UNDERWRITING

The 2013A Bonds are being purchased by Barclays Capital Inc., on behalf of itself and Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, BB&T Capital Markets, Jefferies LLC, Loop Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith, Inc., Morgan Stanley & Co., LLC, M.R. Beal & Company, Ramirez & Co., Inc., RBC Capital Markets, LLC, Siebert Brandford Shank & Co., LLC, SunTrust Robinson Humphrey and Wells Fargo Bank, National Association (collectively, the "Underwriters"). The Underwriters have agreed to purchase the 2013A Bonds at a price of \$1,993,048,840.21 which represents the par amount of the 2013A Bonds less an underwriting discount of \$6,951,159.79.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Corporation and to persons and entities with relationships with the Corporation, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Corporation (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Corporation. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent

research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc., each an underwriter of the 2013A Bonds, have entered into a retail brokerage joint venture. As part of the joint venture, each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2013A Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the Underwriters of the 2013A Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the 2013A Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2013A Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the 2013A Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2013A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase 2013A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2013A Bonds that such firm sells.

SunTrust Robinson Humphrey, Inc. ("STRH"), one of the Underwriters of the 2013A Bonds, has entered into an agreement (the "STRH Distribution Agreement") with SunTrust Investment Services, Inc. ("STIS") for the retail distribution of certain municipal securities offerings, including the 2013A Bonds. Pursuant to the STRH Distribution Agreement, STRH

will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2013A Bonds with STIS. STRH and STIS are both subsidiaries of SunTrust Banks, Inc. SunTrust Robinson Humphrey is the trade name for certain capital markets and investment banking services of SunTrust Banks and its subsidiaries.

M.R. Beal & Company, an Underwriter of the 2013A Bonds, has entered into an agreement (the "Distribution Agreement") with TD Ameritrade, Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (as applicable for the 2013A Bonds), M.R. Beal & Company may share a portion of its underlying compensation with respect to the 2013A Bonds with TD Ameritrade, Inc.

Wells Fargo Bank, National Association is serving as both an Underwriter and the Master Trustee for the 2013A Bonds.

In order to facilitate the offering of the 2013A Bonds, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the 2013A Bonds. Specifically, the Underwriters may sell more 2013A Bonds than they are obligated to purchase in connection with the offering of the 2013A Bonds, creating a naked short position for their own respective account. The Underwriters must close out any naked short position by purchasing 2013A Bonds in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the 2013A Bonds in the open market after pricing that could adversely affect investors who purchase 2013A Bonds in the offering. As an additional means of facilitating the offering of 2013A Bonds, the Underwriters may bid for, and purchase, these 2013A Bonds in the open market to stabilize the price of these 2013A Bonds. Finally, the Underwriters may also reclaim on behalf of the underwriting syndicate or for themselves selling concessions allowed to an underwriter or a dealer for distributing these 2013A Bonds in the offering, if the Underwriters repurchase previously distributed 2013A Bonds to cover short positions or to stabilize the price of these 2013A Bonds. Any of these activities may raise or maintain the market price of these 2013A Bonds above independent market levels or prevent or retard a decline in the market price of these 2013A Bonds. The Underwriters are not required to engage in these activities, and may end any of these activities at any time. Any such activities shall be conducted in compliance with all applicable laws and regulations.

#### **CONTINUING DISCLOSURE**

The Corporation and the State Board of Administration, acting as the governing body and administrator of the FHCF, will undertake, for the benefit of the beneficial owners and Owners of the 2013A Bonds, to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain material events. Such financial information and operating data will be transmitted to each Nationally Recognized Municipal Securities

Information Repository ("NRMSIR"), which currently consists of only the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA"). Notices of material events will be transmitted to each NRMSIR or will be transmitted to the Municipal Securities Rulemaking Board. Such financial and operating data and notices of material events will also be transmitted to the state information depository (if a state information depository is established for the State). As of the date hereof, no state information depository has been established for the State. The form of the undertaking is set forth in "Appendix F, FORM OF CONTINUING DISCLOSURE AGREEMENT". This undertaking is being made in order to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule").

Neither the Corporation nor the State Board of Administration has failed to make any filings required by their continuing disclosure undertakings in the past five years. Due to a clerical error, the financial information and operating data relating to the Corporation that was filed on March 29, 2012 did not properly link to the CUSIP number for the Floating Rate Notes, Series 2007A, however, such obligations have now matured.

#### **INFORMATION COVERING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

**THE INFORMATION IN THIS SECTION HAS BEEN OBTAINED FROM THE  
UNDERWRITERS. NEITHER FHCF NOR THE SBA TAKES RESPONSIBILITY FOR THE  
ACCURACY THEREOF.**

##### **Minimum Unit Sales**

The 2013A Bonds will trade and settle on a unit basis (one unit equaling one bond of \$1,000 principal amount), for any sales made outside the United States, the minimum purchase and trading amount is 150 units (being 150 bonds in an aggregate principal amount of \$150,000).

##### **European Economic Area**

This Official Statement has been prepared on the basis that all offers of the securities will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the "Prospectus Directive"), as implemented in Member States of the European Economic Area (the "EEA"), from the requirement to produce a prospectus for offers of the 2013A Bonds. Accordingly, any person making or intending to make any offer within the EEA of the 2013A Bonds should only do so in circumstances in which no obligation arises for the Corporation or any of the Underwriters to produce a prospectus for such offer. Neither the Corporation nor the

Underwriters have authorized, nor do they authorize, the making of any offer of 2013A Bonds through any financial intermediary, other than offers made by the Underwriters, which constitute the final placement of the 2013A Bonds contemplated in this Official Statement.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the prospectus directive is implemented in that Relevant Member State, the offer of any 2013A Bond which is the subject of the offering contemplated by this Official Statement is not being made and will not be made to the public in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than Euro 43,000,000, and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; (c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Underwriters nominated by the Corporation; or (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the securities shall require the Corporation or the Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of securities to the public" in relation to the securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase the securities, as the same may be varied in that relevant member state by any measure implementing the prospectus directive in that relevant member state and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

## **Japan**

The 2013A Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "Financial Instruments and Exchange Act") and, accordingly, each Underwriter has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any 2013A Bond in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration

requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **Singapore**

Each Underwriter has acknowledged that this offering memorandum has not been and will not be registered with the monetary authority of Singapore. Accordingly, each Underwriter represents, warrants and undertakes that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1a), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the securities are subscribed or purchased in reliance on an exemption under Sections 274 or 275 of the SFA, the securities shall not be sold within the period of six months from the date of the initial acquisition of the securities, except to any of the following persons:

- (a) an institutional investor (as defined in Section 4a of the SFA);
- (b) a relevant person (as defined in section 275(2) of the SFA); or
- (c) any person pursuant to an offer referred to in Section 275(1a) of the SFA,

Unless expressly specified otherwise in Section 276(7) of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a Corporation (which is not an Accredited Investor (as defined in Section 4a of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an Accredited Investor; or

(b) a trust (where the trustee is not an Accredited Investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor,

Securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred

within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:

(a) to an Institutional Investor (under Section 274 of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions specified in Section 275 of the SFA;

(b) (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(b) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(b) of the SFA; or

(c) where no consideration is or will be given for the transfer; or

(d) where the transfer is by operation of law; or

(e) as specified in Section 276(7) of the SFA.

#### **United Kingdom**

This communication is directed only at persons who (i) are outside the United Kingdom or (ii) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 of the United Kingdom as amended (the "Order") or (iii) are high net worth entities falling within Article 49(2)(a) to (d) of the Order or (iv) such other persons to whom it may lawfully be communicated (all such persons together being referred to as "Relevant Persons"). This communication must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this communication relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

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## MISCELLANEOUS

The references herein to the Act, the Master Indenture, Sixth Supplemental Indenture, the Pledge Agreement, the 2013A Bonds, and other materials are brief descriptions of certain provisions thereof. Such descriptions do not purport to be complete, and for full and complete statements of such provisions reference is made to such instruments, documents and other materials, copies of which are on file with the Corporation and at the principal corporate trust office of the Master Trustee.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Corporation, the SBA, the FHCF and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The execution and delivery of this Official Statement have been duly authorized by the Corporation and the SBA as Administrator of and on behalf of the FHCF.

FLORIDA HURRICANE CATASTROPHE  
FUND FINANCE CORPORATION

STATE BOARD OF ADMINISTRATION, as  
Administrator of and on behalf of the  
Florida Hurricane Catastrophe Fund

APPENDIX A  
STATE OF FLORIDA – GENERAL INFORMATION

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**APPENDIX A**

**STATE OF FLORIDA**  
***DEMOGRAPHIC INFORMATION***

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

## **DEMOGRAPHIC & ECONOMIC INFORMATION**

### **Population**

Florida ranks as the fourth most populous state, with a population of 19.07 million as of April 1, 2012. This represents a 0.89% increase from April 1, 2011.

While the State's population has grown by 19.3% between 2000 and 2012, annual population growth has slowed considerably in recent years. Florida's average annual population growth rate was 2.0% from 2000 to 2008, which exceeded the nation's average annual population growth rate of 0.95% over the same period. However, Florida's population growth has slowed recently, with the average annual growth rate decreasing to 0.61% between 2009 and 2012, compared to the relatively stable average annual growth rate for the U.S. of 0.78% for the same period. Typically there are two drivers of population growth – natural increases (births minus deaths) and net migration (people moving into the State minus people moving out of the State). Historically, Florida's population

growth has been driven by positive net migration, but the State has experienced record low levels of net migration in recent years, resulting in the slowed population growth.

The age distribution of Florida's population differs from that of the nation because Florida has a somewhat larger elderly population and a slightly smaller working age population than the nation. Florida's 2010 population aged 65 or older is 17.3% of the State's population and is expected to increase to 20.5% by 2020. Whereas the nation's population aged 65 or older is approximately 12.9% and is expected to increase to 16.0% by 2020. Florida's working age population (18-64) is currently 61.4% of the total population and is expected to decline to 59.1% by 2020, and by comparison, the working age population (18-64) in the U.S. is 62.7% of total population currently and projected to decline to 60.0%.

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

	<u>Florida</u>		<u>U. S.</u>	
<u>Year</u>	<u>(in thousands)</u>	<u>% change</u>	<u>(in thousands)</u>	<u>% change</u>
1980	9,747	-	226,546	-
1990	12,938	32.7%	248,710	9.8%
2000	15,983	23.5	281,422	13.2
2010	18,801	17.6	308,746	9.7
2020 (projected)	21,148	12.5	336,836	9.1

Source: Office of Economic and Demographic Research, The Florida Legislature (November, 2012), and U.S. Census Bureau.

### **Florida Population Age Trends, 2000-2030**

	<u>2000</u>		<u>2010</u>		<u>2020</u>		<u>2030</u>	
<u>Age</u>	<u>Population</u>	<u>% of total</u>	<u>Population</u>	<u>% of total</u>	<u>Population</u>	<u>% of total</u>	<u>Population</u>	<u>% of total</u>
0-4	945,853	5.9%	1,073,506	5.7%	1,175,810	5.5%	1,317,447	5.5%
5 to 17	2,700,597	16.9	2,928,585	15.6	3,173,308	14.9	3,444,211	14.4
18-24	1,330,636	8.3	1,739,657	9.3	1,831,811	8.6	1,987,752	8.3
25-44	4,569,515	28.6	4,720,799	25.1	5,261,582	24.7	5,942,571	24.9
45-64	3,628,573	22.7	5,079,161	27.6	5,516,572	25.9	5,426,479	22.7
65+	<u>2,807,650</u>	17.6	<u>3,259,602</u>	17.3	<u>4,367,714</u>	20.5	<u>5,759,429</u>	24.1
Total	15,982,824		18,801,310		21,326,797		23,877,889	

Source: Office of Economic and Demographic Research, The Florida Legislature. (Demographic Estimating Conference Database, January, 2012)

### Florida's Gross Domestic Product

Florida's Gross Domestic Product ("GDP") represents the value of goods and services produced by the State, and serves as a broad measure of the State's economy. The State's GDP for 2011 is estimated at \$661 billion, which is slightly higher than 2010 GDP of \$658 billion.

Florida's GDP has decreased 7.5% over the past five years from \$715 billion in 2007 to \$661 billion in 2011. Private industry accounted for 88% of the State's 2011 GDP and government accounted for the remaining 12%. Real estate was the largest single industry, accounting for 16.1% of Florida's 2011 GDP.

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

### Florida's Gross Domestic Product by Major Industry 2007 and 2011

(millions of chained 2005 dollars)<sup>1</sup>

Industry	2007	% of	2011	% of Total
Agriculture, forestry, fishing and hunting.....	\$5,132	0.7%	\$4,394	0.7%
Mining.....	955	0.1	905	0.1
Utilities .....	13,122	1.8	11,353	1.7
Construction .....	44,836	6.3	25,387	3.8
Manufacturing .....	40,563	5.7	37,082	5.6
Wholesale trade.....	47,614	6.7	40,839	6.2
Retail trade.....	56,288	7.9	56,241	8.5
Transportation and warehousing, excluding Postal Services .....	20,428	2.9	19,813	3.0
Information .....	32,210	4.5	32,671	4.9
Finance and insurance.....	47,345	6.6	47,742	7.2
Real estate and rental and leasing .....	121,671	17.0	106,199	16.1
Professional and technical services.....	47,931	6.7	46,555	7.0
Management of companies and enterprises.....	8,757	1.2	8,323	1.3
Administrative and waste services .....	30,357	4.2	25,600	3.9
Educational services .....	5,399	0.8	5,859	0.9
Health care and social assistance .....	51,638	7.2	56,876	8.6
Arts, entertainment and recreation.....	11,736	1.6	12,118	1.8
Accommodation and food services .....	29,552	4.1	27,984	4.2
Other services, except government .....	19,457	2.7	16,899	2.6
Government .....	<u>80,344</u>	11.2	<u>80,359</u>	12.2
Total <sup>2</sup> .....	\$714,630		\$661,091	

Source: U.S. Department of Commerce, Bureau of Economic Analysis, (August, 2012).

<sup>1</sup> A measure of real output and prices using 2005 as the base year and applying annual - weighted indexes to allow for changes in relative prices and associated

purchasing patterns over time, as developed by the Bureau of Economic Analysis.

<sup>2</sup> May not add, due to chaining formula and rounding.

Tourism is not treated as a separate industry sector, but remains an important aspect of the Florida economy. Its financial impact is reflected in a broad range of market sectors, such as transportation, communications, retail trade and services, and in State tax revenues generated by business activities which cater to visitors, such as hotels, restaurants, admissions and gift shops. According to *Visit Florida*, the direct support organization for the Florida Commission on Tourism, approximately 89.3 million people visited the State in 2012, a 2.3% increase over the final 2011 total. Leisure and hospitality services accounted for 13.1% of the State's non-farm employment in 2011. According to the Florida Department of Business and Professional Regulation, as of August 1, 2012, 47,511 food service establishments were licensed with seating capacity of 3,720,745, and 37,175 lodging establishments were licensed with 1,551,225 total units. According to the Florida Department of Environmental Protection, visitors to the State's public parks and recreation areas totaled 20,442,212 for Fiscal Year 2010-11, a 1.65% increase from the prior year. In 2011, accommodation and food services contributed 4.2% of the State's GDP, and arts, entertainment and recreation contributed 1.8%.

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

miles of track, and AMTRAK passenger train service. There are 29 fixed route transit systems. There are 800 aviation facilities, of which 131 are available for public use; 20 provide scheduled commercial service and 14 provide international service. According to Federal Aviation Administration figures, in 2011 four Florida airports were among the top 50 in the U.S. based on passenger boardings and three were among the top 50 based on cargo weight. In that year, Miami International Airport ranked 12<sup>th</sup> in North America in passenger traffic and ranked 4<sup>th</sup> in North America in cargo volume, according to the Airports Council International. Florida also has 14 deep water ports, 9 major shallow water ports, and 4 significant river ports, many of which are interconnected by the State's inland waterway system.

In 2011, agriculture, forestry and fishing constituted only about 0.7% of GDP. According to the U.S. Department of Agriculture, in 2011 Florida's agricultural cash receipts were 16<sup>th</sup> for all crops, with the State ranking 1<sup>st</sup> in oranges, and 2<sup>nd</sup> in greenhouses, tomatoes and strawberries.

Construction activity, which constituted approximately 3.8% of Florida's 2011 GDP, is another factor to consider in analyzing the State's economy. The following table shows housing starts and construction values from 2002 through 2012.

**Florida Housing Starts and Construction Value: 2002-2012<sup>(1)</sup>**

Year	Housing Starts (thousands)		Construction Value (millions of current dollars)			
	Single Family	Multi-Family	Single Family	Multi-Family	Non-Residential	Total
2002	122.5	64.0	\$20,313.5	\$5,763.6	\$16,498.1	\$42,575.1
2003	146.7	68.8	25,615.4	7,052.4	17,111.1	49,778.8
2004	172.4	81.6	31,956.0	9,404.6	17,450.3	58,810.9
2005	193.1	93.6	39,349.7	13,249.4	19,111.5	71,710.6
2006	132.6	84.1	30,251.0	11,472.8	22,002.9	63,726.6
2007	63.8	53.9	15,484.4	6,406.7	28,431.6	50,322.8
2008	34.5	25.3	9,110.1	3,015.8	20,268.5	32,394.4
2009	24.6	7.7	6,513.0	943.7	17,590.7	25,047.4
2010	29.0	10.0	7,708.0	1,105.4	15,854.2	24,667.6
2011	29.3	12.1	8,180.6	1,449.6	13,083.4	22,713.6
2012	39.8	18.8	11,705.3	2,518.6	13,251.7	27,475.6

Source: Office of Economic and Demographic Research, The Florida Legislature, January, 2013.

<sup>(1)</sup> Data is subject to revision on a monthly basis for up to five years.

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## Employment

The following tables provide employment information for Florida and the U.S. As shown below, total employment in Florida increased from 8.19 million in 2010-11 to 8.38 million in 2011-12 and the unemployment rate decreased from 11.0% in 2010-11 to 9.6% in 2011-12. Fiscal Year 2011-12 is the fourth year that Florida's unemployment rate has been higher than the nation's unemployment rate in the past ten years.

The total number of non-agricultural jobs in Florida has decreased over the past five years by 9.1% from 8.0 million in 2006 to 7.3 million in 2011. However, total non-agricultural jobs increased from 7.2 million in 2010 to 7.3 million in 2011.

### Unemployment Rate, Florida vs. U.S. Fiscal Years 2002-2012

Fiscal Year	Total Civilian Labor Force (in thousands)		Total Employment (in thousands)		Annual Average Unemployment Rate (percent)	
	Florida	U.S.	Florida	U.S.	Florida	U.S.
2001-02.....	8,071.4	144,400.0	7,635.9	136,400.0	5.4	5.5
2002-03.....	8,132.5	145,900.0	7,687.7	137,100.0	5.5	6.0
2003-04.....	8,337.4	146,800.0	7,924.5	138,300.0	5.0	5.8
2004-05.....	8,572.4	148,200.0	8,203.1	140,400.0	4.3	5.3
2005-06.....	8,806.6	150,400.0	8,499.6	143,100.0	3.5	4.8
2006-07.....	9,055.5	152,500.0	8,727.1	145,500.0	3.6	4.5
2007-08.....	9,220.9	153,700.0	8,790.2	146,100.0	4.7	4.9
2008-09.....	9,183.0	154,600.0	8,420.6	142,800.0	8.3	7.6
2009-10.....	9,159.4	153,900.0	8,143.6	138,900.0	11.1	9.7
2010-11.....	9,195.1	153,600.0	8,186.6	139,400.0	11.0	9.3
2011-12.....	9,274.7	154,200.0	8,381.2	141,100.0	9.6	8.5

Source: Office of Economic and Demographic Research, The Florida Legislature (July, 2012)

### Composition of Nonagricultural Employment Florida and the Nation 2006 and 2011<sup>(1)</sup> (thousands)

	2006				2011			
	Florida		United States		Florida		United States	
	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total
Natural Resources & Mining	6.6	0.1	684.0	0.5	5.7	0.1	784.0	0.5
Construction	682.2	8.5	7,691.0	5.7	330.1	4.5	5,504.0	4.2
Manufacturing	416.4	5.2	14,155.0	10.4	311.2	4.3	11,733.0	8.9
Transportation & Warehousing	226.9	2.8	4,469.6	3.3	209.0	2.9	4,292.2	3.3
Utilities	24.0	0.3	548.5	0.4	22.4	0.3	555.2	0.4
Wholesale Trade	351.3	4.4	5,904.0	4.3	308.7	4.2	5,528.8	4.2
Retail Trade	1,022.1	12.8	15,353.3	11.3	954.9	13.1	14,642.9	11.1
Information	161.7	2.0	3,038.0	2.2	134.3	1.8	2,659.0	2.0
Financial Activities	554.7	6.9	8,328.0	6.1	482.9	6.6	7,681.0	5.8
Professional & Business Services	1,158.0	14.5	17,566.0	12.9	1,051.6	14.5	17,331.0	13.2
Education & Health Services	996.5	12.5	17,826.0	13.1	1,104.4	15.2	19,884.0	15.1
Leisure & Hospitality Services	964.7	12.1	13,110.0	9.6	954.0	13.1	13,320.0	10.1
Other Services	338.0	4.2	5,438.0	4.0	307.0	4.2	5,342.0	4.1
Government	<u>1,099.3</u>	13.7	<u>21,974.0</u>	16.1	<u>1,095.5</u>	15.1	<u>22,104.0</u>	16.8
Total Non-farm	8,002.4		136,086.0		7,271.5		131,359.0	

Source: US Department of Labor, Bureau of Labor Statistics. (April, 2012)

<sup>(1)</sup> Not Seasonally adjusted.

## Income

Historically, Florida's total personal income has grown at rates similar to those of the U.S. and the other southeastern states. From 2002 to 2011, Florida's total personal income grew by 48.6% and per capita income increased approximately 30.1%. For the nation and the Southeast, total personal income increased by 43.0% and 46.6%, and per capita income grew 32.0% and 31.6%, respectively, over the same time period. With the exception of 2009, personal income and per capita income have increased every year for the past ten years.

Florida per capita income remains above the Southeast region, but below the nation. The following table shows total and per capita personal income for the U.S., the Southeast, and Florida for the past ten calendar years.

The table on the following page shows Florida personal income and earnings by major source for calendar years 2006 and 2011. Total income in Florida has increased approximately 8.0% over the five year time period. Increases and decreases in income varied across industries, with health care realizing the largest increase and construction seeing the biggest decrease.

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

Year	Total Personal Income (In millions of Current Dollars)						Per Capita Personal Income (In Current Dollars)					
	U.S.	% Change	S.E.	% Change	Florida	% Change	U.S.	% Change	S.E.	% Change	Florida	% Change
2002	9,054,702	2.0	2,025,058	2.9	508,400	4.3	31,481	1.0	28,461	1.7	30,462	2.2
2003	9,369,072	3.5	2,103,566	3.9	531,218	4.5	32,295	2.6	29,232	2.7	31,241	2.6
2004	9,928,790	6.0	2,249,054	6.9	582,766	9.7	33,909	5.0	30,801	5.4	33,463	7.1
2005	10,476,669	5.5	2,403,753	6.9	633,193	8.7	35,452	4.6	32,418	5.2	35,489	6.1
2006	11,256,516	7.4	2,580,723	7.4	690,268	9.0	37,725	6.4	34,379	6.0	37,996	7.1
2007	11,900,562	5.7	2,728,855	5.7	721,052	4.5	39,506	4.7	35,848	4.3	39,256	3.3
2008	12,451,660	4.6	2,843,864	4.2	740,676	2.7	40,947	3.6	36,906	3.0	39,978	1.8
2009	11,852,715	(4.8)	2,722,901	(4.3)	687,337	(7.2)	38,637	(5.6)	34,992	(5.2)	36,849	(7.8)
2010	12,308,496	3.8	2,831,622	4.0	722,368	5.1	39,791	3.0	36,047	3.0	38,345	4.1
2011	12,949,905	5.2	2,968,900	4.8	755,358	4.6	41,560	4.4	37,473	4.0	39,636	3.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis (September, 2012).

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**Florida Personal Income and Earnings by Major Source: 2006 vs. 2011**  
(thousands of current dollars)

	<u>2006</u>	<u>% Total</u>	<u>2011</u>	<u>% Total</u>
<b>Earnings</b>				
<b>Wages and Salaries:</b>				
Farm	\$2,678,016	0.3%	\$2,263,338	0.3%
Non Farm:	449,675,571	55.5%	456,145,422	52.2%
<b>Private:</b>				
Forestry, fishing and other	1,515,613	0.2%	1,446,482	0.2%
Mining	602,328	0.1%	413,904	0.0%
Utilities	2,578,595	0.3%	2,722,735	0.3%
Construction	41,544,825	5.1%	22,451,798	2.6%
Manufacturing	25,495,471	3.1%	23,368,488	2.7%
Wholesale Trade	25,465,526	3.1%	26,036,956	3.0%
Retail Trade	36,715,490	4.5%	36,299,721	4.2%
Transportation & Warehousing	14,057,929	1.7%	14,882,922	1.7%
Information	13,606,622	1.7%	12,960,516	1.5%
Finance and Insurance	31,565,194	3.9%	31,806,214	3.6%
Real Estate and Rental and Leasing	13,286,325	1.6%	8,839,040	1.0%
Professional and Technical Services	38,107,647	4.7%	43,142,823	4.9%
Management of Companies and Enterprises	7,792,843	1.0%	9,388,781	1.1%
Administrative and Waste Services	27,544,583	3.4%	24,900,753	2.8%
Educational Services	5,066,757	0.6%	7,105,772	0.8%
Health Care and Social Assistance	47,564,344	5.9%	59,250,309	6.8%
Arts, Entertainment and Recreation	8,712,317	1.1%	10,156,391	1.2%
Accommodation and Food Services	18,954,426	2.3%	21,246,102	2.4%
Other Services, except Public Administration	18,776,829	2.3%	19,166,453	2.2%
<b>Total Private</b>	<b>378,953,664</b>	<b>46.8%</b>	<b>375,586,160</b>	<b>43.0%</b>
Government & Government Enterprises	70,721,907	8.7%	80,559,262	9.2%
<b>Total Wages &amp; Salaries</b>	<b>452,353,587</b>	<b>55.9%</b>	<b>458,408,760</b>	<b>52.4%</b>
<b>Other Income:</b>				
plus: Dividends, Interest & Rent	181,691,839	22.4%	186,650,363	21.3%
plus: Personal current transfer receipts	104,411,555	12.9%	153,539,337	17.6%
plus: Adjustment for residence	1,719,898	0.2%	2,028,786	0.2%
Less: Contributions for social insurance	<u>(49,908,770)</u>	(6.2)%	<u>(46,644,572)</u>	(5.3)%
<b>Total Other Income:</b>	<b>237,914,522</b>	<b>29.4%</b>	<b>295,573,914</b>	<b>33.8%</b>
<b>Total Personal Income</b>	<b>690,268,109</b>	<b>85.3%</b>	<b>738,982,674</b>	<b>86.2%</b>
<b>Other Earnings:</b>				
Supplements to wages and salaries	72,911,781	9.0%	77,163,234	8.8%
Proprietors' income:	<u>46,346,621</u>	5.7%	<u>43,312,984</u>	5.0%
<b>Total Earnings:</b>	<b>119,258,402</b>	<b>14.7%</b>	<b>120,476,218</b>	<b>13.8%</b>
<b>TOTAL INCOME</b>	<b>\$809,526,511</b>	<b>100.0%</b>	<b>\$874,458,892</b>	<b>100.0%</b>

Source: U.S. Department of Commerce, Bureau of Economic Analysis (April, 2012)

## **International Trade**

Florida's location lends itself to international trade and travel. Florida was the 4<sup>th</sup> largest exporter in the nation in 2011, accounting for 4.4% of total U.S. exports of goods. The State's international merchandise trade (imports and exports) totaled \$149.2 billion in 2011, an increase of 18.2% over 2010. The State's merchandise exports increased by 18.7% between 2010 and 2011, and imports increased by 17.4%. During the same period, the nation's exports increased by 15.9% and imports increased by 15.4%.

The State's top five exports for 2011 were precious metals, aircraft, vehicles, telecommunications equipment, and computers. The top imports were oil, gold, vehicles, refined copper and alloys, and electronics. Florida's top trading partners for 2011 were Brazil, Colombia, China, Venezuela and Switzerland. (Source: Enterprise Florida, March 2012)

### **Florida's International Trade: 2001-2011** (millions of U.S. dollars)

<u>Year</u>	<u>Exports</u>	<u>% Change</u>	<u>Imports</u>	<u>% Change</u>
2001	\$34,530	(3.7)	\$36,430	(3.9)
2002	32,241	(6.6)	36,955	1.4
2003	32,404	0.5	40,462	9.5
2004	37,501	15.7	43,896	8.5
2005	44,115	17.6	51,169	16.6
2006	51,767	17.3	57,399	12.2
2007	58,915	13.8	55,925	(2.6)
2008	73,022	23.9	57,525	2.9
2009	59,884	(18.0)	43,107	(25.1)
2010	73,064	22.0	53,164	23.3
2011	86,753	18.7	62,413	17.4

Source: Enterprise Florida (March 2012)

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### Primary Sources of Sales Tax

The following tables illustrate taxable sales by category of expenditure over the past ten years, and compare the top twenty-five types of businesses generating sales tax revenues in Fiscal Year 2007 and 2012.

#### Florida Taxable Sales and Sales Tax Liability by Category Fiscal Years ended June 30, 2002-2012 (millions of current dollars)

Fiscal Year	<u>Consumer Non-durables</u>				<u>Consumer Durables</u>				<u>Building Investment</u>		<u>Business Investment</u>	
	<u>Recreation/Tourism</u>		<u>Other</u>		<u>Autos &amp; Accessories</u>		<u>Other</u>		<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>
2002	49,685	2,971.0	72,898	4,434.7	52,150	3,118.4	20,681	1,236.7	15,924	952.2	47,119	2,760.6
2003	50,100	2,995.8	70,959	4,287.3	52,410	3,133.9	20,834	1,245.8	17,541	1,048.9	48,181	2,822.9
2004	53,924	3,224.5	77,387	4,675.7	56,017	3,349.6	23,003	1,375.5	18,455	1,103.5	55,027	3,223.9
2005	58,821	3,517.3	84,393	5,099.0	60,332	3,607.6	25,735	1,538.9	22,868	1,367.4	63,723	3,733.4
2006	63,247	3,781.9	92,961	5,616.7	64,883	3,879.9	28,704	1,716.4	26,525	1,586.1	71,783	4,205.0
2007	65,019	3,887.9	97,809	5,909.6	62,511	3,737.9	27,831	1,664.2	23,745	1,419.8	72,464	4,245.5
2008	65,772	3,932.9	98,075	5,925.7	54,885	3,281.9	24,363	1,456.8	20,319	1,215.0	66,612	3,902.7
2009	61,767	3,693.4	92,760	5,604.6	43,547	2,603.9	19,938	1,192.2	16,362	978.4	59,961	3,513.0
2010	60,407	3,610.5	91,404	5,515.3	43,641	2,608.7	18,299	1,094.1	14,845	888.2	55,154	3,233.9
2011	63,818	3,816.1	94,741	5,724.3	45,889	2,744.0	19,271	1,152.3	15,129	904.6	56,836	3,329.9
2012	68,168	4,076.2	98,880	5,974.3	48,803	2,918.3	20,431	1,221.7	15,845	947.7	58,543	3,429.8

Source: Office of Economic and Demographic Research (August, 2012).

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**State Sales Tax Collections by Top 25 Business Types**  
**Fiscal Years Ended June 30, 2007 vs. 2012 <sup>(1)</sup>**

<u>Type of Business</u>	<u>2007</u>	<u>2012</u>
General Miscellaneous Merchandise Stores	\$2,734,386,695	\$2,666,314,064
Automotive Dealers	3,115,229,031	2,370,820,737
Restaurants, Lunchrooms, Catering Services	1,704,491,735	1,865,416,213
Leased or Rental of Commercial Real Property	1,304,695,607	1,322,511,452
Hotels/Motels Accommodations & Other Lodging Places	926,747,517	1,027,247,276
Food & Beverage Stores	913,030,101	965,411,020
Apparel & Accessory Stores	603,062,506	786,904,625
Lumber and Other Building Materials Dealers	972,069,983	696,806,705
Admissions, Amusement & Recreation Services	473,564,644	667,501,331
Radio, Television, Consumer Electronics, Computers, Music Stores	600,795,853	533,160,525
Wholesale Dealers	726,168,727	521,566,378
Utilities, Electric, Gas, Water, Sewer	519,845,504	497,203,509
Manufacturing	691,003,602	443,680,656
Home Furniture, Furnishings & Equipment	477,988,949	383,415,200
Automotive Accessories & Parts	255,205,225	255,913,238
Rental of Tangible Personal Property	450,272,094	247,634,195
Automobile Repair & Services	268,674,930	244,271,439
Taxable Services (per Chapter 212, F.S.)	162,600,432	151,112,979
Communications <sup>(2)</sup>	136,013,679	144,659,534
Store & Office Equipment, Office Supplies	197,395,727	143,471,763
Drinking Places (Alcoholic beverages served on premises)	161,911,602	140,996,440
Paint, Wallpaper & Hardware Dealers	206,321,725	133,996,773
Gifts, Cards, Novelty, Hobby, Crafts & Toy Stores	126,216,919	121,260,530
Insurance, Banking, Savings & Loans, Research Information Serv.	45,372,832	120,795,753
Shoe Stores	94,637,778	112,649,946

Source: Florida Department of Revenue, Office of Tax Research (August, 2012).

<sup>(1)</sup> Arranged in descending order of collection amounts for Fiscal Year ended June 30, 2012. In that Fiscal Year, "Miscellaneous" and unspecified business types accounted for \$155,485,333 in sales tax collections.

<sup>(2)</sup> Includes sales and use tax portion of Communications Service Tax.

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APPENDIX B  
FINANCIAL STATEMENTS OF FLORIDA HURRICANE CATASTROPHE FUND  
FOR FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



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**FLORIDA HURRICANE CATASTROPHE FUND**

Combined Financial Statements and  
Other Financial Information

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

**FLORIDA HURRICANE CATASTROPHE FUND**

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KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

#### Independent Auditors' Report

The Trustees of the State Board of Administration of Florida  
Florida Hurricane Catastrophe Fund:

We have audited the accompanying combined statements of net assets of the Florida Hurricane Catastrophe Fund (the Fund) as of June 30, 2012 and 2011, and the related combined statements of revenue, expenses, and changes in net assets, combined statements of cash flows, and combined reconciliations of operating income to net cash provided by operating activities (hereafter referred to as combined financial statements) for the years then ended. These combined financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the combined financial statements present only the Fund and do not purport to, and do not, fairly present the financial position of the State Board of Administration of Florida, the changes in its financial position, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2012 and 2011, and the respective changes in its financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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the U.S. member firm of KPMG International Cooperative  
(KPMG International), a Swiss entity.



U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 - 6 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purposes of forming an opinion on the combined financial statements taken as a whole. The June 30, 2012 combining information on pages 26 to 28 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The June 30, 2012 combining financial statements has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2012 combining financial statements is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

October 12, 2012

# FLORIDA HURRICANE CATASTROPHE FUND

Management's Discussion and Analysis

June 30, 2012 and 2011

Our discussion and analysis of the financial performance of the Florida Hurricane Catastrophe Fund (the Fund) provides an overview of the Fund's financial activities for the fiscal years ended June 30, 2012 and 2011. Please read this information in conjunction with the Fund's combined financial statements and notes to the combined financial statements.

## Overview of the Financial Statements

The statements presented are the *combined statements of net assets, the combined statements of revenues, expenses, and changes in net assets, and the combined statements of cash flows*. These statements represent the financial position of the Fund, which includes the Florida Hurricane Catastrophe Fund Finance Corporation (the Corporation). The Corporation was created to provide a mechanism for the cost-effective and efficient issuance of bonds necessary to enable the Fund to carry out its purposes. The Corporation is included as a blended component unit of the Fund because it provides services exclusively for the benefit of the Fund. Separate stand-alone audited financial statements of the blended component unit are not available. Combining statements can be found in the other financial information section of this report.

The *combined statements of net assets* present the ending balances of all assets and liabilities of the Fund using the economic resources measurement focus and the accrual basis of accounting. The difference between assets and liabilities is reported as net assets of the Fund.

The *combined statements of revenues, expenses, and changes in net assets* present all revenues and expenses of the Fund occurring during the year resulting from operations and the effect of this activity on net assets. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The *combined statements of cash flows* provide information about how the Fund finances and meets the cash flow needs of its activities.

The *combined notes to the financial statements* provide additional information related to the data provided in the combined financial statements.

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# FLORIDA HURRICANE CATASTROPHE FUND

Management's Discussion and Analysis

June 30, 2012 and 2011

## Financial Summary

A summary of the *combined statements of net assets* for the Fund is presented below (in thousands):

	June 30		
	2012	2011	2010
Current assets	\$ 10,925,733	\$ 9,340,514	\$ 8,754,966
Long-term assets	1,072,747	1,509,580	1,005,148
Total assets	\$ 11,998,480	\$ 10,850,094	\$ 9,760,114
Current liabilities	\$ 4,246,787	\$ 985,287	\$ 1,097,490
Long-term liabilities	1,327,252	5,135,489	5,432,425
Total liabilities	5,574,039	6,120,776	6,529,915
Net assets:			
Invested in capital assets, net of related debt	4	5	6
Unrestricted	6,424,415	4,729,291	3,230,171
Restricted for hurricane mitigation	22	22	22
Total net assets	6,424,441	4,729,318	3,230,199
Total liabilities and net assets	\$ 11,998,480	\$ 10,850,094	\$ 9,760,114

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(Continued)

# FLORIDA HURRICANE CATASTROPHE FUND

Management's Discussion and Analysis

June 30, 2012 and 2011

A summary of the combined statements of revenues, expenses, and changes in net assets for the Fund and the Corporation is presented below (in thousands):

	Year ended June 30	
	2012	2011
Net premium revenue	\$ 1,321,861	\$ 1,308,877
Net interest on premium adjustments	439	877
Net interest on loss disbursement adjustments/advances	5	2,544
Other	41	30
Total operating revenues	1,322,346	1,312,328
Total nonoperating revenue	387,467	312,435
Total revenues	1,709,813	1,624,763
Hurricane losses	—	110,000
Other operating expenses	4,687	5,641
Depreciation	3	3
Total expenses	4,690	115,644
Income before transfers	1,705,123	1,509,119
Transfers to other funds	(10,000)	(10,000)
Change in net assets	1,695,123	1,499,119
Net assets at beginning of year	4,729,318	3,230,199
Net assets at end of year	\$ 6,424,441	\$ 4,729,318

## Financial Highlights

- The increase in current liabilities and decrease in long-term liabilities includes the reclassification of the Series 2007A Pre-event Notes in the amount of \$3.5 billion, which will become due/payable on October 15, 2012. This amount was included in long-term liabilities for fiscal years ended June 30, 2011 and 2010. It is included in current liabilities for fiscal year ended June 30, 2012.
- The increase in net premium revenue in 2012 was primarily the result of a 6% increase in the Fund's mandatory coverage rates (which includes a 4.55% increase attributable to the cash buildup factor as provided for in section 215.555, Florida Statutes), which was partially offset by the decrease in optional coverages available under Section 215.555, Florida Statutes, and selected by the insurers.
- Investment income included in "total nonoperating revenue" for the Fund was \$80.04 million at June 30, 2010, \$46.59 million at June 30, 2011, and \$39.79 million at June 30, 2012. This decrease was due to the decline in interest rates and revisions to the Fund's Investment Policy Statement in 2011. The primary goal of the policy is defined by the following priorities: (1) liquidity, (2) safety of principal, and (3) competitive return. The Fund's objective is to invest in securities that are highly liquid, relatively short term, and have a credit quality in accordance with the Policy.

# FLORIDA HURRICANE CATASTROPHE FUND

Management's Discussion and Analysis

June 30, 2012 and 2011

- "Total nonoperating revenue" also includes emergency assessment revenue. In order to reimburse participating insurers for losses occurring in 2005, the Fund, through the Florida Hurricane Catastrophe Fund Finance Corporation, issued tax-exempt revenue bonds in 2006 in the amount of \$1.35 billion, \$625 million in 2008, and \$675.9 million in 2010. The funding source for the repayment of these bonds is from an emergency assessment on the direct written premium for all property and casualty lines of business in Florida including property and casualty business of surplus lines insurers, but not including workers' compensation premiums or medical malpractice premiums. The assessment was initially 1% on all policies issued or renewed on or after January 1, 2007 and was increased to 1.3% on January 1, 2011.
- For losses from hurricanes occurring in 2004 and 2005, as of June 30, 2012, the Fund had reimbursed participating insurers over \$9.3 billion. The total amount the Fund expects to pay is \$9.76 billion, with \$3.87 billion for 2004 and \$5.89 billion for 2005. "Hurricane losses" expense includes \$250 million in 2010, \$110 million in 2011, and no additional hurricane loss expenses were recorded in 2012 for the prior years' storms due to estimates revised as a result of ongoing loss development and actuarial analyses.
- In May 2010, the Corporation issued post-event Series 2010A Revenue Bonds in the amount of \$675.9 million, which are reported in long-term liabilities. Cash received at bond issuance included a premium of \$40.2 million, which will be amortized against interest expense over the life of the bonds. The Series 2010A Revenue Bonds proceeds and their investment earnings will be used by the Fund to make payments to participating insurers for losses resulting from the 2005 hurricane season. The funding for these bonds will come from an emergency assessment. An Order was issued by the Florida Office of Insurance Regulation concurrently with the Series 2010A Revenue Bonds issue to supersede the 1% emergency assessment already in place with a 1.3% emergency assessment.
- At June 30, 2012, the Fund had the following credit ratings: Moody's, Aa3; Standard and Poor's, Aa-; and Fitch, AA.

**FLORIDA HURRICANE CATASTROPHE FUND**

Combined Statements of Net Assets

June 30, 2012 and 2011

(In thousands)

Assets	2012	2011
<b>Current assets:</b>		
Cash and cash equivalents	\$ 167	\$ 136
Short-term investments	10,796,353	9,219,564
Emergency assessment funds receivable	120,485	115,283
Emergency assessment interest receivable	—	4
Accrued interest	4,509	2,888
Accounts receivable	6	—
Excess loss payments receivable	1,177	1,434
Premiums receivable, net	3,036	1,205
<b>Total current assets</b>	<b>10,925,733</b>	<b>9,340,514</b>
<b>Long-term assets:</b>		
Long-term investments	1,068,840	1,501,326
Unamortized bond issuance costs	3,903	8,249
Capital assets, net of accumulated depreciation of \$62 and \$77 for June 30, 2012 and 2011, respectively	4	5
<b>Total long-term assets</b>	<b>1,072,747</b>	<b>1,509,580</b>
<b>Total assets</b>	<b>\$ 11,998,480</b>	<b>\$ 10,850,094</b>

See accompanying notes to combined financial statements.

Liabilities and Net Assets	2012	2011
<b>Current liabilities:</b>		
Hurricane losses:		
Unpaid hurricane losses	\$ 408,430	\$ 649,091
Losses payable	—	4,713
Premium refunds payable	—	266
Accrued expenses	787	800
Bonds payable	3,796,795	282,660
Accrued bond interest expense	40,775	47,757
<b>Total current liabilities</b>	<b>4,246,787</b>	<b>985,287</b>
<b>Long-term liabilities:</b>		
Bonds payable	1,300,920	5,097,715
Premiums on bonds payable	26,213	57,647
Compensated absences, net of current portion	119	127
<b>Total long-term liabilities</b>	<b>1,327,252</b>	<b>5,135,489</b>
<b>Total liabilities</b>	<b>5,574,039</b>	<b>6,120,776</b>
<b>Net assets:</b>		
Unrestricted	6,424,415	4,729,291
Invested in capital assets, net of related debt	4	5
Restricted for hurricane mitigation	22	22
<b>Total net assets</b>	<b>6,424,441</b>	<b>4,729,318</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,998,480</b>	<b>\$ 10,850,094</b>

# FLORIDA HURRICANE CATASTROPHE FUND

Combined Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2012 and 2011

(In thousands)

	2012	2011
Operating revenues:		
Net premium revenue	\$ 1,321,861	\$ 1,308,877
Net interest on premium adjustments	439	877
Net interest on loss disbursement adjustments/advances	5	2,544
Other	41	30
Total operating revenues	1,322,346	1,312,328
Operating expenses:		
Hurricane losses	—	110,000
Administrative and actuarial fees	2,246	2,486
Other professional fees	1,098	1,759
Personnel expenses	1,152	1,151
Depreciation	3	3
Other	191	245
Total operating expenses	4,690	115,644
Operating income	1,317,656	1,196,684
Nonoperating revenue (expense):		
Investment income	39,788	46,590
Investment advisor fees	(1,585)	(1,381)
Emergency assessment revenue	456,790	386,670
Emergency assessment interest revenue	6	7
Custodian and bond trustee fees	(5)	(5)
Bond interest expense	(103,181)	(115,100)
Amortization of bond issuance costs	(4,346)	(4,346)
Total nonoperating revenue	387,467	312,435
Income before transfers	1,705,123	1,509,119
Transfers to other funds	(10,000)	(10,000)
Change in net assets	1,695,123	1,499,119
Net assets at beginning of year	4,729,318	3,230,199
Net assets at end of year	\$ 6,424,441	\$ 4,729,318

See accompanying notes to combined financial statements.

# FLORIDA HURRICANE CATASTROPHE FUND

Combined Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

	2012	2011
Operating activities:		
Premium received	\$ 1,320,203	\$ 1,318,493
Hurricane losses paid	(245,117)	(241,945)
Net interest on loss disbursements and adjustments	5	2,544
Other	41	30
Administrative and actuarial fees	(2,276)	(2,479)
Other professional fees	(1,086)	(1,772)
Personnel expenses	(1,164)	(1,146)
Other operating expenses	(199)	(238)
Net cash provided by operating activities	1,070,407	1,073,487
Investing activities:		
Purchases of investments	(399,532,273)	(446,807,416)
Sales and maturities of investments	398,403,776	445,742,296
Interest received	22,360	34,304
Investment advisor fees	(1,573)	(1,365)
Custodian and bond trustee fees	(5)	(5)
Net cash used by investing activities	(1,107,715)	(1,032,186)
Financing from noncapital activities:		
Transfers to other funds	(10,000)	(10,000)
Emergency assessment funds received	451,587	361,194
Emergency assessment interest received	10	4
Bond principal paid	(282,660)	(269,485)
Bond interest paid	(121,597)	(122,919)
Net cash provided by (used by) financing from noncapital activities	37,340	(41,206)
Financing from capital activity:		
Purchases of capital assets	(1)	(2)
Net increase in cash and cash equivalents	31	93
Cash and cash equivalents at beginning of year	136	43
Cash and cash equivalents at end of year	\$ 167	\$ 136

See accompanying notes to combined financial statements.

# FLORIDA HURRICANE CATASTROPHE FUND

Combined Reconciliations of Operating Income to Net Cash  
Provided by Operating Activities

Years ended June 30, 2012 and 2011

(In thousands)

	2012	2011
Operating income	\$ 1,317,656	\$ 1,196,684
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3	3
(Increase) decrease in accounts receivable	(6)	—
(Increase) decrease in premiums receivable, net	(1,831)	8,473
(Increase) decrease in premium refunds payable	(266)	266
(Increase) decrease in unpaid hurricane losses	(240,661)	(134,859)
(Increase) decrease in losses payable	(4,713)	2,732
(Increase) decrease in excess loss payments receivable	257	182
(Increase) decrease in accrued expenses	(32)	6
Net cash provided by operating activities	\$ 1,070,407	\$ 1,073,487

See accompanying notes to combined financial statements.

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# FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2012 and 2011

## (1) Organization

### (a) Business

The Florida Hurricane Catastrophe Fund (the Fund), a trust fund created in November 1993 during a special Florida Congressional legislative session following Hurricane Andrew, provides catastrophic reinsurance coverage to all authorized primary insurers of habitational structures with wind/hurricane coverage in the State of Florida. Premiums are calculated for each of the approximately 170 insurers using rates developed based on hurricane modeling of the trended data from the prior year. The modeling takes into consideration factors such as historical records of hurricane strength and landfall patterns, geographic location, type of business, construction, coverage selected, deductible and mitigation features. The Fund is administered by the State Board of Administration of Florida (SBA), which has contracted for administrative and actuarial services.

The Fund also includes the accounts of its blended component unit, the Florida Hurricane Catastrophe Fund Finance Corporation (the Corporation). The Corporation, a public benefits corporation and an instrumentality of the State of Florida, was created to provide a mechanism for the cost-effective and efficient issuance of bonds necessary to enable the Fund to carry out its purposes. The Corporation is included as a blended component unit because it provides services exclusively for the benefit of the Fund. Separate stand-alone audited financial statements of the component unit are not available.

### (b) Basis of Presentation

The Fund is classified as an enterprise fund, which is a type of proprietary fund. The financial statements of proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operations of the Fund are included in the combined statements of net assets. The combined statements of revenues, expenses, and changes in net assets present increases (revenues) and decreases (expenses) in net total assets. The combined statements of cash flows provide information about how the Fund finances and meets the cash flow needs of its activities.

The combined financial statements presented herein relate solely to the financial position and changes in financial position of the Fund and are not intended to present the financial position of the SBA or the results of its operations and cash flows. The Fund follows Governmental Accounting Standards Board (GASB) pronouncements and only Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

### (c) Limited Liability of the Fund

The Fund's obligation to participating insurers, in the event of a hurricane(s) that causes reimbursable losses, is limited to the claims-paying capacity of the Fund. For the purpose of defining claims-paying capacity, the SBA shall use the unrestricted net assets as of December 31 of the applicable contract year, to which is added reported fund losses (including loss adjustment expense) for the then-current contract year, whether paid or unpaid by the Fund, as of December 31; any reinsurance purchased by the Fund (to date, the Fund has never purchased such reinsurance); and the amount the SBA is able to raise through the issuance of revenue bonds up to the statutory annual



# FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2012 and 2011

aggregate fund limit, and from which is subtracted any reinsurance recovered prior to, or recoverable as of, December 31; any obligations paid or expected to be paid with bonding proceeds or receipts from emergency assessments; amounts needed for administration for the then-current State of Florida fiscal year, which have not been spent and which are not reflected on the combined statements of net assets; and the amount of undispersed mitigation funds appropriated for the then-current State of Florida fiscal year. Revenue bonds have been issued under authorization of Section 215.555(6) of the Florida Statutes; as such, the SBA has directed the Florida Office of Insurance Regulation to levy an emergency assessment on each insurer writing property and casualty business in this State. The Fund, therefore, has no risk that it will be unable to meet its contractual obligations to participating insurers because its obligation is limited to its ability to pay.

Although bonds have been issued on behalf of the Fund, the State of Florida assumes no liability for the repayment of the bonds. Additionally, the State of Florida has no legal responsibility to make any contribution to the Fund should its obligations exceed available resources.

## (d) Risk Management

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. Cash and investments held in the Fund's unrestricted funds are available to pay for hurricane losses for the current year and subsequent years. However, the use of reimbursement premiums and the investment earnings thereon to pay for prior year hurricane losses may jeopardize the tax-exempt status of the bonds currently issued and future bonds to be issued under the private letter rulings issued to the Corporation by the Internal Revenue Service.

## (2) Significant Accounting Policies

### (a) Measurement Focus

As mentioned in note 1, the Fund uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, premium revenues are recognized when billed. Expenses are recorded at the time they are incurred.

### (b) Investments

The Fund's cash is invested according to an Investment Policy Statement, which sets forth the objectives, guidelines and requirements applicable to the investments of the Fund. The primary goal of the policy is defined by the following priorities: (1) liquidity, (2) safety of principal, and (3) competitive return. These investments are recorded at fair value, and the fair values are primarily obtained from independent quoted market prices. No investments were recorded at amortized cost as of June 30, 2012 and 2011. The Fund considers all investments with maturity dates of less than one year to be short-term investments. Investments with maturity dates in excess of one year are included in long-term investments. Investment advisory services are provided by the SBA.

# FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2012 and 2011

## (c) Emergency Assessment Receivable

Emergency assessments are remitted as a percentage of quarterly direct written premium and are due 45 days following the end of each quarter. Insureds, procuring coverage and filing under Section 626.938 of the Florida Statutes remit 30 days after the insurance is procured.

## (d) Premiums Receivable

Premiums receivable represent amounts from previous billings that have not yet been collected and are net of any allowances management has established to anticipate uncollectible billings. As of June 30, 2012, an allowance equal to the premium receivable of \$19,976,652 exists for three insurers that have entered into receivership and the collectibility of this amount is uncertain. As of June 30, 2011, the allowance was equal to the premium receivable of \$9,438,681 for one insurer that had entered into receivership.

## (e) Loss Reimbursement Advances Receivable

Certain companies may qualify for advances from the Fund, which are in essence loans based on a company's potential recoveries from the Fund (i.e., based on incurred losses rather than paid losses). Loss reimbursement advances receivable represent amounts currently outstanding on these advances, including accrued interest. As of June 30, 2012 and 2011, there are no outstanding loss reimbursement advances.

## (f) Capital Assets

Capital assets, primarily electronic data processing equipment, are stated at cost, less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives, ranging from three to seven years.

## (g) Premium Refunds Payable

Premium refunds payable represent amounts due to participating insurers where provisional or estimated premium payments are in excess of amounts actually owed based upon the current exposure data. Also included are premium amounts received from companies pending exemption. These amounts are returned once an exemption is granted.

## (h) Bonds Payable

Under authorization of Section 215.555(6) of the Florida Statutes, the Fund has issued post-event revenue bonds and pre-event Notes in order to meet current and future obligations. The Fund classifies amounts expected to be paid within the next year as current liabilities, with remaining amounts classified as long-term liabilities. Bond issuance costs are capitalized as long-term assets and amortized using a straight-line basis over the life of the bonds.

## (i) Compensated Absences

Compensated absences represent the Fund's obligation to accrue a liability for employees' rights to receive compensation for future absences, such as vacation and sick leave. The Fund allows vested employees to carry forward any unpaid leave indefinitely. The short-term portion of this liability,

# FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2012 and 2011

\$46,585 in 2012 and \$47,127 in 2011, is included in accrued expenses on the combined statements of net assets. The remaining liability is included as compensated absences with long-term liabilities on the combined statements of net assets.

## (i) *Current Contract Year Premium Revenue*

Premium revenue is recognized when billed. Coverage is provided to the participating insurers on a contract-year basis, which runs from June 1 to May 31. Premiums are billed in three installments, with provisional payments due August 1 and October 1 and a final payment due December 1.

## (k) *Prior Contract Year Adjustments*

Participating insurers remit premium to the Fund based upon current policyholder exposure information. When insurers provide updated or corrected exposure information, the Fund may bill and receive additional premium relating to a prior contract year; the Fund may also be required to refund amounts to insurers relating to a prior contract year.

## (l) *Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Fund, these revenues are primarily the premiums charged to all participating insurers. Operating expenses include incurred losses and necessary costs incurred to administer the Fund and to provide loss reimbursements to its participants.

## (m) *Net Interest on Premium Adjustments*

Participating insurers have the option of paying the billed provisional premium or estimating premium for the August and October installments. If the provisional or estimated payments are too high, interest is returned to the insurer on the overpayment. Likewise, if estimated premiums are underpaid, interest is charged to the insurer with the December installment. For the contract year ended May 31, 2012, the interest rate was 0.38% for overpayments of premium and 5.38% for underestimated payments. For the contract year ended May 31, 2011, the interest rate was 1.05% for overpayments of premium and 6.05% for underestimated payments.

## (n) *Hurricane Losses*

Hurricane losses represent the estimated ultimate cost of all reported and unreported claims incurred during the year that exceed the participating insurers' individual company retention levels. The reserves for unpaid claims are estimated primarily by management's review of reported loss information obtained from the participating insurers. Although considerable variability is inherent in such estimates, management believes that the reserves for hurricane losses are adequate. The estimates are continually reviewed and adjusted as experience develops or new information becomes known, and such adjustments are included in current operations.

## (o) *Emergency Assessment*

Section 215.55(6)(b)2 of the Florida Statutes provides for an emergency assessment on all property and casualty lines of business in the state, including surplus lines, but excluding workers' compensation, federal flood, accident and health insurance, and (for losses prior to 2013) medical

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# FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2012 and 2011

malpractice premiums. A maximum annual assessment of 6% is allowed for losses attributable to any one contract year and a maximum aggregate annual assessment of 10% for all contract years. For policies issued or renewed on or after January 1, 2007, a 1% emergency assessment has been levied; except, for policies issued or renewed on or after January 1, 2011 where a 1.3% emergency assessment has been levied. The emergency assessment revenue is the funding source for repayment of the Series 2006A, 2008A, and 2010A Revenue Bonds.

## (p) *Transfers*

Pursuant to Section 215.555(7)(c) of the Florida Statutes, the Florida Legislature will appropriate from the Fund an amount no less than \$10,000,000 and no more than 35% of the investment income from the prior fiscal year, providing that the actuarial soundness of the Fund is not jeopardized, for the purpose of providing funding for governments, agencies, and educational institutions to support programs intended to improve hurricane preparedness or reduce potential losses in the event of a hurricane. For these purposes, in each of fiscal years 2012 and 2011, \$10,000,000 was appropriated from the Fund, and \$22,400 was available from prior years. The remaining \$22,400 available for transfer in fiscal year 2012 has been restricted in the June 30, 2012 net assets for hurricane mitigation.

## (q) *Income Taxes*

The Fund and the Corporation are exempt from federal and state income taxes. The Fund's tax-exempt status was affirmed by a private letter ruling obtained from the Internal Revenue Service in November 1994. The Corporation received its initial private letter ruling to issue tax-exempt debt in March 1998, and a permanent ruling was received in June 2008.

## (r) *Cash Equivalents*

The Fund generally considers all highly liquid investments with a maturity of less than one year when purchased to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

## (s) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets available and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of changes in net assets during the reporting period. Actual amounts could differ from those estimates.

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# FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2012 and 2011

## (3) Investments

The fair value of the Fund's investments is as follows (in thousands):

	June 30 2012	June 30 2011
<b>Short-term investments:</b>		
Certificates of deposit	\$ 1,445,223	\$ 1,150,863
Commercial paper	3,649,021	3,083,876
Repurchase agreements	2,201,388	1,700,000
Money market funds	366,868	655,690
Domestic corporate bonds and notes, variable rate	47,577	219,093
International corporate bonds and notes, variable rate	—	175,079
Federal agencies – discount notes	814,583	880,342
Federal agencies	1,583,122	799,151
U.S. Treasuries	688,571	555,470
<b>Total short-term investments</b>	<b>\$ 10,796,353</b>	<b>\$ 9,219,564</b>
<b>Long-term investments:</b>		
Domestic nongovernment mortgage-backed securities	\$ 45,398	\$ 50,905
Federal agencies	919,872	1,450,421
U.S. Treasuries	103,570	—
<b>Total long-term investments</b>	<b>\$ 1,068,840</b>	<b>\$ 1,501,326</b>
<b>Portfolio weighted average maturity</b>	<b>\$ 11,865,193</b>	<b>89</b>

\* Due to the nature of certain mortgage-backed securities that have been restricted after default, the weighted average maturity is not available. When the original liquidity notes defaulted, the SBA (on

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# FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2012 and 2011

behalf of certain funds) elected for a distribution of the underlying collateral in lieu of a cash payment (the Collateral Securities). The SBA issued notes were issued to the participatory funds that had an interest in the original liquidity notes, and these notes hold the Collateral Securities as security for repayment of the notes. The Collateral Securities consist of domestic nongovernment mortgage-backed securities. The note payments were set to pay interest at one-month LIBOR + 35 basis points. Any additional amount collected as principal or interest on the underlying mortgages is used to first pay the note holders the interest (calculated at one-month LIBOR + 35 basis points), and anything collected over that is used to pay down the note principal for each note holder. These segregated securities are subject to the Investment Management Guidelines of the Investment Management Agreement for the sale, exchange or disposition of the collateral and are no longer under the Fund's Investment Policy Statement.

## (a) Interest Rate Risk

Liquidity being a primary concern, the investment policy objective is to invest in high quality, highly liquid, relatively short-term investment strategies, which are reviewed on an annual basis to ensure the appropriateness of the strategic goal. The Fund utilizes the weighted average maturity method to limit exposure to interest rate risk. In accordance with the policy, no individual security shall have a final maturity date longer than 397 days, with the exception of those for government securities and agency securities, which shall not exceed three years. No more than 20% of total portfolio amortized cost may be invested in fixed rate securities with remaining time to maturity exceeding 397 days. The dollar weighted average maturity to reset of the portfolio shall not exceed 90 days and the dollar weighted average final maturity of the portfolio shall not exceed 180 days. For purposes of this calculation, the maturity date is assumed to be the next reset date rather than the stated maturity except in the case of the domestic nongovernment mortgage-backed securities.

## (b) Credit Risk

Funds are invested in accordance with Section 215.47 of the Florida Statutes and the Fund's Investment Policy Statement which includes, but is not limited to, corporate debt securities such as variable rate notes, bonds and commercial paper, bank instruments such as certificates of deposit and bankers acceptances, U.S. government treasury and agency securities, municipal securities, shares of money market mutual funds, and repurchase agreements, that enhance the Fund's investment income while maintaining liquidity and safety of principal.

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(Continued)

# FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2012 and 2011

The investment policy states that all securities must be investment grade at time of purchase. For short-term ratings, this has been defined as the highest applicable rating by at least two of Moody's, S&P, and/or Fitch and must be a minimum of P-1 by Moody's, A-1 by S&P, and/or F1 by Fitch. For long-term ratings, this has been defined as a minimum of A2 by Moody's, A by S&P, and/or A by Fitch. The schedule below provides the credit quality ratings by Standard and Poor's and Moody's Investor Services at June 30, 2012 (in thousands):

Investment type	Fair value	Credit quality ratings	
		S & P	Moody's
Certificates of deposit	\$ 125,011	AA	Aa
Certificates of deposit*	1,320,212	Not Rated	Not Rated
Commercial paper	3,649,021	A-1	P-1
Repurchase agreements	2,201,388	Not Rated	Not Rated
Money market funds	366,868	AAAm	Aaa-mf
Domestic corporate bonds and notes	47,577	AA	Aa
Domestic nongovernment			
mortgage-backed securities	45,398	Not Rated	Not Rated
Federal agencies - discount notes	814,583	Not Rated	Not Rated
Federal agencies	2,117,292	AA	Aaa
Federal agencies	25,020	AA	Not Rated
Federal agencies	270,662	Not Rated	Aaa
Federal agencies	90,020	Not Rated	Not Rated
U.S. Treasuries	792,141	Not Rated	Not Rated
	<u>\$ 11,865,193</u>		

\* Of the \$1,320,212 "not rated" certificates of deposit, \$970,084 had issuer ratings of A-1 for S&P and P-1 for Moody's; and \$350,128 had issuer ratings of A-1 for S&P and P-2 for Moody's.

## (c) Concentration of Credit Risk

Pursuant to the Investment Policy Statement, securities of a single issuer shall not represent more than 3% of total portfolio amortized cost (excluding U.S. treasuries and agencies). The maximum single issuer limit can be 5% if timing issues related to delayed delivery transactions are the sole cause of the discrepancy, so long as the percentage is reduced back to 3% within seven days. Repurchase agreements, which are collateralized at least 102% with U.S. government, agency or agency mortgage-backed securities, are excluded by the SBA in determining compliance with the guidelines. No more than 10% of the portfolios may be invested in an individual money market fund (including any one treasury or agency money market fund). No more than 25% of total portfolio amortized cost may be in a single industry sector except that more than 25% of total portfolio amortized cost may be invested in the financial services industry sector.

At June 30, 2012, the single issuer threshold of 3% was exceeded with securities issued by Bank of America, which represented 10.94% of the portfolio's total amortized cost. The market value of Bank of America holdings at June 30, 2012 was \$1,201,388,000, held in repurchase agreements

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(Continued)

# FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2012 and 2011

issued by Bank of America. The repurchase agreements, which were fully collateralized, matured at full value on their stated maturity date of July 2, 2012.

At June 30, 2012, the single issuer threshold of 3% was also exceeded with securities issued by Bank of Nova Scotia, which represented 7.23% of the portfolio's amortized cost. The market value of the Bank of Nova Scotia holdings at June 30, 2012 was \$860,021,150. Specifically, the Fund held \$210,021,150 in certificates of deposits, and \$650,000,000 in repurchase agreements issued by Bank of Nova Scotia. The repurchase agreements, which were fully collateralized, matured at full value on their stated maturity date of July 2, 2012.

At June 30, 2012, the single issuer threshold of 3% was also exceeded with securities issued by Wells Fargo, which represented 3.08% of the portfolio's amortized cost. The market value of the Wells Fargo holdings at June 30, 2012, was \$366,867,834, held in money market funds.

At June 30, 2012, the Fund held \$792,140,554 in U.S. treasuries, which represented 6.66% of the portfolio's amortized cost. Specifically, the Fund held \$133,620,665 in U.S. treasury notes and \$658,519,889 in U.S. treasury state and local government series securities (SLGS). SLGS are nonmarketable securities that are only available for purchase by state and local governments and other issuers of tax-exempt securities. SLGS are direct obligations of the U.S. government, backed by the full faith and credit of the U.S. government.

At June 30, 2012, the Fund also held \$3,317,577,037 in federal agency bonds and notes, which represents 27.96% of the portfolio's holdings. Federal agency bonds and notes are sponsored by the U.S. government. Holdings of federal agency bonds and notes as of June 30, 2012 are as follows (in thousands):

Investment type	Fair value	Percentage of portfolio
Federal Home Loan Banks	\$ 1,359,381,759	11.46%
Federal National Mortgage Association	943,441,930	7.95
Federal Home Loan Mortgage Corp	411,016,381	3.46
Federal Farm Credit Bank	342,749,176	2.89
Federal Agricultural Mortgage Corp	260,987,791	2.20

## (d) Custodial Credit Risk

Custodial credit risk is defined as the risk that the Fund may not recover securities held by another party. The Fund does not have a formal investment policy for custodial credit risk. At June 30, 2012, all investments held were either insured or registered and held by the Fund or its agent in the Fund's name.

## (e) Foreign Currency Risk

No exposure to foreign currency risk existed at June 30, 2012.

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(Continued)

**FLORIDA HURRICANE CATASTROPHE FUND**

Notes to Combined Financial Statements

June 30, 2012 and 2011

**(4) Capital Assets**

A summary of the Fund's capital assets and the related accumulated depreciation for the years ended June 30, 2012 and 2011, is as follows (in thousands):

	Equipment	Accumulated depreciation	Net
Balance as of June 30, 2010	\$ 80	\$ (74)	\$ 6
Additions and depreciation expense	2	(3)	(1)
Sales or disposals	—	—	—
Balance as of June 30, 2011	82	(77)	5
Additions and depreciation expense	2	(3)	(1)
Sales or disposals	(18)	18	—
Balance as of June 30, 2012	\$ 66	\$ (62)	\$ 4

**(5) Hurricane Losses**

The State of Florida was not hit by any hurricanes during the 2006 to 2011 hurricane seasons.

The State of Florida was hit by four hurricanes during July through October of 2005 (fiscal year 2006). These hurricanes were: Category 3 Hurricane Dennis on July 10, Category 1 Hurricane Katrina on August 25, Category 1 Hurricane Rita on September 20, and Category 3 Hurricane Wilma on October 24.

The State of Florida was hit by four hurricanes during August and September 2004 (fiscal year 2005). These hurricanes were: Category 4 Hurricane Charley on August 13, Category 2 Hurricane Frances on September 4, Category 3 Hurricane Ivan on September 16, and Category 3 Hurricane Jeanne on September 25.

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(Continued)

**FLORIDA HURRICANE CATASTROPHE FUND**

Notes to Combined Financial Statements

June 30, 2012 and 2011

The following table provides a reconciliation of the beginning and ending balances for unpaid hurricane losses for 2012 and 2011 (in thousands):

	Year ended June 30	
	2012	2011
Reserve for unpaid hurricane losses at beginning of year	\$ 649,091	\$ 783,950
Add provision for hurricane losses occurring in:		
Current year	—	—
Prior years	—	110,000
Net incurred losses during the current year	—	110,000
Deduct payments for claims occurring in:		
Current year	240,661	244,859
Prior years	240,661	244,859
Net claim payments during the current year	481,322	489,718
Reserve for unpaid hurricane losses at end of year	\$ 167,769	\$ 399,232

The Fund's reserve for prior years' unpaid hurricane losses at June 30, 2011, was increased by \$110 million, and no additional hurricane losses were recorded in 2012 for prior years as a result of ongoing loss development and actuarial analyses.

**(6) Bonds Payable**

Long-term liability activity for the years ended June 30, 2012 and 2011 was as follows (in thousands):

	Long-term liabilities as of June 30, 2012			Long-term liabilities as of June 30, 2011		
	Beginning balance	Additions	Reductions	Beginning balance	Additions	Reductions
Long-term bonds	\$ 5,097,715	\$ —	\$ (3,796,795)	\$ 1,300,920	\$ —	\$ (282,660)
	\$ 5,097,715	\$ —	\$ (3,796,795)	\$ 1,300,920	\$ —	\$ (282,660)

*Post-event Bonds* – The Fund is expecting to pay loss reimbursements of \$3.87 billion to participating insurers for the calendar year 2004 hurricanes and \$5.89 billion for the calendar year 2005 hurricanes. This resulted in deficit unrestricted net assets as of June 30, 2006. In response to this shortfall, the Corporation issued post-event Series 2006A Revenue Bonds in the amount of \$1,350,025,000 during the year ended June 30, 2006. The funding for these bonds comes from a 1% emergency assessment on the direct written premium for all property and casualty lines of business in Florida including property and casualty business of surplus lines insurers, but not including workers' compensation premiums or medical malpractice premiums. At June 30, 2012, \$296,795,000 of these bonds were outstanding, which are stated to mature

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(Continued)

**FLORIDA HURRICANE CATASTROPHE FUND**  
Notes to Combined Financial Statements  
June 30, 2012 and 2011

without right of prior redemption on July 1, 2012 and bear interest at rates ranging from 5.00% to 5.25% as follows (in thousands):

Year:	Par outstanding	Interest rates
2012	\$ 140,865	5.00%
2012	155,930	5.25
	<u>\$ 296,795</u>	

In July 2008, the Corporation issued post-event Series 2008A Revenue Bonds in the amount of \$625 million. The Series 2008A Revenue Bonds proceeds and their investment earnings will be used by the Fund to make payments to participating insurers for losses resulting from the 2005 hurricane season. The funding for these bonds comes from the same 1% emergency assessment mentioned above. The bonds are stated to mature without prior right of redemption on July 1 of the following years and bear interest at rates ranging from 4.125% to 5.000% as follows (in thousands):

Year:	Par outstanding	Interest rates
2013	\$ 66,865	4.125%
2013	233,135	5.000
2014	106,610	4.250
2014	218,390	5.000
	<u>\$ 625,000</u>	

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(Continued)

**FLORIDA HURRICANE CATASTROPHE FUND**  
Notes to Combined Financial Statements  
June 30, 2012 and 2011

In May 2010, the Corporation issued post-event Series 2010A Revenue Bonds in the amount of \$675.9 million. The Series 2010A Revenue Bonds proceeds and their investment earnings will be used by the Fund to make payments to participating insurers for losses resulting from the 2005 hurricane season. The funding for these bonds comes from the same emergency assessment mentioned above. An Order was issued by the Florida Office of Insurance Regulation concurrently with the issuance of the Series 2010A Revenue Bonds to supersede the 1% emergency assessment with a 1.3% emergency assessment. The increased emergency assessment is effective for all policies issued or renewed on or after January 1, 2011. The bonds are stated to mature without prior right of redemption on July 1 of the following years and bear interest at rates ranging from 3.50% to 5.00% as follows (in thousands):

Year:	Par outstanding	Interest rates
2015	\$ 15,775	3.50%
2015	5,765	4.00
2015	320,915	5.00
2016	17,990	3.75
2016	315,475	5.00
	<u>\$ 675,920</u>	

*Pre-event Notes* – To maximize the ability of the Fund to meet future obligations, the Corporation issued pre-event Series 2007A Floating Rate Notes in the amount of \$3.5 billion in October 2007. The proceeds from these notes will be used to pay for losses incurred from future covered events. Investment earnings on these funds, as well as reimbursement premiums, if necessary, are used to pay the debt service requirements of these notes. The single maturity date for these notes will be October 15, 2012.

*Costs of Issuance* – Costs of issuance are capitalized and amortized over the life of the notes/bonds payable. Expense for amortization of costs of issuance recognized in fiscal year ended June 30, 2012, was \$1,165,869, \$2,062,910, \$540,185, and \$576,702 for the Series 2006A Revenue Bonds, Series 2007A Notes, Series 2008A Revenue Bonds, and Series 2010A Revenue Bonds, respectively. Expense for amortization of costs of issuance recognized in fiscal year ended June 30, 2011, was \$1,165,869, \$2,062,910, \$540,185, and \$576,702 for the Series 2006A Revenue Bonds, Series 2007A Notes, Series 2008A Revenue Bonds, and Series 2010A Revenue Bonds, respectively.

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# FLORIDA HURRICANE CATASTROPHE FUND

## Notes to Combined Financial Statements

June 30, 2012 and 2011

### (7) Compensated Absences

Compensated absences were as follows (in thousands):

Balance as of June 30, 2010	\$ 171
Increases	139
Decreases	(136)
Balance as of June 30, 2011	174*
Increases	93
Decreases	(102)
Balance as of June 30, 2012	\$ 165*

\* Includes long-term and current balances, of which \$46,585 and \$47,127 is estimated due within one year of June 30, 2012 and 2011.

### (8) Premium Revenue

Fiscal year premiums, net of prior contract year adjustments, as reported in the combined statements of revenues, expenses, and changes in net assets, relate to contract years as follows (in thousands):

	Year ended June 30	
	2012	2011
Contract year 2011	\$ 1,326,295	\$ —
Contract year 2010	5,895	1,314,000
Contract year 2009	(3,490)	1,294
Contract year 2008	(389)	(3,700)
Contract year 2007	(6,450)	(2,415)
Contract year 2006	—	(192)
Contract year 2005	—	(110)
	<u>\$ 1,321,861</u>	<u>\$ 1,308,877</u>

### (9) Related Parties

The Fund paid the SBA approximately \$1,029,793 for the Fund and \$527,333 for the Corporation in the fiscal year ended June 30, 2012, and \$835,713 for the Fund and \$527,234 for the Corporation in the fiscal year ended June 30, 2011, for investment advisory services.

## OTHER FINANCIAL INFORMATION

# FLORIDA HURRICANE CATASTROPHE FUND

Combining Statement of Net Assets

June 30, 2012

(In thousands)

Assets	Combined	Florida Hurricane Catastrophe Fund	Florida Hurricane Catastrophe Fund Finance Corporation
<b>Current assets:</b>			
Cash and cash equivalents	\$ 167	\$ —	\$ 167
Short-term investments	10,796,353	6,319,140	4,477,213
Emergency assessment funds receivable	120,485	—	120,485
Accrued interest	4,509	2,871	1,638
Accounts receivable	6	6	—
Excess loss payments receivable	1,177	1,177	—
Premium receivable, net	3,036	3,036	—
<b>Total current assets</b>	<b>10,925,733</b>	<b>6,326,230</b>	<b>4,599,503</b>
<b>Long-term assets:</b>			
Long-term investments	1,068,840	871,666	197,174
Unamortized bond issuance costs	3,903	—	3,903
Capital assets, net of accumulated depreciation	4	4	—
<b>Total long-term assets</b>	<b>1,072,747</b>	<b>871,670</b>	<b>201,077</b>
<b>Total assets</b>	<b>\$ 11,998,480</b>	<b>\$ 7,197,900</b>	<b>\$ 4,800,580</b>

See accompanying independent auditors' report.

## Liabilities and Net Assets

	Combined	Florida Hurricane Catastrophe Fund	Florida Hurricane Catastrophe Fund Finance Corporation
<b>Current liabilities:</b>			
Hurricane losses:			
Unpaid hurricane losses	\$ 408,430	\$ 408,430	\$ —
Accrued expenses	787	739	48
Bonds payable	3,796,795	—	3,796,795
Accrued bond interest expense	40,775	—	40,775
<b>Total current liabilities</b>	<b>4,246,787</b>	<b>409,169</b>	<b>3,837,618</b>
<b>Long-term liabilities:</b>			
Bonds payable	1,300,920	—	1,300,920
Premiums on bonds payable	26,213	—	26,213
Compensated absences, net of current portion	119	119	—
<b>Total long-term liabilities</b>	<b>1,327,252</b>	<b>119</b>	<b>1,327,133</b>
<b>Total liabilities</b>	<b>5,574,039</b>	<b>409,288</b>	<b>5,164,751</b>
<b>Net assets (deficit):</b>			
Unrestricted	6,424,415	6,788,586	(364,171)
Invested in capital assets, net of related debt	4	4	—
Restricted for hurricane mitigation	22	22	—
<b>Total net assets (deficit)</b>	<b>6,424,441</b>	<b>6,788,612</b>	<b>(364,171)</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,998,480</b>	<b>\$ 7,197,900</b>	<b>\$ 4,800,580</b>





KPMG LLP  
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**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
with Government Auditing Standards**

The Trustees of the State Board of Administration of Florida  
Florida Hurricane Catastrophe Fund:

We have audited the combined financial statements of the Florida Hurricane Catastrophe Fund (the Fund) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
(KPMG International), a Swiss entity.

**FLORIDA HURRICANE CATASTROPHE FUND**

Combining Statement of Revenues, Expenses, and Changes in Net Assets (Deficit)

Year ended June 30, 2012

(In thousands)

	Combined	Florida Hurricane Catastrophe Fund	Florida Hurricane Catastrophe Fund Finance Corporation
Operating revenues:			
Net premium revenue	\$ 1,321,861	\$ 1,321,861	\$ —
Net interest on premium adjustments	439	439	—
Net interest on loss disbursement adjustments/advances	5	5	—
Other	41	41	—
Total operating revenues	1,322,346	1,322,346	—
Operating expenses:			
Hurricane losses	—	—	—
Administrative and actuarial fees	2,246	2,246	—
Other professional fees	1,098	1,085	13
Personnel expenses	1,152	1,152	—
Depreciation	3	3	—
Other	191	159	32
Total operating expenses	4,690	4,645	45
Operating income (loss)	1,317,656	1,317,701	(45)
Nonoperating revenue (expense):			
Investment income	39,788	27,692	12,096
Investment advisor fees	(1,585)	(1,058)	(527)
Emergency assessment revenue	456,790	—	456,790
Emergency assessment interest revenue	6	(2)	6
Custodian and bond trustee fees	(5)	—	(3)
Bond interest expense	(103,181)	—	(103,181)
Amortization of bond issuance costs	(4,346)	—	(4,346)
Total nonoperating revenue	387,467	26,632	360,835
Income before transfers	1,705,123	1,344,333	360,790
Transfers from (to) component units	—	190,070	(190,070)
Transfers to other funds	(10,000)	(10,000)	—
Total transfers	(10,000)	180,070	(190,070)
Change in net assets	1,695,123	1,524,403	170,720
Net assets (deficit) at beginning of year	4,729,318	5,264,209	(534,891)
Net assets (deficit) at end of year	\$ 6,424,441	\$ 6,788,612	\$ (364,171)

See accompanying independent auditors' report.



This report is intended solely for the information and use of the Florida Auditor General and the management of the State Board of Administration of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 12, 2012

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APPENDIX C-1  
DEFINITIONS

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## APPENDIX C-1

### DEFINITIONS

"Accreted Amount" means with respect to Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bonds as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Capital Appreciation Bonds.

"Act" means Section 215.555, Florida Statutes, as amended, or any successor statute.

"Actual Claims-paying Capacity" means the sum of the balance of the fund as of December 31 of a contract year, plus any reinsurance purchased by the fund, plus the amount the board is able to raise through the issuance of revenue bonds under Section 215.555(6), Florida Statutes.

"Actuarially indicated" or "actuarially-determined" means, with respect to premiums paid by insurers for reimbursement provided by the fund, an amount determined according to principles of actuarial science to be adequate, but not excessive, in the aggregate, to pay current and future obligations and expenses of the fund, including additional amounts if needed to pay debt service on revenue bonds issued under the Act and to provide required debt service coverage in excess of the amounts required to pay actual debt service on revenue bonds issued under subsection (6), and determined according to principles of actuarial science to reflect each insurer's relative exposure to hurricane losses.

"Audited Financial Statements" means the combined financial statements of the FHCF and the Corporation for a 12-month period, or for such other period for which an audit has been performed, that have been audited and reported upon by an Auditor in accordance with generally accepted auditing standards.

"Auditor" means an independent certified public accountant or firm of independent public accountants selected by the State Board of Administration.

"Authorized Officer of the Corporation" means each person who is authorized by resolution of the Governing Body of the Corporation to perform the duties imposed on an Authorized Officer of the Corporation by the Master Indenture and whose name is filed with the Master Trustee for such purpose.

"Authorized Officer of the State Board of Administration" means each person who is authorized by resolution of the Governing Body of the FHCF to perform the duties imposed on an Authorized Officer of the State Board of Administration by the Master Indenture and whose name is filed with the Master Trustee for such purpose.

"Balloon Indebtedness" means Indebtedness twenty-five percent (25%) or more of the principal payments of which are due in a single Fiscal Year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is incurred to be amortized by payment or redemption prior to such year.

"Bond" or "Bonds" means the bonds issued under the provisions of the Master Indenture and secured on a parity with each other and any Parity Debt by the Master Indenture.

"Bond Counsel" means a firm of lawyers, selected by the Corporation, nationally recognized for legal expertise in matters relating to municipal bonds.

"Bond Fund" means the Florida Hurricane Catastrophe Fund Finance Corporation Bond Fund created and so designated by Section 501 of the Master Indenture.

"Bond Registrar" means, with respect to any Series of Bonds, the Bond Registrar at the time serving as such under the Supplemental Indenture authorizing the issuance of such Series, whether the original or a successor Bond Registrar. With respect to the Series 2013A Bonds, "Bond Registrar" means the institution serving at the time as Master Trustee.

"Business Day" means a day on which the Corporation, the Fund, the Master Trustee and each Bond Registrar are open for the purpose of conducting their businesses.

"Capital Appreciation Bonds" means Bonds the interest on which is compounded at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and is payable upon redemption or on the maturity date of such Bonds.

"Capitalized Interest Account" means the account in the Bond Fund created and so designated by Section 501 of the Master Indenture.

"Closing" means the delivery of and payment for the Series 2013A Bonds.

"Closing Date" means the date of the Closing.

"Code" means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

"Consultant" means a firm or firms which are not, and no member, director, officer, trustee or employee of which is, an officer, director, trustee or employee of the Corporation, the FHCF, the State Board of Administration or the State, and which has a national reputation for having the skill and experience necessary to render the particular

report or recommendations required by the provision of the Master Indenture in which such requirement appears.

"Contract Year" means the term of the reimbursement contracts between the State Board of Administration and insurers writing Covered Policies, presently June 1 to May 31 of each year.

"Corporation" means the Florida Hurricane Catastrophe Fund Finance Corporation, a public benefits corporation, which is an instrumentality of the State, and its legal successors.

"Corpus Earnings" means the income derived from the investment of the Corpus of the FHCF.

"Corpus of the FHCF" means, as of a particular date, the sum of (i) the unrestricted net assets held by the FHCF on the last day of the preceding Fiscal Year, (ii) the Reimbursement Premiums and Reimbursement Premium Earnings held by the FHCF in the then current Fiscal Year that are in excess of the amounts required for deposit to the credit of the accounts and subaccounts in the Revenue Fund in accordance with the provisions of Section 502 of the Master Indenture and as shall be required for application in accordance with the provisions of Sections 503 and 504 of the Master Indenture, and (iii) without duplication, the amount of the Reimbursement Premiums and Emergency Assessments released in accordance with the provisions of Section 3(f) hereof and Section 503(e)(ii)(Y) of the Master Indenture, the amount of the Emergency Assessments released in accordance with the provisions of Section 503(e)(ii)(Z) of the Master Indenture from the pledge and security interest granted by the Pledge Agreement. Proceeds of Bonds do not constitute a portion of the Corpus of the FHCF for purposes of this definition.

"Costs of Issuance" means those costs that are payable from Bond proceeds with respect to the authorization, sale and issuance of Bonds, deposits to the funds, accounts and subaccounts established by the Master Indenture and any Supplemental Indenture, underwriting fees, auditors' or accountants' fees, printing costs, costs of reproducing documents, filing and recording fees, fees and expenses of fiduciaries, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for the execution, transportation and safekeeping of Bonds, governmental charges, costs of entering into Derivative Agreements, obtaining Investment Obligations and establishing or obtaining Credit Facilities, and other costs, charges and fees in connection with the foregoing. Notwithstanding the foregoing, Costs of Issuance may be paid from other available funds of the Corporation.



"Costs of Issuance Fund" means the Florida Hurricane Catastrophe Fund Finance Corporation Costs of Issuance Fund created and so designated by Section 401 of the Master Indenture.

"Covered Event" means any one storm declared to be a hurricane by the National Hurricane Center, which storm causes insured losses in the State.

"Covered Events Relief Fund" means the Florida Hurricane Catastrophe Fund Covered Events Relief Fund created and so designated by Section 8 of the Pledge Agreement.

"Covered Policy" means any insurance policy covering residential property in this state, including, but not limited to, any homeowner's, mobile home owner's, farm owner's, condominium association, condominium unit owner's, tenant's, or apartment building policy, or any other policy covering a residential structure or its contents issued by any authorized insurer, including the Citizens Property Insurance Corporation and any joint underwriting association or similar entity created pursuant to law. The term "covered policy" includes any collateral protection insurance policy covering personal residences which protects both the borrower's and the lender's financial interests, in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy, if such policy can be accurately reported as required in Section 215.555(5), Florida Statutes. Additionally, covered policies include policies covering the peril of wind removed from the Florida Residential Property and Casualty Joint Underwriting Association or from the Citizens Property Insurance Corporation, created pursuant to Section 627.351(6) Florida Statutes, or from the Florida Windstorm Underwriting Association, created pursuant to Section 627.351(2) Florida Statutes, by an authorized insurer under the terms and conditions of an executed assumption agreement between the authorized insurer and such association or Citizens Property Insurance Corporation. Each assumption agreement between the association and such authorized insurer or Citizens Property Insurance Corporation must be approved by the Office of Insurance Regulation prior to the effective date of the assumption, and the Office of Insurance Regulation must provide written notification to the board within 15 working days after such approval. "Covered policy" does not include any policy that excludes wind coverage or hurricane coverage or any reinsurance agreement and does not include any policy otherwise meeting this definition which is issued by a surplus lines insurer or a reinsurer. All commercial residential excess policies and all deductible buy-back policies that, based on sound actuarial principles, require individual ratemaking shall be excluded by rule if the actuarial soundness of the fund is not jeopardized. For this purpose, the term "excess policy" means a policy that provides insurance protection for large commercial property risks and that provides a layer of coverage above a primary layer insured by another insurer.

"Credit Facility" means a line of credit, letter of credit, standby bond purchase agreement, bond insurance policy or similar liquidity or credit facility established or obtained in connection with the issuance of any Bonds, incurrence of any other Parity Debt or incurrence of any Subordinated Indebtedness.

"Credit Provider" means the Person providing a Credit Facility, as designated in the Supplemental Indenture authorizing the issuance of a Series of Bonds or in the Parity Debt Resolution authorizing the incurrence of Parity Debt or in the Subordinated Indebtedness Resolution authorizing the incurrence of Subordinated Indebtedness.

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

"Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such Cross-over Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or maturity date of the Cross-over Refunded Indebtedness, and the earnings on such escrow deposit (i) are required to be applied to pay interest on such Cross-over Refunding Indebtedness until the Cross-over Date and (ii) shall not be used directly or indirectly to pay interest on the Cross-over Refunded Indebtedness.

"Current Expenses of the Corporation" means all expenses incurred by the Corporation in the administration of the Corporation, including, without limiting the generality of the foregoing, arbitrage rebate and penalties, all administrative expenses, salaries and other compensation, personnel expenses properly chargeable to the Corporation, fees and expenses incurred for professional consultants and fiduciaries, including the fees and expenses of the Master Trustee and any Bond Registrar, and all Current Expenses of the Corporation so identified in the Master Indenture, a Parity Resolution, a Subordinated Indebtedness Resolution or any other resolution adopted by the Governing Body of the Corporation, but Current Expenses of the Corporation shall not include (i) depreciation or amortization, (ii) any deposit to any fund, account and subaccount established under the Master Indenture or any Supplemental Indenture or any payment of principal, redemption premium, if any, and interest on any Bonds from any such fund, account and subaccount or (iii) any debt service payment in respect of Parity Debt or Subordinated Indebtedness.

"Current Expenses of the FHCF" means the current expenses for the operation of the FHCF, including, without limiting the generality of the foregoing, all administrative expenses, salaries and other compensation, personnel expenses properly chargeable to the

FHCF, fees and expenses incurred for professional consultants and fiduciaries, refunds related to over-payments of Reimbursement Premiums or refunds of interest related to loss reimbursements or overpayments of Reimbursement Premiums, the premiums, fees and costs of procuring reinsurance for the FHCF, all operating transfers or contributions required by the Act, including operating transfers or contributions pursuant to Section 215.555(7)(c) of the Act, and all Current Expenses of the FHCF so identified in the Pledge Agreement or in a resolution adopted by the State Board of Administration; but Current Expenses of the FHCF shall not include (i) depreciation or amortization, (ii) any deposit to any fund, account and subaccount established under the Master Indenture or any Supplemental Indenture or any payment of principal, redemption premium, if any, and interest on any Bonds from any such fund, account and subaccount, (iii) any debt service payment in respect of Parity Debt or Subordinated Indebtedness, or (iv) payments or advances to insurers writing Covered Policies in the State for hurricane losses pursuant to reimbursement contracts entered into with such insurers by the State Board of Administration pursuant to the Act.

"Current Interest Bonds" means Bonds the interest on which is payable on the Interest Payment Dates provided therefor in the Supplemental Indenture authorizing the issuance of such Bonds.

"Debt service coverage" means the amount, if any, required by the documents under which revenue bonds are issued, which amount is to be received in any fiscal year in excess of the amount required to pay debt service for such fiscal year.

"Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing the Premium and Assessment Revenue Available for Debt Service by the Maximum Debt Service Requirement.

"Debt service" means the amount required in any fiscal year to pay the principal of, redemption premium, if any, and interest on revenue bonds and any amounts required by the terms of documents authorizing, securing, or providing liquidity for revenue bonds necessary to maintain in effect any such liquidity or security arrangements.

"Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Indebtedness during such period, also taking into account:

- (i) with respect to Balloon Indebtedness, the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis, at an interest rate equal to the current market rate for a fixed rate, 30-year obligation, set forth in an opinion, delivered to the Master Trustee, of a banking

institution or an investment banking institution, selected by the Corporation and knowledgeable in municipal finance, as the interest rate at which the Person that incurred such Indebtedness could reasonably expect to borrow the same by incurring Indebtedness with the same term as assumed above; provided, however, that if the date of calculation is within twelve (12) calendar months of the actual final maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation;

(ii) with respect to Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness, the interest rate on such Indebtedness on the date of its incurrence shall be calculated at the lesser of (a) the initial rate at which such Indebtedness is incurred and (b) the rate certified by a banking institution or an investment banking institution, selected by the Corporation and knowledgeable in municipal finance, as being the average rate such Indebtedness would have borne for the most recent twelve-month period immediately preceding the date of calculation if such Indebtedness had been outstanding for such period, and thereafter shall be calculated as set forth above; provided, however, that if the Corporation enters into a Derivative Agreement with respect to such Indebtedness, the interest on such Indebtedness shall be calculated as set forth in clause (iv) below;

(iii) with respect to any Credit Facility, (a) to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to the reimbursement obligation for such Credit Facility shall not be included in the Debt Service Requirement and (b) to the extent that such Credit Facility shall have been drawn upon, the payment provisions of such Credit Facility with respect to repayment of principal and interest thereon shall be included in the Debt Service Requirement;

(iv) with respect to Derivative Indebtedness, the interest on such Indebtedness during any Derivative Period thereunder shall be calculated by adding (a) the amount of interest payable by the Corporation pursuant to its terms and (b) the amount payable by the Corporation under the Derivative Agreement and subtracting (c) the amount payable by the Derivative Agreement Counterparty at the rate specified in the Derivative Agreement, except that to the extent that the Derivative Agreement Counterparty has defaulted on its payment obligations under the Derivative Agreement, the amount of interest payable by the

Corporation from the date of default shall be the interest calculated as if such Derivative Agreement had not been executed;

(v) subject to the provisions of clause (iv) above, to the extent that any Indebtedness incurred pursuant to the Master Indenture requires that the Corporation pay the principal of or interest on such Indebtedness in any currency or currencies other than United States dollars, in calculating the amount of the Debt Service Requirement, the currency or currencies in which the Corporation is required to pay shall be converted to United States dollars using a conversion rate equal to the applicable conversion rate in effect on a date that is not more than thirty (30) days prior to the date on which such Indebtedness is incurred;

(vi) in the case of Indebtedness a feature of which is an option on behalf of the Owners or Holders to tender to the Corporation or the Master Trustee, or any agent of either, all or a portion of such Indebtedness, the options of such Owners or Holders shall be ignored, provided that such Indebtedness shall have the benefit of a Credit Facility and the institution or a guarantor of its obligations shall have ratings from at least two of the Rating Agencies in not less than one of the two highest short-term rating categories (without gradations such as plus or minus); and

(vii) in the case of Indebtedness, having the benefit of a Credit Facility that provides for a term loan facility that requires the payment of the Principal of such Indebtedness in one (1) year or more, such Indebtedness shall be considered Balloon Indebtedness and shall be assumed to have the maturity schedule provided clause (i)(a) of this definition;

provided, however, that interest shall be excluded from the determination of Debt Service Requirement to the extent that provision for payment of the same is made from the proceeds of the Indebtedness or otherwise provided so as to be available for deposit into the Capitalized Interest Account or similar account not later than the date of delivery of and payment for such Indebtedness or the reissuance date of any Pre-Event Parity Obligations reissued Post-Event as Parity Obligations; and provided further that, notwithstanding the foregoing, the aggregate of the payments to be made with respect to principal of and interest on Outstanding Indebtedness shall not include principal and/or interest payable from Qualified Escrow Funds.

"Defaulted Interest" means Defaulted Interest as defined in Section 203 of the Sixth Supplemental Indenture.

"Defeasance Obligations" means, with respect to the Series 2013A Bonds, (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations,

which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state or territory thereof in the capacity of custodian, (iii) Defeased Municipal Obligations, (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state or territory thereof in the capacity of custodian, (v) the obligations of (A) Export-Import Bank, (B) Rural Economic Community Development Administration, (C) U.S. Maritime Administration, (D) Small Business Administration, (E) U.S. Department of Housing & Urban Development, (F) Federal Housing Administration, and (G) Federal Financing Bank; (vi) senior debt obligations issued by Federal National Mortgage Association or Federal Home Loan Mortgage Corporation; (vii) obligations of the Resolution Funding Corporation; and (viii) senior debt obligations of the Federal Home Loan Bank System.

"Defeased Municipal Obligations" means, to the extent from time to time permitted by law, obligations of state or local government municipal bond issuers rated in the highest rating category by any two Rating Agencies and provision for the payment of the principal of and redemption premium, if any, and interest on which shall have been made by irrevocable deposit with a trustee or escrow agent of noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state or territory thereof in the capacity as custodian, the maturing principal of and interest on which Government Obligations, when due and payable, shall have been verified by an independent certified public accountant or firm of independent certified public accountants to be sufficient to pay the principal of and redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

"Depository" means one or more banks or trust companies or other institutions, including the Master Trustee, duly authorized by law to engage in the banking business and designated by the Corporation as a depository of moneys under this Master Indenture.

"Derivative Agreement" means (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls or to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Corporation determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to

maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"Derivative Agreement Counterparty" means, with respect to a Derivative Agreement, the Person that is identified in such agreement as the counterparty to, or contracting party with, the Corporation.

"Derivative Agreements Account" means the account in the Revenue Fund created and so designated by Section 501 of the Master Indenture.

"Derivative Indebtedness" means Indebtedness or any portion thereof with respect to which the Corporation shall have entered into a Derivative Agreement.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"Emergency Assessment Base" means the total of direct written premium reported for all assessable lines of insurance under the Act.

"Emergency Assessments" means the money paid or payable to the Corporation or the FHCF from the emergency assessments levied with respect to assessable lines insurance as provided from time to time by the Act. There shall be included within the ambit of "Emergency Assessments" any interest, penalty or surcharge paid or payable on late payments of such emergency assessments.

"Emergency Assessments Account" means the account in the Revenue Fund created and so designated by Section 501 hereof.

"Emergency Assessment Earnings" means the income derived from the investment of Emergency Assessments.

"Estimated claims-paying capacity" means the sum of the projected year-end balance of FHCF as of December 31 of a contract year, plus any reinsurance purchased by FHCF, plus the board's estimate of the board's borrowing capacity.

"Event of Default" means any one or more of those events set forth in Section 802 of the Master Indenture.

"FHCF" means Florida Hurricane Catastrophe Fund, a trust fund established for bond covenants, indentures or resolutions within the meaning of Section 19(f)(3), Article III of the State Constitution, and its legal successors.

"Fiscal Year" means the fiscal year of the FHCF, which shall be the period beginning on July 1 of each year and ending on June 30 of the following year, unless the

Master Trustee is notified in writing by an Authorized Officer of the State Board of Administration of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice. The Corporation shall have the same Fiscal Year as the FHCF.

"Fitch" means Fitch Inc., and its legal successors, provided that references to "Fitch" are effective only so long as Fitch is a Rating Agency.

"Florida Insurance Code" means Chapters 624-632, 634, 635, 636, 641, 642, 648, and 651, Florida Statutes, as amended.

"Governing Body" means, with respect to the Corporation, its board of directors or other board of individuals or designees in which the powers of the Corporation are vested under the Act. With respect to the FHCF, "Governing Body" means the State Board of Administration.

"Government Obligations" means direct obligations of, and obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Gross Receipts" means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of the Corporation, including, without limitation, (a) Emergency Assessments, (b) Emergency Assessment Earnings, (c) Reimbursement Premiums, (d) Reimbursement Premium Earnings, (e) Other Pledged Money, (f) proceeds derived from (i) securities and other investments and (ii) contract rights and other rights and assets now or hereafter owned, held or possessed by the Corporation and (g) interest or investment income on all investments, including investments of proceeds of any Pre-Event Indebtedness incurred by the Corporation.

"Holder" means the holder or owner of Parity Debt.

"Incurrence Test" means the test for the incurrence for Parity Obligations established by Section 704 of the Master Indenture.

"Indebtedness" means all obligations incurred or assumed by any Person:

- (i) for payments of principal and interest with respect to borrowed money, including any obligation to repay a Credit Provider for moneys drawn to pay and retire Indebtedness; and

- (ii) for payments under leases which are required to be capitalized in accordance with generally accepted accounting principles and under installment sale or conditional sale contracts; and



(iii) for payments under installment sale or conditional sale contracts.

provided, however, that Indebtedness shall include only Parity Obligations and Subordinated Indebtedness and that any obligation constituting Indebtedness to pay a Credit Provider for moneys drawn to purchase, but not pay and retire, indebtedness shall constitute Indebtedness only to the extent such payments are in excess of any scheduled payments of principal and interest required to be made to such Credit Provider as an Owner or Holder of such Indebtedness.

"indebtedness" means all indebtedness for any of the following:

(i) for payments of principal and interest with respect to borrowed money;

(ii) for payments on leases which are required to be capitalized in accordance with generally accepted accounting principles; and

(iii) for payments on installment sale or conditional sale contracts.

"Interest Account" means the account in the Bond Fund created and so designated by Section 501 of the Master Indenture.

"Interest Payment Date" means, with respect to the Series 2013A Bonds, each July 1 and January 1, the first interest payment date being July 1, 2013.

"Investment Obligations" means any investment authorized under Section 215.47, Florida Statutes, as amended from time to time, or any successor statute.

"Lien" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of the Corporation that secures any indebtedness incurred by the Corporation.

"Losses" means direct incurred losses under Covered Policies, which shall include losses for additional living expenses not to exceed 40 percent of the insured value of a residential structure or its contents and shall exclude loss adjustment expenses. "Losses" does not include losses for fair rental value, loss of rent or rental income use, or business interruption losses.

"Master Indenture" means the Master Trust Indenture, including any amendments or supplements hereto, such as the Sixth Supplemental Indenture, pursuant to which the Series 2013A Bonds will be issued.

"Master Trust Indenture" means Master Trust Indenture, dated as of June 1, 2006, by and between the Corporation and the Master Trustee.

"Master Trustee" means Wells Fargo Bank, N.A., Jacksonville, Florida and its successors in the trusts created under the Master Indenture.

"Maximum Debt Service Requirement" means at the date of calculation the greatest Debt Service Requirement for the current or any succeeding Fiscal Year.

"Moody's" means Moody's Investors Service, Inc., and its legal successors, provided that references to "Moody's" are effective only so long as Moody's is a Rating Agency.

"Net Receipts" for any particular period means the excess of Gross Receipts after the payment of Current Expenses of the Corporation for such period.

"Officer's Certificate" means a certificate signed by an Authorized Officer of the Corporation or an Authorized Officer of the State Board of Administration, as the case may be.

Each Officer's Certificate presented pursuant to the Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, the Master Indenture. Each Officer's Certificate shall state that (i) the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Opinion of Counsel" means an opinion in writing signed by (i) an attorney or firm of attorneys, selected by the Corporation and not unacceptable to the Master Trustee, or (ii) an attorney employed by the State or any agency thereof whose duties include responsibility for legal matters of the Corporation.

"Other Pledged Money" means any money derived from any fees, premiums, assessments or other levies paid or payable to the FHCF or the Corporation, including the income derived from the investment thereof, pursuant to any law enacted, after the date of delivery of this Pledge Agreement, by the Legislature of the State, to the extent that such money is permitted or required by law to be pledged and used for the payment of the principal of and redemption premium, if any, and interest on Parity Obligations.

"Outstanding", when used with reference to Bonds, means, as of a particular date, all Bonds theretofore authenticated and delivered under the Master Indenture, except:

- (a) Bonds theretofore cancelled by any Bond Registrar or delivered to any Bond Registrar or the Master Trustee for cancellation;

(b) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Master Indenture; and

(c) Bonds paid or deemed to have been paid in accordance with the defeasance or like provisions of the Supplemental Indenture delivered in connection with the issuance of such Bonds;

provided, however, that in determining whether the Owners of the requisite principal amount of outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by or under the control of the Corporation or the FHCF or any other obligor upon the Bonds shall be disregarded and deemed not to be outstanding, except that the term "obligor upon the Bonds" shall not include any Credit Provider unless otherwise provided in a Supplemental Indenture, and except that, in determining whether the Master Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Master Trustee knows to be so owned or controlled shall be so disregarded. Bonds so owned or controlled which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Master Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Corporation, the FHCF or any other obligor upon the Bonds except a Credit Provider.

The Corporation may provide in a Parity Resolution permitted by the Master Indenture as to when any Parity Obligations that are Variable Rate Indebtedness shall be deemed no longer to be Outstanding hereunder in a manner not inconsistent with the above definition.

The Corporation may provide in a Parity Debt Resolution permitted hereby as to when any Parity Debt shall be deemed no longer to be outstanding hereunder in a manner not inconsistent with the above definition.

When used with reference to Indebtedness other than Parity Obligations, "Outstanding" means, as of a particular date, all Indebtedness deemed to be outstanding under the documents pursuant to which it was incurred.

"Owner" means a Person in whose name a Bond is registered in the registration books provided for in Section 205 of the Master Indenture.

"Parity Common Reserve Account" means the account in the Bond Fund created and so designated by Section 501 of the Master Indenture.

"Parity Common Reserve Account Requirement" means, with respect to all Parity Obligations secured by the Parity Common Reserve Account, the least of the following: (i) the sum of ten percent (10%) of the stated principal amount of each Series of Bonds secured by the Parity Common Reserve Account (adjusted as provided in the Code), (ii)

the Maximum Annual Debt Service Requirement on all such Outstanding Parity Obligations, and (iii) one hundred twenty-five percent (125%) of the average annual Debt Service Requirements on all such Parity Obligations. The Parity Common Reserve Account Requirement may be satisfied with cash, Investment Obligations or Reserve Alternative Instruments, or any combination of the foregoing, as the Corporation may determine from time to time.

"Parity Debt" means all Parity Obligations incurred or assumed by the Corporation and not evidenced by Bonds which (a) is designated as Parity Debt in the documents pursuant to which it was incurred, (b) is incurred in compliance with the provisions of Section 704 of the Master Indenture, or is a reimbursement obligation for a Credit Facility supporting Parity Obligations incurred in compliance with the provisions of Section 704 of the Master Indenture, and (c) may be accelerated only in compliance with the procedures set forth in Section 803 of the Master Indenture.

"Parity Debt Resolution" means the resolution and any other documents, instruments or agreements adopted or executed by the Corporation providing for the incurrence of Parity Debt.

"Parity Obligations" means Bonds and Parity Debt.

"Parity Resolution" means a Supplemental Indenture or a Parity Debt Resolution, or both, as the case may be, authorizing the issuance of a Series of Bonds or the incurrence of Parity Debt.

"Parity Tax-Exempt Obligations" means Tax-Exempt Bonds and Tax-Exempt Parity Debt.

"Participating Insurer" means an insurer writing Covered Policies in the State which is required to enter into reimbursement contracts with the FHCF.

"Person" includes an individual, association, unincorporated organization, corporation, limited liability company, partnership, joint venture, trust, state trust fund, unincorporated organization, and a government or an agency or a political subdivision thereof, as well as natural persons.

"Pledge Agreement" means the Pledge and Security Agreement, dated as of June 1, 2006, by and among the Corporation, the State Board of Administration and the Master Trustee, including any amendments or supplements thereto.

"Pledged Collateral" for any particular period means the excess of Reimbursement Premiums and Reimbursement Premium Earnings over the payment of Current Expenses of the FHCF, Emergency Assessments, Emergency Assessment Earnings, the net proceeds of, and investment income on such proceeds of, Parity Obligations, net

payments to or for the account of the Corporation derived from Derivative Agreements and Other Pledged Money. There shall be included within the ambit of "Pledged Collateral": (i) all certificates and instruments, if any, from time to time representing or evidencing any of the Pledged Collateral, (ii) all interest, dividends, cash, instruments or other Property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Collateral and (iii) all proceeds of any or all of the Pledged Collateral. There shall be excluded from the ambit of "Pledged Collateral" the Corpus of the FHCF and Corpus Earnings, the net proceeds of Parity Obligations disbursed by the FHCF for losses, or advances for losses, from Covered Events, and Reimbursement Premiums and Reimbursement Premium Earnings released pursuant to Section 3(f) of the Pledge Agreement and Section 503(e)(ii)(Y) of the Master Indenture and Emergency Assessments and Emergency Assessment Earnings released pursuant to Section 503(e)(ii)(Z) of the Master Indenture from the pledge and security interest granted by the Pledge Agreement. In the case of the net proceeds of Parity Obligations, the pledge and security interest granted by the Pledge Agreement shall be effective only pending their disbursement by the FHCF for losses, or advances for losses, from Covered Events and shall be in favor of the Owners or Holders only of the Series of Parity Obligations (or Parity Obligations that refunded the Parity Obligations) from which such proceeds were derived.

"Post-Event" when used in connection with Bonds, other Parity Obligations or the proceeds thereof refers to the issuance of Parity Obligations upon the occurrence of a Covered Event to pay reimbursement at levels promised in reimbursement contracts for which moneys credited to the Corpus of the FHCF are insufficient, as authorized by the provisions, other than the last sentence, of Section 215.555(6)(a)1 of the Act.

"Pre-Event" when used in connection with Bonds, other Parity Obligations or the proceeds thereof refers to the issuance of Parity Obligations "in the absence of" a Covered Event, as authorized by the last sentence of Section 215.555(6)(a)1 of the Act.

"Premium and Assessment Revenue Available For Debt Service" means the pro forma amount, indicated in an Officer's Certificate of the State Board of Administration delivered to the Master Trustee, that is certified by such Officer to be the excess, over the Current Expenses of the FHCF and the Current Expenses of the Corporation, of the sum of (a) the amount of Revenues from Reimbursement Premiums and Reimbursement Premium Earnings received by the FHCF in any 12 consecutive months of the last 18 calendar months preceding the date of such Certificate, taking into consideration and adjusted for (1) any changes in the Act or other applicable law or regulation (described in such Officer's Certificate) that would prospectively affect the amount of such Reimbursement Premiums to be received in the current or future Fiscal Years, and (2) any actuarially indicated adjustments to the Reimbursement Premiums that have been determined for, or are reasonably expected to take effect subsequent to the applicable 12-month period and in, the current or following Fiscal Year, as shall be set forth in such

Officer's Certificate, and (b) the amount of Revenues from Emergency Assessments, such amount being the product obtained by multiplying (1) the maximum assessment percentage permitted by the Act on the date of such Certificate by (2) the most recently available 12-month Emergency Assessment Base, all as demonstrated in such Officer's Certificate.

"Principal" means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default, in which case "principal" means the initial public offering price of a Capital Appreciation Bond and the difference between the Accreted Amount and the initial public offering price shall be deemed to be interest and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity or in satisfaction of a Sinking Fund Requirement, if applicable.

"Principal Account" means the account in the Bond Fund created and so designated by Section 501 of the Master Indenture.

"Principal Payment Date" means, with respect to the Series 2013A Bonds, July 1.

"Property" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

"Qualified Escrow Funds" means amounts deposited in a segregated escrow fund or other similar fund or account established in connection with Indebtedness, which amounts in such fund or account are required by the documents establishing such fund or account to be applied to the payment obligations with respect to principal of or interest on the Indebtedness.

"Rating Agencies" means each of Fitch, Moody's, S&P and any other nationally recognized statistical rating organization that has, at the request of the State Board of Administration, a rating in effect for the Bonds.

"Redemption Account" means the account in the Bond Fund created and so designated by Section 501 of the Master Indenture.

"Redemption Price" means, with respect to any Indebtedness or portion thereof, the principal amount of such Indebtedness or portion called for redemption plus the applicable premium, if any, payable upon redemption thereof.

"Regular Record Date" means, with respect to the Series 2013A Bonds, the June 15 and December 15 next preceding each Interest Payment Date.

"Reimbursement Premiums" means the money paid or payable to the FHCF from reimbursement premiums levied from time to time under the Act. There shall be included within the ambit of "Reimbursement Premiums" any interest, penalty or surcharge paid or payable on late payments of such reimbursement premiums.

"Reimbursement Premiums Account" means the account in the Revenue Fund created and so designated by Section 501 of the Master Indenture.

"Reimbursement Premium Earnings" means the income derived from the investment of Reimbursement Premiums.

"Reserve Alternative Instrument" means an irrevocable insurance policy or surety bond or an irrevocable letter of credit, guaranty or other facility deposited in the Parity Common Reserve Account or a Special Reserve Account in lieu of or in partial substitution for the deposit of cash and Investment Obligations in satisfaction of the Parity Common Reserve Account Requirement or a Special Reserve Account Requirement.

"Revenue Available For Debt Service" means, for any period of time, the excess of Revenues, including the investment income from the investment of the proceeds of any Pre-Event Parity Obligations (but not any other Parity Obligations), over the sum of the Current Expenses of the FHCF and the Current Expenses of the Corporation.

"Revenue Fund" means the Florida Hurricane Catastrophe Fund Finance Corporation Revenue Fund created and so designated by Section 501 of the Master Indenture.

"Revenues" means revenues of the FHCF and the Corporation, as determined in accordance with generally accepted accounting principles, including, without limitation, Reimbursement Premiums, Reimbursement Premium Earnings, Emergency Assessments, Emergency Assessment Earnings and the income derived from the investment of the proceeds of any Pre-Event Parity Obligations (but not any other Indebtedness); provided, however, that (i) no determination thereof shall take into account any gain or loss resulting from the extinguishment of Indebtedness and (ii) no determination thereof shall take into account the value of any Derivative Agreement or any payments made by the Derivative Agreement Counterparty in accordance with the terms of such Derivative Agreement; provided further, however, that Revenues shall not include (I) the income from the investment of Qualified Escrow Funds or of proceeds of Pre-Event Indebtedness to the extent such income is applied to the payment of interest on Indebtedness which is excluded from the determination of the Debt Service Requirement and (II) the proceeds of any Indebtedness.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, and its legal successors, provided that references to S&P are effective only so long as S&P is a Rating Agency.

"Securities Depository" means The Depository Trust Company, New York, New York, or any other recognized securities depository selected by the Corporation, which maintains a book-entry system in respect of a Series of Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

"Securities Depository Nominee" means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by the Bond Registrar the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation of participation with such Securities Depository in its book-entry system.

"Serial Bonds" means the Series 2013A Bonds that are stated to mature on July 1 of each of the years 2016, 2018 and 2020.

"Series," whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series.

"Series 2013A Bonds" means the Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2013A, issued pursuant to Section 208 of the Master Indenture and Section 208 of the Sixth Supplemental Indenture.

"Series 2013A Subaccount of the Interest Account" means the subaccount created and so designated by Section 401 of the Sixth Supplemental Indenture.

"Series 2013A Subaccount of the Principal Account" means the subaccount created and so designated by Section 401 of the Sixth Supplemental Indenture.

"Short-Term Indebtedness" means all Indebtedness incurred for borrowed money, other than the current portion of Indebtedness and other than Short-Term Indebtedness excluded from this definition as provided in the definition of Indebtedness, for any of the following:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;
- (ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and



(iii) installment sale or conditional sale contracts having an original term of one year or less.

"Sinking Fund Account" means the account in the Bond Fund created and so designated by the provisions of Section 501 of the Master Indenture.

"Sinking Fund Requirement" means, with respect to any Series of Bonds, the Sinking Fund Requirement provided in the Supplemental Indenture authorizing the issuance of such Series.

"Sixth Supplemental Indenture" means the Sixth Supplemental Trust Indenture by and between the Corporation and Wells Fargo Bank, N.A., authorizing and securing the Series 2013A Bonds.

"Special Record Date" means a date fixed by the Master Trustee for the payment of Defaulted Interest pursuant to Section 203 of the Sixth Supplemental Indenture.

"Special Reserve Account" means a special debt service reserve account created by a Parity Resolution as a debt service reserve account only for the particular Parity Obligations authorized by such Parity Resolution.

"Special Reserve Account Requirement" means the amount to be deposited or maintained in a Special Reserve Account pursuant to the Parity Resolution creating such Special Reserve Account. The Special Reserve Account Requirement may be satisfied with cash, Investment Obligations, a Reserve Alternative Instrument or any combination of the foregoing, as the Corporation may determine from time to time.

"State" means the State of Florida.

"State Board of Administration" means the State Board of Administration, acting as the governing and administrator of the FHCF, and its legal successors.

"State Covenant" means the State's covenant recited in Section 708 of the Master Indenture.

"Subordinated Indebtedness" means Indebtedness the terms of which shall provide that it shall be subordinate and junior in right of payment to the prior payment in full of Parity Obligations to the extent and in the manner set forth in Section 211 of the Master Indenture.

"Subordinated Indebtedness Resolution" means the resolution and any other documents, instruments or agreements adopted or executed by the Corporation providing for the incurrence of Subordinated Indebtedness. If the Subordinated Indebtedness shall have the benefit of a Credit Facility, the reimbursement obligation for such Credit

Facility shall provide for repayments on a subordinated basis and the term Subordinated Indebtedness Resolution shall include any reimbursement agreement or similar repayment agreement executed and delivered by the Corporation in connection with the provision of such Credit Facility for such Subordinated Indebtedness.

"Supplemental Indenture" means a resolution of the Governing Body of the Corporation authorizing any particular Series of Bonds, together with a Supplemental Indenture executed and delivered by the Corporation in connection with the issuance of such Series of Bonds, that is required to be executed and delivered by the terms of the Master Indenture prior to the issuance of such Series.

"Tax Certificate" means the Tax Certificate executed by the State Board of Administration and the Corporation in connection with the issuance of the Series 2013A Bonds.

"Tax-Exempt Bonds" means all Bonds so identified in the Supplemental Indenture authorizing the issuance of such Bonds.

"Tax-Exempt Parity Debt" means all Parity Debt so identified in the Parity Debt Resolution authorizing the incurrence of such Parity Debt.

"Tax-Exempt Parity Obligations" means collectively all Tax-Exempt Bonds and all Parity Debt.

"Term Bonds" means the Bonds of any Series, other than Serial Bonds, that are designated as such in the Supplemental Indenture authorizing the issuance of such Series.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate until maturity.

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APPENDIX C-2  
MASTER TRUST INDENTURE

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# MASTER TRUST INDENTURE

by and between

## FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION

and

WELLS FARGO BANK, N.A.,  
as Master Trustee

Dated as of June 1, 2006

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THIS MASTER TRUST INDENTURE (this "Master Indenture"), made and entered into as of the first day of June 1, 2006, by and between Florida Hurricane Catastrophe Fund Finance Corporation, a public benefits corporation, which is an instrumentality of the State of Florida (the "Corporation"), and Wells Fargo Bank, N.A., Jacksonville, Florida, a national banking association duly incorporated under the laws of the United States of America, and being duly qualified to accept and administer the trusts created hereby (the "Master Trustee"),

#### WITNESSETH:

WHEREAS, Section 215.555, Florida Statutes, as amended (the "Act"), creates the Florida Hurricane Catastrophe Fund, a trust fund established for bond covenants, Master Indentures or resolutions within the meaning of Section 19(f)(3), Article III of the Constitution of the State of Florida (the "FHCFC"); and

WHEREAS, the Act provides that the FHCFC will be administered by the State Board of Administration of Florida (in its capacity as the governing body and administrator of the FHCFC, the State Board of Administration) and that the FHCFC will reimburse certain insurers for a portion of their catastrophic hurricane losses, subject to the limitations on such reimbursements set forth in the Act, in order to create additional insurance capacity sufficient to ameliorate the current dangers to the economy of the State and to the public health, safety and welfare of its citizens posed by a lack of an orderly private market for property insurance; and

WHEREAS, the Act creates the Corporation as a public benefits corporation, which is an instrumentality of the State of Florida, to provide a mechanism for the cost-effective and efficient issuance of bonds necessary to enable the FHCFC to carry out the purposes of the Act; and

WHEREAS, the purpose of such bonds is to fund reimbursements through the FHCFC to pay for the costs of construction, reconstruction, repair, restoration and other costs associated with damage to properties of policyholders of covered policies due to the occurrence of a hurricane; and

WHEREAS, the Act provides for the payment by certain insurers of reimbursement premiums, and for the remittance of emergency assessments from certain policyholders, in the amounts and under the circumstances set forth in the Act and authorizes the pledge of all or any portion of the revenues derived from such reimbursement premiums and emergency assessments, together with the interest earnings thereon, to the payment of the principal of and redemption premium, if any, and interest on bonds issued by the Corporation for the benefit of the FHCFC; and

WHEREAS, the Act provides that revenue bonds may not be issued under the Act until validated under Florida Statutes, Chapter 75, and that the validation of at least the first issue of obligations incurred under the Act shall be appealed to the Florida Supreme Court; and

WHEREAS, the Circuit Court of the Second Judicial Circuit of Florida (the "Circuit Court") validated on November 12, 1996 bonds in the aggregate principal amount of not exceeding \$10 billion, a pledge agreement ("1996 pledge agreement"), a master trust Master Indenture ("1996 master trust Master Indenture"), and related resolutions adopted by the State

Board of Administration for the FHCFC and by the Board of Directors of the Corporation ("1996 resolutions"); and

WHEREAS, Florida Supreme Court affirmed on September 18, 1997 the order of the Circuit Court and concluded that "the Florida Hurricane Finance Corporation acted within its authority and complied with all requirements of the law in the issuance of the Hurricane Catastrophe Relief Revenue Bonds"; and

WHEREAS, the Corporation obtained from the Internal Revenue Service a private letter ruling dated July 2, 1998 to the effect that the interest on bonds issued by the Corporation and secured by emergency assessments and, to a limited extent, reimbursement premiums would be exempt from federal income tax, and such ruling, limited in term to five years, was renewed on June 13, 2003 through June 30, 2008; and

WHEREAS, the Florida Legislature has made several amendments to the Act since its initial enactment in 1993, since validation in 1996 of the bonds, the 1996 master trust Master Indenture, the 1996 pledge agreement and the 1996 resolutions and since receipt in 1998 of the Internal Revenue Service private letter ruling, without vitiating the efficacy of any of the Circuit Court validation, the Supreme Court affirmation of the Circuit Court validation or the private letter ruling; and

WHEREAS, the Board of Directors of the Corporation has duly authorized the execution and delivery of this Master Indenture with the Master Trustee, this Master Indenture being intended to preserve the substance of the 1996 master trust indenture while reflecting the provisions of the amendments to the Act since 1996 and the provisions of the Internal Revenue Service private letter ruling and restricting the obligations that the Corporation may incur hereunder to Parity Obligations (as hereinafter defined); and

WHEREAS, the State Board of Administration and the Board of Directors of the Corporation have duly authorized the execution and delivery of a pledge and security agreement, dated as of June 1, 2006 (the "Pledge Agreement"), by and among the State Board of Administration, the Corporation and the Master Trustee, which agreement is intended to preserve the substance of the 1996 pledge agreement and to conform to the provisions of the Act as currently in effect, the private letter ruling and this Master Indenture, pursuant to which the State Board of Administration has pledged and assigned to the Corporation certain revenues derived from such reimbursement premiums and emergency assessments, together with the interest earnings thereon, to the payment of the principal of and redemption premium, if any, and interest on such bonds; and

WHEREAS, the Office of Insurance Regulation of the State of Florida and the Florida Surplus Lines Service Office have each been notified that, simultaneously with the execution and delivery of the Pledge Agreement and this Master Indenture, Bonds (hereinafter defined) are being issued by the Corporation and that the FHCFC has no agreements in effect with local governments, and, therefore, until such date as the Corporation shall have no Bonds Outstanding (hereinafter defined) and subject to the provisions of the Pledge Agreement, the FHCFC shall have no right, title or interest in or to such emergency assessments or the interest earnings thereon, except as provided in the Pledge Agreement; and

WHEREAS, the Corporation desires to issue and incur its Parity Obligations pursuant to the Act to provide funds to achieve the public purposes of the Act; and

WHEREAS, any Bonds issued and any Parity Debt (hereinafter defined) incurred under this Master Indenture will be secured by a pledge of the Net Receipts (hereinafter defined) of the Corporation; and

WHEREAS, pursuant to the Act, the Corporation is entering into this Master Indenture for the purpose of authorizing the issuance of Bonds and the incurrence of Parity Debt and securing the payment thereof by assigning its rights in and to the Net Receipts and certain of its rights under the Pledge Agreement; and

WHEREAS, under the Constitution and laws of the State of Florida, including the Act, the Corporation is authorized to enter into this Master Indenture, to issue the Bonds and incur Parity Debt as hereinafter provided and to do or cause to be done all the acts and things herein provided or required to be done as hereinafter covenanted; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of Florida, including the Act, to happen, exist and be performed precedent to and in the execution and delivery of this Master Indenture have happened, exist and have been performed as so required to make this Master Indenture a valid and binding Master Indenture securing any Bonds and any Parity Debt in accordance with its terms; and

WHEREAS, the Master Trustee agrees to accept and administer the trusts created hereby;

NOW, THEREFORE, THIS MASTER INDENTURE WITNESSETH that in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the issuance of Bonds and the incurrence of any Parity Debt as provided herein, and in any Supplemental Indenture (hereinafter defined) and in any Parity Debt Resolution (hereinafter defined), and also for and in consideration of the sum of One Dollar in hand paid to the Master Trustee at or before the execution and delivery of this Master Indenture, and for other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Owners (hereinafter defined), and to secure the payment of all Bonds at any time be or become Outstanding under this Master Indenture and any Parity Debt, and the interest and the redemption premium, if any, thereon according to their tenor, purpose and effect, and to secure the performance and observance of all the covenants, agreements and conditions, express or implied, therein and herein contained, the Corporation has executed and delivered this Master Indenture, and by this Master Indenture has given, granted, bargained, aliened, remised, released, conveyed, transferred, assigned, confirmed, set over, and pledged, and does hereby give, grant, bargain, alien, remise, release, convey, transfer, assign, confirm, set over, and pledge unto the Master Trustee, and its successor or successors in trust:

1. All Net Receipts of the Corporation;

2. All right, title and interest of the Corporation in and to the Pledge Agreement (except for those certain rights that are set forth in the next sentence of this clause), it being the

1 intent and purpose hereof that the assignment and transfer to the Master Trustee of the Pledged  
2 Collateral (hereinafter defined) shall be effective and operative immediately and the Master  
3 Trustee shall have the right to collect and receive from the FHCF the Pledged Collateral for  
4 application in accordance with the provisions hereof at all times during the period from and after  
5 the date of this Master Indenture until the indebtedness hereby secured shall have been fully paid  
6 and discharged, all subject to the rights of the FHCF to the release of Reimbursement Premiums  
7 and Reimbursement Premium Earnings and Emergency Assessments and Emergency  
8 Assessment Earnings as provided in the Pledge Agreement and this Master Indenture. The  
9 Corporation specifically reserves from this assignment the following rights: (a) to receive all  
10 notices, opinions, certificates, copies of documents, instruments, reports and correspondence, and  
11 evidence of certain actions by the State Board of Administration, acting on behalf of the FHCF,  
12 required to be delivered to the Corporation under the Pledge Agreement; (b) to grant approvals  
13 and consents and make determinations when required under the Pledge Agreement; (c) to be  
14 indemnified pursuant to the Pledge Agreement; and (d) those exculpations from liability  
15 conferred upon the members, officers and employees of the Corporation in the Pledge  
16 Agreement; provided that the reservation of the aforementioned rights shall not prevent the  
17 Master Trustee from enforcing the same on behalf of the Corporation, the Owners and the  
18 Holders (hereinafter defined), and the Corporation is to remain liable to observe and perform all  
19 the covenants, agreements and conditions, express or implied, therein and herein contained; and

20 3. All money and securities held by or on behalf of the Master Trustee in all of the  
21 funds, accounts or subaccounts established pursuant to this Master Indenture, except those funds,  
22 accounts and subaccounts that are expressly pledged in a Supplemental Indenture as security  
23 only for the Series of Bonds authorized by such Supplemental Indenture or in a Parity Debt  
24 Resolution as security only for the Parity Debt authorized by such Parity Debt Resolution, and,  
25 in the case of Tax-Exempt Parity Obligations, except those funds, accounts and subaccounts that  
26 are expressly set aside in a Supplemental Indenture or Parity Debt Resolution for the purpose of  
27 making rebate, yield reduction or similar payments to the United States of America in order to  
28 maintain the tax status of the Tax-Exempt Parity Obligations;

29 TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby  
30 conveyed and assigned, or agreed or intended so to be, to the Master Trustee and its successor or  
31 successors in trust and to them and their assigns forever; but

32 IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth, for the benefit,  
33 security and protection of all and singular the present and future Owners of the Bonds issued or  
34 to be issued under and secured by this Master Indenture and the Holders of any Parity Debt  
35 secured by this Master Indenture, without preference, priority or distinction as to lien or  
36 otherwise, except as may otherwise be provided herein, of any one Bond or Parity Debt over any  
37 other Bond or Parity Debt by reason of priority in their issue, sale or otherwise, all as herein  
38 provided;

39 PROVIDED, HOWEVER, that if the Corporation, its successors or assigns, shall well  
40 and truly pay, or cause to be paid, or provide for the payment, pursuant to the provisions of this  
41 Master Indenture, of the principal of all Parity Obligations and the interest and any redemption  
42 premium due or to become due thereon, at the times and in the manner mentioned in the Parity  
43 Obligations and this Master Indenture, according to the true intent and meaning hereof and

4

1 "Authorized Officer of the State Board of Administration" means each person who is  
2 authorized by resolution of the Governing Body of the FHCF to perform the duties imposed on  
3 an Authorized Officer of the State Board of Administration by this Master Indenture and whose  
4 name is filed with the Master Trustee for such purpose.

5 "Balloon Indebtedness" means Indebtedness twenty-five percent (25%) or more of the  
6 principal payments of which are due in a single Fiscal Year, which portion of the principal is not  
7 required by the documents pursuant to which such Indebtedness is incurred to be amortized by  
8 payment or redemption prior to such year.

9 "Bond" or "Bonds" means the bonds or notes issued under the provisions hereof and  
10 secured on a parity with each other and any Parity Debt by this Master Indenture.

11 "Bond Fund" means the Florida Hurricane Catastrophe Fund Finance Corporation Bond  
12 Fund created and so designated by Section 501(b) hereof.

13 "Bond Registrar" means, with respect to any Series of Bonds, the Bond Registrar at the  
14 time serving as such under the Supplemental Indenture authorizing the issuance of such Series,  
15 whether the original or a successor Bond Registrar.

16 "Business Day" means a day on which the Corporation, the Fund, the Master Trustee and  
17 each Bond Registrar are open for the purpose of conducting their businesses.

18 "Capital Appreciation Bonds" means Bonds the interest on which is compounded at the  
19 rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such  
20 Bonds and is payable upon redemption or on the maturity date of such Bonds. Nothing in this  
21 Master Indenture shall prohibit the Corporation from designating in such Supplemental Indenture  
22 any such Bonds by a name other than Capital Appreciation Bonds.

23 "Capitalized Interest Account" means the account in the Bond Fund created and so  
24 designated by Section 501 hereof.

25 "Code" means the Internal Revenue Code of 1986, as amended, and all regulations  
26 promulgated thereunder.

27 "Consultant" means a firm or firms which are not, and no member, director, officer,  
28 trustee or employee of which is, an officer, director, trustee or employee of the Corporation, the  
29 FHCF, the State Board of Administration or the State, and which has a national reputation for  
30 having the skill and experience necessary to render the particular report or recommendations  
31 required by the provision hereof in which such requirement appears.

32 "Contract Year" means the term of the reimbursement contracts between the State Board  
33 of Administration and insurers writing Covered Policies.

34 "Corporation" means the Florida Hurricane Catastrophe Fund Finance Corporation, a  
35 public benefits corporation, which is an instrumentality of the State, and its legal successors.

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1 thereof, and shall cause the payments to be made into the Bond Fund (hereinafter defined) or  
2 otherwise as required under this Master Indenture, and shall pay or cause to be paid to the Master  
3 Trustee all sums of money due or to become due to it in accordance with the terms and  
4 provisions hereof and perform all of its other obligations hereunder, then, upon such  
5 performance and payments, this Master Indenture and the rights hereby granted shall cease,  
6 determine and become void, as provided in Article XII of this Master Indenture; otherwise this  
7 Master Indenture to be and remain in full force and effect.

8 THIS MASTER INDENTURE FURTHER WITNESSETH and it is expressly declared  
9 that all Bonds issued and secured hereunder and any Parity Debt secured hereunder are to be  
10 issued, authenticated (if applicable), delivered and dealt with, the respective rights of all Owners  
11 of the Bonds and Holders of Parity Debt are to be set forth, and all said property hereby given,  
12 granted, bargained, aliened, remised, released, conveyed, transferred, assigned, confirmed, set-  
13 over and pledged is to be dealt with and disposed of, under, upon and subject to the terms,  
14 conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter  
15 expressed, and the Corporation has agreed and covenanted, and does hereby agree and covenant,  
16 with the Master Trustee and with the respective Owners and Holders, from time to time, of Parity  
17 Obligations, or any part hereof, as follows:

#### Article I.

#### DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

22 Section 101. Definitions. For the purposes hereof, unless the context otherwise  
23 indicates, the following words and phrases shall have the following meanings:

24 "Accreted Amount" means with respect to Capital Appreciation Bonds, the amount set  
25 forth in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bonds  
26 as the amount representing the initial public offering price, plus the accumulated and  
27 compounded interest on such Capital Appreciation Bonds.

28 "Act" means Section 215.555, Florida Statutes, as amended, or any successor statute.

29 "Audited Financial Statements" means the combined financial statements of the FHCF  
30 and the Corporation for a 12-month period, or for such other period for which an audit has been  
31 performed, that have been audited and reported upon by an Auditor in accordance with generally  
32 accepted auditing standards.

33 "Auditor" means an independent certified public accountant or firm of independent  
34 public accountants selected by the State Board of Administration.

35 "Authorized Officer of the Corporation" means each person who is authorized by  
36 resolution of the Governing Body of the Corporation to perform the duties imposed on an  
37 Authorized Officer of the Corporation by this Master Indenture and whose name is filed with the  
38 Master Trustee for such purpose.

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1 "Corpus Earnings" means Corpus Earnings as defined in Section I of the Pledge  
2 Agreement.

3 "Costs of Issuance" means those costs that are payable from Bond proceeds with respect  
4 to the authorization, sale and issuance of Bonds, deposits to the funds, accounts and subaccounts  
5 established by this Master Indenture and any Supplemental Indenture, underwriting fees,  
6 auditors' or accountants' fees, printing costs, costs of reproducing documents, filing and  
7 recording fees, fees and expenses of fiduciaries, legal fees and charges, professional consultants'  
8 fees, costs of credit ratings, fees and charges for the execution, transportation and safekeeping of  
9 Bonds, governmental charges, costs of entering into Derivative Agreements, obtaining  
10 Investment Obligations and establishing or obtaining Credit Facilities, and other costs, charges  
11 and fees in connection with the foregoing.

12 "Costs of Issuance Fund" means the Florida Hurricane Catastrophe Fund Finance  
13 Corporation Costs of Issuance Fund created and so designated by Section 401 hereof.

14 "Covered Event" means Covered Event as defined in the Act.

15 "Credit Facility" means a line of credit, letter of credit, standby bond purchase  
16 agreement, bond insurance policy or similar liquidity or credit facility established or obtained in  
17 connection with the issuance of any Bonds, incurrence of any other Parity Debt or incurrence of  
18 any Subordinated Indebtedness.

19 "Credit Provider" means the Person providing a Credit Facility, as designated in the  
20 Supplemental Indenture authorizing the issuance of a Series of Bonds or in the Parity Debt  
21 Resolution authorizing the incurrence of Parity Debt or in the Subordinated Indebtedness  
22 Resolution authorizing the incurrence of Subordinated Indebtedness.

23 "Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the date  
24 on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or  
25 redeemed from the proceeds of such Cross-over Refunding Indebtedness.

26 "Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over  
27 Refunding Indebtedness.

28 "Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of  
29 refunding other Indebtedness if the proceeds of such Cross-over Refunding Indebtedness are  
30 irrevocably deposited in escrow to secure the payment on the applicable redemption date or  
31 maturity date of the Cross-over Refunded Indebtedness, and the earnings on such escrow deposit  
32 (i) are required to be applied to pay interest on such Cross-over Refunding Indebtedness until the  
33 Cross-over Date and (ii) shall not be used directly or indirectly to pay interest on the Cross-over  
34 Refunded Indebtedness.

35 "Current Expenses of the Corporation" means all expenses incurred by the Corporation in  
36 the administration of the Corporation, including, without limiting the generality of the foregoing,  
37 arbitrage rebate and penalties, all administrative expenses, salaries and other compensation,  
38 personnel expenses properly chargeable to the Corporation, fees and expenses incurred for  
39 professional consultants and fiduciaries, including the fees and expenses of the Master Trustee

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1 and any Bond Registrar, and all Current Expenses of the Corporation so identified in this Master  
2 Indenture, a Parity Resolution, a Subordinated Indebtedness Resolution or any other resolution  
3 adopted by the Governing Body of the Corporation, but Current Expenses of the Corporation  
4 shall not include (i) depreciation or amortization, (ii) any deposit to any fund, account and  
5 subaccount established under this Master Indenture or any Supplemental Indenture or any  
6 payment of principal, redemption premium, if any, and interest on any Bonds from any such  
7 fund, account and subaccount or (iii) any debt service payment in respect of Parity Debt or  
8 Subordinated Indebtedness.

9 "Current Interest Bonds" means Bonds the interest on which is payable on the Interest  
10 Payment Dates provided therefor in the Supplemental Indenture authorizing the issuance of such  
11 Bonds.

12 "Debt Service Coverage Ratio" means, for any period of time, the ratio determined by  
13 dividing the Premium and Assessment Revenue Available for Debt Service by the Maximum  
14 Debt Service Requirement.

15 "Debt Service Requirement" means, for any period of twelve (12) consecutive calendar  
16 months for which such determination is made, the aggregate of the payments to be made in  
17 respect of principal and interest (whether or not separately stated) on Outstanding Indebtedness  
18 during such period, also taking into account:

19 (i) with respect to Balloon Indebtedness, the amount of principal which would be  
20 payable in such period if such principal were amortized from the date of incurrence thereof over  
21 a period of thirty (30) years on a level debt service basis, at an interest rate equal to the current  
22 market rate for a fixed rate, 30-year obligation, set forth in an opinion, delivered to the Master  
23 Trustee, of a banking institution or an investment banking institution, selected by the  
24 Corporation and knowledgeable in municipal finance, as the interest rate at which the Person  
25 that incurred such Indebtedness could reasonably expect to borrow the same by incurring  
26 Indebtedness with the same term as assumed above; provided, however, that if the date of  
27 calculation is within twelve (12) calendar months of the actual final maturity of such  
28 Indebtedness, the full amount of principal payable at maturity shall be included in such  
29 calculation;

30 (ii) with respect to Indebtedness which is Variable Rate Indebtedness, the interest on  
31 such Indebtedness shall be calculated at the rate which is equal to the average of the actual  
32 interest rates which were in effect (weighted according to the length of the period during which  
33 each such interest rate was in effect) for the most recent twelve-month period immediately  
34 preceding the date of calculation for which such information is available (or shorter period if  
35 such information is not available for a twelve-month period), except that with respect to new  
36 Variable Rate Indebtedness, the interest rate on such Indebtedness on the date of its incurrence  
37 shall be calculated at the lesser of (a) the initial rate at which such Indebtedness is incurred and  
38 (b) the rate certified by a banking institution or an investment banking institution, selected by  
39 the Corporation and knowledgeable in municipal finance, as being the average rate such  
40 Indebtedness would have borne for the most recent twelve-month period immediately preceding  
41 the date of calculation if such Indebtedness had been outstanding for such period, and thereafter  
42 shall be calculated as set forth above; provided, however, that if the Corporation enters into a

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1 payments to be made with respect to principal of and interest on Outstanding Indebtedness shall  
2 not include principal and/or interest payable from Qualified Escrow Funds.

3 "Defeasance Obligations" means, unless modified by the terms of a Parity Resolution, (i)  
4 noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a  
5 proportionate interest in specified noncallable, nonprepayable Government Obligations, which  
6 Government Obligations are held by a bank or trust company organized and existing under the  
7 laws of the United States of America or any state or territory thereof in the capacity of custodian,  
8 (iii) Defeased Municipal Obligations and (iv) evidences of ownership of a proportionate interest  
9 in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by  
10 a bank or trust company organized and existing under the laws of the United States of America  
11 or any state or territory thereof in the capacity of custodian.

12 "Defeased Municipal Obligations" means, to the extent from time to time permitted by  
13 law, obligations of state or local government municipal bond issuers rated in the highest rating  
14 category by any two Rating Agencies and provision for the payment of the principal of and  
15 redemption premium, if any, and interest on which shall have been made by irrevocable deposit  
16 with a trustee or escrow agent of noncallable, nonprepayable Government Obligations, which  
17 Government Obligations are held by a bank or trust company organized and existing under the  
18 laws of the United States of America or any state or territory thereof in the capacity of custodian,  
19 the maturing principal of and interest on which Government Obligations, when due and payable,  
20 shall have been verified by an independent certified public accountant or firm of independent  
21 certified public accountants to be sufficient to pay the principal of and redemption premium, if  
22 any, and interest on such obligations of state or local government municipal bond issuers.

23 "Depository" means one or more banks or trust companies or other institutions, including  
24 the Master Trustee, duly authorized by law to engage in the banking business and designated by  
25 the Corporation as a depository of moneys under this Master Indenture.

26 "Derivative Agreement" means (i) any contract known as or referred to or which  
27 performs the function of an interest rate swap agreement, currency swap agreement, forward  
28 payment conversion agreement or futures contract; (ii) any contract providing for payments  
29 based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock  
30 or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv)  
31 any type of contract called, or designed to perform the function of, interest rate floors or caps,  
32 options, puts or calls or to hedge or minimize any type of financial risk, including, without  
33 limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or  
34 arrangement that the Corporation determines is to be used, or is intended to be used, to manage  
35 or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to  
36 another, to maximize or increase investment return, to minimize investment return risk or to  
37 protect against any type of financial risk or uncertainty.

38 "Derivative Agreement Counterparty" means, with respect to a Derivative Agreement,  
39 the Person that is identified in such agreement as the counterparty to, or contracting party with,  
40 the Corporation.

1 Derivative Agreement with respect to such Indebtedness, the interest on such Indebtedness shall  
2 be calculated as set forth in clause (iv) below;

3 (iii) with respect to any Credit Facility, (a) to the extent that such Credit Facility has  
4 not been used or drawn upon, the principal and interest relating to the reimbursement obligation  
5 for such Credit Facility shall not be included in the Debt Service Requirement and (b) to the  
6 extent that such Credit Facility shall have been drawn upon, the payment provisions of such  
7 Credit Facility with respect to repayment of principal and interest thereon shall be included in  
8 the Debt Service Requirement;

9 (iv) with respect to Derivative Indebtedness, the interest on such Indebtedness during  
10 any Derivative Period thereunder shall be calculated by adding (a) the amount of interest  
11 payable by the Corporation pursuant to its terms and (b) the amount payable by the Corporation  
12 under the Derivative Agreement and subtracing (c) the amount payable by the Derivative  
13 Agreement Counterparty at the rate specified in the Derivative Agreement, except that to the  
14 extent that the Derivative Agreement Counterparty has defaulted on its payment obligations  
15 under the Derivative Agreement, the amount of interest payable by the Corporation from the  
16 date of default shall be the interest calculated as if such Derivative Agreement had not been  
17 executed;

18 (v) subject to the provisions of clause (iv) above, to the extent that any Indebtedness  
19 incurred pursuant to this Master Indenture requires that the Corporation pay the principal of or  
20 interest on such Indebtedness in any currency or currencies other than United States dollars, in  
21 calculating the amount of the Debt Service Requirement, the currency or currencies in which  
22 the Corporation is required to pay shall be converted to United States dollars using a conversion  
23 rate equal to the applicable conversion rate in effect on a date that is not more than thirty (30)  
24 days prior to the date on which such Indebtedness is incurred;

25 (vi) in the case of Indebtedness a feature of which is an option on behalf of the  
26 Owners or Holders to tender to the Corporation or the Master Trustee, or any agent of either, all  
27 or a portion of such Indebtedness, the options of such Owners or Holders shall be ignored,  
28 provided that such Indebtedness shall have the benefit of a Credit Facility and the institution or  
29 a guarantor of its obligations shall have ratings from at least two of the Rating Agencies in not  
30 less than one of the two highest short-term rating categories (without gradations such as plus or  
31 minus); and

32 (vii) in the case of Indebtedness, having the benefit of a Credit Facility that provides  
33 for a term loan facility that requires the payment of the Principal of such Indebtedness in one (1)  
34 year or more, such Indebtedness shall be considered Balloon Indebtedness and shall be assumed  
35 to have the maturity schedule provided clause (ix) of this definition;

36 provided, however, that interest shall be excluded from the determination of Debt Service  
37 Requirement to the extent that provision for payment of the same is made from the proceeds of  
38 the Indebtedness or otherwise provided so as to be available for deposit into the Capitalized  
39 Interest Account or similar account not later than the date of delivery of and payment for such  
40 Indebtedness or the reissuance date of any Pre-Event Parity Obligations reissued Post-Event as  
41 Parity Obligations; and provided further that, notwithstanding the foregoing, the aggregate of the

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1 "Derivative Agreements Account" means the account in the Revenue Fund created and so  
2 designated by Section 501 hereof.

3 "Derivative Indebtedness" means Indebtedness or any portion thereof with respect to  
4 which the Corporation shall have entered into a Derivative Agreement.

5 "Derivative Period" means the period during which a Derivative Agreement is in effect.

6 "Emergency Assessment Base" means the total of direct written premium reported for all  
7 assessable lines of insurance under the Act.

8 "Emergency Assessments" means Emergency Assessments as defined in Section 1 of the  
9 Pledge Agreement.

10 "Emergency Assessments Account" means the account in the Revenue Fund created and  
11 so designated by Section 501 hereof.

12 "Emergency Assessment Earnings" means Emergency Assessment Earnings as defined in  
13 Section 1 of the Pledge Agreement.

14 "Event of Default" means any one or more of those events set forth in Section 802  
15 hereof.

16 "FHCF" means Florida Hurricane Catastrophe Fund, a trust fund established for bond  
17 covenants, indentures or resolutions within the meaning of Section 19(f)(3), Article III of the  
18 State Constitution, and its legal successors.

19 "Fiscal Year" means the fiscal year of the FHCF, which shall be the period beginning on  
20 July 1 of each year and ending on June 30 of the following year, unless the Master Trustee is  
21 notified in writing by an Authorized Officer of the State Board of Administration of a change in  
22 such period, in which case the Fiscal Year shall be the period set forth in such notice. The  
23 Corporation shall have the same Fiscal Year as the FHCF.

24 "Fitch" means Fitch Inc., and its legal successors, provided that references to "Fitch" are  
25 effective only so long as Fitch is a Rating Agency.

26 "Governing Body" means, with respect to the Corporation, its board of directors or other  
27 board of individuals or designees in which the powers of the Corporation are vested under the  
28 Act. With respect to the FHCF, "Governing Body" means the State Board of Administration.

29 "Government Obligations" means direct obligations of, and obligations the principal of  
30 and interest on which are unconditionally guaranteed by, the United States of America.

31 "Gross Receipts" means all revenues, income, receipts and money (other than proceeds of  
32 borrowing) received in any period by or on behalf of the Corporation, including, without  
33 limitation, (a) Emergency Assessments, (b) Emergency Assessment Earnings, (c)  
34 Reimbursement Premiums, (d) Reimbursement Premium Earnings, (e) Other Pledged Money, (f)  
35 proceeds derived from (i) securities and other investments and (ii) contract rights and other rights

1 and assets now or hereafter owned, held or possessed by the Corporation and (g) interest or  
2 investment income on all investments, including Investments of proceeds of any Pre-Event  
3 Indebtedness incurred by the Corporation.

4 "Holder" means the holder or owner of Parity Debt.

5 "Incurrence Test" means the test for the incurrence for Parity Obligations established by  
6 Section 704.

7 "Indebtedness" means all obligations incurred or assumed by any Person:

8 (i) for payments of principal and interest with respect to borrowed money, including  
9 any obligation to repay a Credit Provider for moneys drawn to pay and retire Indebtedness; and

10 (ii) for payments under leases which are required to be capitalized in accordance with  
11 generally accepted accounting principles and under installment sale or conditional sale  
12 contracts; and

13 (iii) for payments under installment sale or conditional sale contracts.

14 provided, however, that Indebtedness shall include only Parity Obligations and Subordinated  
15 Indebtedness and that any obligation constituting Indebtedness to pay a Credit Provider for  
16 moneys drawn to purchase, but not pay and retire, Indebtedness shall constitute Indebtedness  
17 only to the extent such payments are in excess of any scheduled payments of principal and  
18 interest required to be made to such Credit Provider as an Owner or Holder of such Indebtedness.

19 "Indebtedness" means all Indebtedness for any of the following:

20 (i) for payments of principal and interest with respect to borrowed money;

21 (ii) for payments on leases which are required to be capitalized in accordance with  
22 generally accepted accounting principles; and

23 (iii) for payments on installment sale or conditional sale contracts.

24 "Interest Account" means the account in the Bond Fund created and so designated by  
25 Section 501 hereof.

26 "Interest Payment Date" means, with respect to any Series of Bonds, each of the interest  
27 payment dates provided for in the Supplemental Indenture authorizing the issuance of such  
28 Series.

29 "Investment Obligations" means any investment authorized under Section 215.47,  
30 Florida Statutes, as amended from time to time, or any successor statute.

31 "Lien" means any mortgage, deed of trust or pledge of, security interest in or  
32 encumbrance on any Property of the Corporation that secures any Indebtedness incurred by the  
33 Corporation.

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1 (c) Bonds paid or deemed to have been paid in accordance with the  
2 defeasance or like provisions of the Supplemental Indenture delivered in connection with the  
3 issuance of such Bonds;

4 provided, however, that in determining whether the Owners of the requisite principal amount of  
5 outstanding Bonds have given any request, demand, authorization, direction, notice, consent or  
6 waiver hereunder, Bonds owned by or under the control of the Corporation or the FHCF or any  
7 other obligor upon the Bonds shall be disregarded and deemed not to be outstanding, except that  
8 the term "obligor upon the Bonds" shall not include any Credit Provider unless otherwise  
9 provided in a Supplemental Indenture, and except that, in determining whether the Master  
10 Trustee shall be protected in relying upon any such request, demand, authorization, direction,  
11 notice, consent or waiver, only Bonds which the Master Trustee knows to be so owned or  
12 controlled shall be so disregarded. Bonds so owned or controlled which have been pledged in  
13 good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the  
14 Master Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is  
15 not the Corporation, the FHCF or any other obligor upon the Bonds except a Credit Provider.

16 The Corporation may provide in a Parity Resolution as to when any Parity Obligations  
17 that are Variable Rate Indebtedness shall be deemed no longer to be Outstanding hereunder in a  
18 manner not inconsistent with the above definition.

19 The Corporation may provide in a Parity Debt Resolution as to when any Parity Debt  
20 shall be deemed no longer to be outstanding hereunder in a manner not inconsistent with the  
21 above definition.

22 When used with reference to Indebtedness other than Parity Obligations, "Outstanding"  
23 means, as of a particular date, all Indebtedness deemed to be outstanding under the documents  
24 pursuant to which it was incurred.

25 "Owner" means a Person in whose name a Bond is registered in the registration books  
26 provided for in Section 205 hereof.

27 "Parity Common Reserve Account" means the account in the Bond Fund created and so  
28 designated by Section 501 hereof.

29 "Parity Common Reserve Account Requirement" means, with respect to all Parity  
30 Obligations secured by the Parity Common Reserve Account, the least of the following: (i) the  
31 sum of ten percent (10%) of the stated principal amount of each Series of Bonds secured by the  
32 Parity Common Reserve Account (adjusted as provided in the Code), (ii) the Maximum Annual  
33 Debt Service Requirement on all such Outstanding Parity Obligations, and (iii) one hundred  
34 twenty-five percent (125%) of the average annual Debt Service Requirements on all such Parity  
35 Obligations. The Parity Common Reserve Account Requirement may be satisfied with cash,  
36 Investment Obligations or Reserve Alternative Instruments, or any combination of the foregoing,  
37 as the Corporation may determine from time to time.

38 "Parity Debt" means all Parity Obligations incurred or assumed by the Corporation and  
39 not evidenced by Bonds which (a) is designated as Parity Debt in the documents pursuant to  
40 which it was incurred, (b) is incurred in compliance with the provisions of Section 704 hereof or

1 "Master Indenture" means the Master Trust Indenture as supplemented.

2 "Master Trust Indenture" means this Master Trust Indenture, dated as of June 1, 2006, as  
3 amended.

4 "Master Trustee" means Wells Fargo Bank, N.A., Jacksonville, Florida, and its  
5 successors in the trusts created under this Master Indenture.

6 "Maximum Debt Service Requirement" means at the date of calculation the greatest Debt  
7 Service Requirement for the current or any succeeding Fiscal Year.

8 "Moody's" means Moody's Investors Service, Inc., and its legal successors, provided that  
9 references to "Moody's" are effective only so long as Moody's is a Rating Agency.

10 "Net Receipts" for any particular period means the excess of Gross Receipts after the  
11 payment of Current Expenses of the Corporation for such period.

12 "Officer's Certificate" means a certificate signed by an Authorized Officer of the  
13 Corporation or an Authorized Officer of the State Board of Administration, as the case may be.

14 Each Officer's Certificate presented pursuant to this Master Indenture shall state that it is  
15 being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate  
16 by reference and use in all appropriate instances all terms defined in, this Master Indenture. Each  
17 Officer's Certificate shall state that (i) the terms thereof are in compliance with the requirements  
18 of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state  
19 in reasonable detail the nature of any non-compliance and the steps being taken to remedy such  
20 non-compliance and (ii) it is being delivered together with any opinions, schedules, statements or  
21 other documents required in connection therewith. Each Officer's Certificate may state that the  
22 certification is made to the best knowledge of such officer.

23 "Opinion of Counsel" means an opinion in writing signed by (i) an attorney or firm of  
24 attorneys, selected by the Corporation and not unacceptable to the Master Trustee, or (ii) an  
25 attorney employed by the State or any agency thereof whose duties include responsibility for  
26 legal matters of the Corporation. Such opinion may rely on Officer's Certificates and other  
27 Opinions of Counsel and may contain customary exceptions and qualifications.

28 "Other Pledged Money" means Other Pledged Money as defined in Section 1 of the  
29 Pledge Agreement.

30 "Outstanding", when used with reference to Bonds, means, as of a particular date, all  
31 Bonds theretofore authenticated and delivered under this Master Indenture, except:

32 (a) Bonds theretofore cancelled by any Bond Registrar or delivered to any  
33 Bond Registrar or the Master Trustee for cancellation;

34 (b) Bonds in exchange for or in lieu of which other Bonds have been  
35 authenticated and delivered under this Master Indenture; and

13

1 is a reimbursement obligation for a Credit Facility supporting Parity Obligations incurred in  
2 compliance with the provisions of Section 704 hereof, and (c) may be accelerated only in  
3 compliance with the procedures set forth in Section 803 hereof.

4 "Parity Debt Resolution" means the resolution and any other documents, instruments or  
5 agreements adopted or executed by the Corporation providing for the incurrence of Parity Debt.

6 "Parity Obligations" means Bonds and Parity Debt.

7 "Parity Resolution" means a Supplemental Indenture or a Parity Debt Resolution, or both,  
8 as the case may be, authorizing the issuance of a Series of Bonds or the incurrence of Parity  
9 Debt.

10 "Parity Tax-Exempt Obligations" means Tax-Exempt Bonds and Tax-Exempt Parity  
11 Debt.

12 "Person" includes an individual, association, unincorporated organization, corporation,  
13 limited liability company, partnership, joint venture, trust, state trust fund, unincorporated  
14 organization, and a government or an agency or a political subdivision thereof, as well as natural  
15 persons.

16 "Pledge Agreement" means the Pledge and Security Agreement, dated as of June 1, 2006,  
17 by and among the Corporation, the State Board of Administration and the Master Trustee,  
18 including any amendments or supplements thereto.

19 "Pledged Collateral" means Pledged Collateral as defined in Section 1 of the Pledge  
20 Agreement.

21 "Predecessor Bonds" of any particular Bond means every previous Bond evidencing all  
22 or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this  
23 definition, any Bond authenticated and delivered under Section 210 hereof in lieu of a lost,  
24 destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or  
25 stolen Bond.

26 "Post-Event" when used in connection with Bonds, other Parity Obligations or the  
27 proceeds thereof refers to the issuance of Parity Obligations following the occurrence of a  
28 Covered Event (i) to pay reimbursement at levels promised in reimbursement contracts for which  
29 moneys credited to the Corpus of the Fund are insufficient, as authorized by the provisions (other  
30 than the last sentence) of Section 215.555(6)(a)1 of the Act or (ii) to refund other Post-Event  
31 Indebtedness or to refund Pre-Event Indebtedness issued or incurred prior to such Covered  
32 Event.

33 "Pre-Event" when used in connection with Bonds, other Parity Obligations or the  
34 proceeds thereof refers to the issuance of Parity Obligations "in the absence of" a Covered Event,  
35 as authorized by the last sentence of Section 215.555(6)(a)1 of the Act.

36 "Pre-Event Bonds Investment Account" means the account in the Revenue Fund created  
37 and so designated by Section 501 hereof.

1 "Premium and Assessment Revenue Available For Debt Service" means the pro forma  
2 amount, indicated in an Officer's Certificate of the State Board of Administration delivered to  
3 the Master Trustee, that is certified by such Officer to be the excess, over the Current Expenses  
4 of the FHCF and the Current Expenses of the Corporation, of the sum of (a) the amount of  
5 Revenues from Reimbursement Premiums and Reimbursement Premium Earnings received by  
6 the FHCF in any 12 consecutive months of the last 18 calendar months preceding the date of  
7 such Certificate, taking into consideration and adjusted for (1) any changes in the Act or other  
8 applicable law or regulation (described in such Officer's Certificate) that would prospectively  
9 affect the amount of such Reimbursement Premiums to be received in the current or future Fiscal  
10 Years, and (2) any actuarially indicated adjustments to the Reimbursement Premiums that have  
11 been determined for, or are reasonably expected to take effect subsequent to the applicable 12-  
12 month period and in, the current or following Fiscal Year, as shall be set forth in such Officer's  
13 Certificate, and (b) the amount of Revenues from Emergency Assessments, such amount being  
14 the product obtained by multiplying (1) the maximum assessment percentage permitted by the  
15 Act on the date of such Certificate by (2) the most recently available 12-month Emergency  
16 Assessment Base, all as demonstrated in such Officer's Certificate.

17 "Principal" means (a) with respect to any Capital Appreciation Bond, the Accreted  
18 Amount thereof (the difference between the stated amount to be paid at maturity and the  
19 Accreted Amount being deemed unearned interest), except as used in connection with the  
20 authorization and issuance of Bonds and with the order of priority of payments of Bonds after an  
21 Event of Default, in which case "principal" means the initial public offering price of a Capital  
22 Appreciation Bond and the difference between the Accreted Amount and the initial public  
23 offering price shall be deemed to be interest and (b) with respect to any Current Interest Bond,  
24 the principal amount of such Bond payable at maturity or in satisfaction of a Sinking Fund  
25 Requirement, if applicable.

26 "Principal Account" means the account in the Bond Fund created and so designated by  
27 Section 501 hereof.

28 "Property" means any and all rights, titles and interests in and to any and all property  
29 whether real or personal, tangible or intangible and wherever situated.

30 "Qualified Escrow Funds" means amounts deposited in a segregated escrow fund or  
31 other similar fund or account established in connection with Indebtedness, which amounts in  
32 such fund or account are required by the documents establishing such fund or account to be  
33 applied to the payment obligations with respect to principal of or interest on the  
34 Indebtedness.

35 "Rating Agencies" means each of Fitch, Moody's, S&P and any other nationally  
36 recognized statistical rating organization that has, at the request of the State Board of  
37 Administration, a rating in effect for the Bonds.

38 "Redemption Account" means the account in the Bond Fund created and so designated  
39 by Section 501 hereof.

16

1 "Securities Depository" means The Depository Trust Company, New York, New York,  
2 or any other recognized securities depository selected by the Corporation, which maintains a  
3 book-entry system in respect of a Series of Bonds, and shall include any substitute for or  
4 successor to the securities depository initially acting as Securities Depository.

5 "Securities Depository Nominee" means, as to any Securities Depository, such Securities  
6 Depository or the nominee of such Securities Depository in whose name there shall be registered  
7 on the registration books maintained by the Bond Registrar the Bond certificates to be delivered  
8 to and immobilized at such Securities Depository during the continuation of participation with  
9 such Securities Depository in its book-entry system.

10 "Serial Bonds" means the Bonds of any Series that are stated to mature in annual or  
11 semiannual installments.

12 "Series," whenever used herein with respect to Bonds, means all of the Bonds designated  
13 as being of the same series.

14 "Short-Term Indebtedness" means all Indebtedness incurred for borrowed money, other  
15 than the current portion of Indebtedness and other than Short-Term Indebtedness excluded from  
16 this definition as provided in the definition of Indebtedness, for any of the following:

17 (i) money borrowed for an original term, or renewable at the option of the borrower  
18 for a period from the date originally incurred, of one year or less;

19 (ii) leases which are capitalized in accordance with generally accepted accounting  
20 principles having an original term, or renewable at the option of the lessee for a period from the  
21 date originally incurred, of one year or less; and

22 (iii) installment sale or conditional sale contracts having an original term of one year  
23 or less.

24 "Sinking Fund Account" means the account in the Bond Fund created and so designated  
25 by the provisions of Section 501 hereof.

26 "Sinking Fund Requirement" means, with respect to any Series of Bonds, the Sinking  
27 Fund Requirement provided in the Supplemental Indenture authorizing the Issuance of such  
28 Series.

29 "Special Reserve Account" means a special debt service reserve account created by a  
30 Parity Resolution as a debt service reserve account only for the particular Parity Obligations  
31 authorized by such Parity Resolution.

32 "Special Reserve Account Requirement" means the amount to be deposited or maintained  
33 in a Special Reserve Account pursuant to the Parity Resolution creating such Special Reserve  
34 Account. The Special Reserve Account Requirement may be satisfied with cash, Investment  
35 Obligations, a Reserve Alternative Instrument or any combination of the foregoing, as the  
36 Corporation may determine from time to time.

1 "Redemption Price" means, with respect to any Indebtedness or portion thereof, the  
2 principal amount of such Indebtedness or portion called for redemption plus the applicable  
3 premium, if any, payable upon redemption thereof.

4 "Regular Record Date" means, with respect to any Series of Bonds, the regular record  
5 date, if any, provided for in the Supplemental Indenture authorizing the Issuance of such Series.

6 "Reimbursement Premiums" means Reimbursement Premiums as defined in Section 1 of  
7 the Pledge Agreement.

8 "Reimbursement Premiums Account" means the account in the Revenue Fund created  
9 and so designated by Section 501 hereof.

10 "Reimbursement Premium Earnings" means Reimbursement Premium Earnings as  
11 defined in Section 1 of the Pledge Agreement.

12 "Reserve Alternative Instrument" means an irrevocable insurance policy or surety bond  
13 or an irrevocable letter of credit, guaranty or other facility deposited in the Parity Common  
14 Reserve Account or a Special Reserve Account in lieu of or in partial substitution for the deposit  
15 of cash and Investment Obligations in satisfaction of the Parity Common Reserve Account  
16 Requirement or a Special Reserve Account Requirement.

17 "Revenue Available For Debt Service" means, for any period of time, the excess of  
18 Revenues, including the investment income from the investment of the proceeds of any Pre-  
19 Event Parity Obligations (but not any other Parity Obligations), over the sum of the Current  
20 Expenses of the FHCF and the Current Expenses of the Corporation.

21 "Revenue Fund" means the Florida Hurricane Catastrophe Fund Finance Corporation  
22 Revenue Fund created and so designated by Section 501(a) hereof.

23 "Revenues" means revenues of the FHCF and the Corporation, as determined in  
24 accordance with generally accepted accounting principles, including, without limitation,  
25 Reimbursement Premiums, Reimbursement Premium Earnings, Emergency Assessments,  
26 Emergency Assessment Earnings and the income derived from the investment of the proceeds of  
27 any Pre-Event Parity Obligations (but not any other Indebtedness); provided, however, that (i) no  
28 determination thereof shall take into account any gain or loss resulting from the extinguishment  
29 of Indebtedness and (ii) no determination thereof shall take into account the value of any  
30 Derivative Agreement or any payments made by the Derivative Agreement Counterparty in  
31 accordance with the terms of such Derivative Agreement; provided further, however, that  
32 Revenues shall not include (i) the income from the investment of Qualified Escrow Funds or of  
33 proceeds of Pre-Event Indebtedness to the extent such income is applied to the payment of  
34 interest on Indebtedness which is excluded from the determination of the Debt Service  
35 Requirement and (ii) the proceeds of any Indebtedness.

36 "S&P" means Standard & Poor's Rating Services, and its legal successors, provided that  
37 references to S&P are effective only so long as S&P is a Rating Agency.

17

1 "State" means the State of Florida.

2 "State Board of Administration" means the State Board of Administration, acting as the  
3 governing and administrator of the FHCF, and its legal successors.

4 "State Covenant" means the State's covenant recited in Section 708 hereof.

5 "Subordinated Indebtedness" means Indebtedness the terms of which shall provide that it  
6 shall be subordinate and junior in right of payment to the prior payment in full of Parity  
7 Obligations to the extent and in the manner set forth in Section 211 hereof.

8 "Subordinated Indebtedness Resolution" means the resolution and any other documents,  
9 instruments or agreements adopted or executed by the Corporation providing for the incurrence  
10 of Subordinated Indebtedness. If the Subordinated Indebtedness shall have the benefit of a  
11 Credit Facility, the reimbursement obligation for such Credit Facility shall provide for  
12 repayments on a subordinated basis and the term Subordinated Indebtedness Resolution shall  
13 include any reimbursement agreement or similar repayment agreement executed and delivered  
14 by the Corporation in connection with the provision of such Credit Facility for such  
15 Subordinated Indebtedness.

16 "Supplemental Indenture" means a resolution of the Governing Body of the Corporation  
17 authorizing any particular Series of Bonds, together with a Supplemental Indenture executed and  
18 delivered by the Corporation in connection with the Issuance of such Series of Bonds, that is  
19 required to be executed and delivered by the terms of this Master Indenture prior to the Issuance  
20 of such Series.

21 "Tax-Exempt Bonds" means all Bonds so identified in the Supplemental Indenture  
22 authorizing the Issuance of such Bonds.

23 "Tax-Exempt Parity Debt" means all Parity Debt so identified in the Parity Debt  
24 Resolution authorizing the incurrence of such Parity Debt.

25 "Tax-Exempt Parity Obligations" means collectively all Tax-Exempt Bonds and all  
26 Parity Debt.

27 "Term Bonds" means the Bonds of any Series, other than Serial Bonds, that are  
28 designated as such in the Supplemental Indenture authorizing the Issuance of such Series.

29 "Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on  
30 which is not established at the time of incurrence at a fixed or constant rate until maturity.

31 Section 102. Interpretation. (a) Any reference herein to any officer or member of the  
32 Corporation or the State Board of Administration shall include those who succeed to their  
33 functions, duties or responsibilities pursuant to or by operation of law or who are lawfully  
34 performing their functions.

1 (b) Unless the context otherwise indicates, words importing the singular shall  
2 include the plural and vice versa, and the use of the neuter, masculine, or feminine gender is for  
3 convenience only and shall be deemed to mean and include all other genders.

4 (c) Unless the context otherwise indicates, the word "including" means  
5 "including without limitation" and the word "or" is used in its inclusive sense.

6 (d) Where the character or amount of any asset, liability or item of income or  
7 expense is required to be determined or any consolidation, combination or other accounting  
8 computation is required to be made for the purposes hereof or of any agreement, document or  
9 certificate executed and delivered in connection with or pursuant to this Master Indenture, the  
10 same shall be done in accordance with generally accepted accounting principles.

11 (e) Headings of articles and sections herein and in the table of contents hereof  
12 are solely for convenience of reference, do not constitute a part hereof and shall not affect the  
13 meaning, construction or effect hereof.

14 (f) Provisions calling for the redemption of Indebtedness or the calling of  
15 Indebtedness for redemption do not mean or include the payment of Indebtedness at its stated  
16 maturity or maturities.

17 (g) Unless otherwise provided by a Supplemental Indenture, all times refer to  
18 Eastern Time.

19 Section 103. Status of Parity Obligations. PARITY OBLIGATIONS ISSUED UNDER  
20 THIS MASTER INDENTURE SHALL NOT CONSTITUTE A DEBT OF THE STATE OF  
21 FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF NOR A PLEDGE OF THE  
22 FAITH AND CREDIT OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION  
23 THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY  
24 PROVISION. THE CORPORATION DOES NOT HAVE THE POWER OR AUTHORITY TO  
25 LEVY ANY TAX.

## 26 Article II.

### 27 INDEBTEDNESS

28  
29 Section 201. Limitation on Incurrence of Indebtedness. (a) The Corporation may incur  
30 Indebtedness by issuing Bonds or incurring Parity Debt hereunder or by creating Subordinated  
31 Indebtedness under any other document. The principal amount of Parity Obligations evidencing  
32 Indebtedness that may be created hereunder and the principal amount of Indebtedness created  
33 under other documents are not limited, except as limited by the provisions hereof, including  
34 Section 704, or the provisions of any Parity Resolution. Parity Obligations issued or incurred  
35 hereunder or Indebtedness otherwise incurred by the Corporation shall constitute the special and  
36 limited obligations of the Corporation payable from the Net Receipts of the Corporation.

37 (b) No Bonds may be issued nor Parity Debt incurred under this Master  
38 Indenture except in accordance with the provisions of this Article. The principal of and the  
39 interest on and the redemption premium, if any, on all Parity Obligations issued and incurred

20

1 any; (4) the date and terms of maturity or maturities of the Bonds of such Series, or the dates of  
2 payment of the Bonds on the demand of the Owner thereof; (5) the interest rate or rates of the  
3 Bonds of such Series, which may include variable, adjustable, convertible or other rates, original  
4 issue discount, Capital Appreciation Bonds, Current Interest Bonds, municipal multipliers or  
5 other deferred interest arrangements and zero interest rate Bonds, provided that the interest cost  
6 of such Series shall never exceed for such Series the maximum interest rate, if any, permitted by  
7 law in effect at the time such Series is issued; (6) the Interest Payment Dates for such Series of  
8 Bonds; (7) the denominations, numbering, lettering and series designation of such Series of  
9 Bonds; (8) the Bond Registrar or paying agents and place or places of payment of such Bonds;  
10 (9) the Redemption Prices for such Series of Bonds and any terms of redemption not inconsistent  
11 with the provisions of this Master Indenture, which may include redemption at the election of the  
12 Owner thereof to the extent permitted by law; (10) the amount and date of each mandatory  
13 redemption requirement, if any, for such Series of Bonds; (11) the use to be made of the  
14 proceeds of such Series of Bonds, including deposits required to be made into the appropriate  
15 account of the Costs of Issuance Fund, the Capitalized Interest Account, the Interest Account and  
16 any debt service reserve account; and (12) any other terms or provisions applicable to the Series  
17 of Bonds not inconsistent with the provisions of this Master Indenture or the Act. All of the  
18 foregoing may be added by a Supplemental Indenture executed and delivered by the Corporation  
19 and the Master Trustee at any time or from time to time prior to the issuance of such Series of  
20 Bonds.

21 Section 203. Execution and Form of Bonds. The definitive Bonds are issuable as  
22 permitted or required and shall be executed as provided by the respective Supplemental  
23 Indenture providing for the issuance of Bonds of any Series. Bonds may be issued under a book-  
24 entry system and held by a Securities Depository. All Bonds may have endorsed thereon such  
25 legends or text as may be necessary or appropriate to conform to the applicable rules and  
26 regulations of any governmental authority or any securities exchange on which the Bonds may  
27 be listed or to any requirement of law with respect thereto.

28 Section 204. Exchange of Bonds. Bonds may, at the option of the Owner thereof, be  
29 exchanged, as provided by the Supplemental Indenture pursuant to which such Bonds were  
30 issued, for an equal aggregate principal amount of Bonds of the same Series and maturity, of any  
31 authorized denomination or denominations, bearing interest at the same rate and in the same  
32 form as the Bonds surrendered for exchange. The Corporation shall make provision for the  
33 exchange of Bonds at the designated corporate trust office of the Bond Registrar.

34 Section 205. Negotiability and Registration of Transfer of Bonds. The Bond Registrar  
35 shall keep books for the registration and the registration of transfer of the Series of Bonds as to  
36 which it is Bond Registrar as provided in this Master Indenture. The registration books shall be  
37 available at all reasonable times for inspection by the Corporation and any Owner of such Bonds  
38 and may be copied by either of the foregoing and their agents or representatives.

39 The Bond Registrar shall evidence acceptance of the duties, responsibilities and  
40 obligations of the Bond Registrar under this Master Indenture and the applicable Supplemental  
41 Indenture by the execution of the certificate of authentication on the related Series of Bonds.

1 under the provisions of this Master Indenture shall be payable solely from the moneys and assets  
2 pledged by this Master Indenture and the respective Supplemental Indentures for their payment.  
3 All covenants, agreements and provisions of this Master Indenture shall be for the benefit and  
4 security of all present and future Owners and Holders without preference, priority or distinction  
5 as to lien or otherwise, except as otherwise hereinafter provided or as provided in any Parity  
6 Resolution, of any one Parity Obligation over any other Parity Obligation by reason of priority in  
7 the issue, sale or negotiation thereof, or otherwise.

8 (e) Parity Obligations shall be issued or incurred in such forms as may from  
9 time to time be created by Parity Resolutions permitted hereunder. Each Parity Obligation or  
10 series of Parity Obligations shall be created by a different Parity Resolution and shall be  
11 designated in such a manner as will differentiate such Parity Obligation from any other Parity  
12 Obligation.

13 (d) The Corporation and the Master Trustee may from time to time enter into  
14 a Supplemental Indenture or the Corporation may from time to time adopt a Parity Debt  
15 Resolution in order to create Parity Obligations hereunder. Each such Parity Resolution shall,  
16 with respect to a Parity Obligation evidencing Indebtedness created thereby, set forth the date  
17 thereof, and the date or dates on which the principal of and redemption premium, if any, and  
18 interest on such Parity Obligation shall be payable, and the form of such Parity Obligation and  
19 such other terms and provisions as shall conform with the provisions hereof.

20 (e) With respect to Parity Obligations created hereunder, simultaneously with  
21 or prior to the execution, authentication and delivery of such Parity Obligations evidencing such  
22 Indebtedness pursuant to this Master Indenture:

23 (i) All requirements and conditions to the issuance of such Parity  
24 Obligations, if any, set forth in the Parity Resolution or in this Master Indenture shall have been  
25 complied with and satisfied, as provided in an Officer's Certificate, a certified copy of which  
26 shall be delivered to the Master Trustee;

27 (ii) The Corporation shall have delivered to the Master Trustee an  
28 Opinion of Counsel to the effect that (1) registration of such Parity Obligations under the  
29 Securities Act of 1933, as amended, and qualification of this Master Indenture or the Parity  
30 Resolution under the Trust Master Indenture Act of 1939, as amended, are not required, or, if  
31 such registration or qualification is required, that all applicable registration and qualification  
32 provisions of said acts have been complied with, and (2) the Master Indenture and the Parity  
33 Obligations are valid, binding and enforceable obligations of the Corporation in accordance with  
34 their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent  
35 conveyance and other laws affecting creditors' rights generally and usual equity principles.

36 Section 202. Details of Bonds. Bonds authorized hereunder may be issued in one or  
37 more Series that may be delivered from time to time. The Corporation shall by Supplemental  
38 Indenture authorize such Series and shall specify, to the extent appropriate, (1) the authorized  
39 principal amount of such Series, (2) the purposes to be financed with the proceeds of such Series,  
40 or the Bonds or other indebtedness to be refunded or refinanced with the proceeds thereof,  
41 including costs of issuance; (3) the creation of a debt service reserve account for such Series, if

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1 Section 206. Ownership of Bonds. The Corporation, the Master Trustee, the Bond  
2 Registrar and any agent of the Corporation, the Master Trustee or the Bond Registrar, may treat  
3 the person in whose name any Bond is registered, including any Securities Depository Nominee,  
4 as the Owner of such Bond for the purpose of receiving payment of the principal of and  
5 premium, if any, and interest on such Bond, and for all other purposes whatsoever, whether or  
6 not such Bond be overdue, and, to the extent permitted by law, neither the Corporation, the  
7 Master Trustee, the Bond Registrar nor any such agent shall be affected by notice to the contrary.

8 Section 207. Authentication of Bonds. Only such Bonds as have endorsed thereon a  
9 certificate of authentication substantially in the form set forth in the Supplemental Indenture  
10 pursuant to which such Bonds are issued, duly executed as provided in the Supplemental  
11 Indenture, shall be entitled in any benefit or security under this Master Indenture. No Bond shall  
12 be valid or become obligatory for any purpose unless and until such certificate of authentication  
13 on the Bond has been duly executed and dated as provided in the Supplemental Indenture, and  
14 such certificate upon any such Bond shall be conclusive evidence that such Bond has been duly  
15 authenticated and delivered under this Master Indenture. The certificate of authentication on any  
16 Bond shall be deemed to have been duly executed and dated if signed by an authorized officer of  
17 the party authorized under the Supplemental Indenture but it shall not be necessary that the same  
18 officer sign the certificate of authentication on all of the Bonds or any Series thereof that may be  
19 issued hereunder at any one time.

20 Section 208. Terms and Conditions for Incurrence of Indebtedness. (a) The  
21 Corporation covenants and agrees that it will not incur any Indebtedness if, after giving effect to  
22 all other Indebtedness incurred by the Corporation, such Indebtedness could not be incurred  
23 pursuant to this Section 208. Indebtedness may be incurred only in the manner and pursuant to  
24 the terms set forth in the following subsections.

25 (b) Parity Obligations may be incurred if, prior to incurrence thereof, the  
26 Corporation shall file or cause to be filed with the Master Trustee an Officer's Certificate (which  
27 may rely upon certificates or other evidence prepared by the officials of the Fund) demonstrating  
28 and stating that the Incurrence Test, if applicable by its terms, will be met with respect to such  
29 separate issuance of Parity Obligations. The Corporation may incur Parity Obligations in one or  
30 more separate issuances, which Parity Obligations may be issued in any form or combination of  
31 forms permitted by this Master Indenture.

32 (c) Before any Bonds shall be issued or Parity Debt incurred, the Corporation  
33 shall execute and deliver a Supplemental Indenture or adopt a Parity Resolution authorizing the  
34 issuance of such Bonds or the incurrence of such Parity Debt, fixing the amount and the details  
35 thereof as provided in Section 202 hereof and describing in brief and general terms the purpose  
36 for issuing such Parity Obligations. Bonds may be issued and Parity Debt may be incurred for  
37 any purpose permitted under the Act.

38 (d) The Supplemental Indenture may determine to use the Parity Common  
39 Reserve Account or to establish a Special Reserve Account for such Series of Bonds and fix the  
40 provisions with respect thereto or not to establish any debt service reserve account.

(e) The Bonds of each Series shall be designated "Florida Hurricane Catastrophe Fund Finance Corporation Hurricane Catastrophe Revenue Bonds [Notes], [Refunding] Series ....." (inserting the year such Bonds are issued and any other distinctive letter or number), shall be stated to mature, subject to the right of prior redemption as therein set forth, on the date or dates specified therein, in such year or years not later than thirty (30) years from their date, shall bear interest at a rate or rates not exceeding the maximum rate then permitted by law, shall be numbered and shall have such redemption provisions (subject to the provisions of Article III of this Master Indenture), all as provided in the Supplemental Indenture. Except as to any differences in the maturities thereof or in the rate or rates of interest or the provisions for redemption or the provisions regarding the respective accounts and subaccounts within the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account, and any provisions with respect to the Parity Common Reserve Account or a Special Reserve Account, all such Bonds shall be on a parity with each other and any Parity Debt and shall be entitled to the same benefit and security of this Master Indenture, including, in particular, the pledge of Net Receipts.

(f) The proceeds (including accrued interest) of the Parity Obligations shall be applied simultaneously with the delivery thereof the Bonds as provided in the Parity Resolution for the particular Parity Obligations.

(g) In the case of Parity Obligations issued to refund Outstanding Parity Obligations, the Corporation may direct the Master Trustee (i) to withdraw moneys and Investment Obligations from the appropriate accounts in the Revenue Fund and from subaccounts in the Principal Account, Interest Account and Parity Common Reserve Account or Special Reserve Account to the extent that, following the issuance of such refunding Parity Obligations and the defeasance of such refunded Parity Obligations, such moneys and Investment Obligations would be in excess of the requirements of this Master Indenture and (ii) to set aside such moneys and Investment Obligations so withdrawn, together with proceeds of the refunding Parity Obligations and any other moneys provided by the Corporation, to effect the defeasance of such refunded Parity Obligations in accordance with the provisions of the Parity Resolution applicable to the refunded Parity Obligations.

(h) Subordinated Indebtedness may be incurred subject to the provisions of Section 211 hereof.

Section 209. **Temporary Bonds.** Until the definitive Bonds of any Series are ready for delivery, there may be executed, and upon direction of the Corporation, the Bond Registrar shall deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, except as to identifying numbers, printed, engraved, lithographed or typewritten temporary Bonds in denominations permitted by the applicable Supplemental Indenture for the definitive Bonds, substantially of the tenor hereinabove set forth, with such appropriate omissions, insertions and variations as may be required. The Corporation shall cause the definitive Bonds to be prepared and to be executed and delivered to the Bond Registrar, and the Bond Registrar, upon presentation to it of any temporary Bond, shall cancel the same or cause the same to be canceled and shall authenticate and deliver, in exchange therefor, at the place designated by the Owner, without expense to the Owner, a definitive Bond or Bonds of the same Series and in the same aggregate principal amount, maturing on the same date and bearing interest at the same rate as

the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall be entitled to the same benefit of this Master Indenture, as the definitive Bonds to be issued and authenticated hereunder, including the privilege of registration if so provided. Until definitive Bonds are ready for exchange, interest on temporary Bonds shall be paid when due and notation of such payment shall be endorsed thereon.

Section 210. **Mutilated, Destroyed, Lost or Stolen Bonds.** The Corporation shall cause to be executed, and the Bond Registrar shall authenticate and deliver, a new Bond of like date, number and tenor in exchange and substitution for and upon the cancellation of any mutilated Bond, or in lieu of and in substitution for any destroyed, lost or stolen Bond, and the Owner shall pay the reasonable expenses and charges of the Corporation in connection therewith. Prior to the delivery of a substitute Bond, the Owner of any Bond which was destroyed, lost or stolen shall file with the Bond Registrar evidence satisfactory to it of the destruction, loss or theft of such Bond and of the Owner's ownership thereof and shall furnish to the Corporation and to the Bond Registrar such security or indemnity as may be required by them to save each of them harmless from all risks, however remote.

Every Bond issued pursuant to the provisions of this Section in exchange or substitution for any Bond which is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Bonds are found at any time or are enforceable by anyone, and shall be entitled to all the benefits and security hereof equally and proportionately with any and all other Bonds of the same Series duly issued under this Master Indenture.

Section 211. **Subordinated Indebtedness.** (a) Subordinated Indebtedness may be incurred by the Corporation from time to time for any purpose for which Parity Obligations may be issued under Section 208 hereof. Except to the extent otherwise expressly provided in this Master Indenture, Subordinated Indebtedness shall be issued in compliance, to the extent applicable, with the provisions of Section 208 hereof setting forth certain terms and conditions for the issuance of Bonds.

In addition, the following conditions must be met for the issuance of Subordinated Indebtedness:

(1) The Corporation shall adopt a Subordinated Indebtedness Resolution authorizing the incurrence of any such Subordinated Indebtedness and setting forth the amount and details thereof.

(2) Any such Subordinated Indebtedness shall be incurred pursuant to the provisions of the Act.

(b) In the event (1) any Subordinated Indebtedness is declared or otherwise becomes due and payable before its stated maturity because of the occurrence of an event of default occurring under the documents pursuant to which such Subordinated Indebtedness was incurred, and such declaration has not been rescinded and annulled, or (2) any Event of Default under this Master Indenture shall occur and be continuing with respect to Parity Obligations and (i) written notice of such default shall have been given to the Corporation and (ii) judicial proceedings shall be

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commenced in respect of such Event of Default within 180 days in the case of a default in payment of principal or of interest on Parity Obligations and within 90 days in the case of any other default after the giving of such notice, then the Owners and Holders shall be entitled to receive payment in full of all principal, premium and interest on all Parity Obligations before the holders of the Subordinated Indebtedness are entitled to receive any payment on account of principal or interest upon such Subordinated Indebtedness, and to that end the Owners and Holders shall be entitled to receive for application in payment thereof any payment or distribution of any kind or character, whether in cash or property or securities, which may be payable or deliverable in any such proceedings in respect of the Subordinated Indebtedness after giving effect to any concurrent payment or distribution in respect of such Parity Obligations.

Nothing contained in the definition "Subordinated Indebtedness" or elsewhere in this Master Indenture, or in any Subordinated Indebtedness, shall (1) affect the obligation of the Corporation to make, or prevent the Corporation from making, at any time except during the continuance of any Event of Default under this Master Indenture, payments of principal or of premium, if any, or interest on the Subordinated Indebtedness or of amounts to be available as a sinking fund for such Subordinated Indebtedness, or (2) prevent the application by the Master Trustee or any paying agent of any moneys held by the Master Trustee or such paying agent in trust for the benefit of the holders of the Subordinated Indebtedness as to which notice of redemption shall have been mailed or published at least once prior to the happening of an Event of Default under this Master Indenture, to the payment of or on account of the principal of and premium, if any, and interest on such Subordinated Indebtedness, or (3) prevent the application by the Master Trustee or any paying agent of any moneys deposited, prior to the happening of any Event of Default under this Master Indenture, with the Master Trustee or such paying agent in trust for the purpose of paying a specified installment or installments of interest on the Subordinated Indebtedness, to the payment of such installments of interest on such Subordinated Indebtedness.

The Corporation's obligation to pay any and all amounts to the Derivative Agreement Counterparty with respect to Derivative Indebtedness, other than its regularly scheduled payment liability, shall constitute Subordinated Indebtedness.

Section 212. **Additional Restrictions.** A Parity Resolution or a Subordinated Indebtedness Resolution may establish restrictions, in addition to those established in this Master Indenture, including additional restrictions as to the application of Net Receipts after the payments required by Section 504(a), (b) and (c) hereof and additional restrictions on the incurrence of Indebtedness in addition to those set forth in Section 704 hereof.

## Article III.

### REDEMPTION

Section 301. **Redemption Generally.** The Bonds of any Series issued under this Master Indenture may be made subject to redemption, at such times and prices, as may be provided by the Supplemental Indenture authorizing the issuance of such Bonds.

## Article IV.

### COSTS OF ISSUANCE FUND

Section 401. **Costs of Issuance Fund.** A special fund is hereby established with the Master Trustee and designated the "Florida Hurricane Catastrophe Fund Finance Corporation Costs of Issuance Fund". The proceeds of any Series of Bonds to be used for Costs of Issuance shall be deposited upon the delivery of such Series of Bonds in a separate account to be established by the Supplemental Indenture providing for the issuance of such Series of Bonds.

The money in the Costs of Issuance Fund shall be held by the Master Trustee in trust and, pending application to the payment of Costs of Issuance, or transfer as provided herein or in any Supplemental Indenture, shall, to the extent permitted by law, be subject to a lien and charge in favor of the Owners of the Series of Bonds, and shall be held for the security of such Owners.

Section 402. **Payments from Costs of Issuance Fund.** All Costs of Issuance incurred in connection with a Series of Bonds shall be paid from the relevant account in the Costs of Issuance Fund.

Section 403. **Requisitions from Costs of Issuance Fund.** Payments from the Costs of Issuance Fund shall be made in accordance with the provisions of this Section. Before any payment shall be made, there shall be filed with the Master Trustee a requisition, signed by an Authorized Officer of the Corporation, stating or identifying:

(a) the number of such requisition,

(b) the respective amounts to be paid,

(c) the name of the Person to whom such payment is due,

(d) that the obligation in the stated amount has been incurred by the Person to whom such payment is due, is presently due and payable, and is a proper charge against the Costs of Issuance Fund that has not been paid, and

(e) that no notice of any lien, right to lien or attachment upon, or claim affecting the right of any such Person to receive payment of, the amount stated in such requisition has been filed or attached or, if any of the foregoing has been filed or attached, that the same either has been or will be satisfied or discharged or that provisions have been made

1 (which shall be specified) to protect adequately the Master Trustee and the Owners from  
2 incurring any loss as a result of the same.

3 Any requisition filed with the Master Trustee may be accompanied by a certificate of an  
4 Authorized Officer of the State Board of Administration, together with such documents or  
5 writings as such Authorized Officer shall deem necessary or appropriate, certifying or verifying  
6 the accuracy of any of the matters or items contained in such requisition.

7 Upon receipt of each requisition, the Master Trustee shall pay the obligations set forth in  
8 such requisition out of money in the applicable account in the Costs of Issuance Fund, and each  
9 such obligation shall be paid by check signed by one or more officers or employees of the Master  
10 Trustee designated for such purpose by the Master Trustee. If for any reason the Corporation  
11 should decide prior to the payment of any item in a requisition not to pay such item, it shall give  
12 written notice of such decision to the Master Trustee and thereupon the Master Trustee shall not  
13 make such payment.

14 Section 404. Reliance upon Requisitions. All requisitions and certifications received by  
15 the Master Trustee as conditions of payment from the Costs of Issuance Fund may be  
16 conclusively relied upon by the Master Trustee. Such requisitions and certifications shall be  
17 retained by the Master Trustee for a period of time not less than that required by the law of the  
18 State for the retention of public records and shall be subject at all reasonable times to  
19 examination by the Corporation, the State Board of Administration and the Owners of Bonds  
20 then Outstanding.

21 Section 405. Disposition of Costs of Issuance Fund Balance. When all Costs of  
22 Issuance related to a Series of Bonds have been paid, which fact shall be evidenced to the Master  
23 Trustee by an Officer's Certificate delivered to the Master Trustee by an Authorized Officer of  
24 the Corporation, the Master Trustee shall transfer any money then remaining in the relevant  
25 account in the Costs of Issuance Fund as directed in writing by an Authorized Officer of the  
26 Corporation, and the Corporation may apply the same, subject to Section 604 hereof, for any  
27 purpose permitted under the Act which will not cause the interest on any Series of Tax-Exempt  
28 Bonds to become includable in the gross income of the Owners thereof for federal income tax  
29 purposes.

#### 30 Article V.

#### 31 APPLICATION OF GROSS RECEIPTS AND NET RECEIPTS; 32 FUNDS AND ACCOUNTS 33

34 Section 501. Establishment of Funds and Accounts. In addition to the Costs of  
35 Issuance Fund, there are hereby established the following funds and accounts:

36 (a) Florida Hurricane Catastrophe Fund Finance Corporation Revenue Fund,  
37 in which there are established four special accounts to be known as the Emergency Assessments  
38 Account, the Reimbursement Premiums Account, the Pre-Event Bonds Investment Income  
39 Account and the Derivative Agreements Account; and

28

1 (b) Florida Hurricane Catastrophe Fund Finance Corporation Bond Fund, in  
2 which there are established six special accounts to be known as the Capitalized Interest Account,  
3 the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Account  
4 and the Parity Common Reserve Account.

5 A Parity Resolution may provide for the creation of a Special Reserve Account for the  
6 Parity Obligations authorized by such Parity Resolution and for the deposit of amounts to and the  
7 withdrawal of amounts from such Special Reserve Account. A Special Reserve Account may be  
8 established with and maintained by the Master Trustee in the Bond Fund or by a Depositary in  
9 which case the Account shall be deemed to be part of the Bond Fund, as the Corporation may  
10 determine. A Parity Resolution may also provide for the creation of such other accounts and  
11 subaccounts as the Corporation may determine for the Parity Obligations authorized by such  
12 Parity Resolution.

13 The Revenue Fund and the Bond Fund and the accounts and subaccounts therein shall be  
14 established with and held by the Master Trustee.

15 The money in the Bond Fund and all of the accounts and subaccounts therein established  
16 pursuant to this Article V shall be held in trust and applied as hereinafter provided and, pending  
17 such application, the money in the Bond Fund and the accounts and subaccounts therein shall be  
18 subject to a pledge, charge and lien in favor of the Owners of the respective Series of Bonds  
19 issued and Outstanding under this Master Indenture and for the further security of such Owners,  
20 except as otherwise provided herein or in any Supplemental Indenture.

21 Each Supplemental Indenture shall provide, to the extent applicable, for the creation of a  
22 separate subaccount within the Capitalized Interest Account, the Interest Account, the Principal  
23 Account, the Redemption Account and the Sinking Fund Account with respect to each Series of  
24 Bonds, which subaccounts shall bear the designation of such Series of Bonds. A Supplemental  
25 Indenture may provide that the Bonds authorized thereby may be additionally secured by the  
26 Parity Common Reserve Account or a Special Reserve Account or it may provide that there shall  
27 not be any debt service reserve account established in respect of such Series of Bonds. If a  
28 Series of Bonds shall be additionally secured by a Special Reserve Account or shall not be  
29 additionally secured by any debt service reserve account, such Series of Bonds shall have no  
30 claim on the Parity Common Reserve Account.

31 Each Parity Debt Resolution may provide for the creation of such funds and accounts as  
32 the Corporation may determine, including an account for the payment of interest as mentioned in  
33 Section 504(a) hereof, an account or accounts for the payment of principal, whether at maturity  
34 or pursuant to an amortization requirement, as mentioned in Section 504(b) hereof or a debt  
35 service reserve account, which may be the Parity Common Reserve Account or a Special  
36 Reserve Account, as mentioned in Section 504(c) hereof.

37 Each Parity Resolution shall be filed with the Master Trustee on or prior to the date of  
38 issuance of any Parity Obligations and shall contain or be accompanied by a schedule of  
39 payments with respect to such Parity Obligations.

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#### 1 2 Section 502. Gross Receipts Received by the Corporation or the Master Trustee.

3 Except as hereinafter provided, all Gross Receipts and all proceeds of any Derivative  
4 Agreement received by the Corporation or the Master Trustee for the account of the Corporation  
5 shall be deposited when received in the Revenue Fund as follows:

6 (a) Emergency Assessments and Emergency Assessment Earnings shall be  
7 deposited to the credit of the Emergency Assessments Account;

8 (b) Reimbursement Premiums and Reimbursement Premium Earnings shall be  
9 deposited to the credit of the Reimbursement Premiums Account;

10 (c) Investment income from the investment of proceeds of Pre-Event Bonds  
11 shall be deposited to the credit of the Pre-Event Bonds Investment Income Account; and

12 (d) proceeds of any Derivative Agreement shall be deposited to the credit of  
13 the Derivative Agreements Account.

14 No money deposited in any of the Emergency Assessments Account, the Reimbursement  
15 Premiums Account, the Pre-Event Bonds Investment Income Account, the Derivative  
16 Agreements Account or any other account or subaccount established in the Revenue Fund shall  
17 be commingled with, and instead shall be segregated from, money deposited to the credit of the  
18 any other such Account or any other account or subaccount established in the Revenue Fund.

19 A Parity Resolution may provide for the creation of such other accounts or subaccounts  
20 in the Revenue Fund as the Corporation may determine for the deposit of any other Gross  
21 Receipts received by the Corporation or the Master Trustee for the account of the Corporation,  
22 including, without limitation, any Other Pledged Money, and may also establish restrictions, in  
23 addition to those established in this Master Indenture, as to the deposit of such Gross Receipts to  
24 such accounts or subaccounts and the application of amounts deposited therein.

25 Section 503. Application of Money in Revenue Fund. (a) Except as hereinafter  
26 provided, moneys in the Revenue Fund shall be withdrawn by the Master Trustee at the times  
27 and in the amounts provided herein or in Parity Resolutions but only in the manner and order  
28 specified in this Master Indenture.

29 (b) The Master Trustee shall withdraw immediately from the Reimbursement  
30 Premiums Account, and, to the extent the amount is insufficient for the purpose, from the Pre-  
31 Event Bonds Investment Account, and transfer to the Corporation, or, if so directed in writing by  
32 an Authorized Officer of the Corporation, to a Depositary for the account of the Corporation, the  
33 balance of the amount included in the Corporation's annual budget (which may be revised from  
34 time to time), delivered to the Master Trustee pursuant to Section 707 hereof, for the payment of  
35 Current Expenses of the Corporation in the current Fiscal Year and not previously so transferred.  
36 Current Expenses of the Corporation shall be a first charge against the Revenue Fund and shall  
37 be paid by the Corporation from the amount so transferred from the Revenue Fund; provided,  
38 however, that nothing in this Master Indenture shall prevent the Corporation from paying any

1 Current Expenses of the Corporation from moneys to the credit of the Emergency Assessments  
2 Account or any other funds legally available to the Corporation for such purpose to the extent  
3 that moneys to the credit of the Reimbursement Premiums Account and the Pre-Event Bonds  
4 Investment Account are insufficient for the purpose. The Current Expenses of the Corporation  
5 shall be paid by the Corporation as the same become due and payable in conformity with the  
6 applicable budgetary and payment procedures of the Corporation.

7 (c) (i) At such time or times as are specifically provided for in this Master  
8 Indenture, in any Parity Resolution or in any Derivative Agreement, the Master Trustee shall  
9 withdraw from the Revenue Fund the amounts necessary to make the deposits or payments  
10 required by Section 504(a), (b) and (c) hereof.

11 (ii) So long as any Post-Event Bonds or Post-Event Parity Debt is  
12 Outstanding, the Master Trustee shall withdraw from the Emergency Assessments Account the  
13 amounts necessary to make the deposits or payments required by Section 504(a), (b) or (c)  
14 hereof with respect to such Post-Event Bonds or Post-Event Parity Debt, and, if and to the  
15 extent that the amounts on deposit to the credit of the Emergency Assessments Account are  
16 insufficient to make such deposits or payments, the Master Trustee shall withdraw from the  
17 Reimbursement Premiums Account, the Derivative Agreements Account or any other account  
18 or subaccount established in the Revenue Fund, in the order of priority provided for in the  
19 Supplemental Indenture or Parity Debt Resolution authorizing the issuance or incurrence of  
20 such Post-Event Bonds or Post-Event Parity Debt, as the case may be, the amounts necessary to  
21 satisfy such deposits or payments.

22 (iii) So long as any Bonds (other than Post-Event Bonds) or Parity Debt  
23 (other than Post-Event Parity Debt), including Pre-Event Bonds, is Outstanding, the Master  
24 Trustee shall withdraw, immediately following any withdrawal required by subsection (b), from the  
25 Reimbursement Premiums Account and, subsequent to such withdrawal, from the Pre-Event  
26 Bonds Investment Income Account, the Derivative Agreements Account or any other account or  
27 subaccount established in the Revenue Fund (other than the Emergency Assessments Account)  
28 in the order of priority provided for in the Supplemental Indenture or Parity Debt Resolution  
29 authorizing the issuance or incurrence of such Bonds or Parity Debt, as the case may be, the  
30 amounts necessary to make the deposits or payments required by Section 504(a), (b) or (c)  
31 hereof with respect to such Bonds or Parity Debt, and, if and to the extent that the amounts on  
32 deposit to the credit of the Reimbursement Premiums Account, the Pre-Event Bonds Investment  
33 Income Account, the Derivative Agreements Account or any other account or subaccount  
34 established in the Revenue Fund are insufficient to make such deposits or payments, the Master  
35 Trustee shall withdraw from the Emergency Assessments Account the amounts necessary to  
36 satisfy such deposits or payments; provided, however, in the case of Pre-Event Bonds, the  
37 Master Trustee shall draw first from the Reimbursement Premiums Account and then from the  
38 Pre-Event Bonds Investment Income Account, prior to making any withdrawal from any of such  
39 other Accounts or any other account or subaccount.

40 (d)(i) If at any time the amounts on deposit to the credit of the accounts and  
41 subaccounts established in the Revenue Fund are insufficient to make the deposits or payments  
42 required by Section 504(a), (b) or (c) hereof with respect to Post-Event Bonds and Post-Event  
43 Parity Debt then Outstanding, the Master Trustee (i) shall give prompt written notice of such

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1 deficiency to the State Board of Administration and the Corporation and (2) shall, in accordance  
2 with Sections 502(b) and 503(c)(i) hereof, deposit any Reimbursement Premiums and  
3 Reimbursement Premium Earnings thereafter received from the FHCF in the Reimbursement  
4 Premiums Account for application in accordance Section 504(a), (b) and (c) hereof.

5 (ii) If, after the date on which the Master Trustee receives any Reimbursement  
6 Premiums and Reimbursement Premium Earnings pursuant to clause (i) and prior to the dates on  
7 which the deposits or payments are required to be made pursuant to Section 504(a), (b) or (c)  
8 hereof, the Master Trustee receives any Emergency Assessments and Emergency Assessment  
9 Earnings, the Master Trustee shall (X) deposit such Emergency Assessments and Emergency  
10 Assessment Earnings to the credit of the Emergency Assessments Account for application in  
11 accordance with Section 504(a), (b) and (c) hereof, (Y) release from the Reimbursement  
12 Premiums Account and transfer to the FHCF an amount equal to the amount of Emergency  
13 Assessments and Emergency Assessment Earnings so received and deposited by the Master  
14 Trustee in the Emergency Assessments Account and (Z) if the amounts then on deposit to the  
15 credit of the accounts and subaccounts established in the Revenue Fund are sufficient to make all  
16 the deposits or payments required by Section 504(a), (b) and (c) hereof, transfer to the FHCF  
17 from any Emergency Assessments and Emergency Assessment Earnings the amount in excess of  
18 such requirements of Section 504(a), (b) and (c) hereof, as certified in an Officer's Certificate  
19 delivered to the Master Trustee by the State Board of Administration.

20 (c) Except during the continuation of an Event of Default, immediately  
21 following the date on which the amounts on deposit to the credit of the accounts and subaccounts  
22 in the Revenue Fund are sufficient for the Master Trustee to make (i) the transfer to the  
23 Corporation or a Depositary for the account of the Corporation of the amount required for the  
24 payment of the Current Expenses of the Corporation in the then current Fiscal Year in  
25 accordance with the provisions of Section 503(b) hereof and (ii) the deposits or payments of the  
26 amounts required by Section 504(a), (b) and (c) hereof in the then current Fiscal Year with  
27 respect to the Parity Obligations then Outstanding, (Y) any Reimbursement Premiums and  
28 Reimbursement Premium Earnings held by the Master Trustee in the Revenue Fund on such date  
29 in such Fiscal Year in excess of such requirements for such Fiscal Year shall be delivered to the  
30 FHCF and be used for any purpose permitted by the Act, and (Z) any Emergency Assessments,  
31 Emergency Assessment Earnings and Other Pledged Money held by the Master Trustee in the  
32 Revenue Fund on such date in such Fiscal Year in excess of such requirements for the remainder  
33 of such Fiscal Year and for the next succeeding Fiscal Year shall, except as otherwise provided  
34 for by subsection (d)(ii) hereof, be transferred by the Master Trustee to the Bond Fund for  
35 application in accordance with the provisions of Section 504(a) and (b) hereof, unless an  
36 Authorized Officer of the State Board of Administration delivers to the Master Trustee an  
37 Officer's Certificate certifying that the amount of Emergency Assessments and Emergency  
38 Assessment Earnings on deposit with the Master Trustee in the appropriate accounts and  
39 subaccounts in the Bond Fund (excluding the Parity Common Reserve Account and any Special  
40 Reserve Account) for Post-Event Parity Obligations is sufficient to pay the debt service thereon  
41 for the remainder of such Fiscal Year and for the next succeeding Fiscal Year and that there are  
42 no deficiencies in the amounts required to be on deposit in the Parity Common Reserve Account,  
43 any Special Reserve Account or any account or subaccount in the Bond Fund established for Pre-  
44 Event Parity Obligations, in which event such Emergency Assessments and Emergency

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1 Reserve Account, provided that if there shall not be sufficient Net Receipts to satisfy all such  
2 deposits, such deposits shall be made among the Parity Common Reserve Account and each  
3 Special Reserve Account ratably according to the amounts so required to be deposited.

4 (d) To the extent that investment earnings are credited to the Interest Account,  
5 the Principal Account, the Sinking Fund Account or any subaccount therein in accordance with  
6 Section 602 hereof or amounts are credited thereto as a result of the application of the proceeds  
7 of a Series of Bonds or a transfer of investment earnings on any other fund or account held by  
8 the Master Trustee, or otherwise, future deposits to such accounts or subaccounts shall be  
9 reduced by the respective amounts so credited.

10 (e) The Corporation may provide in a Subordinated Indebtedness Resolution  
11 for the deposit or payment of Net Receipts for the purpose of paying the interest on or principal  
12 of Subordinated Indebtedness or in a Derivative Agreement for the making of payments or  
13 repayments thereunder, including any termination payment, on a subordinated basis, but only  
14 after the making of the deposits or payments required by paragraphs (a), (b) and (c) of this  
15 Section 504. Each Subordinated Indebtedness Resolution shall be filed with the Master Trustee  
16 on or prior to the date of incurrence of any Subordinated Indebtedness and shall contain or be  
17 accompanied by a schedule of payments with respect to such Subordinated Indebtedness,  
18 including any scheduled payments (to the extent determinable) under a Derivative Agreement.

19 (f) The Corporation may provide in a Parity Resolution or a Subordinated  
20 Indebtedness Resolution for a disposition of Net Receipts for the purpose of paying amounts  
21 owing to a Credit Provider, but only after the making of the deposits or payments required by  
22 paragraphs (a), (b) and (c) of this Section 504.

23 (g) The calculation of the amounts to be deposited or required to be deposited  
24 pursuant to this Section 504 shall be the responsibility of the Master Trustee, which shall deliver  
25 copies of such calculations to the Corporation and the State Board of Administration not less  
26 than three (3) Business Days prior to any withdrawal from the Revenue Fund pursuant to Section  
27 503(c) hereof.

28 Section 505. Application of Money in Interest Account and Capitalized Interest  
29 Account. Unless otherwise provided by a Supplemental Indenture, not later than 10:00 A.M. on  
30 each Interest Payment Date, date for the payment of Defaulted Interest or date upon which Bonds  
31 are to be redeemed, or on such other date as may be specified in the applicable Supplemental  
32 Indenture, the Master Trustee shall withdraw from the applicable subaccount in the Interest  
33 Account and wire transfer to the Bond Registrar, in Federal Reserve or other immediately  
34 available funds, the amounts required for paying interest on the respective Bonds on such date.  
35 The Bond Registrar shall remit or otherwise set aside the amount due and payable to the Owners  
36 as provided in the Supplemental Indentures.

37 Unless otherwise provided by a Supplemental Indenture, on the date of issuance of any  
38 Series of Parity Obligations, an Authorized Officer of the Corporation shall deliver to the Master  
39 Trustee a schedule of transfers to be made from the applicable subaccount of the Capitalized  
40 Interest Account to the applicable subaccount of the Interest Account. The Master Trustee shall  
41 make such transfers as required by the schedule of such Authorized Officer of the Corporation.

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1 Assessment Earnings will be transferred by the Master Trustee as directed in such Officer's  
2 Certificate.

3 Any funds transferred from any account or subaccount in the Revenue Fund in  
4 accordance with this paragraph (c), other than transfers made to any account or subaccount of the  
5 Bond Fund, shall no longer be subject to the pledge of, security interest in and lien upon the Net  
6 Receipts created by this Master Indenture.

7 Section 504. Use of Money for Debt Service Accounts and Reserve Accounts. The  
8 amounts withdrawn from the Revenue Fund in accordance with Section 503(c) hereof shall be  
9 applied by the Master Trustee in the following manner and order:

10 (a) (i) At such time or times as provided in the Parity Resolutions, the Master  
11 Trustee shall (A) deposit the amounts required by the Supplemental Indentures to be deposited in  
12 the appropriate subaccounts in the Interest Account and (B) deliver the amounts required by the  
13 Parity Debt Resolutions to be deposited with or paid to the appropriate Persons designated in  
14 such Parity Debt Resolutions for the payment of interest on the related Parity Debt in accordance  
15 with such Parity Debt Resolutions, and (ii) if a Derivative Agreement provides for any payments  
16 thereunder by the Corporation relating to interest on Parity Obligations constituting Derivative  
17 Indebtedness, then, at such time or times as provided in the Derivative Agreement, the Master  
18 Trustee shall deliver, to or for the account of the Derivative Agreement Counterparty or other  
19 appropriate Person designated in the Derivative Agreement, the amount required by such  
20 Derivative Agreement (but not any termination payment) to be paid thereunder by the  
21 Corporation, provided that if there shall not be sufficient Net Receipts to satisfy all such deposits  
22 and payments, such deposits and payments shall be made to each such subaccount in the Interest  
23 Account and to each appropriate Person designated in such Parity Debt Resolutions or Derivative  
24 Agreement ratably according to the amount so required to be deposited or paid.

25 (b) At such time or times as provided in the Parity Resolutions, the Master  
26 Trustee shall (i) deposit the amounts required by the Supplemental Indentures to be deposited in  
27 the appropriate subaccounts in the Principal Account and the Sinking Fund Account and (ii)  
28 deliver the amounts required by the Parity Debt Resolutions to be deposited with or paid to the  
29 appropriate Persons designated in such Parity Debt Resolutions for the payment of the principal  
30 of Parity Debt, whether at maturity or pursuant to an amortization requirement, in accordance  
31 with such Parity Debt Resolutions, provided that if there shall not be sufficient Net Receipts to  
32 satisfy all such deposits and payments, such deposits and payments shall be made to each such  
33 subaccount in the Principal Account and the Sinking Fund Account and to each appropriate  
34 Person designated in such Parity Resolutions ratably according to the amount so required to be  
35 deposited or paid.

36 (c) At such time or times as provided in the Parity Resolutions, if the amount  
37 in the Parity Common Reserve Account is less than the Parity Common Reserve Account  
38 Requirement or the amount in any Special Reserve Account is less than the applicable Special  
39 Reserve Account Requirement, the Master Trustee shall (i) deposit the amounts required by this  
40 Master Indenture to make up such deficiency in the Parity Common Reserve Account and (ii)  
41 deposit, or deliver to the appropriate Depositary for deposit, the amounts required by any  
42 Supplemental Indenture or Parity Debt Resolution to make up any deficiency in any Special

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1 Unless otherwise provided by a Supplemental Indenture, if the amounts transferred from  
2 the accounts and subaccounts in the Revenue Fund are insufficient to satisfy the amounts  
3 required to be deposited in the Interest Account as provided in Section 504 hereof, or if the  
4 balance in the Interest Account on the Business Day next preceding an Interest Payment Date is  
5 insufficient to pay the interest coming due on the Bonds on such Interest Payment Date, the  
6 Master Trustee shall, not later than such Interest Payment Date, transfer an amount sufficient to  
7 cure the same, drawing upon funds in the Parity Common Reserve Account, if any, securing such  
8 Series of Bonds, or in the Special Reserve Account, if any, securing such Series of Bonds.

9 Section 506. Application of Money in Principal Account. Unless otherwise provided  
10 by a Supplemental Indenture, not later than 10:00 A.M. on each principal payment date,  
11 the Master Trustee shall withdraw from the applicable subaccount in the Principal Account and wire  
12 transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the  
13 amount necessary to pay the principal of the related Serial Bonds at their respective maturities.  
14 The Bond Registrar shall remit or otherwise set aside the amount due and payable to the Owners  
15 as provided in the Supplemental Indentures.

16 Unless otherwise provided by a Supplemental Indenture, if on any date there is money in  
17 the Principal Account and no Serial Bonds are then Outstanding or if on any principal payment  
18 date money remains therein after the payment of the principal of Serial Bonds then due, the  
19 Master Trustee shall withdraw such money therefrom and shall apply the same in the following  
20 order: (a) deposit into the Sinking Fund Account the amount then required to be deposited  
21 thereto pursuant to Section 504 hereof, (b) deposit, if and to the extent determined by  
22 Authorized Officer of the Corporation, into the Parity Common Reserve Account or in one or  
23 more Special Reserve Accounts such amounts as may be determined by an Authorized Officer of  
24 the Corporation in order to make the amounts on deposit therein equal to the Parity Common  
25 Reserve Account Requirement or the Special Reserve Account Requirement, as the case may be,  
26 and (c) transfer to the FHCF all remaining amounts for any use permitted or authorized by the  
27 Act.

28 Unless otherwise provided by a Supplemental Indenture, if the amounts transferred from  
29 the accounts and subaccounts in the Revenue Fund are insufficient to satisfy the amounts  
30 required to be deposited in the Principal Account as provided in Section 504 hereof, or if the  
31 balance in the Principal Account on the Business Day next preceding a principal payment date is  
32 insufficient to pay the principal coming due on the Serial Bonds on such principal payment date,  
33 the Master Trustee shall, not later than such principal payment date, transfer an amount sufficient  
34 to cure the same, drawing upon funds in the Parity Common Reserve Account, if any, securing  
35 such Series of Bonds, or in the Special Reserve Account, if any, securing such Series of Bonds.

36 Section 507. Application of Money in Sinking Fund Account. Unless otherwise  
37 provided by a Supplemental Indenture, not later than 10:00 A.M. on each mandatory sinking  
38 fund redemption date, the Master Trustee shall withdraw from the applicable subaccount in the  
39 Sinking Fund Account and wire transfer to the Bond Registrar, in Federal Reserve or other  
40 immediately available funds, the amount necessary to pay the principal of the related Term  
41 Bonds on their respective mandatory sinking fund redemption dates. The Bond Registrar shall  
42 remit or otherwise set aside the amount due and payable to the Owners as provided in the  
43 Supplemental Indentures.

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1 Money held for the credit of the subaccounts in the Sinking Fund Account shall be  
2 applied to the retirement, purchase, redemption or payment of Term Bonds in the manner  
3 provided in the applicable Supplemental Indentures. If the amounts transferred from the  
4 accounts and subaccounts in the Revenue Fund are insufficient to satisfy the amounts required to  
5 be deposited in the Sinking Fund Account as provided in Section 504 hereof, or if the balance in  
6 the Sinking Fund Account on the Business Day next preceding a sinking fund payment date is  
7 insufficient to retire the Term Bonds on such date as required by a Supplemental Indenture, the  
8 Master Trustee shall, not later than such sinking fund payment date, transfer an amount sufficient  
9 to cure the same, drawing upon funds in the Parity Common Reserve Account, if any, securing  
10 such Series of Bonds, or in the Special Reserve Account, if any, securing such Series of Bonds.

11 Section 508. Deposit and Application of Money in Parity Common Reserve Account  
12 and Any Special Reserve Account: Replenishment of Deficiencies. (a) If a Parity Resolution  
13 provides that the Parity Obligations issued thereunder are to be additionally secured by the Parity  
14 Common Reserve Account, the Corporation shall deposit, from the proceeds of such Parity  
15 Obligations or from any other available sources, concurrently with the delivery of and payment  
16 for such Parity Obligations, to the Parity Common Reserve Account such amount as is required  
17 to make the balance to the credit of such Account equal to the Parity Common Reserve Account  
18 Requirement; provided, however, that in the case of Post-Event Parity Obligations, the initial  
19 deposit required to the Parity Common Reserve Account to make the total amount to the credit of  
20 such Account equal to the Parity Common Reserve Account Requirement may be funded from  
21 Emergency Assessments and other Revenues (but not Reimbursement Premiums or  
22 Reimbursement Premium Earnings) ratably over not more than thirty-six (36) months from the  
23 date of delivery of such Parity Obligations. If a Parity Resolution provides that the Parity  
24 Obligations issued thereunder are to be secured by a Special Reserve Account, the Corporation  
25 shall fund, from the proceeds of such Parity Obligations or from any other available sources, at  
26 the time or times and in the manner specified in the applicable Parity Resolution, such Special  
27 Reserve Account in an amount equal to the Special Reserve Account Requirement for such  
28 Parity Obligations.

29 (b) Unless the applicable Parity Resolution shall otherwise provide or modify  
30 the following, the Corporation may deposit with the Master Trustee a Reserve Alternative  
31 Instrument in satisfaction of all or any portion of the Parity Common Reserve Account  
32 Requirement or may substitute a Reserve Alternative Instrument for all or any portion of the  
33 cash or another Reserve Alternative Instrument credited to the Parity Common Reserve Account,  
34 provided that the following minimum provisions have been fulfilled:

35 (i) The Reserve Alternative Instrument shall be payable (upon the giving of notice as  
36 required thereunder) to remedy any deficiency in the appropriate subaccounts in the Interest  
37 Account, the Principal Account and the Sinking Fund Account, or in an account for the payment  
38 of interest as mentioned in Section 504(a) hereof, or in an account or accounts for the payment of  
39 principal as mentioned in Section 504(b) hereof, in order to provide for the timely payment of  
40 the principal (whether at maturity or pursuant to a Sinking Fund Requirement or an amortization  
41 requirement thereof) of and interest on the Parity Obligations secured thereby.

42 (ii) The provider of a Reserve Alternative Instrument shall be (a) an insurance  
43 company or other financial institution that has been assigned, for obligations insured by the

1 provider of the Reserve Alternative Instrument, a rating by at least two Rating Agencies in one  
2 of the two highest rating categories (without regard to gradations by numerical modifier or  
3 otherwise) or (b) a commercial bank, insurance company or other financial institution the  
4 obligations payable or guaranteed by which have been assigned a rating by at least two Rating  
5 Agencies in one of the two highest rating categories (without regard to gradations by numerical  
6 modifier or otherwise).

7 (iii) If the Reserve Alternative Instrument is an unconditional irrevocable letter of credit  
8 issued to the Master Trustee, the letter of credit shall be payable in one or more draws upon  
9 presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds  
10 sufficient funds to make a required payment of principal or interest on the Parity Obligations  
11 having the benefit of the Parity Common Reserve Account. The draws shall be payable within  
12 two days of presentation of the sight draft. The letter of credit shall be for a term of not less than  
13 three years. The issuer of the letter of credit shall be required to notify the Corporation and the  
14 Master Trustee, not later than 30 months prior to the stated expiration date of the letter of credit,  
15 as to whether such expiration date shall be extended, and if so, shall indicate the new expiration  
16 date. The Master Trustee is directed to draw upon the letter of credit prior to its expiration or  
17 termination unless an acceptable replacement is in place or the Parity Common Reserve Account  
18 is fully funded to the Parity Common Reserve Account Requirement.

19 (iv) The Master Trustee shall ascertain the necessity for a claim or draw upon the  
20 Reserve Alternative Instrument and shall provide notice to the issuer of the Reserve Alternative  
21 Instrument in accordance with its terms not later than three days (or such longer period as may  
22 be necessary depending on the permitted time period for honoring a draw under the Reserve  
23 Alternative Instrument) prior to each Interest Payment Date.

24 (v) Cash on deposit in the Parity Common Reserve Account shall be used (or  
25 Investment Obligations purchased with such cash shall be liquidated and the proceeds applied as  
26 required) prior to any drawing on any Reserve Alternative Instrument. If and to the extent that  
27 more than one Reserve Alternative Instrument is deposited in the Parity Common Reserve  
28 Account, drawings thereunder and repayments of costs associated therewith shall be made on a  
29 pro rata basis, calculated by reference to the maximum amounts available thereunder.

30 (b) The Master Trustee shall use amounts in the Parity Common Reserve  
31 Account to make transfers, or use moneys provided under a Reserve Alternative Instrument to  
32 make deposits, in the following order, in respect of all Parity Obligations additionally secured by  
33 the Parity Common Reserve Account, to the appropriate subaccounts in the Interest Account, the  
34 Principal Account and the Sinking Fund Account to remedy any deficiency therein as of any  
35 Interest Payment Date, principal payment date or sinking fund payment date (or any earlier date  
36 as set forth in a Parity Resolution), or to pay the interest on or the principal of or amortization  
37 requirements in respect of any Parity Debt when due, whenever and to the extent the money on  
38 deposit for such purposes is insufficient.

39 (c) The Master Trustee shall use amounts in any Special Reserve Account  
40 held by it to make transfers, or use moneys provided under a Reserve Alternative Instrument to  
41 make deposits, in the following order, in respect of the particular Parity Obligations secured by  
42 such Special Reserve Account, to the appropriate subaccounts in the Interest Account, the

1 Principal Account and the Sinking Fund Account to remedy any deficiency therein as of any  
2 Interest Payment Date, principal payment date or sinking fund payment date (or any earlier date  
3 as set forth in a Parity Resolution) or to pay the interest on or the principal of or amortization  
4 requirement in respect thereof on Parity Debt when due, whenever and to the extent the money  
5 on deposit for such purposes is insufficient.

6 (d) Any deficiency in the Parity Common Reserve Account resulting from the  
7 withdrawal of moneys therein shall be made up by depositing to the credit of such Account the  
8 amount of such deficiency within one year following the date on which such withdrawal is made,  
9 such deposit to be made pursuant to Section 504(c) hereof. Any deficiency in the Parity  
10 Common Reserve Account resulting from a draw on a Reserve Alternative Instrument shall be  
11 made up as provided in such Reserve Alternative Instrument or documentation relating thereto,  
12 but any such deficiency must be made up by not later than the final date when such deficiency  
13 would have been required to be made up if there had been a withdrawal of moneys from the  
14 Parity Common Reserve Account rather than a draw on a Reserve Alternative Instrument.  
15 Deficiencies, whether resulting from withdrawals or draws, may be satisfied through the deposit  
16 of additional cash, the delivery of an additional Reserve Alternative Instrument or an increase in  
17 the amount available to be drawn under a Reserve Alternative Instrument. Unless otherwise  
18 provided in a Reserve Alternative Instrument or the documentation relating thereto, cash or  
19 Investment Obligations on deposit to the credit of the Parity Common Reserve Account shall be  
20 used to satisfy deficiencies, as provided in paragraph (b) of this Section, prior to any draw on a  
21 Reserve Alternative Instrument.

22 (e) Unless a Reserve Alternative Instrument shall be in effect, if on any date  
23 of valuation pursuant to Section 603 hereof, the amount on deposit in the Parity Common  
24 Reserve Account is less than ninety percent (90%) of the Parity Common Reserve Account  
25 Requirement, the Corporation shall deposit into the Parity Common Reserve Account within one  
26 year following such date the amount required as of such date to cause the amount then on deposit  
27 in the Parity Common Reserve Account to be equal to the Parity Common Reserve Account  
28 Requirement. Any such deficiency may be satisfied through the deposit of additional cash, the  
29 delivery of an additional Reserve Alternative Instrument or an increase in the amount available  
30 to be drawn under a Reserve Alternative Instrument.

31 (f) Any deficiency in a Special Reserve Account resulting from the  
32 withdrawal of moneys therein or a draw on a Reserve Alternative Instrument or resulting from a  
33 valuation of the Investment Obligations therein pursuant to Section 603 hereof shall be made up  
34 as provided in the Parity Resolution establishing such Special Reserve Account.

35 Section 509. Application of Money in Redemption Account. The Master Trustee shall  
36 apply money in the Redemption Account to the purchase or redemption of Bonds as follows:

37 (a) Subject to the provisions of paragraph (c) of this Section, and if instructed  
38 to do so by an Authorized Officer of the Corporation, the Master Trustee shall endeavor to  
39 purchase and cancel Bonds or portions thereof, whether or not such Bonds or portions thereof are  
40 then subject to redemption, at the most advantageous price obtainable with reasonable diligence,  
41 provided that the purchase price of each Bond, plus accrued interest to the date of purchase, shall  
42 not exceed the Redemption Price that would be payable on the next redemption date to the

1 Owners of such Bonds under the provisions of the applicable Supplemental Indenture plus  
2 accrued interest to the redemption date if such Bond or such portion thereof were called for  
3 redemption on such redemption date from the money in the applicable subaccount of the  
4 Redemption Account. The Master Trustee shall pay the interest accrued on such Bonds or  
5 portions thereof to the date of settlement from the applicable subaccount of the Interest Account  
6 and the purchase price from the applicable subaccount of the Redemption Account, but no such  
7 purchase shall be made by the Master Trustee from money in the applicable subaccount of the  
8 Redemption Account within the period of forty-five (45) days immediately preceding any date  
9 on which such Bonds or portions thereof are to be redeemed except from moneys other than the  
10 moneys set aside in the applicable subaccount of the Redemption Account for the redemption of  
11 Bonds.

12 (b) Subject to the provisions of paragraph (c) of this Section, the Master  
13 Trustee shall call for redemption on a date permitted by the applicable Supplemental Indenture  
14 such amount of Bonds or portions thereof as, with the redemption premium, if any, will exhaust  
15 the moneys then held in the applicable subaccount of the Redemption Account as nearly as may  
16 be practicable; provided, however, that not less than One Hundred Thousand Dollars (\$100,000)  
17 in principal amount of Bonds shall be called for redemption at any one time unless the Master  
18 Trustee is so instructed by the Corporation in writing. The Master Trustee shall pay the accrued  
19 interest on the Bonds or portions thereof to be redeemed to the date of redemption from the  
20 applicable subaccount of the Interest Account and the Redemption Price of such Bonds or  
21 portions thereof from the applicable subaccount of the Redemption Account. On or before the  
22 redemption date, the Master Trustee shall withdraw from the Redemption Account and the  
23 Interest Account and transfer to the Bond Registrar the respective amounts required to pay the  
24 Redemption Price and accrued interest to the redemption date of the Bonds or portions thereof so  
25 called for redemption.

26 (c) Money in the Redemption Account may be applied by the Master Trustee  
27 in each Fiscal Year to the purchase or the redemption of Bonds of any one or more Series then  
28 Outstanding in accordance with the Intest Officer's Certificate of an Authorized Officer of the  
29 Corporation filed with the Master Trustee (i) designating one or more Series of Bonds to be  
30 purchased or redeemed, (ii) if more than one Series of Bonds is so designated, setting forth the  
31 aggregate principal amount of Bonds of each Series to be purchased or redeemed, and (iii) unless  
32 the Supplemental Indenture relating to the Bonds to be redeemed specifies the order of  
33 redemption, designating the Bonds to be redeemed within each Series, and if such Bonds are  
34 Term Bonds, the Fiscal Years in which future Sinking Fund Requirements are to be reduced as a  
35 result of such redemption and the amount of such reduction in each such Fiscal Year. In the  
36 event no such Certificate is filed and unless the Supplemental Indenture relating to the Bonds to  
37 be redeemed specifies otherwise, (A) the Master Trustee shall apply such money to the purchase  
38 of one or more Series of Bonds as it shall determine or to the redemption of Bonds bearing the  
39 highest rate of interest, (B) if Bonds of more than one maturity bear the same interest rate, the  
40 Master Trustee shall redeem such Bonds in the inverse order of maturities, and (C) if the Bonds  
41 bearing the highest rate of interest are Term Bonds, the Master Trustee shall reduce Sinking  
42 Fund Requirements for such Term Bonds in inverse order of the scheduled redemption of such  
43 Term Bonds. All Bonds shall be redeemed as provided in the applicable Supplemental  
44 Indenture.



1 Money held for the credit of the subaccounts in the Redemption Account shall be applied  
2 to the purchase or redemption of Bonds in the manner provided in the applicable Supplemental  
3 Indenture.

4 Section 510. Escrow. All money that the Master Trustee shall have withdrawn from  
5 the Bond Fund or shall have received from any other source and set aside or delivered to the  
6 Bond Registrar for the purpose of paying any of the Bonds hereby secured, either at maturity or  
7 by purchase or call for redemption, shall be held in trust for the respective Owners.

8 Any money that is so set aside and that remains unclaimed by the Owners for a period of  
9 30 months after the date on which such Bonds have become payable shall be treated as  
10 abandoned property pursuant to the provisions of Section 717.1035, Florida Statutes, and the  
11 Master Trustee or the Bond Registrar shall report and remit this property to the Unclaimed  
12 Property Trust Fund established by and according to the requirements of Sections 717.117 to  
13 717.124, inclusive, Florida Statutes, and thereafter the Owners shall look only to the Unclaimed  
14 Property Trust Fund for payment and then only to the extent of the amounts so received, without  
15 any interest thereon, and the Master Trustee, the Bond Registrar and the Corporation shall have  
16 no responsibility with respect to such money.

17 Section 511. Cancellation of Bonds. Upon receipt of the same, the Bond Registrar shall  
18 cancel all Bonds paid, redeemed or purchased by the Master Trustee or purchased by the  
19 Corporation and delivered to the Bond Registrar, and all Bonds delivered to the Bond Registrar  
20 in exchange for other Bonds or delivered to the Bond Registrar upon the transfer of any Bond if a  
21 new Bond is delivered upon such transfer. The Bond Registrar shall certify to the Corporation  
22 the details of all Bonds so canceled. All Bonds canceled under any of the provisions of this  
23 Master Indenture either shall be delivered to the Corporation or destroyed by the Bond Registrar,  
24 as the Corporation directs. Upon destruction of any Bonds, the Bond Registrar shall execute a  
25 certificate in duplicate, describing the Bonds so destroyed; and one executed certificate shall be  
26 filed with the Corporation and the other executed certificate shall be retained by the Bond  
27 Registrar.

28 Section 512. Disposition of Fund Balances. After provision is made for the payment of  
29 all Outstanding Parity Obligations, including the interest thereon and for the payment of all other  
30 obligations, expenses and charges required to be paid under or in connection with this Master  
31 Indenture and any Parity Resolution, and receipt by the Master Trustee of an Officer's Certificate  
32 of an Authorized Officer of the Corporation to the effect that there are no other Master  
33 Indentures, resolutions, bond orders or other agreements that impose a continuing lien on the  
34 balances hereinafter mentioned, the Master Trustee shall pay all amounts in any fund, account or  
35 subaccount then held by it under this Master Indenture to the FHCF. If the Corporation notifies  
36 the Master Trustee that a continuing lien has been imposed on such balance by another indenture,  
37 resolution, bond order or any other agreement, by court order or decree, or by law, the Master  
38 Trustee shall, at the written direction of the Corporation, pay such balance to such person as is  
39 entitled to receive the same by law or under the terms of such indenture, resolution, bond order,  
40 agreement, or by court order or decree.

41 Section 513. Use of Available Funds. Nothing in this Master Indenture shall be  
42 construed to prevent the Corporation from paying all or any part of the Current Expenses of the

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1 Corporation from any money available to the Corporation for such purpose, or, subject to Section  
2 604 hereof, from depositing in any fund or account created under, or subaccount created pursuant  
3 to, the provisions of this Master Indenture or any fund or account created under or pursuant to a  
4 Parity Debt Resolution or a Subordinated Indebtedness Resolution, any money available to the  
5 Corporation for such deposit, except to the extent the Corporation is prohibited from making  
6 such deposit by this Master Indenture, any Parity Resolution, any Subordinated Indebtedness  
7 Resolution or otherwise.

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## Article VI.

### DEPOSITARIES OF MONEY, SECURITY FOR DEPOSITS, INVESTMENT OF FUNDS AND COVENANT AS TO ARBITRAGE

6 Section 601. Security for Deposits. Any and all money received by the Corporation  
7 under the provisions of this Master Indenture shall be deposited as received with the Master  
8 Trustee or one or more other Depositaries as provided in this Master Indenture and shall, in the  
9 case of deposits with the Master Trustee, be trust funds under the terms hereof, and, shall not be  
10 subject to any lien or attachment by any creditor of the Corporation.

11 All money deposited with and held by the Master Trustee or any Depositary hereunder in  
12 excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal  
13 agency shall be continuously secured, for the benefit of the Corporation and the Owners, either  
14 (a) by indging with a bank or trust company chosen by the Master Trustee or Depositary or, if  
15 then permitted by law, by setting aside under control of the trust department of the bank or trust  
16 company holding such deposit, as collateral security, Government Obligations or other  
17 marketable securities eligible as security for the deposit of trust funds under regulations of the  
18 Comptroller of the Currency of the United States or applicable State law or regulations, having a  
19 market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the  
20 furnishing of security as provided in clause (a) above is not permitted by applicable law, then in  
21 such other manner as may then be required or permitted by applicable State or federal laws and  
22 regulations regarding the security for, or granting a preference in the case of, the deposit of trust  
23 funds; provided, however, that it shall not be necessary for the Master Trustee or any Depositary  
24 to give security for the deposit of any money with it for the payment of the principal of or the  
25 redemption premium, if any, or the interest on any Parity Obligations or Subordinated  
26 Indebtedness, or for the Master Trustee or any Depositary to give security for any money that  
27 shall be represented by Investment Obligations purchased under the provisions of this Article as  
28 an investment of such money.

29 All money deposited with the Master Trustee or any Depositary shall be credited to the  
30 particular fund, account or subaccount to which such money belongs.

31 Section 602. Investment of Money. Money held for the credit of all funds, accounts  
32 and subaccounts established under this Master Indenture and held by the Master Trustee shall, in  
33 accordance with the written directions of the Corporation, be continuously invested and  
34 reinvested by the Master Trustee or the Depositaries, whichever is applicable, in Investment  
35 Obligations to the extent practicable. Except as hereinafter provided in this Section with respect  
36 to the disposition of investment income, the particular investments to be made and other related  
37 matters in respect of investments shall, as to each Series of Bonds, be provided in the  
38 Supplemental Indenture authorizing the issuance of such Series of Bonds.

39 Except as hereinafter provided in this Section with respect to the Parity Common Reserve  
40 Account, Investment Obligations shall mature or be redeemable at the option of the holder

1 thereof not later than the respective dates when the money held for the credit of such funds,  
2 accounts and subaccounts will be required for the purposes intended.

3 Investment Obligations in the Parity Common Reserve Account shall mature or be  
4 redeemable at the option of the Master Trustee not later than the final maturity date of the Parity  
5 Obligations to which such Parity Common Reserve Account is pledged.

6 Notwithstanding the foregoing, no Investment Obligations pertaining to any Series of  
7 Bonds in any fund, account or subaccount held by the Master Trustee or any Depositary shall  
8 mature on a date beyond the latest maturity date of the Bonds of such Series Outstanding at the  
9 time such Investment Obligations are deposited. For purposes of this Section, the maturity date  
10 of any repurchase agreement shall be deemed to be the stated maturity date of such agreement  
11 and not the maturity dates of the underlying Investment Obligations.

12 The Corporation shall cause the State Board of Administration either to enter into  
13 agreements with the Master Trustee or any Depositary for the investment of any money required  
14 or permitted to be invested under this Master Indenture or to give the Master Trustee or any  
15 Depositary written directions respecting the investment of such money, subject, however, to the  
16 provisions of this Article, and the Master Trustee or such Depositary shall then invest such  
17 money in accordance with such agreements or directions. The Master Trustee or any Depositary  
18 may request additional directions or authorization from the State Board of Administration or an  
19 Authorized Officer of the State Board of Administration in writing with respect to the proposed  
20 investment of money under the provisions of this Master Indenture. Upon receipt of such  
21 directions, the Master Trustee or any Depositary shall invest, subject to the provisions of this  
22 Article, such money in accordance with such directions or authorization. The Master Trustee  
23 shall have no liability for any losses on investments made in accordance with this Section.

24 Investment Obligations acquired with money in or credited to any fund, account or  
25 subaccount established under this Master Indenture shall be deemed at all times to be part of  
26 such fund, account or subaccount. Any loss realized upon the disposition or maturity of such  
27 Investment Obligations shall be charged against such fund, account or subaccount unless  
28 otherwise directed by a Supplemental Indenture. The interest accruing on any such Investment  
29 Obligations and any profit realized upon the disposition or maturity of such Investment  
30 Obligations shall be credited to such fund, account or subaccount.

31 Any such interest accruing and any such profit realized shall be transferred upon the  
32 receipt thereof by the Depositaries or the Master Trustee, as the case may be, pursuant to the  
33 provisions of this Master Indenture and any Supplemental Indenture.

34 The Master Trustee shall sell or reduce to cash a sufficient amount of such Investment  
35 Obligations whenever it is necessary to do so to provide money to make any payment from any  
36 fund, account or subaccount established under this Master Indenture. The Master Trustee shall  
37 not be liable or responsible for any loss resulting from any such action.

38 Whenever a transfer of money between two or more of the funds, accounts or  
39 subaccounts established under this Master Indenture is permitted or required, such transfer may  
40 be made as a whole or in part by transfer of one or more Investment Obligations at a value

1 determined at the time of such transfer in accordance with this Article, provided that the  
2 Investment Obligations transferred are those in which money of the receiving fund, account or  
3 subaccount could be invested on the date of such transfer.

4 For purposes of making any investment hereunder, the Master Trustee or any Depositary  
5 may consolidate money held by it in any fund, account or subaccount with money in any other  
6 fund, account or subaccount, except to the extent such consolidation is prohibited by this Master  
7 Indenture, any Parity Resolution or any Subordinated Indebtedness Resolution. Transfers from  
8 any fund, account or subaccount to the credit of any other fund, account or subaccount provided  
9 for in this Master Indenture may be effectuated on the books and records of the Master Trustee,  
10 the Corporation or any Depositary without any actual transfer of funds or liquidation of  
11 investments. Investment Obligations purchased with consolidated funds shall be allocated to  
12 each fund, account or subaccount on a pro-rata basis in accordance with the initial amount so  
13 invested from each such fund, account or subaccount.

14 Unless otherwise directed by the State Board of Administration or an Authorized Officer  
15 of the State Board of Administration, Investment Obligations may be purchased by the Master  
16 Trustee or any Depositary through its own investment division or other bank facilities  
17 established for such purpose.

18 Section 603. Valuation. For the purpose of determining the amount on deposit in any  
19 fund, account or subaccount established under this Master Indenture, Investment Obligations in  
20 which money in such fund, account or subaccount is invested shall be valued at cost.

21 All Investment Obligations in all of the funds, accounts and subaccounts established  
22 under this Master Indenture shall be valued as of the Business Day immediately preceding each  
23 Interest Payment Date. If a valuation is made by the Master Trustee, the Master Trustee shall  
24 report the result of such valuation to the Corporation and the State Board of Administration as  
25 soon as practicable following such valuation. In addition, Investment Obligations shall be  
26 valued at any time requested by an Authorized Officer of the Corporation or an Authorized  
27 Officer of the State Board of Administration on reasonable notice to the Master Trustee (which  
28 period of notice may be waived or reduced by the Master Trustee at its sole discretion);  
29 provided, however, that the Master Trustee shall not be required to value Investment Obligations  
30 more than once in any calendar month.

31 Whenever, following a valuation described above, the value of the cash and Investment  
32 Obligations in the Parity Common Reserve Account held by the Master Trustee, plus accrued  
33 interest to the date of valuation, is less than ninety percent (90%) of the Parity Common Reserve  
34 Account Requirement, the Master Trustee shall compute the amount by which the Parity  
35 Common Reserve Account Requirement exceeds the balance in the Parity Common Reserve  
36 Account, and shall immediately give the Corporation and the State Board of Administration  
37 notice of such deficiency and the amount necessary to cure the same in accordance with Section  
38 508 hereof. Whenever the value of the cash and Investment Obligations in the Parity Common  
39 Reserve Account or a Special Reserve Account held by the Master Trustee, plus accrued interest  
40 to the date of valuation, is greater than the Parity Common Reserve Account Requirement or the  
41 Special Reserve Account Requirement, as the case may be, the Master Trustee shall compute the  
42 amount by which the balance in the Parity Common Reserve Account or the Special Reserve

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1 The aforementioned pledge, security interest and lien shall not impair or restrict the  
2 ability of the Corporation to invest in securities and other forms of investment, subject to the  
3 provisions of this Master Indenture.

4 The Corporation covenants that it will prepare and file such financing statements or  
5 amendments to or terminations of existing financing statements as shall, in the Opinion of  
6 Counsel, be necessary to comply with applicable law or as required due to changes in the Net  
7 Receipts. In addition, if financing statements are filed pursuant to the requirements of the  
8 preceding sentence, the Corporation covenants that it will, at least thirty (30) days prior to the  
9 expiration of any financing statement, prepare and file such continuation statements of existing  
10 financing statements as shall, in the Opinion of Counsel, be necessary to continue the security  
11 interest evidenced thereby and shall provide to the Master Trustee written notice of such filing.  
12 If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to  
13 the expiration date of any such financing statement, the Master Trustee shall prepare and file or  
14 cause the Corporation to prepare and file such continuation statements in a timely manner.

15 (b) The Corporation covenants that it will not pledge or grant a security  
16 interest in (except as provided in (a) above and as may be otherwise provided in this Master  
17 Indenture) any of the Net Receipts.

18 (c) The Corporation covenants to pay or cause to be paid the principal of,  
19 premium, if any, and interest on the Parity Obligations secured by this Master Indenture at the  
20 places, on the dates and in the manner provided in this Master Indenture and in the Parity  
21 Obligations according to the terms thereof whether at maturity, upon proceedings for  
22 redemption, by acceleration or otherwise.

23 Section 702. Covenants as to Existence, Etc. The Corporation hereby covenants:

24 (a) Except as otherwise expressly provided herein, to preserve its corporate or  
25 other legal existence and all its rights and licenses to the extent necessary or desirable in the  
26 operation of its business and affairs and be qualified to do business in each jurisdiction where its  
27 ownership of Property or the conduct of its business requires such qualification.

28 (b) To do all things reasonably necessary to conduct its affairs and carry on its  
29 business and operations in such manner as to comply with any and all applicable laws of the  
30 United States and the several states thereof and duly observe and conform to all valid orders,  
31 regulations or requirements of any governmental authority relative to the conduct of its business  
32 and the ownership of its Property; provided, however, that nothing herein contained shall require  
33 it to comply with, observe and conform to any such law, order, regulation or requirement of any  
34 governmental authority so long as the validity thereof or the applicability thereof to it shall be  
35 contested in good faith.

36 (c) To pay promptly all lawful taxes, governmental charges and assessments  
37 at any time levied or assessed upon or against it or its Property; provided, however, that it shall  
38 have the right to contest in good faith any such taxes, charges or assessments or the collection of  
39 any such sums and pending such contest may delay or defer payment thereof.

1 Account, as the case may be, exceeds the Parity Common Reserve Account Requirement or the  
2 Special Reserve Account Requirement, as the case may be, and shall transfer the excess in  
3 accordance with the provisions of the applicable Parity Resolution.

4 Section 604. Covenant as to Arbitrage. The Corporation covenants that so long as any  
5 Tax-Exempt Parity Obligations remain Outstanding, the money on deposit in any fund, account  
6 or subaccount maintained in connection with such Tax-Exempt Parity Obligations, regardless of  
7 whether such money was derived from the proceeds of the sale of such Tax-Exempt Parity  
8 Obligations or from any other sources, will not be used in a manner that would cause such Tax-  
9 Exempt Parity Obligations to be "arbitrage bonds" within the meaning of Section 148 of the  
10 Code and applicable regulations promulgated from time to time thereunder. The Corporation  
11 further covenants and agrees to comply with the requirements of Section 148 of the Code and  
12 applicable regulations promulgated from time to time thereunder with respect to any Tax-Exempt  
13 Parity Obligations.

#### Article VII.

#### COVENANTS OF THE CORPORATION AND THE STATE

17 Section 701. Security; Restrictions on Encumbering Net Receipts; Payment of Principal  
18 and Interest. (a) Any Bond issued under this Master Indenture shall be a special and limited  
19 obligation of the Corporation payable solely from Net Receipts and money, Investment  
20 Obligations and Reserve Alternative Instruments held in the funds, accounts and subaccounts  
21 established under this Master Indenture and the income from such Investment Obligations and  
22 the investment of such money.

23 As security for the payment of the Bonds and any Parity Debt and the interest thereon and  
24 as authorized by the Act, the Corporation hereby (i) grants to the Master Trustee a pledge of,  
25 security interest in and lien upon its Net Receipts and (ii) assigns to the Master Trustee all its  
26 right, title and interest (including the right to enforce the same and the right to receive and collect  
27 the Pledged Collateral) in and to the Pledge Agreement (except for those certain rights that are  
28 set forth in the granting clauses of this Master Indenture).

29 In addition, as further security for the payment of each Series of Bonds and the interest  
30 thereon, the Corporation hereby grants to the Master Trustee a pledge of, security interest in and  
31 lien upon the money and investment Obligations in any and all of the related accounts and  
32 subaccounts of the Bond Fund and the accounts and subaccounts established under the  
33 Supplemental Indenture authorizing the issuance of such Series.

34 The pledge, security interest and lien shall be effective and operate immediately, and the  
35 Master Trustee shall have the right to collect and receive the Net Receipts in accordance with the  
36 provisions hereof and the Pledged Collateral in accordance with the provisions of the Pledge  
37 Agreement at all times during the period from and after the date of delivery of the Bonds issued  
38 hereunder until the Bonds and all Parity Debt have been fully paid and discharged, including at  
39 all times after the institution and during the pendency of any bankruptcy or similar proceedings.

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1 (d) To pay promptly or otherwise satisfy and discharge all of its indebtedness  
2 and all demands and claims against it as and when the same become due and payable, other than  
3 any thereof (exclusive of the indebtedness created and Outstanding hereunder) whose validity,  
4 amount or collectibility is being contested in good faith.

5 (e) At all times to comply with all terms, covenants and provisions of any  
6 Liens at such time existing upon its Property or any part thereof or securing any of its  
7 indebtedness.

8 Section 703. Limitations on Creation of Liens. (a) The Corporation agrees that it will  
9 not create or suffer to be created or permit the existence of any Lien upon the Net Receipts other  
10 than Permitted Liens as defined in clause (b) below.

11 (b) Permitted Liens shall consist of the following:

12 (i) Liens arising by reason of deposits by the Corporation to secure public or  
13 statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as  
14 security for the payment of taxes or assessments or other similar charges;

15 (ii) Any Lien arising by reason of deposits with, or the giving of any form of security  
16 to, any governmental agency or any body created or approved by law or governmental  
17 regulation for any purpose at any time as required by law or governmental regulation as a  
18 condition to the transaction of any business or the exercise of any privilege or license;

19 (iii) the Lien of this Master Indenture;

20 (iv) any Lien securing all Parity Obligations on a pari passu basis;

21 (v) any Lien on Net Receipts securing Subordinated Indebtedness; and

22 (vi) any Lien securing the obligations of the Corporation under a Derivative  
23 Agreement which, if required by the provider of such Derivative Agreement, may be pari passu  
24 with the Lien on the Net Receipts securing the Parity Obligations created under this Master  
25 Indenture, so long as the notional amount of all Derivative Agreements secured by such pari  
26 passu Liens does not at any time exceed the aggregate amount of Parity Obligations then  
27 Outstanding and so long as the Corporation's obligation to make any termination payment  
28 constitutes Subordinated Indebtedness.

29 Section 704. Incurrence Test. Subsequent to the effective date of this Master  
30 Indenture and the Corporation's issuance of its \$1,350,025,000 Series 2006A Bonds in  
31 accordance with its Supplement No. 1 dated as of June 1, 2006 and its issuance of up to  
32 \$2,800,000,000 of Pre-Event Parity Bonds on or prior to August 1, 2006, all of which may be  
33 issued without compliance with the Incurrence Test established by this Section,

34 (a) The Corporation may incur Parity Obligations at one time or from time to  
35 time in any form or combination of forms permitted by this Master Indenture if, prior to the  
36 incurrence of such Parity Obligations, the Corporation shall file or cause to be filed with the  
37 Master Trustee an Officer's Certificate of the Corporation (which may rely upon certificates or

other documentation delivered by an Authorized Officer of the State Board of Administration) certifying that (i) the Debt Service Coverage Ratio, taking into account the proposed additional Parity Obligations, is not less than 1.25 and (ii) in the case of Post-Event Parity Obligations, the product of the aggregate percentage rate of all Emergency Assessments (A) currently levied by the Office of Insurance Regulation and (B) not currently levied by the Office of Insurance Regulation but which the State Board of Administration has authorized and directed the Office of Insurance Regulation to impose, in each case as of the date of such Certificate, multiplied by the Emergency Assessment Base for the most recent 12-month period for which such information is available, is not less than 100% of the Maximum Debt Service Requirement for all of the Post-Event Parity Obligations, including the proposed additional Post-Event Parity Obligations, that will be Outstanding immediately following the issuance of such proposed Post-Event Parity Obligations.

(b) The Corporation may incur Parity Obligations for the purpose of refunding or reissuing any Outstanding Indebtedness if, prior to the incurrence of such Parity Obligations, (i) either (A) the Master Trustee receives an Officer's Certificate of the Corporation (which may rely upon certificates or other documentation delivered by an Authorized Officer of the State Board of Administration) stating that, taking into account the Parity Obligations proposed to be incurred, the Parity Obligations to remain Outstanding after the refunding and the refunding of the Outstanding Indebtedness proposed to be refunded, the Maximum Debt Service Requirement will not be increased by more than five percent (5%), or (B) the Corporation files or causes to be filed with the Master Trustee an Officer's Certificate of the Corporation (which may rely upon certificates or other documentation delivered by an Authorized Officer of the State Board of Administration) certifying that the Debt Service Coverage Ratio, taking into account the Parity Obligations proposed to be incurred, the refunding of the Outstanding Indebtedness proposed to be refunded and the Parity Obligations to remain Outstanding after the refunding, is not less than 1.25, (ii) in the case of Post-Event Parity Obligations, the product of the aggregate percentage rate of all Emergency Assessments (A) currently levied by the Office of Insurance Regulation and (B) not currently levied by the Office of Insurance Regulation but which the State Board of Administration has authorized and directed the Office of Insurance Regulation to impose, in each case as of the date of such Certificate, multiplied by the Emergency Assessment Base for the most recent 12-month period for which such information is available, is not less than 100% of the Maximum Debt Service Requirement for all of the Post-Event Parity Obligations, including the proposed additional Post-Event Parity Obligations, that will be Outstanding immediately following the issuance of such proposed Post-Event Parity Obligations, and (iii) the Master Trustee receives a report by a nationally-recognized verification agent verifying the computations supporting the determinations in (i) and (ii) above.

(c) For purposes of demonstrating compliance with the Incurrence Test set forth in subsection (a) or (b), the Corporation may (but is not required to) elect in the applicable Supplemental Indenture to treat all Parity Obligations authorized in a Credit Facility (including, for example and without limitation, a line of credit or a liquidity facility supporting a commercial paper program), but not immediately issued or incurred under such Credit Facility, as subject to such Incurrence Test as of a single date, notwithstanding that none, or less than all, of the authorized principal amount of such Parity Obligations shall have been issued or incurred as of such date.

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Year accompanied by the opinion of an Auditor. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than two hundred seventy (270) days after the end of each fiscal reporting period, file with the Master Trustee and with each Owner or Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate of an Authorized Officer of the Corporation and a report of an Auditor stating, to the best knowledge of the signers, whether the Corporation is in default in the performance of any covenant contained in this Master Indenture and, if so, specifying each such default of which the signers may have knowledge and whether each such default has been corrected. If any default has not been remedied then such report of such independent certified public accountant or firm of independent certified public accountants shall identify what, if any, corrective action will be taken to cure such default.

(c) If an Event of Default shall have occurred and be continuing, file with the Master Trustee such other financial statements and information concerning its operations and financial affairs as the Master Trustee may from time to time reasonably request, excluding specifically personnel records.

**Section 707. Annual Budget.** The Corporation covenants that on or before the first (1st) day of each Fiscal Year the Governing Body will adopt a budget for such Fiscal Year. The Corporation shall promptly file copies of such annual budget with the State Board of Administration and the Master Trustee and with each Owner and Holder who may have so requested of the Corporation in writing. To the extent possible, the Corporation shall prepare its annual budget so that it will be possible to determine from such budget the Current Expenses of the Corporation and the amounts to be deposited to the credit of the various funds, accounts and subaccounts created by this Master Indenture.

**Section 708. State Covenant.** The Corporation incorporates herein the State's covenant with the Owners of Outstanding Bonds that the State will not limit or alter the denial of authority to file a petition in bankruptcy, or the rights vested in the FHCF or the Corporation to fulfill the terms of any agreements made with the Owners, or in any way impair the rights and remedies of such Owners so long as any such Bonds of the Corporation remain Outstanding unless adequate provision has been made for the payment of such Bonds pursuant to the documents authorizing the issuance of such Bonds.

#### Article VIII.

#### DEFAULTS AND REMEDIES

**Section 801. Extension of Interest Payment.** If the time for the payment of the interest on any Parity Obligation is extended, whether or not such extension is by or with the consent of the Corporation, such interest so extended shall not be entitled in case of default hereunder to the benefit or security of this Master Indenture and in such case the Owner of the Bond or the Holder of any Parity Debt for which the time for payment of interest was extended shall be entitled only to the payment in full of the principal of all Parity Obligations then Outstanding and of interest

(d) Short-Term Indebtedness may be incurred under this Master Indebtedness as a Parity Obligation only in compliance with the Incurrence Test in subsection (a). In addition, the Corporation may incur Short-Term Indebtedness as Subordinated Indebtedness under this Master Indenture.

(e) Notwithstanding the foregoing provisions of this Section, nothing herein contained shall preclude the Corporation from incurring any obligation under a Credit Facility.

(f) Notwithstanding the foregoing provisions of this Section, nothing herein contained shall preclude the Corporation from entering into a Derivative Agreement either in connection with Indebtedness or otherwise.

**Section 705. Fiscal Year End Certificate.** Not later than ninety (90) days after the end of each Fiscal Year, commencing with the Fiscal Year ending on June 30, 2007, the Corporation shall file with the Master Trustee an Officer's Certificate demonstrating and stating that the Revenue Available for Debt Service for the prior Fiscal Year (set forth in such Certificate) was not less than the greater of (i) one hundred twenty-five percent (125%) of the principal and interest that became due and payable in such Fiscal Year on Parity Obligations and (ii) one hundred percent (100%) of the principal and interest that became due and payable in such Fiscal Year for Parity Obligations and Subordinated Indebtedness (both such calculations set forth in such Certificate); provided, however, that if the Corporation is unable to deliver such an Officer's Certificate, the Corporation covenants to take all actions permitted by law or under the Pledge Agreement, including (A) petitioning the Legislature of the State for any amendment or amendments to the Act deemed appropriate by the Governing Body of the Corporation, (B) cooperating with the State Board of Administration in connection with any action to increase collections of Pledged Collateral and (C) retaining a Consultant within thirty (30) days to make recommendations to increase the Revenue Available for Debt Service in the following Fiscal Year to the levels required or, if in the opinion of the Consultant the attainment of such levels is impracticable, to the highest levels attainable. Any Consultant so retained shall be required to submit such recommendations within sixty (60) days after being so retained. The Corporation agrees that it will, to the extent permitted by law, follow, or cause to be followed, the recommendations of any Consultant so retained. For purposes of the Officer's Certificate described in this Section, there may be subtracted from the amount of the interest otherwise includable in the amounts described in clauses (i) and (ii) above an amount equal to the sum of the interest on Parity Obligations paid during such Fiscal Year from (Y) the Capitalized Interest Account in the Bond Fund and (Z) without duplication, investment income on and proceeds of Pre-Event Parity Obligations. The Officer's Certificate described in this Section 705 may be provided jointly by an Authorized Officer of the Corporation and an Authorized Officer of the State Board of Administration.

**Section 706. Filing of Audited Financial Statements, Certificate of No Default, Other Information.** The Corporation covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than two hundred seventy (270) days after the end of each Fiscal Year, file with the Master Trustee and with each Owner or Holder who may have so requested of this Corporation in writing, a copy of the Audited Financial Statements as of the end of such Fiscal

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for which the time for payment shall not have been extended. The time for the payment of the interest on any Parity Obligation shall not be extended in respect of any Parity Obligation covered by a Credit Facility without the consent of the Credit Provider.

**Section 802. Events of Default.** Each of the following events is hereby declared an Event of Default with respect to Parity Obligations:

(a) the Corporation shall fail to make any payment of the principal of and the redemption premium, if any, on any of the Bonds or any Parity Debt when and as the same shall be due and payable, either at maturity or by redemption or otherwise;

(b) the Corporation shall fail to make any payment of the interest on any of the Bonds or any Parity Debt when and as the same shall be due and payable;

(c) an event of default shall have occurred under any Supplemental Indenture or the Master Trustee shall have received written notice from any Holder of an event of default under any Parity Debt Resolution;

(d) the Corporation shall fail duly to perform, observe or comply with any covenant or agreement on its part under this Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Corporation by the Master Trustee; provided, however, that if such failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

(e) the Corporation shall fail to make any required payment with respect to any Subordinated Indebtedness or other Indebtedness (other than any Bond, Parity Debt or Subordinated Indebtedness), whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument or a trustee acting on its behalf, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated and such acceleration, in the opinion of the Master Trustee, does or could materially adversely affect the Owners of Bonds and the Holders of Parity Debt; or

(f) the State shall (i) amend, alter, repeal or fail to comply with the State Covenant as in effect on the date hereof, or (ii) enact a moratorium or other similar law affecting the Bonds.

**Section 803. Acceleration of Maturities.** Upon the happening and continuance for a period of not less than one hundred eighty (180) days of any Event of Default described in Section 802(a) or (b) hereof, then and in every case the Master Trustee may, and upon the written request of the Owners or Holders of not less than a majority in aggregate principal amount of the Parity Obligations then Outstanding shall, by a notice in writing to the Corporation, declare the principal of all the Parity Obligations then Outstanding (if not then due

1 and payable) to be due and payable immediately, and upon such declaration the same shall  
2 become and be immediately due and payable, anything contained in the Parity Obligations, this  
3 Master Indenture or any Parity Resolution to the contrary notwithstanding; provided, however,  
4 that if at any time after the principal of the Parity Obligations shall have been so declared to be  
5 due and payable, and before the entry of final judgment or decree in any suit, action or  
6 proceeding instituted on account of such default, or before the completion of the enforcement of  
7 any other remedy under this Master Indenture, moneys shall have accumulated sufficient to pay  
8 the principal of all matured Parity Obligations and all arrears of interest, if any, upon all the  
9 Parity Obligations then Outstanding (except the principal of any Parity Obligations since the last  
10 and payable by their terms and the interest accrued on such Parity Obligations since the last  
11 interest payment date) and sufficient to satisfy the sinking fund requirement, if any, for any Term  
12 Parity Obligations then Outstanding, for the then current Fiscal Year, and the charges,  
13 compensation, expenses, disbursements, advances and liabilities of the Master Trustee and all  
14 other amounts then payable by the Corporation hereunder shall have been paid or a sum  
15 sufficient to pay the same shall have been deposited with the Master Trustee or any Bond  
16 Registrar and every other default known to the Master Trustee in the observance or performance  
17 of any covenant, condition, agreement or provision contained in the Bonds, any Parity Debt, this  
18 Master Indenture or any Parity Resolution (other than a default in the payment of the principal of  
19 such Parity Obligations then due and payable only because of a declaration under this Section)  
20 shall have been remedied to the satisfaction of the Master Trustee, then and in every such case  
21 the Master Trustee shall, by written notice to the Corporation, rescind and annul such declaration  
22 and its consequences, but no such rescission or annulment shall extend to or affect any  
23 subsequent Event of Default or impair any right consequent thereon.

24 Section 804. Remedies. (a) Upon the happening and continuance of any Event of  
25 Default, then and in every such case the Master Trustee may proceed, and upon the written  
26 request of the Owners or Holders of not less than a majority in aggregate principal amount of the  
27 Parity Obligations then Outstanding shall proceed, subject to the provisions of Section 902  
28 hereof, to protect and enforce its rights and the rights of the Owners or Holders of the Parity  
29 Obligations under applicable laws and under this Master Indenture by such suits, actions or  
30 special proceedings in equity or at law, or by proceedings in the office of any board or officer  
31 having jurisdiction, either for the specific performance of any covenant or agreement contained  
32 herein or in aid or execution of any power herein granted or for the enforcement of any proper  
33 legal or equitable remedy, as the Master Trustee, being advised by counsel, chosen by the Master  
34 Trustee, shall deem most effectual to protect and enforce such rights, including but not limited  
35 to:

36 (i) Enforcement of the right of the Owners and Holders to collect and enforce the  
37 payment of amounts due or becoming due under the Parity Obligations;

38 (ii) Suit upon all or any part of the Parity Obligations;

39 (iii) Civil action to require any Person holding moneys, documents or other property  
40 pledged to secure payment of amounts due or to become due on the Parity Obligations to  
41 account as if it were the trustee of an express trust for the Owners and Holders;

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1 available shall not be sufficient to pay in full the principal of Parity Obligations  
2 due and payable on any particular date, then to the payment ratably according to  
3 the amount of such principal due on such date, to the persons entitled thereto  
4 without any discrimination or preference; and

5 third: to the payment of the interest on and the principal of Parity  
6 Obligations, to the purchase and retirement of Parity Obligations, and to the  
7 redemption of Parity Obligations, all in accordance with the provisions of this  
8 Master Indenture and any Parity Resolution.

9 (b) If the principal of all Parity Obligations shall have become or shall have  
10 been declared due and payable, all such money shall be applied to the payment of principal and  
11 interest then due upon such Parity Obligations and regularly scheduled payments to a Derivative  
12 Agreement Counterparty with respect to Derivative Indebtedness, without preference or priority  
13 of principal over interest or of interest over principal, or of any installment of interest over any  
14 other installment of interest, or of any Bond or Parity Debt over any other Bond or Parity Debt,  
15 ratably, according to the amounts due respectively for principal and interest, to the persons  
16 entitled thereto without any discrimination or privilege.

17 (c) If the principal of all Parity Obligations shall have been declared due and  
18 payable and if such declaration shall thereafter have been rescinded and annulled under the  
19 provisions of Section 803 hereof, then, subject to the provisions of paragraph (b) of this Section  
20 in the event that the principal of all Parity Obligations shall later become due and payable or be  
21 declared due and payable, the money then remaining on deposit with the Master Trustee and  
22 thereafter accruing shall be applied in accordance with the provisions of paragraph (a) of this  
23 Section.

24 Whenever money is to be applied by the Master Trustee pursuant to the provisions of this  
25 Section: (a) such money shall be applied by the Master Trustee at such times and from time to  
26 time as the Master Trustee in its sole discretion shall determine, having due regard for the  
27 amount of money available for such application and the likelihood of additional money  
28 becoming available for such application in the future, (b) setting aside such money as provided  
29 herein in trust for the proper purpose shall constitute proper application by the Master Trustee,  
30 and (c) the Master Trustee shall incur no liability whatsoever to the Corporation, to any Owner  
31 or Holder or to any other Person for any delay in applying any such money so long as the Master  
32 Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately  
33 applies the same in accordance with such provisions of this Master Indenture as may be  
34 applicable at the time of application by the Master Trustee. Whenever the Master Trustee  
35 exercises such discretion in applying such money, it shall fix the date (which shall be an interest  
36 Payment Date unless the Master Trustee shall deem another date more suitable) upon which such  
37 application is to be made and upon such date interest on the amounts of principal to be paid on  
38 such date shall cease to accrue. The Master Trustee shall give such notice as it may deem  
39 appropriate of the fixing of any such date and shall not be required to make payment to the  
40 Owner of any Bond or the Holder of any Parity Debt until such Bond or Parity Debt is  
41 surrendered to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

1 (iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of  
2 the rights of the Owners and Holders;

3 (v) Enforcement of any other right of the Owners and Holders conferred by law or  
4 hereby; and

5 (vi) Enforcement of the provisions of the Pledge Agreement.

6 (b) Regardless of the happening of an Event of Default, the Master Trustee, if  
7 requested in writing by the Owners or Holders of not less than a majority of the aggregate  
8 principal amount of the Parity Obligations then Outstanding, shall, subject to Section 902 hereof,  
9 institute and maintain such suits and proceedings as it may be advised shall be necessary or  
10 expedient (i) to prevent any impairment of the security hereunder by any acts which may be  
11 unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Owners and  
12 Holders, provided that such request and the action to be taken by the Master Trustee are not in  
13 conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master  
14 Trustee, are not unduly prejudicial to the interest of the Owners and Holders not making such  
15 request.

16 Section 805. Pro Rata Application of Funds. Anything in this Master Indenture to the  
17 contrary notwithstanding, if at any time the money deposited with the Master Trustee pursuant to  
18 Section 502 hereof or pursuant to any remedial action is not sufficient to pay the interest on or  
19 the principal of the Parity Obligations as the same become due and payable (either by their terms  
20 or by acceleration of maturities under the provisions of Section 803 hereof), such money,  
21 together with any money then available or thereafter becoming available for such purposes,  
22 whether through the exercise of the remedies provided for in this Article or otherwise, shall, after  
23 payment of the accrued and unpaid fees, costs and expenses of the Master Trustee, be applied as  
24 follows:

25 (a) If the principal of all Parity Obligations shall not have become or shall not  
26 have been declared due and payable, all such money shall be applied as follows:

27 first: to the payment to the persons entitled thereto of all installments of  
28 interest on the Parity Obligations or regularly scheduled payments to a Derivative  
29 Agreement Counterparty with respect to Derivative Indebtedness then due and  
30 payable in the order in which such installments became due and payable and, if  
31 the amount available shall not be sufficient to pay in full any particular  
32 installment, then to the payment, ratably according to the amounts due on such  
33 installment, to the persons entitled thereto, without any discrimination or  
34 preference except as to any difference in the respective rates of interest specified  
35 in such Parity Obligations;

36 second: to the payment to the persons entitled thereto of the unpaid  
37 principal of any Parity Obligations that shall have become due and payable (other  
38 than Parity Obligations deemed to have been paid pursuant to the provisions of  
39 Section 1201 hereof), in the order of their due dates, with interest on the overdue  
40 principal at a rate equal to the rate on such Parity Obligations, and, if the amount

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1 Section 806. Effect of Discontinuance of Proceedings. If any proceeding taken by the  
2 Master Trustee or Owners or Holders on account of any Event of Default is discontinued or  
3 abandoned for any reason, then and in every such case, the Corporation, the Master Trustee and  
4 the Owners and the Holders shall be restored to their former positions and rights hereunder, and  
5 all rights, remedies, powers and duties of the Master Trustee shall continue as though no  
6 proceedings had been taken.

7 Section 807. Control of Proceedings. Anything in this Master Indenture to the contrary  
8 notwithstanding, the Owners or Holders of a majority in aggregate principal amount of Parity  
9 Obligations at any time Outstanding shall have the right, subject to the provisions of Section 902  
10 hereof, by an instrument or concurrent instruments in writing executed and delivered to the  
11 Master Trustee, to direct the method and place of conducting all remedial proceedings to be  
12 taken by the Master Trustee hereunder, provided that such direction shall be in accordance with  
13 law and the provisions of this Master Indenture, and, in the sole judgment of the Master Trustee,  
14 is not unduly prejudicial to the interest of any Owners or Holders not joining in such direction,  
15 and provided further, that the Master Trustee shall have the right to decline to follow any such  
16 direction if the Master Trustee in good faith shall determine that the proceeding so directed  
17 would involve it in personal liability, and provided further that nothing in this Section shall  
18 impair the right of the Master Trustee in its discretion to take any other action hereunder which it  
19 may deem proper and which is not inconsistent with such direction by the Owners or Holders.

20 Section 808. Restrictions Upon Action. Except as provided in Section 813 hereof, no  
21 Owner or Holder shall have any right to institute any suit, action or proceeding in equity or at  
22 law on any Bond or Parity Debt or for the execution of any trust hereunder or for any other  
23 remedy hereunder unless such Owner or Holder previously shall (a) have given to the Master  
24 Trustee written notice of the Event of Default on account of which suit, action or proceeding is to  
25 be instituted, (b) has requested the Master Trustee to take action after the right to exercise such  
26 powers or right of action, as the case may be, shall have accrued, (c) has afforded the Master  
27 Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or  
28 to institute such action, suit or proceedings in its or their name, and (d) has offered to the Master  
29 Trustee reasonable security and satisfactory indemnity against the costs, expenses and liabilities  
30 to be incurred therein or thereby, and the Master Trustee shall have refused or neglected to  
31 comply with such request within a reasonable time. Such notification, request and offer of  
32 indemnity are hereby declared in every such case, at the option of the Master Trustee, to be  
33 conditions precedent to the execution of the powers and trusts of this Master Indenture or to any  
34 other remedy hereunder. Notwithstanding the foregoing provisions of this Section and without  
35 complying therewith, the Owners or Holders of not less than a majority in aggregate principal  
36 amount of Parity Obligations then Outstanding may institute any such suit, action or proceeding  
37 in their own names for the benefit of all Owners or Holders. It is understood and intended that,  
38 except as otherwise above provided, no one or more Owners or Holders shall have any right in  
39 any manner whatsoever by his or their action to affect, disturb or prejudice the security of this  
40 Master Indenture or to enforce any right hereunder except in the manner provided, that all  
41 proceedings at law or in equity shall be instituted, had and maintained in the manner herein  
42 provided and for the benefit of all Owners and Holders and that any individual rights of action or  
43 other right given to one or more of such Owners or Holders by law are restricted by this Master  
44 Indenture to the rights and remedies herein provided.

Section 809. **Enforcement of Rights of Action.** All rights of action (including the right to file proof of claim) under this Master Indenture or under any Bonds and any Parity Debt may be enforced by the Master Trustee without the possession of any Bonds and any Parity Debt or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Master Trustee shall be brought in its name as Master Trustee, without the necessity of joining as plaintiffs or defendants any Owners or Holders, and any recovery of judgment shall be for the equal benefit of the Owners or Holders, subject to the provisions of Section 801 hereof.

Section 810. **No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Master Trustee or to the Owners or Holders is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 811. **Delay Not a Waiver.** No delay or omission by the Master Trustee or of any Owner or Holder in the exercise of any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein, and every power or remedy given by this Master Indenture to the Master Trustee and to the Owners or Holders may be exercised from time to time and as often as may be deemed expedient.

The Master Trustee may, and upon written request of the Owners or Holders of not less than a majority in principal amount of the Parity Obligations then Outstanding shall, waive any Event of Default which in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Master Indenture or before the completion of the enforcement of any other remedies under this Master Indenture; provided, however, that, except under the circumstances set forth in Section 803 hereof for the rescission and annulment of a declaration of acceleration, a default in the payment of the principal of, premium, if any, or interest on any Bond or Parity Debt, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Owners of all the Bonds or the Holders of all the Parity Debt (with respect to which such payment default exists) at the time Outstanding; and provided further, however, that no such waiver shall extend to or affect any other existing or subsequent Event of Default or impair any rights or remedies consequent thereon.

Section 812. **Notice of Default.** The Master Trustee shall mail to (a) all Owners at their addresses as they appear on the registration books and (b) to all Holders who shall have filed their names with the Master Trustee for such purpose, written notice of the occurrence of any Event of Default within ten (10) days after the Master Trustee has notice, pursuant to the provisions of Section 908 hereof, that any such Event of Default shall have occurred. The Master Trustee shall not be subject to any liability to any Owner or Holder by reason of its failure to mail any such notice.

Section 813. **Right to Enforce Payment of Parity Obligations Unimpaired.** Nothing in this Article shall affect or impair the right of any Owner or Holder to enforce the payment of the principal of and interest on his Bonds or Parity Debt or the obligation of the Corporation to pay

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(i) the Master Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Master Trustee unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts, and

(ii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners and Holders of not less than twenty-five percent (25%) or a majority, as this Master Indenture shall require, in aggregate principal amount of the Parity Obligations then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any power conferred upon the Master Trustee under this Master Indenture.

None of the provisions contained in this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 902. **Indemnification of Master Trustee as Condition for Remedial Action.** The Master Trustee shall be under no obligation to institute any suit or to take any remedial proceeding (including, but not limited to, the acceleration of the maturity date of all Parity Obligations under this Master Indenture) under this Master Indenture or the Pledge Agreement or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created or in the enforcement of any rights and powers under this Master Indenture or the Pledge Agreement, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Master Trustee nevertheless may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Master Trustee, without indemnity, and in such case the Corporation, at the request of the Master Trustee, shall reimburse the Master Trustee as Current Expenses of the Corporation for all costs, expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Corporation shall fail to make such reimbursement, the Master Trustee may reimburse itself from any money in its possession under the provisions of this Master Indenture and shall be entitled to a preference therefor over any Parity Obligations Outstanding.

Section 903. **Limitations on Obligations and Responsibilities of Master Trustee.** The Master Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Corporation, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. Except as to the acceptance of the trusts under this Master Indenture, the Master Trustee shall have no responsibility in respect of the validity or sufficiency of this Master Indenture, or in respect of the validity of Bonds or Parity Debt or the due execution or issuance thereof. The Master Trustee shall be under no obligation to see that any duties herein imposed upon the Corporation, the Bond Registrar, any consultant, any Depositary other than a Master Trustee Depositary, or any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall

the principal of and interest on each Bond and Parity Debt to the Owner or Holder thereof at the time and place specified in said Bond or Parity Debt.

Section 814. **Remedies Subject to Provisions of Law.** All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Master Indenture or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

#### Article IX.

#### THE MASTER TRUSTEE AND THE BOND REGISTRAR

Section 901. **Acceptance of Trusts.** The Master Trustee by execution hereof accepts and agrees to fulfill the trusts imposed upon it by this Master Indenture, but only upon the terms and conditions set forth in this Article and subject to the provisions of this Master Indenture, to all of which the Corporation, the Master Trustee and the respective Owners of the Bonds and any Holders of Parity Debt agree. Prior to the occurrence of any Event of Default and after the curing of all such Events of Default that may have occurred, the Master Trustee shall perform such duties and only such duties of the Master Trustee as are specifically set forth in this Master Indenture. Upon the occurrence and during the continuation of any Event of Default, the Master Trustee shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

No provision of this Master Indenture or any Parity Resolution shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) prior to any such Event of Default hereunder, and after the curing of any Event of Default that may have occurred:

(i) the duties and obligations of the Master Trustee shall be determined solely by the express provisions of this Master Indenture, and the Master Trustee shall not be liable except for the performance of such duties and obligations of the Master Trustee as are specifically set forth in this Master Indenture, and no implied covenants or obligations shall be read into this Master Indenture against the Master Trustee, and

(ii) In the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it conforming to the requirements of this Master Indenture, but in the case of any such certificate or opinion by which any provision hereof is specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Master Indenture; and

(b) at all times, regardless of whether or not any such Event of Default shall exist:

be done or performed, and the Master Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Section 904. **Master Trustee Not Liable for Failure of Corporation to Act.** The Master Trustee shall not be liable or responsible because of the failure of the Corporation or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Corporation or because of the loss of any money arising through the insolvency or the act or default or omission of any Depositary other than the Master Trustee or a Depositary in which such money shall have been deposited by the Master Trustee under the provisions of this Master Indenture. The Master Trustee shall not be responsible for the application of any of the proceeds of Bonds or Parity Debt or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Master Indenture. The immunities and exemptions from liability of the Master Trustee hereunder shall extend to its directors, officers, employees and agents.

Section 905. **Compensation and Indemnification of Master Trustee and Bond Registrar.** Subject to the provisions of any contract between the Corporation and the Master Trustee or any Bond Registrar relating to the compensation of the Master Trustee or such Bond Registrar, the Corporation shall pay to the Master Trustee and such Bond Registrar from Gross Receipts reasonable compensation for all services performed by them hereunder and also all their reasonable expenses, charges and other disbursements and those of their attorneys, agents and employees incurred in and about the administration and the performance of their powers and duties hereunder and, to the extent permitted by law, shall indemnify and save the Master Trustee and the Bond Registrar harmless against any liabilities that they may incur in the proper exercise and performance of their powers and duties hereunder. If the Corporation shall fail to cause any payment required by this Section to be made, the Master Trustee or any Bond Registrar may make such payment from any money in its possession under the provisions of this Master Indenture and shall be entitled to a preference therefor over any Parity Obligations Outstanding. The Corporation covenants that it shall promptly deposit or cause to be deposited to the credit of the respective fund, account or subaccount the amount withdrawn therefrom by the Master Trustee to make any such payment.

Section 906. **Monthly Statements from Master Trustee.** It shall be the duty of the Master Trustee, on or before the 10th day of each month, to file with the Corporation a statement setting forth in respect of the preceding calendar month:

(a) the amount withdrawn or transferred by it and the amount deposited with it on account of each fund, account or subaccount held by it under the provisions of this Master Indenture,

(b) the amount on deposit with it at the end of such month in each such fund, account or subaccount,

(c) a brief description of all obligations held by it as an investment of money in each such fund, account or subaccount,

1 (d) the amount applied to the payment, purchase or redemption of Bonds  
2 under the provisions of Article V of this Master Indenture and a description of the Bonds or  
3 portions thereof so paid, purchased or redeemed, and

4 (e) any other information that the Corporation may reasonably request.

5 All records and files pertaining to Bonds in the custody of the Master Trustee not  
6 otherwise restricted or excluded from disclosure by the terms of this Master Indenture, including,  
7 without limitation, Section 1002 hereof, shall be open at all reasonable times to the inspection of  
8 the Corporation and its agents and representatives.

9 Section 907. Master Trustee May Rely on Certificates. If at any time it shall be  
10 necessary or desirable for the Master Trustee to make any investigation respecting any fact  
11 preparatory to taking or not taking any action or doing or not doing anything as such Master  
12 Trustee, and in any case in which this Master Indenture provides for permitting or taking any  
13 action, the Master Trustee may rely upon any certificate required or permitted to be filed with it  
14 under the provisions of this Master Indenture, and any such certificate shall be evidence of such  
15 fact or protect the Master Trustee in any action that it may or may not take or in respect of  
16 anything it may or may not do, in good faith, by reason of the supposed existence of such fact.  
17 Except as otherwise provided in this Master Indenture, any request, notice, certificate or other  
18 instrument from the Corporation to the Master Trustee shall be deemed to have been signed by  
19 the proper party or parties if signed by any Authorized Officer of the Corporation, and the  
20 Master Trustee may accept and rely upon a certificate signed by any Authorized Officer of the  
21 Corporation as to any action taken by the Corporation.

22 Section 908. Notice of Default. Except upon the happening of any Event of Default  
23 specified in clauses (a), (b) and (c) of Section 802 hereof, the Master Trustee shall not be obliged  
24 to take notice or be deemed to have notice of any Event of Default under this Master Indenture  
25 unless specifically notified in writing of such Event of Default by the Corporation or the Owners  
26 and Holders of not less than twenty-five percent (25%) in aggregate principal amount of Parity  
27 Obligations then Outstanding.

28 Section 909. Master Trustee Not Responsible for Recitals. The recitals, statements and  
29 representations contained herein and in the Bonds shall be taken and construed as made by and  
30 on the part of the Corporation and not by the Master Trustee, and the Master Trustee assumes  
31 and shall be under no responsibility for the correctness of the same.

32 Section 910. Master Trustee Protected in Relying on Certain Documents. The Master  
33 Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or  
34 not proceeding, in good faith, reasonably and in accordance with the terms of this Master  
35 Indenture, upon any resolution, order, notice, request, consent, waiver, certificate, statement,  
36 affidavit, requisition, bond or other paper or document that it shall in good faith reasonably  
37 believe to be genuine and to have been adopted or signed by the proper board or person or to  
38 have been prepared and furnished pursuant to any of the provisions of this Master Indenture, or  
39 upon the written opinion of any attorney, consultant or accountant believed by the Master  
40 Trustee to be qualified in relation to the subject matter, and the Master Trustee shall be under no  
41 duty to make any investigation or inquiry as to any statements contained or matters referred to in

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1 less than twenty-five percent (25%) in aggregate principal amount of Parity Obligations then  
2 Outstanding.

3 Section 915. Appointment of Successor Master Trustee. If at any time hereafter the  
4 Master Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting,  
5 or the bank or trust company acting as Master Trustee shall be taken over by any governmental  
6 official, agency, department or board, the position of Master Trustee shall thereupon become  
7 vacant. If the position of Master Trustee shall become vacant for any reason, the Corporation  
8 shall appoint a Master Trustee to fill such vacancy. A successor Master Trustee shall not be  
9 required if the Master Trustee shall sell or assign substantially all of its corporate trust business  
10 and the vendee or assignee shall continue in the corporate trust business, or if a transfer of the  
11 corporate trust department of the Master Trustee is required by operation of law, provided that  
12 such vendee, assignee or transferee (i) is a bank or trust company within or without the State  
13 which is duly authorized to exercise corporate trust powers and subject to examination by federal  
14 or State authority, (ii) has good standing, and (iii) has a combined capital, surplus and undivided  
15 profits aggregating not less than One Hundred Million Dollars (\$100,000,000) (or whose  
16 obligations hereunder are guaranteed by a bank, banking association or trust company duly  
17 authorized to exercise corporate trust powers and subject to examination by federal or state  
18 authority, of good standing, and having at the time of the appointment of such Master Trustee, a  
19 combined capital, surplus and undivided profits of at least such amount). The Corporation shall  
20 mail notice of any such appointment made by it, postage prepaid, to all Owners and Holders.

21 At any time within one year after any such vacancy shall have occurred, the Owners and  
22 Holders of not less than twenty-five percent (25%) in principal amount of Parity Obligations then  
23 Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners  
24 and Holders and filed with the Corporation, may nominate a successor Master Trustee, which the  
25 Corporation shall appoint and which shall supersede any Master Trustee theretofore appointed by  
26 the Corporation. Photographic copies, duly certified by the Secretary of the Corporation as  
27 having been received by the Corporation, of each such instrument shall be delivered promptly by  
28 the Secretary of the Corporation to the predecessor Master Trustee and to the Master Trustee so  
29 appointed by the Owners and the Holders.

30 If no appointment of a successor Master Trustee shall be made pursuant to the foregoing  
31 provisions of this Section, any Owner or Holder or any retiring Master Trustee may apply to any  
32 court of competent jurisdiction to appoint a successor Master Trustee. Such court may  
33 thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a  
34 successor Master Trustee.

35 Any successor Master Trustee hereafter appointed (i) shall be a bank or trust company  
36 within the State which is duly authorized to exercise corporate trust powers and subject to  
37 examination by federal or State authority, (ii) shall be of good standing and (iii) shall have a  
38 combined capital, surplus and undivided profits aggregating not less than One Hundred Million  
39 Dollars (\$100,000,000) (or whose obligations hereunder are guaranteed by a bank, banking  
40 association or trust company duly authorized to exercise corporate trust powers and subject to  
41 examination by federal or state authority, of good standing, and having at the time of the  
42 appointment of such Master Trustee, a combined capital, surplus and undivided profits of at least  
43 such amount).

1 any such instrument. The Master Trustee shall not be under any obligation to see to the  
2 recording or filing of this Master Indenture or otherwise to the giving to any person of notice of  
3 the provisions hereof.

4 Section 911. Master Trustee May Pay Taxes and Assessments. In case the Corporation  
5 shall fail to pay or cause to be paid any lawful tax, assessment or governmental charge or other  
6 charge upon any part of the Corporation to the extent, if any, that the Corporation may be  
7 deemed by the Master Trustee liable for same, the Master Trustee may pay from sources  
8 provided under this Master Indenture such tax, assessment or governmental charge, without  
9 prejudice, however, to any rights of the Master Trustee or the Owners or Holders arising in  
10 consequence of such failure; and any amount at any time so paid under this Section shall be  
11 repaid upon demand by the Master Trustee by the Corporation from Gross Receipts, but the  
12 Master Trustee shall be under no obligation to make any such payment from sources provided in  
13 this Master Indenture unless it shall have available or be provided with adequate funds for the  
14 purpose of such payment.

15 Section 912. Resignation and Removal of Master Trustee and Bond Registrar Subject  
16 to Appointment of Successor. No resignation or removal of the Master Trustee or any Bond  
17 Registrar and no appointment of a successor Master Trustee or successor Bond Registrar  
18 pursuant to this Article shall become effective until the acceptance of appointment by the  
19 successor Master Trustee under Section 915 hereof or the successor Bond Registrar under  
20 Section 917 hereof, as the case may be.

21 Section 913. Resignation of Master Trustee. Subject to the provisions of Section 912  
22 hereof, the Master Trustee may resign and thereby become discharged from the trusts hereby  
23 created, by notice in writing given to the Corporation, and mailed, postage prepaid, at the Master  
24 Trustee's expense, to each Owner and Holder, not less than sixty (60) days before such  
25 resignation is to take effect, but such resignation shall take effect immediately upon the  
26 appointment of a new Master Trustee hereunder if such new Master Trustee shall be appointed  
27 before the time limited by such notice and shall then accept the trusts hereby.

28 Section 914. Removal of Master Trustee. The Master Trustee may be removed at any  
29 time by an instrument or concurrent instruments in writing, (i) executed by the Owners and  
30 Holders of not less than a majority in aggregate principal amount of Parity Obligations then  
31 Outstanding and filed with the Corporation, or (ii) so long as no Event of Default shall have  
32 occurred and be continuing, a resolution adopted or an instrument executed by the Corporation,  
33 not less than sixty (60) days before such removal is to take effect as stated in said resolution,  
34 instrument or instruments. A photographic copy of any resolution, instrument or instruments  
35 filed with the Corporation under the provisions of this paragraph, duly certified by the Secretary  
36 of the Corporation as having been received by the Corporation, shall be delivered promptly by  
37 the Corporation to the Master Trustee.

38 The Master Trustee may also be removed at any time for acting or proceeding in  
39 violation of, or for failing to act or proceed in accordance with, any provisions of this Master  
40 Indenture with respect to the duties and obligations of the Master Trustee by any court of  
41 competent jurisdiction upon the application of the Corporation or the Owners and Holders of not

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1 Section 916. Vesting of Duties in Successor Master Trustee. Every successor Master  
2 Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also  
3 to the Corporation and the State Board of Administration, an instrument in writing accepting  
4 such appointment under this Master Indenture and the Pledge Agreement, and thereupon such  
5 successor Master Trustee, without any further act, shall become fully vested with all the rights,  
6 immunities and powers, and subject to all the duties and obligations, of its predecessor; but such  
7 predecessor shall nevertheless, on the written request of its successor or of the Corporation and  
8 upon payment of the expenses, charges and other disbursements of such predecessor that are  
9 payable pursuant to the provisions of Section 905 hereof, execute and deliver an instrument  
10 transferring to such successor Master Trustee all the rights, immunities and powers of such  
11 predecessor under this Master Indenture and the Pledge Agreement; and every predecessor  
12 Master Trustee shall deliver all property and money held by it under this Master Indenture and  
13 the Pledge Agreement to its successor. Should any instrument in writing from the Corporation or  
14 the State Board of Administration be required by any successor Master Trustee for more fully  
15 and certainly vesting in such Master Trustee the rights, immunities, powers and trusts vested or  
16 intended to be vested by this Master Indenture and the Pledge Agreement in the predecessor  
17 Master Trustee, any such instrument in writing shall and will, on request, be executed,  
18 acknowledged and delivered by the Corporation or the State Board of Administration, as the case  
19 may be.

20 Section 917. Removal and Resignation of Bond Registrar. A Bond Registrar may be  
21 removed at anytime, with or without cause, by the Corporation, upon thirty (30) days' written  
22 notice by the Corporation to such Bond Registrar. A copy of such written notice shall be  
23 delivered promptly by the Corporation to the Master Trustee. Upon receipt of such notice the  
24 Master Trustee shall cause notice of such removal to be mailed, postage prepaid, to the Owners  
25 not less than sixty (60) days before such removal is to take effect.

26 A Bond Registrar may resign and thereby become discharged from the duties, obligations  
27 and responsibilities of Bond Registrar under this Master Indenture, by written notice delivered to  
28 the Corporation and the Master Trustee. Upon receipt of such notice the Master Trustee shall  
29 cause notice of such resignation to be mailed, postage prepaid, at such Bond Registrar's expense,  
30 to the Owners not less than sixty (60) days before such resignation is to take effect, but such  
31 resignation shall take effect immediately upon the appointment of a new Bond Registrar  
32 hereunder if such new Bond Registrar shall be appointed before the time limited by such notice  
33 and shall then accept the duties, obligations and responsibilities of Bond Registrar under this  
34 Master Indenture. If at any time thereafter a Bond Registrar shall resign, be removed, be  
35 dissolved or otherwise become incapable of acting, or the entity acting as Bond Registrar shall be  
36 taken over by any governmental official, agency, department or board, the position of Bond  
37 Registrar shall thereupon become vacant. If the position of Bond Registrar shall become vacant  
38 for any reason, the Corporation shall appoint a Bond Registrar to fill such vacancy. A successor  
39 Bond Registrar shall not be required if a Bond Registrar shall sell or assign substantially all of its  
40 business and the vendee or assignee shall be qualified in the sole judgment of the Corporation to  
41 carry out the duties, obligations and responsibilities of Bond Registrar under this Master  
42 Indenture. The Corporation shall promptly deliver written notice of any such appointment by it  
43 to the Master Trustee and mail such notice, postage prepaid, to all Owners.

Article X.

EXECUTION OF INSTRUMENTS BY OWNERS AND HOLDERS,  
PROOF OF OWNERSHIP OF BONDS OR PARITY DEBT, AND  
DETERMINATION OF CONCURRENCE OF OWNERS AND HOLDERS

Section 1001. Execution of Instruments. Any request, direction, consent or other instrument in writing required or permitted by this Master Indenture to be signed or executed by any Owners or Holders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners or Holders or their attorneys or legal representatives or legal representative of his estate if the Owner or Holder is deceased. Proof of the execution of any such instrument and of the ownership of Parity Obligations shall be sufficient for any purpose of this Master Indenture and shall be conclusive in favor of the Master Trustee and the Corporation with regard to any action taken by either under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification, by any officer in any jurisdiction who by the laws thereof has power to take affidavits within such jurisdictions, to the effect that such instrument was subscribed and sworn to before him or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 205 hereof. The ownership or holding of Parity Debt shall be proved as provided in the related Parity Debt Resolution.

Nothing contained in this Article shall be construed as limiting the Master Trustee to such proof, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of any Owner or Holder shall bind every future Owner or Holder of the same Bond or Parity Debt in respect of anything done by the Master Trustee in pursuance of such request or consent.

Notwithstanding any of the foregoing provisions of this Section, the Master Trustee shall not be required to recognize any person as an Owner or Holder or to take any action at an Owner's or Holder's request unless such Bonds or Parity Debt shall be deposited with it.

Section 1002. Preservation of Information; Communications. (a) The Master Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Owners received by the Master Trustee from the Bond Registrar.

(b) If an Owner which is a Securities Depository Nominee or the Owners of not less than ten percent (10%) in aggregate principal amount of Bonds then Outstanding which are not Securities Depository Nominees (hereinafter collectively referred to as "applicants") apply in writing to the Master Trustee and furnish reasonable proof that each such applicant has owned a Bond for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Owners with respect to

their rights under this Master Indenture or under the Bonds and such application is accompanied by a copy of the form of communication which such applicants propose to transmit, then the Master Trustee shall, within five (5) Business Days after receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Master Trustee in accordance with paragraph (a) of this Section, or

(ii) inform such applicants as to the approximate number of Owners whose names and addresses appear in the information preserved at the time by the Master Trustee in accordance with paragraph (a) of this Section, and as to the approximate cost of mailing to such Owners the form of communication, if any, specified in such application.

If the Master Trustee shall elect not to afford such applicants access to such information, the Master Trustee shall, upon the written request of such applicants, mail to each Owner whose name and address appears in the information preserved at the time by the Master Trustee in accordance with paragraph (a) of this Section a copy of the form of communication which is specified in such request, with reasonable promptness after a tender to the Master Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing.

(c) Every Owner, by receiving and holding one or more Bonds, agrees with the Corporation and the Master Trustee that neither the Corporation nor the Master Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Owners in accordance with paragraph (b) of this Section, regardless of the source from which such information was derived, and that the Master Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under such paragraph.

Section 1003. Credit Provider as Owner or Holder. Notwithstanding any provision of this Master Indenture to the contrary, a Parity Resolution may provide that a Credit Provider providing credit enhancement or substitution for the payment of principal and interest with respect to the Bonds of a Series or Parity Debt shall be deemed to be the Owner of such Bonds or Holder of such Parity Debt, for all purposes of this Master Indenture, including, without limitation, Article VIII and Article XI, and the Pledge Agreement, in the proportion that the aggregate principal amount of Bonds of such Series or of such Parity Debt then Outstanding for which such Credit Provider is providing credit enhancement or substitution bears to the aggregate principal amount of all Parity Obligations then Outstanding, to the exclusion and in lieu of the Owners of such Bonds or Holders of such Parity Debt.

Article XI.

SUPPLEMENTS AND AMENDMENTS

Section 1101. Supplemental Indentures Without Consent. The Corporation and the Master Trustee may, from time to time and at any time, without the consent of or notice to any of the Owners or Holders, execute and deliver Supplemental Indentures hereto (which

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Supplemental Indentures shall thereafter form a part hereof) as shall be substantially consistent with the terms and provisions of this Master Indenture:

(a) to cure any ambiguity or formal defect or omission herein, or any conflict between the provisions hereof and of the Pledge Agreement or of any Parity Resolution delivered to the Master Trustee at the same time as the Corporation delivers this Master Indenture, to correct or supplement any provision herein that may be inconsistent with any other provision herein, to make any other provisions with respect to matters or questions arising under this Master Indenture, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Master Indenture, or

(b) to grant or to confer upon the Master Trustee, for the benefit of the Owners or Holders, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners, the Holders or the Master Trustee, or

(c) to add to the provisions of this Master Indenture other conditions, limitations and restrictions thereafter to be observed, or

(d) to add to the covenants and agreements of the Corporation in this Master Indenture other covenants and agreements thereafter to be observed by the Corporation or to surrender any right or power herein reserved to or conferred upon the Corporation, or

(e) to permit the qualification of this Master Indenture under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Corporation so determines, to add to this Master Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law, or

(f) to provide for the issuance of Bonds in bearer form, or

(g) to provide for the issuance of Bonds under a book-entry system, or

(h) to obtain a Credit Facility, Reserve Alternative Instrument, a Derivative Agreement, or other credit enhancement; provided, however, that no Rating Agency shall reduce or withdraw its rating on any of the Parity Obligations then Outstanding as a consequence of any such provision of such Supplemental Indenture, or

(i) to make any amendment or modification to this Master Indenture (including any modification to the Insurance Test) resulting from the elimination of any restriction on the use of Reimbursement Premiums under the Code to pay or to secure debt service on Tax-Exempt Parity Obligations to the extent the elimination of such restriction is permitted by any administrative pronouncement of the Internal Revenue Service (including a private letter ruling) addressed to the Corporation, the FHCF, or any successor of either, or to the extent such elimination of such use restriction is permitted (based upon an Opinion of Counsel) by the Code, or

(j) to enable the Corporation to comply with its obligations, covenants and agreements made in Section 604 or in any Parity Resolution for the purpose of maintaining the

tax status of interest on any Tax-Exempt Parity Obligations, provided that such change shall not materially adversely affect the security for any Parity Obligations, or

(k) to make any other change that, in the opinion of the Master Trustee, which may, but is not required to, rely upon one or more of affirmation of ratings by the Rating Agencies, certificates of Consultants and Opinions of Counsel for such purpose, shall not materially adversely affect the security for the Parity Obligations.

Section 1102. Supplemental Indentures With Consent. Subject to the terms and provisions contained in this Section, and not otherwise, the Owners and Holders of not less than a majority in aggregate principal amount of the Parity Obligations then Outstanding shall have the right, from time to time, anything contained in this Master Indenture to the contrary notwithstanding, to consent to and approve the execution and delivery of such Supplemental Indentures as are deemed necessary or desirable by the Corporation for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Master Indenture or in any Supplemental Indenture hereto; provided, however, that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond or Parity Debt without the consent of the Owner of such Bond or the Holder of such Parity Debt, (b) a reduction in the principal amount of any Bond or Parity Debt or the redemption premium or the rate of interest thereon without the consent of the Owner of such Bond or the Holder of such Parity Debt, (c) the creation of a security interest in or a pledge of Net Receipts other than the security interest and pledge created by this Master Indenture without the consent of the Owners of all Bonds Outstanding and the Holders of all Parity Debt Outstanding, (d) a preference or priority of any Bond or Parity Debt over any other Bond or Parity Debt without the consent of the Owners of all Bonds Outstanding and the Holders of all Parity Debt Outstanding or (e) a reduction in the aggregate principal amount of the Parity Obligations required for consent to such Supplemental Indenture without the consent of the Owners of all Bonds Outstanding and the Holders of all Parity Debt Outstanding. Nothing herein contained, however, shall be construed as making necessary the approval by Owners or Holders of the execution and delivery of any Supplemental Indenture as authorized in Section 1101 hereof.

If at any time the Corporation and the Master Trustee determine that it is necessary or desirable to execute and deliver any Supplemental Indenture for any of the purposes of this Section, the Master Trustee shall cause notice of the proposed execution of the Supplemental Indenture to be mailed, postage prepaid, to all Owners at their addresses as they appear on the registration books and to all Holders in accordance with the related Parity Debt Resolution. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Master Trustee for inspection by all Owners and Holders. The Master Trustee shall not, however, be subject to any liability to any Owner or Holder by reason of its failure to cause the notice required by this Section to be mailed and any such failure shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in this Section.

Whenever, at any time within three years after the date of the mailing of such notice, the Corporation delivers to the Master Trustee an instrument or instruments in writing purporting to be executed by the Owners or Holders of not less than a majority in aggregate principal amount



1 of Parity Obligations then Outstanding, which instrument or instruments shall refer to the  
2 proposed Supplemental Indenture described in such notice and shall specifically consent to and  
3 approve the execution and delivery thereof in substantially the form of the copy thereof referred  
4 to in such notice, thereupon, but not otherwise, the Corporation and the Master Trustee may  
5 execute and deliver such Supplemental Indenture in substantially such form, without liability or  
6 responsibility to any Owner or Holder whether or not such Owner or Holder shall have  
7 consented thereto.

8 If the Owners or Holders of not less than a majority in aggregate principal amount of  
9 Parity Obligations Outstanding at the time of the execution and delivery of such Supplemental  
10 Indenture have consented to and approved the execution and delivery thereof as herein provided,  
11 to the extent permitted by law, no Owner or Holder shall have any right to object to the  
12 execution and delivery of such Supplemental Indenture, to object to any of the terms and  
13 provisions contained therein or the operation thereof, to question the propriety of the execution  
14 and delivery thereof, or to enjoin or restrain the Corporation and the Master Trustee from  
15 executing and delivering the same or from taking any action pursuant to the provisions thereof.

16 Section 1103. Supplemental Indentures Part of Master Indenture. Any Supplemental  
17 Indenture executed and delivered in accordance with the provisions of this Article shall  
18 thereafter form a part of this Master Indenture, and this Master Indenture shall be and be deemed  
19 to be modified and amended in accordance therewith. Thereafter the respective rights, duties and  
20 obligations under the Master Indenture of the Corporation, the Master Trustee, any Bond  
21 Registrar and all Owners of Bonds and Holders of Parity Debt then Outstanding shall thereafter  
22 be determined, exercised and enforced in all respects under the provisions of this Master  
23 Indenture as so modified and amended. If any Supplemental Indenture is executed and  
24 delivered, Bonds issued thereafter and Parity Debt incurred thereafter may contain an express  
25 reference to such Supplemental Indenture, if deemed necessary or desirable by the Corporation.

26 Section 1104. Not a Supplemental Indenture. For purpose of this Article, a  
27 Supplemental Indenture or Parity Debt Resolution that relates only to a particular Series of  
28 Bonds issued hereunder or Parity Debt incurred under a Parity Debt Resolution and that does not  
29 purport to alter or amend the rights or security of any Owners of any Bonds or any other Series  
30 issued hereunder or any Holder of any Parity Debt incurred under a Parity Debt Resolution shall  
31 not be deemed or considered to be a Supplemental Indenture for purposes of this Article.

32 Section 1105. Responsibilities of the Master Trustee. The Master Trustee shall be  
33 entitled to receive, and shall be fully protected in relying upon, an opinion of counsel, who may  
34 be Bond Counsel for the Corporation, as conclusive evidence that any proposed supplemental  
35 Indenture does or does not comply with the provisions of this Master Trust Indenture, and that it  
36 is or is not proper for it, under the provisions of this Article, to execute and deliver such  
37 supplemental Indenture.

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1 such Defeasance Obligations have been deposited and (b) the Bond Registrar shall retain such  
2 rights, powers and privileges under this Master Indenture as may be necessary and convenient  
3 for the registration, transfer and exchange of Bonds; and provided, further, however, that failure  
4 to mail such notice to any Owner or to the Owners, or to any such Holder or to such Holders, or  
5 any defect in such notice so mailed, shall not affect the validity of the proceedings for the release  
6 of this Master Indenture.

7 All money and Defeasance Obligations held by the Master Trustee (or any Bond  
8 Registrar) pursuant to this Section shall be held in trust and applied to the payment, when due, of  
9 the obligations payable therewith.

#### Article XIII.

#### MISCELLANEOUS PROVISIONS

13 Section 1301. Successorship of Corporation. In the event the Corporation for any reason  
14 shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants,  
15 stipulations, obligations and agreements contained in this Master Indenture by or on behalf of or  
16 for the benefit of the Corporation shall bind or inure to the benefit of the successor or successors  
17 of the Corporation from time to time and any officer, board, commission, authority, agency or  
18 instrumentality to whom or to which any power or duty affecting such covenants, stipulations,  
19 obligations and agreements shall be transferred by or in accordance with law, and the term  
20 "Corporation" as used in this Master Indenture shall include such successor or successors.

21 Section 1302. Successorship of Depositary and Bond Registrar. Any bank or trust  
22 company with or into which a Depositary or Bond Registrar may be merged or consolidated, or  
23 to which the assets and business of such Depositary or Bond Registrar may be sold, shall be  
24 deemed the successor of such Depositary or Bond Registrar for the purposes of this Master  
25 Indenture. If the position of any Depositary shall become vacant for any reason or the position  
26 of Bond Registrar shall become vacant for any reason not provided for by Section 917 hereof,  
27 the Corporation shall appoint a bank or trust company to fill such vacancy within thirty (30) days  
28 thereafter; provided, however, that if the Corporation shall fail to appoint such Depositary or  
29 Bond Registrar within such period, the Master Trustee shall make such appointment.

30 Section 1303. Manner of Giving Notice. All notices, demands and requests to be given  
31 to or made hereunder by the Corporation or the Master Trustee shall be given or made in writing  
32 and shall be deemed to be properly given or made if sent by United States certified or registered  
33 mail, return receipt requested postage prepaid, addressed as follows:

34 (a) As to the Corporation--

35 Florida Hurricane Catastrophe Fund  
36 Finance Corporation  
37 c/o State Board of Administration of the  
38 State of Florida  
39 1801 Hermitage Boulevard  
40 Tallahassee, Florida 32308  
41 Attention: President

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#### Article XII.

#### DEFEASANCE

##### Section 1201. Release of Master Indenture. When:

6 (a) the Bonds and any Parity Debt shall have become due and payable in  
7 accordance with their terms or otherwise as provided in this Master Indenture, and the whole  
8 amount of the principal and the interest and premium, if any, so due and payable upon all Parity  
9 Obligations shall be paid, or

10 (b) If the Bonds and any Parity Debt shall not have become due and payable  
11 in accordance with their terms, the Master Trustee or the Bond Registrar shall hold sufficient  
12 money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the  
13 principal of and the interest on which, when due and payable, will provide sufficient money to  
14 pay the principal of and the interest and redemption premium, if any, on all Parity Obligations  
15 then Outstanding to the maturity date or dates of such Parity Obligations or to the date or dates  
16 specified for the redemption thereof, as verified by a nationally recognized independent certified  
17 public accountant, and, if Bonds or any Parity Debt are to be called for redemption, irrevocable  
18 instructions to call the Bonds or Parity Debt for redemption shall have been given by the  
19 Corporation to the Master Trustee, and

20 (c) sufficient funds shall also have been provided or provision made for  
21 paying all other obligations payable hereunder by the Corporation;

22 then and in that case the right, title and interest of the Master Trustee in the funds, accounts and  
23 subaccounts mentioned in this Master Indenture shall thereupon cease, determine and become  
24 void and, upon being furnished with an opinion, in form and substance satisfactory to the Master  
25 Trustee, of counsel approved by the Master Trustee, to the effect that all conditions precedent to  
26 the release of this Master Indenture have been satisfied, the Master Trustee shall release this  
27 Master Indenture and shall execute such documents to evidence such release as may be required  
28 by such counsel and shall turn over to the Corporation any surplus in, and all balances remaining  
29 in, all funds, accounts and subaccounts other than money held for the redemption or payment of  
30 Parity Obligations; otherwise, this Master Indenture shall be, continue and remain in full force  
31 and effect; provided, however, that in the event Defeasance Obligations shall be deposited with  
32 and held by the Master Trustee or the Bond Registrar as hereinabove provided, (i) in addition to  
33 the requirements set forth in Article III of this Master Indenture, the Master Trustee, within thirty  
34 (30) days after such Defeasance Obligations shall have been deposited with it, shall cause a  
35 notice signed by the Master Trustee to be mailed, postage prepaid, to all Owners of Bonds and to  
36 all Holders of Parity Debt, setting forth (a) the date or dates, if any, designated for the  
37 redemption of the Parity Obligations, (b) a description of the Defeasance Obligations so held by  
38 it, and (c) that this Master Indenture has been released in accordance with the provisions of this  
39 Section, and (ii) (a) the Master Trustee shall nevertheless retain such rights, powers and  
40 privileges under this Master Indenture as may be necessary and convenient in respect of the  
41 Bonds and any Parity Debt for the payment of the principal, interest and any premium for which

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1 (b) As to the Master Trustee--

2 Wells Fargo Bank, N.A.  
3 7077 Bonterra Road, Suite 400  
4 Jacksonville, FL 32216  
5 Attention: Corporate Trust Department

6 Any such notice, demand or request may also be transmitted to the appropriate above-  
7 mentioned party by telephone or electronic transmission and shall be deemed to be properly  
8 given or made at the time of such transmission if, and only if, such transmission of notice shall  
9 be confirmed in writing and sent as specified above.

10 Any of such addresses may be changed at any time upon written notice of such change  
11 sent by United States certified or registered mail, postage prepaid, to the other parties by the  
12 party effecting the change.

13 All documents received by the Master Trustee under the provisions of this Master  
14 Indenture, or photographic copies thereof, shall be retained in its possession until this Master  
15 Indenture shall be released under the provisions of Section 1201 hereof, subject at all reasonable  
16 times to the inspection of the Corporation, any Owner, any Holder and the agents and  
17 representatives thereof.

18 Section 1304. Substitute Mailing. If, because of the temporary or permanent suspension  
19 of postal service, the Corporation or the Master Trustee shall be unable to mail any notice  
20 required to be given by the provisions of this Master Indenture, the Corporation or the Master  
21 Trustee shall give notice in such other manner as in the judgment of the Corporation or the  
22 Master Trustee shall most effectively approximate mailing, and the giving of notice in such  
23 manner shall for all purposes of this Master Indenture be deemed to be in compliance with the  
24 requirement for the mailing thereof.

25 Section 1305. Parties, Bond Registrar, Owners and Holders Alone Have Rights Under  
26 Master Indenture. Except as herein otherwise expressly provided, nothing in this Master  
27 Indenture, express or implied, is intended or shall be construed to confer upon any person, firm  
28 or corporation, other than the Master Trustee, any Bond Registrar, the Corporation, the Owners  
29 and the Holders any right, remedy or claim, legal or equitable, under or by reason of this Master  
30 Indenture or any provision thereof, this Master Indenture and all its provisions all being intended  
31 to be and being for the sole and exclusive benefit of the Master Trustee, the Corporation, any  
32 Bond Registrar, the Owners and the Holders.

33 Section 1306. Effect of Partial Invalidity. In case any one or more of the provisions of  
34 this Master Indenture or the Bonds or any Parity Debt shall for any reason be held to be illegal or  
35 invalid, such illegality or invalidity shall not affect any other provisions of this Master Indenture  
36 or the Bonds or any Parity Debt, but this Master Indenture and the Parity Obligations shall be  
37 construed and enforced as if such illegal or invalid provisions had not been contained therein. In  
38 case any covenant, stipulation, obligation or agreement contained in the Parity Obligations or  
39 this Master Indenture shall for any reason be held to be in violation of law, then such covenant,

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1 stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or  
2 agreement of the Corporation to the full extent permitted by law.

3 Section 1307. Effect of Covenants Governing Law. All covenants, stipulations,  
4 obligations and agreements of the Corporation contained in this Master Indenture shall be  
5 deemed to be covenants, stipulations, obligations and agreements of the Corporation to the full  
6 extent permitted by the Constitution and laws of the State. This Master Indenture is executed  
7 and delivered with the intent that the laws of the State shall govern this construction.

8 Section 1308. No Recourse Against Members, Officers or Employees of Corporation or  
9 State Board of Administration. No recourse under, or upon, any statement, obligation, covenant  
10 or agreement contained in this Master Indenture, or in any Bond or Parity Debt hereby secured,  
11 or in any document or certification whatsoever, or under any judgment obtained against the  
12 Corporation or the State Board of Administration, or by the enforcement of any assessment, or  
13 by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under  
14 any circumstances, shall be had against any member, officer or employee of the Corporation or  
15 the State Board of Administration, either directly or through the Corporation of the FHCP for the  
16 payment for or to, the Corporation or any receiver of it, or for, or to, any Owner or Holder or  
17 otherwise, of any sum that may be due and unpaid upon any such Bond or Parity Debt. Any and  
18 all personal liability of every nature, whether at common law or in equity or by statute or by  
19 constitution or otherwise, of any such member, officer or employee to respond by reason of any  
20 act or omission on his or her part or otherwise, for the payment for, or to, the Corporation or any  
21 receiver of either of them, or for, or to, any Owner, Holder or otherwise, of any sum that may  
22 remain due and unpaid upon the Bonds or any Parity Debt hereby secured or any of them, is  
23 hereby expressly waived and released as an express condition of, and in consideration for, the  
24 execution and delivery of this Master Indenture, the issuance of the Bonds and the incurrence of  
25 any Parity Debt.

26 Section 1309. Dealing in Parity Obligations. The Master Trustee and any Bond  
27 Registrar, and their directors, officers, employees or agents, and any officer, employee or agent  
28 of the Corporation, may in good faith, buy, sell, own, hold and deal in any Parity Obligations and  
29 may join in any action which any Owner or Holder may be entitled to take with like effect as if  
30 such Master Trustee were not a Master Trustee and such bank or trust company were not a Bond  
31 Registrar under this Master Indenture or as if such officer, employee or agent of the Corporation  
32 did not serve in such capacity.

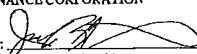
33 Section 1310. Headings. Any heading preceding the text of the several articles hereof,  
34 any table of contents or marginal notes appended to copies hereof, shall be solely for  
35 convenience of reference and shall not constitute a part of this Master Indenture, nor shall they  
36 affect its meaning, construction or effect.

37 Section 1311. Further Authority. The officers, attorneys and other agents or employees  
38 of the Corporation are hereby authorized to do all acts and things required of them by this Master  
39 Indenture for the full, punctual and complete performance of all of the terms, covenants and  
40 agreements contained in the Parity Obligations and this Master Indenture.

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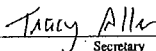
1 IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its  
2 name and on its behalf and attested by its duly authorized officers and to evidence its acceptance  
3 of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name  
4 and on its behalf and attested by its duly authorized officers, all of as of the day and year first  
5 above written.

6 FLORIDA HURRICANE CATASTROPHE FUND  
7 FINANCE CORPORATION

8 By:  President  
9



11 Attest:

12  Secretary  
13

14 WELLS FARGO BANK, N.A.,  
15 as Master Trustee

16 By: \_\_\_\_\_ [Title]  
17

18 (SEAL)

19 Attest:

20 \_\_\_\_\_  
21 [Title]

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1 Section 1312. Payments Due on Non-Business Days. Except as otherwise provided in a  
2 Parity Resolution, if the date for making any payment or the last day for performance of any act  
3 or the exercising of any right as provided in this Master Indenture is not a Business Day, such  
4 payment may be made or act performed or right exercised on the next Business Day with the  
5 same force and effect as if done on the date provided in this Master Indenture.

6 Section 1313. Multiple Counterparts. This Master Indenture may be executed in  
7 multiple counterparts, each of which shall be regarded for all purposes as an original, and such  
8 counterparts shall constitute but one and the same instrument.

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1 IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its  
2 name and on its behalf and attested by its duly authorized officers and to evidence its acceptance  
3 of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name  
4 and on its behalf and attested by its duly authorized officers, all of as of the day and year first  
5 above written.

6 FLORIDA HURRICANE CATASTROPHE FUND  
7 FINANCE CORPORATION

8 By: \_\_\_\_\_  
9

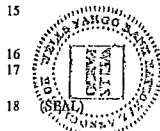
10 (SEAL)

11 Attest:

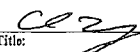
12 \_\_\_\_\_  
13

14 WELLS FARGO BANK, N.A.,  
15 as Master Trustee

16 By:  Brian P. Clark, Vice President  
17



19 Attest:

20  Title:  
21

C-2-20

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APPENDIX C-3  
FORM OF SIXTH SUPPLEMENTAL INDENTURE

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# SIXTH SUPPLEMENTAL INDENTURE

by and between

FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION

and

WELLS FARGO BANK, N.A.,  
as Master Trustee

Dated as of April 1, 2013

Authorizing and Securing  
\$2,000,000,000  
Florida Hurricane Catastrophe Fund Finance Corporation  
Revenue Bonds, Series 2013A

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## SIXTH SUPPLEMENTAL INDENTURE

THIS SIXTH SUPPLEMENTAL INDENTURE, dated as of April 1, 2013 ("Supplement No. 6"), by and between the Florida Hurricane Catastrophe Fund Finance Corporation, an instrumentality of the State of Florida (the "Corporation"), and Wells Fargo Bank, N.A., a national banking association duly incorporated and existing under the laws of the United States of America and having a corporate trust office in Jacksonville, Florida, which is authorized under such laws to exercise trust powers (the "Master Trustee"),

### WITNESSETH:

WHEREAS, Section 215.555, Florida Statutes, as amended (the "Act") creates the Florida Hurricane Catastrophe Fund, a trust fund established for bond covenants, indentures or resolutions within the meaning of Section 19(f)(3), Article III of the Constitution of the State of Florida (the "FHCFC"), and provides that the FHCFC will be administered by the State Board of Administration of the State of Florida (in its capacity as the governing body and administrator of the FHCFC, the "State Board of Administration"); and

WHEREAS, the Corporation has executed and delivered a Master Trust Indenture, dated as of June 1, 2006 (the "Master Trust Indenture" and as supplemented and amended, the "Master Indenture"), by and between the Corporation and the Master Trustee, which authorizes the Corporation to issue Parity Obligations (as defined in the Master Indenture) in accordance with the provisions thereof and hereof; and

WHEREAS, the Corporation issued on July 6, 2006, a series of Parity Obligations in the form of Bonds, in the aggregate principal amount of \$1,350,025,000 (the "Series 2006A Bonds") in accordance with the Master Indenture and a First Supplemental Indenture for the purpose of providing funds, together with other available funds, to (i) enable the FHCFC to make reimbursement payments through the FHCFC to participating insurers for reimbursable losses caused by Hurricanes Dennis, Katrina, Rita and Wilma pursuant to reimbursement contracts for the Contract Year ended May 31, 2006, subject to the limitations on such reimbursements set forth in the Act, (ii) pay capitalized interest on the Series 2006A Bonds, (iii) make a deposit to the credit of the Parity Common Reserve Account, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2006A Bonds; and

WHEREAS, the Corporation issued on July 21, 2006, a series of Parity Obligations in the form of Bonds, designated for purposes of sale as notes, in the aggregate principal amount of \$2,800,000,000 (the "Series 2006B Notes") in accordance with the Master Indenture and a Second Supplemental Indenture for the purpose of providing funds, together with other available funds, to (i) maximize the ability of the

FHCF to meet future obligations, specifically to provide funds to enable the FHCF to make reimbursement payments through the FHCF to participating insurers for reimbursable losses caused by any Covered Events (as defined in the Act) occurring in the Contract Year ended May 31, 2007 or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act, (ii) pay capitalized interest on the Series 2006B Notes, and (iii) pay certain expenses incurred in connection with the issuance of the Series 2006B Notes; and

WHEREAS, the Corporation issued in October 2007, a series of Parity Obligations in the form of Bonds, designated for purposes of sale as notes, in the aggregate principal amount of \$3,500,000,000 (the "Series 2007A Notes"), in accordance with the Master Indenture and a Third Supplemental Indenture (the "Third Supplemental Indenture") for the purpose of providing funds, together with other available funds, to (i) maximize the ability of the FHCF to meet future obligations, specifically to provide funds to enable the FHCF to make reimbursement payments through the FHCF to participating insurers for reimbursable losses caused by any Covered Events occurring in the Contract Year ended May 31, 2008 or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act, and (ii) pay certain expenses incurred in connection with the issuance of the Series 2007A Notes; and

WHEREAS, the Corporation issued on July 31, 2008, a series of Parity Obligations in the form of Bonds, in the aggregate principal amount of \$625,000,000 (the "Series 2008A Bonds"), in accordance with the Master Indenture and a Fourth Supplemental Indenture for the purpose of providing funds, together with other available funds, to (i) enable the FHCF to make additional reimbursement payments through the FHCF to participating insurers of reimbursable losses caused by Hurricanes Dennis, Katrina, Rita and Wilma pursuant to reimbursement contracts for the Contract Year ended May 31, 2006, subject to the limitations on such reimbursements set forth in the Act, and (ii) pay certain expenses incurred in connection with the issuance of the Series 2008A Bonds; and

WHEREAS, the Corporation issued on May 25, 2010, a series of Parity Obligations in the form of Bonds, in the aggregate principal amount of \$675,920,000 (the "Series 2010A Bonds"), in accordance with the Master Indenture and a Fifth Supplemental Indenture for the purpose of providing funds, together with other available funds, to (i) enable the FHCF to make additional reimbursement payments through the FHCF to participating insurers of reimbursable losses caused by Hurricanes Dennis, Katrina, Rita and Wilma pursuant to reimbursement contracts for the Contract Year ended May 31, 2006, subject to the limitations on such reimbursements set forth in the Act, (ii) pay capitalized interest on the Series 2010A Bonds, (iii) make a deposit to the credit of the Parity Common Reserve Account, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2010A Bonds; and

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"Principal Payment Date" means July 1.

"Regular Record Date" means the June 15 and December 15 next preceding each Interest Payment Date.

"Serial Bonds" means the Series 2013A Bonds that are stated to mature on July 1, 2016, July 1, 2018 and July 1, 2020.

"Series 2013A Bonds" means the Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2013A, issued pursuant to Section 208 of the Master Indenture and Section 208 of this Supplement No. 6.

"Series 2013A Subaccount of the Interest Account" means the subaccount created and so designated by Section 401 hereof.

"Series 2013A Subaccount of the Principal Account" means the subaccount created and so designated by Section 401 hereof.

"Special Record Date" means a date fixed by the Master Trustee for the payment of Defaulted Interest pursuant to Section 203 hereof.

**SECTION 102. RULES OF CONSTRUCTION.** The Rule of Construction contained in the Master Indenture shall control the construction of this Supplement No. 6, mutatis mutandis, except as otherwise provided herein.

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WHEREAS, the Corporation has now determined to issue a series of Parity Obligations in the form of Bonds, in the aggregate principal amount of \$2,000,000,000 (the "Series 2013A Bonds"), in accordance with the Master Indenture and this Supplement No. 6 for the purpose of providing funds, together with other available funds, to maximize the ability of the FHCF to meet future obligations, specifically to provide funds to enable the FHCF to make reimbursement payments through the FHCF to participating insurers for reimbursable losses caused by any Covered Events occurring in the Contract Year ended May 31, 2014 or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act; and

WHEREAS, the Series 2006A Bonds, the Series 2006B Notes and the Series 2007A Notes have been retired, and the Series 2013A Bonds shall be issued on a parity basis with the Outstanding Series 2008A Bonds and Series 2010A Bonds; and

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

## ARTICLE I DEFINITIONS

**SECTION 101. MEANING OF WORDS AND TERMS.** Unless otherwise required by the context, words and terms used herein which are defined, or the definitions of which are incorporated by reference, in the Master Indenture or the form of the Series 2013A Bonds shall have the meanings assigned to them therein, and the following words and terms shall have the following meanings herein; provided that where the Master Indenture provides that a word or term defined in the Master Indenture may be modified by a Supplemental Indenture and such word or term is defined herein, the definition herein shall control:

"Bond Counsel" means a firm of lawyers, selected by the Corporation, nationally recognized for legal expertise in matters relating to municipal bonds.

"Bond Registrar" means the institution serving at the time as Master Trustee.

"Closing" means the delivery of and payment for the Series 2013A Bonds.

"Closing Date" means the date of the Closing.

"Defaulted Interest" means Defaulted Interest as defined in Section 203 hereof.

"Interest Payment Date" means each July 1 and January 1, the first interest payment date being July 1, 2013.

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## ARTICLE II AUTHORIZATION, FORM, ISSUANCE, DELIVERY AND REGISTRATION OF THE SERIES 2013A BONDS

**SECTION 201. LIMITATION ON ISSUANCE OF SERIES 2013A BONDS.** No Series 2013A Bonds may be issued under the provisions of this Supplement No. 6 except in accordance with the provisions of the Master Indenture and this Article.

**SECTION 202. FORM AND NUMBERING OF SERIES 2013A BONDS.** The Series 2013A Bonds are issuable in fully registered form in denominations of \$5,000 and any integral multiple thereof, shall be lettered "RA-", shall be numbered from 1 consecutively upward and shall be substantially in the form set forth in Exhibit A hereto and made a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by the Master Indenture or this Supplement No. 6.

### SECTION 203. DETAILS OF SERIES 2013A BONDS.

(a) The Series 2013A Bonds shall be dated the date of their delivery, shall bear interest until their payment, such interest to the maturity thereof being payable semi-annually on each January 1 and July 1, the first interest payment date being July 1, 2013, at the rates and shall be stated to mature on July 1 in the years (without right of prior redemption), all as set forth in Section 208 hereof.

(b) Each Series 2013A Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (i) authenticated upon an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) authenticated prior to the first Interest Payment Date, in which event it shall bear interest from its date; provided, however, that if at the time of authentication of any Series 2013A Bond interest is in default, such Series 2013A Bond shall bear interest from the date to which interest has been paid.

(c) Both the principal of and the interest on the Series 2013A Bonds shall be payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof. The payment of interest on each Series 2013A Bond shall be made by the Bond Registrar on each Interest Payment Date to the person appearing on the registration books of the Bond Registrar as the Owner thereof as of the Regular Record Date (i) by check mailed to the Owner at his address as it appears on such registration books or (ii) by wire transfer to any Owner of Series 2013A Bonds in the aggregate principal amount of \$1,000,000 or more that requests such method of payment and has furnished the necessary instructions and information to the Bond Registrar. Payment of the principal of all Series 2013A

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Bonds shall be made upon the presentation and surrender of such Series 2013A Bonds at the designated corporate trust office of the Bond Registrar as the same become due and payable (whether at maturity or by acceleration or otherwise).

(d) Any interest on any Series 2013A Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner; and such Defaulted Interest may be paid by the Corporation, at its election in each case, as provided in paragraph 1 or 2 below:

(1) The Corporation may elect to make payment of any Defaulted Interest on the Series 2013A Bonds to the persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Corporation shall notify the Master Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Series 2013A Bond and the date of the proposed payment (which date shall be such as will enable the Master Trustee to comply with the next sentence hereof), and at the same time, the Corporation shall deposit with the Master Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Master Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subparagraph provided. Thereupon the Master Trustee shall fix a Special Record Date for the payment of such Defaulted Interest, which shall be neither more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Master Trustee of the notice of the proposed payment. The Master Trustee shall promptly notify the Corporation of such Special Record Date and, in the name and at the expense of the Corporation, such expense to be paid from Gross Receipts or any moneys available to the Corporation for such purpose, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given by first-class mail, postage prepaid, to each Owner at such Owner's address as it appears in the registration books maintained under Section 206 hereof not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Series 2013A Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the following paragraph (2).

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any other person appearing in the registration books of the Corporation kept by the Bond Registrar as the Owner of such Series 2013A Bond or its registered assigns or legal representatives. Transfer of principal and interest payments to participants of DTC shall be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Series 2013A Bonds by participants of DTC shall be the responsibility of such participants and other nominees of such beneficial owners. The Corporation, the Bond Registrar and the Master Trustee shall not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

(d) In the event that (i) DTC determines not to continue to act as Securities Depository for the Series 2013A Bonds or (ii) the Corporation determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2013A Bonds would adversely affect the interests of the beneficial owners of the Series 2013A Bonds, or (iii) an Event of Default shall occur with respect to the Series 2013A Bonds and is continuing and the beneficial owners of a majority in principal amount of the Series 2013A Bonds shall advise DTC to cease acting as Securities Depository, the Corporation shall discontinue the book-entry system with DTC. If the Corporation identifies another qualified Securities Depository to replace DTC, the Corporation shall make arrangements with DTC and such other Securities Depository to effect such replacement and deliver replacement bonds registered in the name of such other Securities Depository or its Securities Depository Nominee in exchange for the Outstanding Series 2013A Bonds, and the references to DTC or Cede & Co. in this Supplement No. 6 shall thereupon be deemed to mean such other Securities Depository or its Securities Depository Nominee. If the Corporation fails to identify another qualified Securities Depository to replace DTC, the Corporation shall deliver replacement bonds in the form of fully registered certificates in the denomination of \$5,000 or any integral multiple thereof in exchange for the Outstanding Series 2013A Bonds as required by DTC.

**SECTION 205. EXCHANGE OF SERIES 2013A BONDS.** (a) Series 2013A Bonds, upon surrender thereof at the designated corporate trust office of the Bond Registrar, together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as shall be satisfactory to the Bond Registrar, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Series 2013A Bonds of the same maturity, of any denomination or denominations authorized by this Supplement No. 6, bearing interest at the same rate and in the same form as the Series 2013A Bonds surrendered for exchange.

(b) The Corporation shall make provision for the exchange of Series 2013A Bonds at the designated corporate trust office of the Bond Registrar.

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(2) The Corporation may make payment of any Defaulted Interest on the Series 2013A Bonds in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed and upon such notice as may be required by such exchange, if, after notice given by the Corporation to the Master Trustee of the proposed payment pursuant to this subparagraph, such payment shall be deemed practicable by the Master Trustee.

Subject to the foregoing provisions of this Section 203, each Series 2013A Bond delivered under this Supplement No. 6 upon registration of, transfer of, in exchange for, or in lieu of any other Series 2013A Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Series 2013A Bond and each such Bond shall bear interest from such date, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

#### **SECTION 204. EXECUTION AND FORM OF SERIES 2013A BONDS.**

(a) The Series 2013A Bonds shall be signed by, or bear the facsimile signatures of, the President and the Treasurer of the Corporation and the corporate seal of the Corporation shall be impressed, or a facsimile thereof printed, on the Series 2013A Bonds. In case any officer whose signature or a facsimile of whose signature appears on any Series 2013A Bonds ceases to be such officer before the delivery of such Bonds, such signature or such facsimile nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery, and any Series 2013A Bond may bear the facsimile signature of, or may be signed by, such persons as at the actual time of the execution of such Bond are the proper officers to execute such Bond although at the date of such Bond such persons may not have been such officers.

(b) The definitive Series 2013A Bonds are issuable as permitted or required by this Supplement No. 6. All Series 2013A Bonds may have endorsed thereon such legends or text as may be necessary or appropriate to conform to the applicable rules and regulations of any governmental authority or any securities exchange on which the Series 2013A Bonds may be listed or to any requirement of law with respect thereto.

(c) The Series 2013A Bonds shall be issued by means of a book-entry system with no physical distribution of bond certificates to be made except as hereinafter provided. One bond certificate with respect to each date on which the Series 2013A Bonds are stated to mature, in the aggregate principal amount of the Series 2013A Bonds stated to mature on such date and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), shall be issued and delivered as directed by DTC. The book-entry system shall evidence ownership of the Series 2013A Bonds in the principal amount of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of each Series 2013A Bond and interest with respect thereto shall be payable to Cede & Co. or

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**SECTION 206. NEGOTIABILITY AND REGISTRATION OF TRANSFER OF SERIES 2013A BONDS.** (a) The institution at the time serving as Master Trustee under the Master Indenture shall be and is hereby appointed Bond Registrar for the Series 2013A Bonds under this Supplement No. 6.

(b) The Bond Registrar shall keep books for the registration and the registration of transfer of Series 2013A Bonds as to which it is Bond Registrar as provided in this Supplement No. 6. The registration books shall be available at all reasonable times for inspection by the Corporation and any Owner of such Bonds and may be copied by either of the foregoing and their agents or representatives.

(c) The Bond Registrar shall evidence acceptance of the duties, responsibilities and obligations of the Bond Registrar under this Supplement No. 6 by the execution of the certificate of authentication on the Series 2013A Bonds.

(d) The transfer of any Series 2013A Bond may be registered only upon the books kept for the registration and registration of transfer of Series 2013A Bonds upon presentation thereof to the Bond Registrar together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as shall be satisfactory to the Bond Registrar. No transfer of any Series 2013A Bond shall alter the ownership of such Bond for purposes of this Supplement No. 6 unless such transfer is registered with the Bond Registrar. Upon any such registration of transfer, the Corporation shall, if necessary, execute and the Bond Registrar shall authenticate and deliver in exchange for such Bond a new Series 2013A Bond or Series 2013A Bonds, registered in the name of the transferee, of any denomination or denominations authorized by this Supplement No. 6, in the aggregate principal amount equal to the principal amount of such Bond surrendered or exchanged, of the same maturity and bearing interest at the same rate.

(e) In all cases in which Series 2013A Bonds shall be exchanged or the transfer of Series 2013A Bonds shall be registered hereunder, the Corporation shall, if necessary, execute and the Bond Registrar shall authenticate and deliver at the earliest practicable time Series 2013A Bonds in accordance with the provisions of this Supplement No. 6. All Series 2013A Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Bond Registrar. No service charge shall be made for any registration, transfer or exchange of Series 2013A Bonds, but the Corporation and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Series 2013A Bonds.

**SECTION 207. OWNERSHIP OF SERIES 2013A BONDS.** The Corporation, the Master Trustee, the Bond Registrar and any agent of the Corporation, the Master Trustee or the Bond Registrar, may treat the person in whose name any Series

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2013A Bond is registered, including any Securities Depository Nominee, as the absolute Owner of such Bond for the purpose of receiving payment of the principal of and interest on such Bond, and for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent permitted by law, neither the Corporation, the Master Trustee, the Bond Registrar nor any such agent shall be affected by notice to the contrary.

**SECTION 208. AUTHORIZATION OF SERIES 2013A BONDS.** There shall be issued under and secured by the Master Indenture and this Supplement No. 6 Series 2013A Bonds of the Corporation in the aggregate principal amount of Two Billion and 00/100 Dollars (\$2,000,000,000) for the purpose of providing funds, together with other available funds, to enable the FHCF to make additional reimbursement payments through the FHCF to participating insurers of reimbursable losses caused by any Covered Events in the Contract Year ending May 31, 2014 or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act. The Series 2013A Bonds shall be designated "Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2013A". The Series 2013A Bonds are Pre-Event Parity Obligations and Pre-Event Bonds entitled to the benefits of the covenants and agreements in the Pledge Agreement, the Master Trust Indenture and this Supplement No. 6.

The Series 2013A Bonds shall be stated to mature (subject to the right of prior redemption, if any, as provided in Article III hereof) on July 1 of the following years, and shall bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months), payable semi-annually on each January 1 and July 1, the first interest payment date being July 1, 2013, until their respective maturities, at the following rates:

<u>Year of Maturity</u> <u>(July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$ 500,000,000	1.298%
2018	500,000,000	2.107
2020	1,000,000,000	2.995

The Series 2013A Bonds shall be executed substantially in the form and in the manner herein set forth and shall be deposited with the Bond Registrar for authentication, but before the Series 2013A Bonds shall be authenticated and delivered to the purchasers thereof, there shall be filed with the Master Trustee, in addition to the items required to be delivered to the Master Trustee pursuant to Section 208 of the Master Indenture, the following:

(a) a copy, certified by an Authorized Officer of the State Board of Administration to be a true and correct copy, of the resolution of the State Board of Administration determining that the Series 2013A Bonds should be issued in the absence

of a hurricane in order to maximize the ability of the FHCF to meet future obligations, as contemplated by the last sentence of Section 215.555(6)(a)1. of the Act;

(b) a copy, certified by the Treasurer of the Corporation to be a true and correct copy, of the Master Trust Indenture;

(c) an executed counterpart of this Supplement No. 6;

(d) a copy, certified by the Treasurer of the Corporation to be a true and correct copy, of the Pledge Agreement;

(e) a copy, certified by the Treasurer of the Corporation to be a true and correct copy, of the resolution of the Corporation (which resolution may be incorporated in this Supplement No. 6), approving the award of the Series 2013A Bonds and directing the authentication and delivery of such Bonds to or upon the order of the underwriters therein named upon payment of the purchase price therein set forth, plus the accrued interest (if any) thereon; provided, however, that the final determination of any of the details of such Bonds, including the purchase price therefor, may be delegated by such resolution to one or more Authorized Officers of the Corporation to the extent set forth therein;

(f) an Officer's Certificate of the Corporation (which may rely upon certificates or other documentation delivered by an Authorized Officer of the State Board of Administration) evidencing compliance with the requirements of Section 704 of the Master Indenture;

(g) an opinion or opinions of counsel to the Corporation to the effect that (1) this Supplement No. 6, the Master Indenture and the Pledge Agreement have each been duly and validly authorized, executed and delivered by the Corporation and are each valid and binding agreements of the Corporation enforceable in accordance with their respective terms, (2) no provision of the Master Indenture, this Supplement No. 6 or the Pledge Agreement results in or constitutes a default under any agreement, indenture or other instrument to which the Corporation is a party or by which the Corporation may be bound and of which such counsel to the Corporation has knowledge, (3) the Corporation's execution and delivery of the Master Indenture, this Supplement No. 6 and the Pledge Agreement and execution and issuance of the Series 2013A Bonds are not subject to any authorization, consent, approval or review of any governmental body, public officer or regulatory authority not theretofore obtained or effected, and (4) the form, terms, execution, issuance and delivery of the Series 2013A Bonds have been duly and validly authorized by the Corporation;

(h) an opinion or opinions of counsel to the State Board of Administration to the effect that (1) the Pledge Agreement has been duly and validly authorized, executed and delivered by the State Board of Administration, acting as the governing body and

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administrator of the FHCF, and is a valid and binding agreement of the FHCF enforceable in accordance with its terms, (2) the execution and delivery of the Pledge Agreement and compliance with the provisions on the part of the State Board of Administration contained therein will not, to the best knowledge of such counsel, constitute a material breach of or material default under any applicable constitutional provision, law, administrative regulation, judgment, decree, or any relevant loan agreement, indenture, bond, note, resolution, agreement or other relevant instrument to which the State Board of Administration is a party or to which the State Board of Administration or any of the property or assets of the FHCF is otherwise subject, which breach or default would materially adversely affect the ability of the State Board of Administration to perform its obligations under the Pledge Agreement, and (3) the State Board of Administration's execution and delivery of the Pledge Agreement are not subject to any authorization, consent, approval or review of any governmental body, public officer or regulatory authority not theretofore obtained or effected;

(i) an opinion of Bond Counsel relating to the Series 2013A Bonds; and

(j) such other documents as are required to be delivered to the Master Trustee pursuant to this Supplement No. 6.

When the documents mentioned in the Master Indenture and subparagraphs (a) through (j), inclusive, above shall have been filed with the Master Trustee, and when the Series 2013A Bonds shall have been executed and authenticated as required by this Supplement No. 6, the Series 2013A Bonds shall be delivered to or upon the order of the purchasers thereof, but only upon the deposit with the Master Trustee or the State Board of Administration, as the case may be, of the purchase price of the Series 2013A Bonds and the accrued interest, if any, thereon.

Simultaneously with the Closing, the proceeds of the Series 2013A Bonds (net of underwriters' discount), which is equal to \$1,993,048,840.21, shall be deposited with the State Board of Administration, for the account of the FHCF, and be deposited to the credit of the Series 2013A Bonds Proceeds Subaccount of the Pre-Event Parity Obligations Account in the Covered Events Relief Fund established pursuant to Section 8 of the Pledge Agreement. Of such \$1,993,048,840.21 proceeds, \$20,000,000 shall represent the good faith deposit received by the Corporation, via deposit with the State Board of Administration, from the Underwriters of the Series 2013A Bonds.

### ARTICLE III REDEMPTION OF SERIES 2013A BONDS

**SECTION 301. MAKE-WHOLE REDEMPTION OF SERIES 2013A BONDS.** The Series 2013A Bonds shall be subject to redemption prior to maturity by written direction of the Corporation, in whole or in part, on any Business Day, at the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the Series 2013A Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2013A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2013A Bonds are to be redeemed, discounted to the date on which the Series 2013A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 15 basis points for the 2016 maturity, 20 basis points for the 2018 maturity, and 30 basis points for the 2020 maturity; plus, in each case, accrued and unpaid interest on the Series 2013A Bonds to be redeemed to the redemption date. The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (\$19) that has become publicly available prior to the pricing date of the refunding bonds or prior to the redemption date if no refunding bonds are issued (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the refunding bonds pricing date, if issued, or if no refunding bonds are issued, from the redemption date to the maturity date of the Series 2013A Bonds to be redeemed.

**SECTION 302. NOTICE OF REDEMPTION.** When redemption of Series 2013A Bonds is authorized pursuant to the provisions hereof, the Trustee shall give to the Owners of Series 2013A Bonds to be redeemed notice, at the expense of the Corporation, of the redemption of the Series 2013A Bonds. Notice of such redemption of the Series 2013A Bonds shall be given by mail, postage prepaid, not more than sixty (60) days or fewer than thirty (30) days prior to said date of redemption, to the Owners of any Series 2013A Bonds to be redeemed. Such notice shall state: (i) the CUSIP numbers of all Series 2013A Bonds being redeemed, (ii) the original issue date of such Series 2013A Bonds, (iii) the maturity date and rate of interest borne by each Series 2013A Bond being redeemed, (iv) the redemption date, (v) the date on which such notice is mailed, (vi) if less than all Outstanding Series 2013A Bonds are to be redeemed, the bond number (and, in the case of a partial redemption of any Series 2013A Bond, the principal amount) of each Series 2013A Bond to be redeemed, (vii) that on such redemption date there shall become due and payable upon each Series 2013A Bond to be redeemed the Make-Whole Redemption Price thereof, or the Make-Whole Redemption Price of the specified portions of the principal thereof in the case of Series 2013A Bonds to be redeemed in part only,

together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, and (viii) that the Series 2013A Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment at the designated corporate trust office of the Trustee at an address specified. Any such notice may be a conditional notice. In the event the conditions stated in such a notice have not been satisfied on the proposed redemption date, such redemption shall not occur and such notice shall be of no further force or effect. Such mailing shall not be a condition precedent to such redemption, and failure to mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the redemption of the Series 2013A Bonds for which proper notice was given.

In the case of redemption of the Series 2013A Bonds, the Corporation will select the maturities of the Series 2013A Bonds to be redeemed. If the Series 2013A Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2013A Bonds shall be effected by the Bond Registrar among owners on a pro-rata basis subject to minimum authorized denominations. The particular Series 2013A Bonds to be redeemed shall be determined by the Bond Registrar, using such method as it shall deem fair and appropriate. If the Series 2013A Bonds are registered in book-entry only form and so long as DTC is the sole registered owner of the Series 2013A Bonds, if less than all of the Series 2013A Bonds of a maturity are called for prior redemption, the particular Series 2013A Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the Series 2013A Bonds are held in book-entry form, the selection for redemption of such Series 2013A Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Bond Registrar pursuant to DTC operational arrangements. If the Bond Registrar does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Series 2013A Bonds will be selected for redemption in accordance with DTC procedures by lot. It is the Corporation's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Corporation and the Beneficial Owners be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. However, the Corporation can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2013A Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the Series 2013A Bonds will be selected for redemption in accordance with DTC procedures by lot.

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(b) into the Series 2013A Subaccount of the Principal Account, on the Business Day immediately preceding each Principal Payment Date, an amount equal to the principal of the Series 2013A Bonds coming due on such Principal Payment Date.

**SECTION 403. INVESTMENT OF MONEY.** (a) Money held for the credit of the subaccounts established hereunder on deposit with the Master Trustee shall be continuously invested and reinvested by the Master Trustee, at the written direction of the Corporation, in Investment Obligations to the extent practicable. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such subaccounts will be required for the purposes intended. No Investment Obligations in any such subaccount may mature beyond the latest maturity date of any Series 2013A Bonds Outstanding at the time such Investment Obligations are deposited.

(b) Investment Obligations acquired with money in or credited to any subaccount established hereunder shall be deemed at all times to be part of such account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations shall be charged against such subaccount. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations to the credit of such accounts and subaccounts shall be credited to such respective subaccounts.

(c) Any such interest accruing and any such profit realized from the subaccounts established hereunder shall be transferred upon the receipt thereof by the Corporation or the Master Trustee, as the case may be, pursuant to the provisions of the Master Indenture and this Supplement No. 6.

(d) An Authorized Officer of the Corporation shall give to the Master Trustee written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Section 403, and the Master Trustee shall then invest such money in Investment Obligations as so directed. The Master Trustee may request in writing additional directions or authorization from an Authorized Officer of the Corporation with respect to the proposed investment of money. Upon receipt of such directions, the Master Trustee shall invest, subject to the provisions of this Section 403, such money in accordance with such directions.

(e) The Master Trustee shall sell at the fair market price or, acting in a commercially reasonable manner, reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so in order to provide money to make any payment from any such subaccount. The Master Trustee shall not be liable or responsible for any loss resulting from any such investment.

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## ARTICLE IV ESTABLISHMENT OF ACCOUNTS AND SUBACCOUNTS, APPLICATION OF NET RECEIPTS AND INVESTMENT OF FUNDS

**SECTION 401. ESTABLISHMENT OF ACCOUNTS AND SUBACCOUNTS.** The following accounts and subaccounts are hereby established:

- (a) Series 2013A Subaccount of the Interest Account of the Bond Fund; and
- (b) Series 2013A Subaccount of the Principal Account of the Bond Fund.

The subaccounts mentioned above shall be established with and held by the Master Trustee pursuant to the Master Indenture and this Supplement No. 6 for the benefit of the Owners of the Series 2013A Bonds.

**SECTION 402. APPLICATION OF NET RECEIPTS.** On or before the dates set forth below, so long as any of the Series 2013A Bonds is Outstanding, the Master Trustee shall withdraw, immediately following any withdrawal required by Section 503(b) of the Master Trust Indenture, from the Reimbursement Premiums Account in the Revenue Fund and, subsequent to such withdrawal, from the Pre-Event Bonds Investment Income Account, the Derivative Agreements Account or any other account or subaccount established in the Revenue Fund (other than the Emergency Assessments Account) in the order specified below, the amounts necessary to make the deposits or payments required by Sections 503(c)(iii) and 504 of the Master Trust Indenture, and, if and to the extent that the amounts on deposit to the credit of the Reimbursement Premiums Account, the Pre-Event Bonds Investment Income Account, the Derivative Agreements Account or any other account or subaccount established in the Revenue Fund are insufficient to make such deposits or payments, the Master Trustee shall withdraw from the Emergency Assessments Account in the Revenue Fund the amounts necessary to satisfy such deposits or payments; provided, however, in the case of the Series 2013A Bonds, the Master Trustee shall draw first from the Reimbursement Premiums Account, then from the Pre-Event Bonds Investment Income Account and then from the Series 2013A Bonds Proceeds Subaccount of the Pre-Event Parity Obligations Account in the Covered Events Relief Fund, prior to making any withdrawal from any of such other Accounts or any other account or subaccount, and the Master Trustee shall apply such amounts to the various subaccounts specified herein in the following order:

(a) into the Series 2013A Subaccount of the Interest Account, on the Business Day immediately preceding each Interest Payment Date, an amount equal to the interest payable on the Series 2013A Bonds on such Interest Payment Date; and

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(f) Whenever a transfer of money between two or more of the accounts or subaccounts is permitted or required, such transfer may be made as a whole or value determined at the time of such transfer in accordance with Article VI of the Master Indenture, provided that the Investment Obligations transferred are those in which money of the receiving account or subaccount could be invested at the date of such transfer.

**SECTION 404. PAYMENT OF PRINCIPAL AND INTEREST.** (a) The Corporation covenants that it will promptly pay the principal of and the interest on every Series 2013A Bond issued under the provisions of this Supplement No. 6 at the places, on the dates and in the manner provided herein and in the Series 2013A Bonds, according to the true intent and meaning thereof and in accordance with the provisions of the Master Indenture and this Supplement No. 6. The Series 2013A Bonds shall constitute Bonds and Parity Obligations under the Master Indenture and shall be secured by the trust estate set forth in the Master Indenture. The Corporation further covenants that it will faithfully perform at all times all of its covenants, undertakings and agreements contained in this Supplement No. 6 and the Master Indenture, or in any Series 2013A Bond executed, authenticated and delivered hereunder or in any proceedings of the Corporation pertaining thereto. The Corporation represents and covenants that it is duly authorized under the Constitution and laws of the State, particularly the Act, to issue the Series 2013A Bonds authorized hereby and to pledge the Net Receipts in the manner and to the extent in the Master Indenture set forth; that all action on its part for the issuance of the Series 2013A Bonds has been duly and effectively taken; and that such Series 2013A Bonds in the hands of the Owners thereof are and will be valid and binding special obligations of the Corporation payable according to their terms.

(b) Subject to the provisions of Sections 503 and 504 of the Master Indenture, on the Business Day preceding each Interest Payment Date or Interest Payment Date and Principal Payment Date, the Master Trustee shall first set aside an amount sufficient to pay the interest on the Series 2013A Bonds becoming due and payable on such Interest Payment Date, and then an amount sufficient to pay the principal of the Series 2013A Bonds becoming due and payable on such Principal Payment Date, and shall make payments as provided herein and in the forms of the Series 2013A Bonds.

(c) At such time as to enable the Bond Registrar to make payments of interest on the Series 2013A Bonds in accordance with Section 203(c) hereof, the Master Trustee shall withdraw from the Series 2013A Subaccount of the Interest Account and make available to the Bond Registrar the amounts required to pay interest on the Series 2013A Bonds on the next succeeding Interest Payment Date. At such time as to enable the Bond Registrar to make payments of principal of the Series 2013A Bonds, the Master Trustee shall withdraw from the Series 2013A Subaccount of the Principal Account the amount required to pay the Series 2013A Bonds on the next succeeding Principal Payment Date and make the same available to the Bond Registrar for the payment of the Series 2013A

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Bonds in accordance with the provisions of Section 203(c) hereof and in the manner provided in the forms of the Series 2013A Bonds.

(d) The Series 2013A Bonds shall not be secured by the Parity Common Reserve Account.

**SECTION 405. STATE COVENANT.** The Corporation acknowledges that Section 708 of the Master Indenture constitutes an important security provision of the Series 2013A Bonds, and confirms that the acknowledgement set forth in this Section 405 has been included as a result of negotiations with the underwriters of the Series 2013A Bonds.

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#### ARTICLE VI SUPPLEMENTAL INDENTURES

**SECTION 601. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF OWNERS.** The Corporation and the Master Trustee may, from time to time and at any time, without the consent of or notice to any of the Owners of the Series 2013A Bonds, execute and deliver such indentures supplemental hereto (which supplemental indentures shall thereafter form a part hereof) as shall be substantially consistent with the terms and provisions of this Supplement No. 6:

(a) cure any ambiguity or formal defect or omission, to correct or supplement any provision herein that may be inconsistent with any other provision herein, to make any other provisions with respect to matters or questions arising under this Supplement No. 6 or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Supplement No. 6;

(b) to grant or to confer upon the Master Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Master Trustee;

(c) to add to the covenants and agreements of the Corporation in this Supplement No. 6 other covenants and agreements thereafter to be observed by the Corporation or to surrender any right or power herein reserved to or conferred upon the Corporation;

(d) to permit the qualification of this Supplement No. 6 under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Corporation so determines, to add to this Supplement No. 6 or any supplemental indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law;

(e) to provide for the issuance of Series 2013A Bonds in bearer form; or

(f) to make any other change that, in the opinion of the Trustee, which may, but is not required to, rely upon one or more of affirmation of ratings by the Rating Agencies, certificates of Consultants and Opinions of Counsel for such purpose, shall not materially adversely affect the security for the Parity Obligations.

**SECTION 602. MODIFICATION OF SUPPLEMENT NO. 6 WITH CONSENT OF OWNERS.** (a) Subject to the terms and provisions contained in this Section 602, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Series 2013A Bonds then Outstanding shall have the right, from time to time, anything contained in this Supplement No. 6 to the contrary

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#### ARTICLE V THE MASTER TRUSTEE

**SECTION 501. ACCEPTANCE OF DUTIES BY MASTER TRUSTEE.** The Master Trustee by execution hereof accepts and agrees to perform the duties and fulfill the trusts imposed upon it by this Supplement No. 6.

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notwithstanding, to consent to and approve the adoption by the Corporation and the acceptance by the Master Trustee of such supplemental indentures as shall be deemed necessary or desirable by the Corporation for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Supplement No. 6 or in any supplemental indenture hereto; provided, however, that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Series 2013A Bond without the consent of the Owner of such Series 2013A Bond, (b) a reduction in the principal amount of any Series 2013A Bond or the rate of interest on any Series 2013A Bond without the consent of the Owner of such Series 2013A Bond, (c) the creation of a pledge of Net Receipts other than the lien and pledge created by the Master Indenture without the consent of the Owners of all Series 2013A Bonds, (d) a preference or priority of any Series 2013A Bond over any other Series 2013A Bond without the consent of the Owners of all Series 2013A Bonds, or (e) a reduction in the aggregate principal amount of Series 2013A Bonds required for consent to such supplemental indenture without the consent of the Owners of all Series 2013A Bonds. Nothing herein contained, however, shall be construed as making necessary the approval by the Owners of the execution and delivery of any supplemental indenture as authorized in Section 601 hereof.

(b) The Master Trustee shall, at the expense of the Corporation, such expense to be paid from Gross Receipts or from any other available moneys, cause notice of the proposed execution and delivery of such supplemental indenture to be mailed, first class, postage prepaid, to all Owners of the Series 2013A Bonds. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the designated corporate trust office of the Master Trustee for inspection by all Owners. The Master Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by this Section 602, and any such failure shall not affect the validity of such supplemental indenture when approved and consented to as provided in this Section 602.

(c) Whenever, at any time within three years after the date of the mailing of such notice, the Corporation shall deliver to the Master Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority in aggregate principal amount of Series 2013A Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental indenture described in such notice and shall specifically consent to and approve the execution and delivery thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Corporation and the Master Trustee may execute and deliver such supplemental indenture in substantially such form, without liability or responsibility to any Owner, whether or not such Owner shall have consented thereto.

(d) If the Owners of not less than a majority in aggregate principal amount of the Series 2013A Bonds Outstanding at the time of the execution of such supplemental

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indenture have consented to and approved the execution and delivery thereof as herein provided, to the extent permitted by law, no Owner shall have any right to object to the execution and delivery of such supplemental indenture, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution and delivery thereof, or enjoin or restrain the Corporation or the Master Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

(e) Upon the execution and delivery of any supplemental indenture pursuant to the provisions of this Section 602 or Section 601 hereof, this Supplement No. 6 shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Supplement No. 6 of the Corporation, the Master Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Supplement No. 6, as so modified and amended.

**SECTION 603. EXCLUSION OF SERIES 2013A BONDS.** Series 2013A Bonds owned or held by or for the account of the Corporation shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Series 2013A Bonds provided for in this Article VI, and the Corporation as Owner of such Series 2013A Bonds shall not be entitled to consent or take any other action provided for in this Article VI. At the time of any consent or other action taken under this Article VI, the Corporation shall furnish the Master Trustee an Officer's Certificate, upon which the Master Trustee may rely, describing all Series 2013A Bonds so to be excluded.

**SECTION 604. RESPONSIBILITIES OF MASTER TRUSTEE AND CORPORATION UNDER THIS ARTICLE.** The Master Trustee and the Corporation shall be entitled to exercise their discretion in determining whether or not any proposed supplemental indenture or any term or provision therein contained is desirable, after considering the purposes of such instrument, the needs of the Corporation, the rights and interests of the Owners, and the rights, obligations and interests of the Master Trustee. The Master Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of counsel approved by it, who may be Bond Counsel for the Corporation, as conclusive evidence that any such proposed supplemental indenture does or does not comply with the provisions of this Supplement No. 6, and that it is or is not proper for it, under the provisions of this Article VI, to execute and deliver such supplemental indenture.

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#### ARTICLE VIII. MISCELLANEOUS PROVISIONS

**SECTION 801. MANNER OF GIVING NOTICE.** All notices, demands and requests to be given to or made hereunder by the Corporation, the Master Trustee or the Bond Registrar shall be given or made in writing and shall be deemed to be properly given or made if sent by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

(a) As to the Corporation--

Florida Hurricane Catastrophe Fund Finance Corporation  
c/o State Board of Administration of the State of Florida  
1801 Hermitage Boulevard  
Tallahassee, Florida 32308  
Attention: President

(b) As to the Master Trustee or Bond Registrar--

Wells Fargo Bank, N.A.  
One Independent Drive, Suite 620  
Jacksonville, Florida 32202  
Attention: Corporate Trust Department

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by electronic mail or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change sent by United States certified or registered mail, postage prepaid, to the other parties by the party effecting the change.

**SECTION 802. SUBSTITUTE NOTICE.** If, because of the temporary or permanent suspension of postal service, the Corporation, the Master Trustee or the Bond Registrar shall be unable to mail any notice required to be given by the provisions of this Supplement No. 6, such party shall give notice in such other manner as in the judgment of such party shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Supplement No. 6 be deemed to be in compliance with the requirement for the mailing thereof.

**SECTION 803. CORPORATION, MASTER TRUSTEE, BOND REGISTRAR AND OWNERS ALONE HAVE RIGHTS UNDER SUPPLEMENT**

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#### ARTICLE VII QUALIFIED ESCROW FUNDS

**SECTION 701. QUALIFIED ESCROW FUNDS.** Notwithstanding any provisions herein to the contrary, any and all moneys in the Series 2013A Bonds Proceeds Subaccount of the Pre-Event Parity Obligations Account in the Covered Events Relief Fund, the Series 2013A Subaccount of the Interest Account of the Bond Fund, the Series 2013A Subaccount of the Principal Account of the Bond Fund and any other account or subaccount designated by the President or other authorized officer may be designated as Qualified Escrow Funds as provided in the Master Trust Indenture pursuant to a certificate of the President or other authorized officer. In the event of such designation, such Qualified Escrow Funds shall be used solely to pay principal of, redemption premium, if any, and interest on such Series 2013A Bonds as may be designated by the President or other authorized officer of the Corporation.

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**NO. 6.** Except as herein otherwise expressly provided, nothing in this Supplement No. 6, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the Corporation, the Master Trustee, the Bond Registrar and the Owners, any right, remedy or claim, legal or equitable, under or by reason of this Supplement No. 6 or any provision being intended to be and being for the sole and exclusive benefit of the Corporation, the Master Trustee, the Bond Registrar and the Owners.

**SECTION 804. EFFECT OF PARTIAL INVALIDITY.** All covenants, stipulations, obligations and agreements of the Corporation contained in this Supplement No. 6 shall be deemed to be covenants, stipulations, obligations and agreements of the Corporation to the full extent permitted by the Constitution and laws of the State. In case any one or more of the provisions of this Supplement No. 6 or the Series 2013A Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Supplement No. 6 or the Series 2013A Bonds, but this Supplement No. 6 and the Series 2013A Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in this Supplement No. 6 or the Series 2013A Bonds shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Corporation to the full extent permitted by law.

**SECTION 805. EFFECT OF COVENANTS: GOVERNING LAW.** This Supplement No. 6 is executed and delivered with the intent that the laws of the State shall govern this construction.

**SECTION 806. HEADINGS.** Any heading preceding the text of the several articles hereof, any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Supplement No. 6, nor shall they affect its meaning, construction or effect.

**SECTION 807. FURTHER AUTHORITY.** The officers, attorneys and other agents or employees of the Corporation are hereby authorized to do all acts and things required of them by this Supplement No. 6 for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Series 2013A Bonds and this Supplement No. 6.

**SECTION 808. PAYMENT DUE ON NON-BUSINESS DAYS.** In the case of the Series 2013A Bonds, if the date for making any payment or the last day for performance of any act or the exercising of any right as provided in this Supplement No. 6 is not a Business Day, such payment may be made or act performed or right exercised on the next Business Day with the same force and effect as if done on the date provided in this Supplement No. 6.

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SECTION 809. MULTIPLE COUNTERPARTS. This Supplement No. 6 may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Corporation and the Master Trustee have caused this Supplement No. 6 to be executed in their respective names by their respective duly authorized officers all as of the date first written above.

FLORIDA HURRICANE CATASTROPHE  
FUND FINANCE CORPORATION

(SEAL)

By: \_\_\_\_\_  
President

ATTEST:

Treasurer

WELLS FARGO BANK, N.A., as  
Master Trustee

(SEAL)

By: \_\_\_\_\_  
Authorized Signatory

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which the Series 2013A Bonds (hereinafter mentioned) may be listed and upon such notice as may be required by such exchange, or as more fully provided in the Master Indenture. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This bond is one of a duly authorized series of revenue bonds of the Corporation, designated "Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2013A" (the "Series 2013A Bonds"), issued under and pursuant to the Constitution and laws of the State of Florida, including Section 215.555, Florida Statutes (the "Act"), a Master Trust Indenture, dated as of June 1, 2006 (as amended and supplemented, the "Master Indenture"), by and between the Corporation and Wells Fargo Bank, N.A., Jacksonville, Florida, as master trustee (the "Master Trustee"), and the Sixth Supplemental Indenture, dated as of April 1, 2013 ("Supplement No. 6"), by and between the Corporation and the Master Trustee. The Master Trustee is also the Bond Registrar for the Series 2013A Bonds. The Series 2013A Bonds are being issued for the purpose of providing funds, together with other available funds, to enable the FHCF to make reimbursement payments through the FHCF to participating insurers of reimbursable losses caused by any Covered Events occurring in the Contract Year ending May 31, 2014 or any subsequent Contract Year, subject to the limitations on such reimbursements set forth in the Act.

The Series 2013A Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in Supplement No. 6. One bond certificate with respect to each date on which the Series 2013A Bonds are stated to mature, in the aggregate principal amount of the Series 2013A Bonds stated to mature on such date and registered in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York ("DTC"), is being issued and required to be deposited with DTC and immobilized in its custody. The book-entry system will evidence ownership of the Series 2013A Bonds in the principal amount of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Transfer of principal and interest payments to beneficial owners of the Series 2013A Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. The Corporation will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. While Cede & Co. is the Owner of this bond, notwithstanding the provisions hereinabove contained, payments of principal of and interest on this bond shall be made in accordance with the existing arrangements between the Bond Registrar and DTC.

The Corporation, the State Board of Administration, acting as the governing body and administrator of the FHCF, and the Master Trustee have entered into a Pledge and

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EXHIBIT A

FORM OF SERIES 2013A BONDS

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UNITED STATES OF AMERICA  
STATE OF FLORIDA  
FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION  
REVENUE BOND, SERIES 2013A

Interest Rate Maturity Date CUSIP

Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation"), an instrumentality of the State of Florida, for value received, hereby promises to pay, but solely from the sources and in the manner hereinafter provided, to CEDE & CO. or registered assigns or legal representative (the "Owner"), on the Maturity Date set forth above, upon the presentation and surrender hereof, at the designated corporate trust office of Wells Fargo Bank, N.A., in the City of Jacksonville, Florida (the "Bond Registrar"), the principal sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_). The Corporation also promises to pay, but solely from said sources, interest on this bond (calculated on the basis of a 360-day year consisting of twelve 30-day months) from the interest payment date next preceding the date on which it is authenticated, unless it is authenticated on an interest payment date, in which event it shall bear interest from such interest payment date, or it is authenticated prior to July 1, 2013, in which event it shall bear interest from its date, payable semiannually on each January 1 and July 1, the first interest payment date being July 1, 2013, at the Interest Rate per annum set forth above until the principal sum hereof is paid. The interest so payable and punctually paid or duly provided for on any interest payment date will be paid to the person in whose name this bond (or one or more Predecessor Bonds, as defined in the Master Indenture hereinafter defined) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month preceding the calendar month in which an interest payment date occurs. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Owner on such Regular Record Date, and may be paid to the person in whose name this bond is registered at the close of business on a Special Record Date (as defined in the Master Indenture) for the payment of such defaulted interest to be fixed by the Master Trustee (hereinafter mentioned), notice whereof being given to such Owners not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on

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Security Agreement, dated as of June 1, 2006 (the "Pledge Agreement"), pursuant to which the State Board of Administration has pledged to the Corporation all of the right, title and interest of the FHCF in and to the Pledged Collateral (as defined in the Pledge Agreement), and has agreed to transfer directly to the Master Trustee the Pledged Collateral in such amounts and at such times as are required to provide for the timely payment of the principal of and interest on the Series 2013A Bonds.

The Series 2013A Bonds are special obligations of the Corporation secured by a pledge, security interest in and lien upon the Net Receipts (as defined in the Master Indenture) and an assignment of the Corporation's right, title and interest in and to the Pledge Agreement (subject to the reservation of certain rights of the Corporation). The Corporation is not obligated to pay the principal of or the interest on the Series 2013A Bonds except as provided in the Master Indenture from Net Receipts, and neither the faith and credit nor the taxing power of the State of Florida or any political subdivision thereof is pledged to the payment of the principal of and the interest on the Series 2013A Bonds. The Corporation has no taxing power. The Master Indenture provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds and Parity Debt (as defined in the Master Indenture) secured on a parity as to the pledge of Net Receipts with the Series 2013A Bonds. The Series 2013A Bonds are being issued on parity under the Master Indenture with the Corporation's Series 2008A Bonds and the Series 2010A Bonds.

The Master Indenture provides for the creation of a special fund designated "Florida Hurricane Catastrophe Fund Finance Corporation Bond Fund (the "Bond Fund"). Pursuant to Supplement No. 6, special subaccounts have been created within the certain accounts of the Bond Fund with respect to the Series 2013A Bonds (the "Subaccounts"), which Subaccounts are charged with the payment of the principal of and the interest on the Series 2013A Bonds. Supplement No. 6 also provides for the deposit of Net Receipts to the credit of the Subaccounts to the extent and in the manner provided in the Master Indenture.

The Series 2013A Bonds are subject to redemption prior to maturity by written direction of the Corporation, in whole or in part, on any Business Day, at the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the Series 2013A Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2013A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2013A Bonds are to be redeemed, discounted to the date on which the Series 2013A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 15 basis points for the 2016 maturity, 20 basis points for the 2018 maturity, and 30 basis points for the 2020 maturity; plus, in each case, accrued and unpaid interest on the Series 2013A Bonds to be

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redeemed to the redemption date. The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available prior to the pricing date of the refunding bonds or prior to the redemption date if no refunding bonds are issued (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the refunding bonds pricing date, if issued, or if no refunding bonds are issued, from the redemption date to the maturity date of the Series 2013A Bonds to be redeemed.

Notice of any such redemption shall be given by mail, postage prepaid, not more than 60 days or fewer than 30 days prior to said date of redemption, to the Owners of any Series 2013A Bonds to be redeemed. Such notice shall specify, among other things: (1) that the whole or a designated portion of this Series 2013A Bond is to be redeemed, (2) the date of redemption, and (3) the place or places where the redemption will be made. Any such notice may be a conditional notice. In the event the conditions stated in such a notice have not been satisfied on the proposed redemption date, such redemption shall not occur and such notice shall be of no further force or effect.

Under the Master Indenture, in certain events of defaults, on the conditions, in the manner and with the effect, the principal of all Parity Obligations then outstanding may be declared to be and become due and payable prior to the stated maturities thereof, together with the interest accrued thereon.

Reference is made to the Master Indenture, Supplement No. 6 and the Pledge Agreement for a more complete statement of the provisions thereof and of the rights of the Corporation, the Master Trustee and the Owners of the Series 2013A Bonds. Copies of the Master Indenture, Supplement No. 6 and the Pledge Agreement shall be available for inspection by any Owner of the Bonds at all reasonable times at the designated corporate trust office of the Master Trustee. By the purchase and acceptance of this bond, the Owner hereof signifies assent to all of the provisions of the Master Indenture, Supplement No. 6 and the Pledge Agreement.

At the designated corporate trust office of the Bond Registrar, in the manner and subject to the conditions provided in the Master Indenture, Series 2013A Bonds may be exchanged for an equal aggregate principal amount of Series 2013A Bonds of the same series and maturity, of authorized denominations and bearing interest at the same rate.

The Bond Registrar shall keep at its designated corporate trust office books for the registration of transfer of the Series 2013A Bonds. The transfer of this bond may be registered only upon such books and as otherwise provided in the Master Indenture upon the surrender hereof to the Bond Registrar together with an assignment duly executed by the Owner hereof or such Owner's attorney or legal representative in such form as shall

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IN WITNESS WHEREOF, the Florida Hurricane Catastrophe Fund Finance Corporation has caused this bond to be manually signed by its President and Treasurer and its corporate seal to be impressed hereon, all as of the 23rd day of April, 2013.

FLORIDA HURRICANE CATASTROPHE  
FUND FINANCE CORPORATION

(SEAL)

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Treasurer

#### CERTIFICATE OF AUTHENTICATION

This bond is a Bond of the Series designated therein and issued under the provisions of the within-mentioned Master Indenture and Supplement No. 6.

Date of Authentication:

WELLS FARGO BANK, N.A.,  
Bond Registrar

By: \_\_\_\_\_  
Authorized Signatory

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be satisfactory to the Bond Registrar. Upon any such registration of transfer, the Bond Registrar shall deliver in exchange for this bond a new Series 2013A Bond or Bonds, registered in the name of the transferee, of authorized denominations, in an aggregate principal amount equal to the principal amount of this bond, of the same series and maturity and bearing interest at the same rate.

This bond, notwithstanding the provisions for registration of transfer stated herein and contained in the Master Indenture and Supplement No. 6, at all times shall be, and shall be understood to be, an investment security within the meaning of and for all the purposes of the Uniform Commercial Code of Florida. This bond is issued with the intent that the laws of the State of Florida shall govern its construction.

Modifications or alterations of the Master Indenture and Supplement No. 6 or in any supplement indenture thereto may be made only to the extent and in the circumstances permitted by the Master Indenture and Supplement No. 6, as the case may be.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of this bond and the execution and delivery of the Master Indenture and Supplement No. 6 have happened, exist and have been performed as so required.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Master Indenture or Supplement No. 6 until it shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

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Unless this certificate is presented by an authorized representative of The Depository Trust Company to the Corporation or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by the authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

#### ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

\_\_\_\_\_  
Insert Social Security or Other Identifying Number of Assignee

\_\_\_\_\_  
(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorneys to register the transfer of the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature guaranteed:

\_\_\_\_\_  
NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

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APPENDIX C-4  
PLEDGE AND SECURITY AGREEMENT

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# PLEDGE AND SECURITY AGREEMENT

among

FLORIDA HURRICANE CATASTROPHE  
FUND FINANCE CORPORATION,

FLORIDA HURRICANE CATASTROPHE FUND

and

WELLS FARGO BANK, N.A.,  
Master Trustee

Dated as of June 1, 2006

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1 THIS PLEDGE AND SECURITY AGREEMENT, dated as of June 1, 2006 (this "Pledge  
2 Agreement"), is made by and among the State Board of Administration of the State of Florida,  
3 acting as the governing body and administrator of the Florida Hurricane Catastrophe Fund (the  
4 "State Board of Administration"), a trust fund established for bond covenants, indentures or  
5 resolutions within the meaning of Section 19(1)(3), Article III of the Constitution of the State of  
6 Florida (the "FHCF"), Florida Hurricane Catastrophe Fund Finance Corporation, a public  
7 benefits corporation, which is an instrumentality of the State of Florida (the "Corporation"), and  
8 Wells Fargo Bank, N.A., Jacksonville, Florida, a national banking association duly incorporated  
9 under the laws of the United States of America, in its capacity as master trustee (the "Master  
10 Trustee") under the Master Indenture (hereinafter defined),

### WITNESSETH:

12 WHEREAS, Section 215.555, Florida Statutes (the "Act") creates the FHCF and provides  
13 that the FHCF will be administered by the State Board of Administration; and

15 WHEREAS, the Act provides that the FHCF will reimburse certain insurers for a portion  
16 of their catastrophic hurricane losses, subject to the limitations on such reimbursements set forth  
17 in the Act, in order to create additional insurance capacity sufficient to ameliorate the current  
18 dangers to the economy of the State of Florida and to the public health, safety and welfare of its  
19 citizens posed by a lack of an orderly private market for property insurance; and

20 WHEREAS, the Act creates the Corporation to provide a mechanism for the cost-  
21 effective and efficient issuance of bonds necessary to enable the FHCF to carry out the purposes  
22 of the Act; and

23 WHEREAS, the purpose of such bonds is to fund reimbursements through the FHCF to  
24 pay for the costs of construction, reconstruction, repair, restoration and other costs associated  
25 with damage to properties of policyholders of covered policies due to the occurrence of a  
26 hurricane; and

27 WHEREAS, the Act provides for the payment by certain insurers of reimbursement  
28 premiums and for the payment of emergency assessments in the amounts and under the  
29 circumstances set forth in the Act and authorizes the pledge of all or any portion of the revenues  
30 derived from such reimbursement premiums and emergency assessments, together with the  
31 interest earnings thereon, to the payment of the principal of and redemption premium, if any, and  
32 interest on bonds issued by the Corporation for the benefit of the FHCF; and

33 WHEREAS, the Board of Directors of the Corporation has duly authorized the execution  
34 and delivery of a master trust indenture, dated as of June 1, 2006 (the "Master Trust Indenture")  
35 and, as supplemented and amended, the "Master Indenture", by and between the Corporation  
36 and the Master Trustee, pursuant to which the Corporation will issue and incur Parity  
37 Obligations secured by a pledge of and security interest in its Net Receipts; and

38 WHEREAS, in order to provide for the prompt payment of the principal of and  
39 redemption premium, if any, and interest on the Parity Obligations issued by the Corporation and

1 for the performance by the Corporation of its other obligations under the Master Indenture, the  
2 State Board of Administration has determined to pledge to the Corporation, and grant to the  
3 Corporation a security interest in, all of the right, title and interest of the FHCF in and to the  
4 Pledged Collateral (as hereinafter defined); and

5 WHEREAS, pursuant to the Master Indenture, the Corporation will, for the benefit of the  
6 owners of the Parity Obligations, pledge and assign in the Master Indenture to the Master Trustee  
7 all of the Corporation's right, title and interest (including the right to enforce the same and the  
8 right to receive the Pledged Collateral) in and to this Pledge Agreement (subject to the  
9 reservation of certain rights of the Corporation);

10 NOW, THEREFORE, in consideration of the premises and in order to induce the  
11 Corporation to execute and deliver the Master Indenture, to issue Parity Obligations under the  
12 Master Indenture and to transfer certain proceeds of such Parity Obligations to the State Board of  
13 Administration, upon the issuance thereof, for the purposes permitted by the Act, the State Board  
14 of Administration, the Corporation and the Master Trustee hereby agree as follows:

15 Section 1. *Defined Terms.* Capitalized terms not defined herein shall have the  
16 meanings ascribed to such terms in the Master Trust Indenture. For the purposes hereof, unless  
17 the context otherwise indicates, the following words and terms shall have the following  
18 meanings:

19 "Contract Year" means the term of the reimbursement contracts between the State Board  
20 of Administration and Insurers writing Covered Policies.

21 "Corpus Earnings" means the income derived from the investment of the Corpus of the  
22 FHCF.

23 "Corpus of the FHCF" means, as of a particular date, the sum of (i) the unrestricted net  
24 assets held by the FHCF on the last day of the preceding Fiscal Year, (ii) the Reimbursement  
25 Premiums and Reimbursement Premium Earnings held by the FHCF in the then current Fiscal  
26 Year that are in excess of the amounts required for deposit to the credit of the accounts and  
27 subaccounts in the Revenue Fund in accordance with the provisions of Section 502 of the Master  
28 Trust Indenture and as shall be required for application in accordance with the provisions of  
29 Sections 503 and 504 of the Master Trust Indenture, and (iii) without duplication, the amount of  
30 the Reimbursement Premiums released in accordance with the provisions of Section 3(f) hereof  
31 and Section 503(e)(ii)(Y) of the Master Trust Indenture and the amount of the Emergency  
32 Assessments released in accordance with the provisions of Section 503(e)(ii)(Z) of the Master  
33 Trust Indenture, in each case, from the pledge and security interest granted by this Pledge  
34 Agreement. Proceeds of Bonds do not constitute a portion of the Corpus of the FHCF for  
35 purposes of this definition.

36 "Covered Event" means Covered Event as defined in the Act.

37 "Covered Events Relief Fund" means the Florida Hurricane Catastrophe Fund Covered  
38 Events Relief Fund created and so designated by Section 8 hereof.

39 "Covered Policy" means Covered Policy as defined in the Act.



1 "Current Expenses of the FHCF" means the current expenses for the operation of the  
2 FHCF, including, without limiting the generality of the foregoing, all administrative expenses,  
3 salaries and other compensation, personnel expenses properly chargeable to the FHCF, fees and  
4 expenses incurred for professional consultants and fiduciaries, refunds related to over-payments  
5 of Reimbursement Premiums or refunds of interest related to loss reimbursements or  
6 overpayments of Reimbursement Premiums, the premiums, fees and costs of procuring  
7 reinsurance for the FHCF, all operating transfers or contributions required by the Act, including  
8 operating transfers or contributions pursuant to Section 215.555(7)(c) of the Act, and all Current  
9 Expenses of the FHCF so identified in this Pledge Agreement or in a resolution adopted by the  
10 State Board of Administration; but Current Expenses of the FHCF shall not include (i)  
11 depreciation or amortization, (ii) any deposit to any fund, account and subaccount established  
12 under the Master Indenture or any Supplemental Indenture or any payment of principal,  
13 redemption premium, if any, and interest on any Bonds from any such fund, account and  
14 subaccount, (iii) any debt service payment in respect of Parity Debt or Subordinated  
15 indebtedness, or (iv) payments or advances to insurers writing Covered Policies in the State for  
16 hurricane losses pursuant to reimbursement contracts entered into with such insurers by the State  
17 Board of Administration pursuant to the Act.

18 "Emergency Assessments" means the money paid or payable to the Corporation or the  
19 FHCF from the emergency assessments levied with respect to assessable lines insurance as  
20 provided from time to time by the Act. There shall be included within the ambit of "Emergency  
21 Assessments" any interest, penalty or surcharge paid or payable on late payments of such  
22 emergency assessments.

23 "Emergency Assessment Earnings" means the income derived from the investment of  
24 Emergency Assessments.

25 "Fiscal Year" means the fiscal year of the FHCF, which shall be the period beginning on  
26 July 1 of each year and ending on June 30 of the following year, unless the Master Trustee is  
27 notified in writing by an Authorized Officer of the State Board of Administration of a change in  
28 such period, in which case the Fiscal Year shall be the period set forth in such notice.

29 "Other Pledged Money" means any money derived from any fees, premiums,  
30 assessments or other levies paid or payable to the FHCF or the Corporation, including the  
31 income derived from the investment thereof, pursuant to any law enacted, after the date of  
32 delivery of this Pledge Agreement, by the Legislature of the State, to the extent that such money  
33 is permitted or required by law to be pledged and used for the payment of the principal of and  
34 redemption premium, if any, and interest on Parity Obligations.

35 "Pledged Collateral" for any particular period means the excess of Reimbursement  
36 Premiums and Reimbursement Premium Earnings over the payment of Current Expenses of the  
37 FHCF, Emergency Assessments, Emergency Assessment Earnings, the net proceeds of, and  
38 investment income on such proceeds of, Parity Obligations, net payments to or for the account of  
39 the Corporation derived from Derivative Agreements and Other Pledged Money. There shall be  
40 included within the ambit of "Pledged Collateral": (i) all certificates and instruments, if any,  
41 from time to time representing or evidencing any of the Pledged Collateral, (ii) all interest,  
42 dividends, cash, instruments or other Property from time to time received, receivable or

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1 (b) The State Board of Administration hereby agrees to prepare, execute and file such  
2 financing statements or amendments to existing financing statements or continuations thereof as  
3 shall be necessary, in the Opinion of Counsel, to evidence the security interest in the Pledged  
4 Collateral granted herein.

5 (c) (i) In general, the State Board of Administration shall deliver to the Master  
6 Trustee so much of the Pledged Collateral as shall be held by the FHCF and as shall be required  
7 for deposit to the credit of the accounts and subaccounts in the Revenue Fund in accordance with  
8 the provisions of Section 502 of the Master Indenture and as shall be required for application in  
9 accordance with the provisions of Sections 503, 504 and 804 of the Master Indenture or, if any  
10 Parity Obligations have been declared due and payable pursuant to Section 803 of the Master  
11 Indenture, in accordance with the provisions of Section 804 and Section 805(b) of the Master  
12 Indenture.

13 (ii) In particular, the State Board of Administration shall deliver to the Master  
14 Trustee, not later than the last business day of each month (or more often if required in order for  
15 the Corporation to pay or provide for payment of debt service and other amounts due on Parity  
16 Obligations), the following that have been received or realized as of the [25<sup>th</sup>] day of such month  
17 (A) all Emergency Assessments and Emergency Assessment Earnings and (B) taking into  
18 account the balance to the credit of (I) the Reimbursement Premiums Account and the Pre-Event  
19 Bonds Investment Income Account in the Revenue Fund and (II) the subaccounts established for  
20 Pre-Event Parity Obligations in the various accounts in the Bond Fund, so much of the  
21 Reimbursement Premiums and Reimbursement Premium Earnings, net of the Current Expenses  
22 of the FHCF, as shall enable the Master Trustee to make all of the deposits required by Section  
23 503(a), (b) and (c) of the Master Trust Indenture for the entire current Fiscal Year; provided that,  
24 in the event any of the Outstanding Pre-Event Parity Obligations are Variable Rate Indebtedness,  
25 such Obligations shall be assumed, for purposes of the amount to be transferred, to bear interest  
26 for the balance of the Fiscal Year at the rate described in paragraph (ii) of the definition of Debt  
27 Service Requirement in the Master Trust Indenture.

28 (iii) In the event that the State Board of Administration receives a notice from  
29 the Master Trustee, pursuant to Section 503(d)(X) of the Master Indenture, to the effect that the  
30 amounts on deposit in the Revenue Fund were insufficient to make the deposits or payments  
31 required by Section 504(a), (b) and (c) (or any of them) of the Master Indenture, the State Board  
32 of Administration shall deliver to the Master Trustee (i) so much of the investment income from  
33 the investment of proceeds of Pre-Event Bonds therefore realized by the FHCF in such Fiscal  
34 Year, and (ii) to the extent a deficiency remains, so much of the proceeds of the Pre-Event  
35 Bonds, as are required to provide the Master Trustee with sufficient funds to make such deposits  
36 or payments.

37 (d) The obligation of the State Board of Administration to deliver the Pledged  
38 Collateral to the Master Trustee, in the amounts sufficient and at the times required for the  
39 Corporation to comply with the provisions of Sections 503, 504, 804 and 805 of the Master  
40 Indenture, shall be absolute and unconditional. The State Board of Administration shall perform  
41 such obligation without demand and without abatement, deduction or set-off, notwithstanding  
42 any rights or claims which the FHCF might otherwise have against the Corporation, the Master  
43 Trustee, any Bond Registrar or any other Person.

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1 otherwise distributed in respect of or in exchange for any or all of the Pledged Collateral and (iii)  
2 all proceeds of any or all of the Pledged Collateral. There shall be excluded from the ambit of  
3 "Pledged Collateral" the Corpus of the FHCF and Corpus Earnings, the net proceeds of Parity  
4 Obligations disbursed by the FHCF for losses, or advances for losses, from Covered Events, and  
5 Reimbursement Premiums and Reimbursement Premium Earnings released pursuant to Section  
6 3(f) hereof and Section 503(e)(ii)(Y) of the Master Trust Indenture and Emergency Assessments  
7 and Emergency Assessment Earnings released pursuant to Section 503(c)(ii)(Z) of the Master  
8 Trust Indenture, in each case, from the pledge and security interest granted by this Pledge  
9 Agreement shall be effective only pending their disbursement by the FHCF for losses, or  
10 advances for losses, from Covered Events and shall be in favor of the Owners or Holders only of  
11 the Series of Parity Obligations (or Parity Obligations that refunded the Parity Obligations) from  
12 which such proceeds were derived.

14 "Reimbursement Premiums" means the money paid or payable to the FHCF from  
15 reimbursement premiums levied from time to time under the Act. There shall be included within  
16 the ambit of "Reimbursement Premiums" any interest, penalty or surcharge paid or payable on  
17 late payments of such reimbursement premiums.

18 "Reimbursement Premium Earnings" means the income derived from the investment of  
19 Reimbursement Premiums.

20 Section 2. *Issuance of Parity Obligations.* Subject to the provisions of the Master  
21 Indenture, the Corporation hereby agrees that, upon the written request of the State Board of  
22 Administration, accompanied by such certificates or other documentation, upon which the  
23 Corporation may rely, as shall be necessary for the Corporation to comply with the provisions of  
24 the Master Trust Indenture, particularly the provisions of Section 208 and, in the case of Parity  
25 Obligations issued or incurred under the Master Trust Indenture (except for the Bonds issued  
26 pursuant to Supplement No. 1 and Supplement No. 2), Section 704, including, without  
27 limitation, any certificate as to the Premium and Assessment Revenue Available for Debt  
28 Service, the Corporation will issue and incur its Parity Obligations for any purpose permitted by  
29 the Act.

30 The Corporation further agrees that it will make such transfers or deposits of the proceeds  
31 of Parity Obligations as are required by Parity Resolutions.

32 Section 3. *Pledge; Delivery of Pledged Collateral.* (a) In consideration of the  
33 issuance and incurrence by the Corporation of its Parity Obligations and the deposits or transfers  
34 of the proceeds thereof in accordance with the corresponding Parity Resolutions, the State Board  
35 of Administration hereby pledges, assigns, transfers and hypothecates to the Corporation, and  
36 grants to the Corporation a security interest in, all of the right, title and interest of the FHCF in  
37 and to the Pledged Collateral, whether now owned or hereafter acquired, whether in possession  
38 of the FHCF or the Corporation or the Master Trustee or a Depository, all as security for the  
39 prompt and full payment when due of the principal of and redemption premium, if any, and  
40 interest on all Parity Obligations and any other amounts required to be paid by the Corporation  
41 under the Master Indenture.

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1 (e) The State Board of Administration hereby agrees that, so long as any Parity  
2 Obligations are Outstanding and any notice from the Master Trustee referred to in subsection (c)  
3 above has not been withdrawn, no Reimbursement Premiums or Reimbursement Premium  
4 Earnings will be advanced or paid to insurers writing Covered Policies as reimbursement  
5 payments under reimbursement contracts for reimbursable losses.

6 (f) Except during the continuation of an Event of Default, immediately following the  
7 date on which the amounts on deposit to the credit of the accounts and subaccounts in the  
8 Revenue Fund, taking into account the amounts to the credit of the various subaccounts in the  
9 various accounts (except the balance to the credit of the Parity Common Reserve Account and  
10 any Special Reserve Account) in the Bond Fund are sufficient for the Master Trustee to make (i)  
11 the transfer to the Corporation or a Depository for the account of the Corporation of the balance  
12 of the amount required for the payment of the Current Expenses of the Corporation in the current  
13 Fiscal Year in accordance with the provisions of Section 503(b) of the Master Trust Indenture  
14 and (ii) the deposits or payments of the amounts required by Section 504(a), (b) and (c) of the  
15 Master Trust Indenture in the current Fiscal Year with respect to the Parity Obligations then  
16 Outstanding, any Reimbursement Premiums, Reimbursement Premium Earnings and investment  
17 income from the investment of proceeds of Pre-Event Bonds held by the FHCF on such date in  
18 such Fiscal Year in excess of such requirements for such Fiscal Year shall be released from the  
19 pledge and security interest granted herein, any Reimbursement Premiums, Reimbursement  
20 Premium Earnings and investment income from the investment of proceeds of Pre-Event Bonds  
21 received by the FHCF after such date in such Fiscal Year shall not be required to be delivered to  
22 the Master Trustee, and all Reimbursement Premiums, Reimbursement Premium Earnings and  
23 the investment income from the investment of proceeds of Pre-Event Bonds so released or no  
24 longer required to be delivered to the Master Trustee in such Fiscal Year may be used by the  
25 FHCF for any purpose permitted by the Act; provided that, in the event any of the Outstanding  
26 Pre-Event Parity Obligations are Variable Rate Indebtedness, such Obligations shall be assumed,  
27 for purposes of this subsection (f), to bear interest for the balance of the Fiscal Year at the rate  
28 described in paragraph (ii) of the definition of Debt Service Requirement in the Master Trust  
29 Indenture.

30 (g) The State Board of Administration and the Corporation hereby acknowledge that  
31 the Office of Insurance Regulation has received from the Corporation and the FHCF a notice  
32 that, simultaneously with the execution and delivery of this Pledge Agreement, Bonds are being  
33 issued by the Corporation and the FHCF has no agreements in effect with local governments,  
34 and, therefore, as provided by the Act, for so long as the Corporation shall have any Parity  
35 Obligations Outstanding, the FHCF shall have no right, title or interest in or to the Emergency  
36 Assessments and the Emergency Assessment Earnings, except as provided in the FHCF's  
37 agreements with the Corporation. This Pledge Agreement with the Corporation is one such  
38 agreement, and, by the terms hereof, the FHCF shall collect and receive the Emergency  
39 Assessments subject to the pledge and security interest granted in Section 3(a) to the Master  
40 Trustee for the benefit of the Owners and Holders of Parity Obligations and to the obligation  
41 imposed by Section 3(e)(i) and (ii) to transfer to the Master Trustee all of the Emergency  
42 Assessments so collected and received. Simultaneously with the execution and delivery of this  
43 Pledge Agreement, the Corporation will assign to the Master Trustee as security for the Parity  
44 Obligations, all of the Corporation's right, title and interest in and to this Pledge Agreement  
45 (except for those certain rights under this Pledge Agreement that are set forth in the granting

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1 clauses of the Master Indenture). The State Board of Administration hereby consents to such  
2 assignment and agrees that the Master Trustee may enforce any and all rights, privileges and  
3 remedies of the Corporation under or with respect to this Pledge Agreement, including those  
4 rights reserved by the Corporation.

5 Section 4. *Special Covenants.* The State Board of Administration hereby covenants  
6 that:

7 (a) (i) the moneys on deposit in any fund, account or subaccount maintained by the  
8 Master Trustee or the State Board of Administration in connection with any Parity Tax-Exempt  
9 Obligations, whether or not such moneys were derived from the proceeds of the sale of such  
10 Parity Tax-Exempt Obligations or any other source, will not be used in any manner that would  
11 cause such Parity Tax-Exempt Obligations to be "arbitrage bonds" within the meaning of Section  
12 148 of the Code or bonds not described under Section 103(a) of the Code; and

13 (ii) no portion of the proceeds of any Parity Tax-Exempt Obligations will be  
14 used in a manner that would cause such Parity Tax-Exempt Obligations to be "private activity  
15 bonds" within the meaning of Section 141(n) of the Code, unless at the time of the issuance of  
16 such private activity bonds there shall be delivered to the Master Trustee, the State Board of  
17 Administration and the Corporation an opinion of bond counsel to the effect that (A) the interest  
18 on such private activity bonds will not be includable in the gross income of the owners thereof  
19 for federal income tax purposes and (B) that the issuance of such private activity bonds will not  
20 impair the federal income tax status of any other Parity Tax-Exempt Obligations then  
21 Outstanding;

22 (b) within thirty (30) days after receipt of the audit report mentioned below but in no  
23 event later than two hundred seventy (270) days after the end of each Fiscal Year, the State  
24 Board of Administration will file with the Master Trustee and with each Owner or Holder who  
25 may have so requested of the State Board of Administration in writing, a copy of the Audited  
26 Financial Statements, prepared in accordance with generally accepted accounting principles, of  
27 the FHCF and the Corporation as of the end of such Fiscal Year accompanied by the opinion of  
28 an Auditor;

29 (c) not later than ninety (90) days after the end of each Fiscal Year, commencing with  
30 the Fiscal Year ending on June 30, 2007, the State Board of Administration shall file with the  
31 Master Trustee an Officer's Certificate demonstrating that the Revenue Available for Debt  
32 Service for the prior Fiscal Year (set forth in such Certificate) was not less than the greater of (i)  
33 one hundred twenty-five percent (125%) of the principal and interest that became due and  
34 payable in such Fiscal Year on Parity Obligations and (ii) one hundred percent (100%) of the  
35 principal and interest that became due and payable in such Fiscal Year for Parity Obligations and  
36 Subordinated Indebtedness for such Fiscal Year (both such calculations set forth in such  
37 Certificate); provided, however, that if the State Board of Administration is unable to deliver  
38 such an Officer's Certificate, the State Board of Administration covenants to take all actions  
39 permitted by law or under this Pledge Agreement, including (A) petitioning the Legislature of  
40 the State for any amendment or amendments to the Act deemed appropriate by the State Board of  
41 Administration, (B) cooperating with the Corporation in connection with any action to increase  
42 collections of Pledged Collateral, and (C) retaining a Consultant within thirty (30) days to make

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1 Section 7. *Representations and Warranties.* The State Board of Administration  
2 hereby represents and warrants that: (i) the obligations of the FHCF under this Pledge  
3 Agreement shall not constitute a debt of the State or any political subdivision thereof nor a  
4 pledge of the faith and credit of the State or any political subdivision thereof within the meaning  
5 of any constitutional or statutory provision; (ii) the FHCF does not have the power or authority to  
6 levy any tax; (iii) the FHCF owns the Pledged Collateral free and clear of any lien, security  
7 interest, pledge or encumbrance except for the liens, security interests and pledges created by this  
8 Pledge Agreement and by the Master Indenture; (iv) no effective financing statement or other  
9 instrument similar in effect covering all or any part of the Pledged Collateral is on file in any  
10 recording office; (v) this Pledge Agreement creates a valid, enforceable and perfected security  
11 interest in favor of the Corporation in the Pledged Collateral, securing the payment of the Parity  
12 Obligations, and all actions necessary or desirable to establish and protect such pledge have been  
13 duly taken; and (vi) no authorization, approval or other action by, and no notice to or filing with,  
14 any governmental authority or regulatory body is required either (A) for the grant by the State  
15 Board of Administration of the security interest granted herein or for the execution, delivery or  
16 performance of or the exercise by the Corporation and the Master Trustee of their respective rights  
17 and remedies hereunder. Unless the State Board of Administration shall have previously advised  
18 the Corporation and the Master Trustee in writing that one or more of the above statements is no  
19 longer true, the State Board of Administration shall be deemed to have represented and  
20 warranted to the Corporation and the Master Trustee on all dates subsequent to the date of  
21 execution hereof that the statements contained herein are true and correct.

23 Section 8. *Covered Events Relief Fund.* (a) A special fund is hereby established  
24 with the State Board of Administration and designated the "Florida Hurricane Catastrophe Fund  
25 Covered Events Relief Fund" and within the Covered Events Relief Fund there are hereby  
26 established special accounts, one for Post-Event Parity Obligations and one for Pre-Event Parity  
27 Obligations, and, within each of the special accounts, there are hereby established special  
28 subaccounts for each Series of Post-Event Bonds and Pre-Event Bonds, respectively (unless the  
29 applicable Supplemental Indenture provides for the commingling of proceeds in a single  
30 subaccount), each to be designated the "[Bond Series and letter] Covered Events Relief  
31 Subaccount" (each, a "Proceeds Subaccount"). Upon the issuance or incurrence of each Series  
32 of Parity Obligations that are Post-Event Parity Obligations, the net proceeds thereof shall be  
33 transferred by the Corporation to the State Board of Administration, for the account of the  
34 FHCF, and shall be deposited by the State Board of Administration in the appropriate Proceeds  
35 Subaccount of the Post-Event Parity Obligations Proceeds Account, to be held by the FHCF for  
36 disbursement for reimbursement payments, and advances of such payments, under  
37 reimbursement contracts for reimbursable losses caused by a Covered Event. Upon the issuance  
38 or incurrence of each Series of Parity Obligations that are Pre-Event Parity Obligations, the net  
39 proceeds thereof shall be transferred by the Corporation to the State Board of Administration, for  
40 the account of the FHCF, and shall be deposited by the State Board of Administration in the  
41 appropriate Proceeds Subaccount of the Pre-Event Parity Obligations Proceeds Account to be  
42 held by the FHCF in reserve for disbursement for reimbursement payments, and advances of  
43 such payments, under reimbursement contracts for reimbursable losses caused by a future  
44 Covered Event.

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1 recommendations to increase the Revenue Available for Debt Service in the following Fiscal  
2 Year to the levels required or, if in the opinion of the Consultant the attainment of such levels is  
3 impracticable, to the highest levels attainable. Any Consultant so retained shall be required to  
4 submit such recommendations within sixty (60) days after being so retained. The State Board of  
5 Administration agrees that it will, to the extent permitted by law, follow, or cause to be followed,  
6 the recommendations of any Consultant so retained. For purposes of the Officer's Certificate  
7 described in this subsection, there may be subtracted from the amount of the interest otherwise  
8 includable in the amounts described in clauses (i) and (ii) above an amount equal to the sum of  
9 the interest on Parity Obligations paid during such Fiscal Year from (Y) the Capitalized Interest  
10 Account in the Bond Fund and (Z) without duplication, investment income on and proceeds of  
11 Pre-Event Parity Obligations. The Officer's Certificate described in this subsection (c) may be  
12 provided jointly by an Authorized Officer of the State Board of Administration and an  
13 Authorized Officer of the Corporation; and

14 (d) the State Board of Administration will take such action, in addition to the specific  
15 actions prescribed by this Pledge Agreement, as may be necessary and permitted under the Act to  
16 ensure the full and timely payment of debt service on Pre-Event Parity Bonds following a  
17 withdrawal from the Pre-Event Parity Obligations Account of the Covered Events Relief Fund of  
18 all or any portion of the proceeds of such Bonds.

19 Section 5. *Investment of Pledged Collateral.* The State Board of Administration  
20 shall enter into agreements with either the Master Trustee or a Depository or Depositories for the  
21 investment of any money derived from the Pledged Collateral and deposited in any of the funds  
22 or accounts established under the Master Indenture or this Pledge Agreement or give the Master  
23 Trustee and any Depository written directions respecting the investment of such money, subject,  
24 however, to the lien, assignment and pledge effected hereby and to the provisions of Article VI  
25 of the Master Indenture. The Master Trustee hereby agrees to enter into such agreements and  
26 follow such directions respecting the investment of any money required or permitted to be  
27 invested under the Master Indenture, subject, however, to the lien, assignment and pledge  
28 effected hereby and to the provisions of Article VI of the Master Indenture.

29 Section 6. *FHCF Remains Liable.* Anything herein to the contrary notwithstanding,  
30 (a) the FHCF shall remain liable under the reimbursement contracts entered into by the State  
31 Board of Administration with insurers writing Covered Policies in the State to the extent set forth  
32 therein and to perform all of its duties and obligations thereunder to the same extent as if this  
33 Pledge Agreement had not been executed, (b) the execution and delivery of this Pledge  
34 Agreement shall not release the FHCF from any of its duties or obligations under such  
35 reimbursement contracts, (c) neither the Corporation nor the Master Trustee shall (i) have any  
36 obligation or liability under such reimbursement contracts by reason of this Pledge Agreement or  
37 (ii) be obligated to perform any of the obligations or duties of the FHCF or the State Board of  
38 Administration thereunder; provided, however, nothing in this Section shall relieve the FHCF of  
39 its obligation to deliver to the Master Trustee the Pledged Collateral to the extent required by  
40 Section 3 hereof, and (d) the FHCF shall remain liable, notwithstanding any release from the  
41 pledge and security interest created by this Pledge Agreement of portions of the Pledged  
42 Collateral as provided in Section 3(f), to make timely and sufficient transfers of Pledged  
43 Collateral to the Master Trustee to enable the Corporation to make timely and sufficient payment  
44 of all amounts due under the Master Indenture.

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1 (b) Money in the Covered Events Relief Fund may, subject to Section 4(a) hereof and  
2 Section 502(c) of the Master Trust Indenture, be invested in any investment authorized during a  
3 Section 215.47, Florida Statutes, as amended from time to time, or any successor statute.  
4 Investments acquired with money in or credited to any Proceeds Subaccount shall be deemed at  
5 all times to be part of such Subaccount. Any loss realized upon the disposition or maturity of  
6 such investments shall be charged against such Subaccount unless otherwise directed by the  
7 State Board of Administration. The interest accruing on any such investments and any profit  
8 realized upon the disposition or maturity of such investments shall be credited to such  
9 Subaccount unless otherwise directed by the State Board of Administration.

10 (c) In the case of the special Proceeds Subaccounts created for Post-Event Parity  
11 Obligations, payment of the reimbursable losses caused by a Covered Event occurring during a  
12 Contract Year shall be made from the appropriate Proceeds Subaccount or Subaccounts. All  
13 such payments shall be subject to the provisions and restrictions set forth in this Pledge  
14 Agreement, including Section 4(a) hereof, and the Master Indenture, and the State Board of  
15 Administration shall not cause or agree to permit to be paid from any such Subaccount any sums  
16 except in accordance with such provisions and restrictions. When all reimbursement payments  
17 under reimbursement contracts for reimbursable losses caused by a Covered Event have been  
18 paid, which fact shall be evidenced by delivery to the Master Trustee of an Officer's Certificate  
19 of the State Board of Administration, the balance in the related Proceeds Subaccount shall be  
20 transferred as the Corporation may direct or as may be provided in the applicable Supplemental  
21 Indenture.

22 (d) (i) in the case of each special Proceeds Subaccount created for Pre-Event  
23 Parity Obligations,

24 (A) the FHCF shall, in accordance with the provisions of  
25 Section 3(o)(iii), transfer to the Master Trustee for the account of the Corporation, from time to  
26 time from each such Subaccount the investment income on proceeds of Pre-Event Parity  
27 Obligations or from proceeds of Pre-Event Parity Obligations amounts sufficient for the Master  
28 Trustee to pay the Current Expenses of the Corporation not provided for from Reimbursement  
29 Premiums or otherwise and to make timely the deposits required by Section 504(a) and (b) and,  
30 if applicable, Section 504(c), in respect of the related Series of Pre-Event Parity Obligations, and

31 (B) other than as provided in Section 3(c), no withdrawals from  
32 any such Subaccount for any other purpose than described in clause (A) may be made prior to  
33 the occurrence of a Covered Event except that withdrawals may be made to redeem or defease  
34 any Pre-Event Parity Obligations in accordance with the terms of the applicable Parity  
35 Resolution.

36 (ii) Proceeds of Pre-Event Parity Obligations may be withdrawn from a Proceeds  
37 Subaccount following the occurrence of a Covered Event, provided that an Authorized Officer of  
38 the State Board of Administration shall deliver to the Master Trustee prior to the first such  
39 withdrawal an Officer's Certificate certifying the following:

40 (A) The aggregate amount and monthly schedule of  
41 withdrawals from such Subaccount anticipated to be made as a result of the Covered Event,

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1 (B) That an amount, stated in such Certificate and equal to the  
2 difference between the balance then to the credit of the applicable Subaccount for such Pre-Event  
3 Parity Obligations in the Interest Account in the Bond Fund and the interest, estimated in such  
4 Certificate and calculated in the event that any of the Outstanding Pre-Event Parity Obligations  
5 are Variable Rate Indebtedness at the rate described in paragraph (ii) of the definition of Debt  
6 Service Requirement in the Master Trust Indenture, to become due and payable in the next six  
7 months on a principal amount of Pre-Event Parity Obligations equal to the aggregate amount of  
8 the withdrawals anticipated to be made as set forth in (A) above, shall have been withdrawn from  
9 the proceeds of such Pre-Event Parity Obligations credited to such Subaccount or otherwise  
10 transferred to the Master Trustee, and in any case deposited to the credit of the appropriate  
11 subaccount in the Interest Account for such Pre-Event Parity Obligations,

12 (C) That, taking into account all of the anticipated withdrawals  
13 described in (A) above, such Officer estimates that there will be sufficient Revenue Available for  
14 Debt Service to make full and timely payment of debt service on the Pre-Event Parity  
15 Obligations as the same shall become due and payable, and

16 (D) That notice of such withdrawal has been provided to the  
17 State Board of Administration and that such notice contained the information included in clauses  
18 (A), (B) and (C) above and an estimate, based upon factors deemed reasonable and appropriate  
19 by the certifying Authorized Officer, of the aggregate increase, if any, in the Emergency  
20 Assessment percentage necessary to be levied to provide for the estimated annual Debt Service  
21 Requirement for each future Fiscal Year on a principal amount of the Pre-Event Parity  
22 Obligations equal to the aggregate amount of the anticipated withdrawals described in (A) above.

23 (iii) When all of the Pre-Event Parity Obligations authorized by a  
24 Supplemental Indenture shall have been paid or defeased (whether through a refunding or  
25 otherwise) in accordance with such Supplemental Indenture, which fact shall be evidenced by  
26 delivery to the Master Trustee of an Officer's Certificate of the State Board of Administration,  
27 the balance in the related Proceeds Subaccount shall be transferred as the Corporation may direct  
28 or as may be provided in the applicable Supplemental Indenture.

29 Section 9. *Rights of the Corporation and the Master Trustee.* Neither the  
30 Corporation nor the Master Trustee shall be liable for any failure to collect or realize upon all or  
31 any part of the Pledged Collateral, or for any delay in so doing, and neither the Corporation nor  
32 the Master Trustee shall be under any obligation to take any action whatsoever with regard to the  
33 Pledged Collateral except to the extent set forth in this Pledge Agreement, in the Master  
34 Indenture and in any indenture supplemental thereto. If an Event of Default shall have occurred  
35 and be continuing, the Master Trustee, as assignee pursuant to the Master Indenture of all the  
36 Corporation's right, title and interest in and to this Pledge Agreement, may, without notice,  
37 exercise all rights, privileges or options pertaining to the Pledged Collateral as if it were the  
38 absolute owner of such Pledged Collateral, upon such terms and conditions as it may determine,  
39 all without liability except to account for the Pledged Collateral actually received by it.

40 Section 10. *Remedies.* (a) Upon the happening and continuance of any Event of  
41 Default, then and in every such case the Master Trustee may proceed, and upon the written  
42 request of the Owners or Holders of not less than a majority in aggregate principal amount of the

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1 Section 13. *Indemnity and Expenses.* (a) To the extent permitted by law, the State  
2 Board of Administration agrees to indemnify the Corporation and the Master Trustee from and  
3 against any and all claims, losses and liabilities (collectively referred to hereinafter as "Losses")  
4 of whatsoever nature (including, but not limited to, reasonable attorneys' fees, litigation and  
5 court costs, amounts paid in settlement and amounts paid to discharge judgments) directly or  
6 indirectly resulting from, arising out of or related to one or more Claims, as hereinafter defined,  
7 excluding any such Loss or Claim that arises out of an act of negligence or willful misconduct of  
8 any member, officer, director, agent, or employee of the Corporation or the Master Trustee. The  
9 word "Claims" as used herein shall mean all claims, lawsuits, causes of action and other legal  
10 actions and proceedings of whatsoever nature, including, but not limited to, claims, lawsuits,  
11 causes of action and other legal actions and proceedings brought against the Corporation or the  
12 Master Trustee or to which the Corporation or the Master Trustee is a party, that directly or  
13 indirectly result from, arise out of or relate to the execution, delivery or performance of this  
14 Pledge Agreement, the Master Indenture or any related instruments or documents. The  
15 obligations of the State Board of Administration under this Section 13(a) shall apply to all  
16 Losses or Claims, or both, that result from, arise out of, or are related to any event, occurrence,  
17 condition or relationship prior to termination of this Pledge Agreement, whether such Losses or  
18 Claims, or both, are asserted prior to termination of this Pledge Agreement or thereafter. The  
19 Corporation or the Master Trustee, as the case may be, shall reimburse the State Board of  
20 Administration for payments made by the State Board of Administration pursuant to this Section  
21 13(a) to the extent of any proceeds, net of all expenses of collection, actually received by the  
22 Corporation or the Master Trustee from any insurance covering such Claims with respect to the  
23 Losses sustained. The Corporation and the Master Trustee shall have the duty to claim any such  
24 insurance proceeds and the Corporation and the Master Trustee shall assign their respective  
25 rights to such proceeds, to the extent of such required reimbursement, to the State Board of  
26 Administration. In case any action shall be brought against the Corporation or the Master  
27 Trustee in respect of which indemnity may be sought against the State Board of Administration,  
28 then the Corporation or the Master Trustee, as the case may be, shall promptly notify the State  
29 Board of Administration in writing. Failure to notify the State Board of Administration shall not  
30 relieve it from any liability that it may have other than on account of this Pledge Agreement.  
31 The State Board of Administration shall have the right to assume the investigation and defense of  
32 any such action, including the employment of counsel, which counsel shall be satisfactory to the  
33 indemnified parties, and the payment of all expenses. The Corporation shall have the right to  
34 employ separate counsel in any such action and participate in the investigation and defense  
35 thereof, and the reasonable fees and expenses of such counsel shall be paid by the State Board of  
36 Administration. The Master Trustee shall have the right to employ separate counsel in any such  
37 action and participate in the investigation and defense thereof, but the fees and expenses of such  
38 counsel shall be paid by the Master Trustee, unless the employment of such counsel has been  
39 authorized by the State Board of Administration or the Master Trustee has concluded in good  
40 faith that there may be legal defenses available to it that are different from or in addition to those  
41 available to the State Board of Administration, in which case the Master Trustee shall have the  
42 right to designate and retain separate counsel in such action and the reasonable fees and expenses  
43 of such counsel shall be paid by the State Board of Administration. If no such authorization or  
44 conclusion in good faith is made and the State Board of Administration assumes the defense of  
45 such action, the State Board of Administration shall not be liable for the fees and expenses of any  
46 counsel for the Master Trustee incurred thereafter in connection with such action. In no event

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1 Parity Obligations then Outstanding (subject to any limitations on or alternative provisions for  
2 the giving of such requests as may be established in any indenture supplemental to the Master  
3 Indenture) shall proceed, subject to the provisions of Section 902 of the Master Indenture, to  
4 protect and enforce its rights and the rights of the Owners or Holders of the Parity Obligations  
5 under applicable laws and under this Pledge Agreement by such suits, actions or special  
6 proceedings in equity or at law, or by proceedings in the office of any board or officer having  
7 jurisdiction, either for the specific performance of any covenant or Pledge Agreement contained  
8 herein or in aid or execution of any power herein granted or for the enforcement of any proper  
9 legal or equitable remedy, as the Master Trustee, being advised by counsel, chosen by the Master  
10 Trustee, shall deem most effectual to protect and enforce such rights, including but not limited  
11 to:

12 (i) Suit upon all or any part of the Pledged Collateral;

13 (ii) Civil action to require any Person holding money, documents or other  
14 property pledged to secure payment of amounts due or to become due on the Parity Obligations  
15 to account as if it were the trustee of an express trust for the Owners and Holders;

16 (iii) Civil action to enjoin any acts or things, which may be unlawful or in  
17 violation of the rights of the Owners and Holders; and

18 (iv) Enforcement of any other right of the Owners and Holders conferred by  
19 law or hereby.

20 (b) Regardless of the happening of an Event of Default, the Master Trustee, if  
21 requested in writing by the Owners or Holders of not less than a majority of the aggregate  
22 principal amount of the Parity Obligations then Outstanding (subject to any limitations on or  
23 alternative provisions for the giving of such requests as may be established in any Supplemental  
24 Indenture) shall proceed, subject to the provisions of Section 902 of the Master Indenture, to  
25 institute and maintain such suits and proceedings as it may be advised shall be necessary or  
26 expedient (i) to prevent any impairment of the security hereunder by any acts which may be  
27 unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Owners and  
28 Holders, provided that such request and the action to be taken by the Master Trustee are not in  
29 conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master  
30 Trustee, are not unduly prejudicial to the interest of the Owners and Holders not making such  
31 request.

32 Section 11. *Further Assurances.* The State Board of Administration shall, at any time  
33 and from time to time upon the written request of the Master Trustee, execute and deliver such  
34 further documents and do such further acts and things as the Master Trustee may reasonably  
35 request in order to effect the purposes of this Pledge Agreement.

36 Section 12. *Master Trustee May Perform.* If the FHCF fails to perform any agreement  
37 contained herein, the Master Trustee may itself perform, or cause performance of, such  
38 agreement, and the expenses of the Master Trustee incurred in connection therewith shall be  
39 payable by the FHCF as Current Expenses of the FHCF.

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1 shall the State Board of Administration be liable for the fees and expenses of more than one  
2 counsel for the Master Trustee in connection with any one action or separate but similar or  
3 related actions in the same jurisdiction arising out of the same general allegations or  
4 circumstances, unless the retaining of additional counsel has been specifically authorized by the  
5 State Board of Administration. All payments made by the State Board of Administration  
6 pursuant to this Section 13(a) shall be Current Expenses of the FHCF.

7 (b) The State Board of Administration shall pay to the Corporation and the Master  
8 Trustee the amount of any and all reasonable expenses, including the reasonable fees and  
9 disbursements of their respective counsel and of any consultants and agents, which the  
10 Corporation or the Master Trustee may incur in connection with (i) the administration of this  
11 Pledge Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection  
12 from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of  
13 any of the rights of the Corporation or the Master Trustee hereunder or (iv) the failure by the  
14 FHCF to perform or observe any of the provisions hereof. All such expenses pursuant to this  
15 Section 13(b) shall be payable by the FHCF as Current Expenses of the FHCF.

16 Section 14. *Amendment.* This Pledge Agreement may, without the consent of or  
17 notice to any of the Owners or Holders, be amended, from time to time, to:

18 (a) cure any ambiguity or formal defect or omission in this Pledge Agreement or in  
19 any supplement hereto;

20 (b) correct or supplement any provisions herein which may be inconsistent with any  
21 other provisions herein or make any other provisions with respect to matters which do not  
22 materially or adversely affect the interests of the Owners and the Holders;

23 (c) grant to or confer upon the Master Trustee for the benefit of the Owners and the  
24 Holders any additional rights, remedies, powers, authority or security that may lawfully be  
25 granted to or conferred upon the Owners and the Holders or the Master Trustee;

26 (d) add conditions, limitations and restrictions on the State Board of Administration  
27 to be observed thereafter; or

28 (e) make any amendment or modification to this Pledge Agreement resulting from  
29 the elimination of any restriction on the use of Reimbursement Premiums under the Code to pay  
30 or to secure debt service on Tax-Exempt Parity Obligations to the extent the elimination of such  
31 restriction is permitted by any administrative pronouncement of the Internal Revenue Service  
32 (including a private letter ruling) addressed to the Corporation, the FHCF, or any successor of  
33 either, or to the extent such elimination of such use restriction is permitted (based upon an  
34 Opinion of Counsel) by the Code; or

35 (f) make any other change that, in the opinion of the Master Trustee, which may rely  
36 upon certificates of Consultants and Opinions of Counsel for such purpose, shall not materially  
37 adversely affect the security for the Parity Obligations.

38 Before entering into any amendment under this Section 14, the Master Trustee shall be  
39 entitled to receive, and in so doing shall be fully protected in relying upon, an Opinion of

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1 Counsel to the effect the any such proposed amendment is authorized or permitted under this  
2 Pledge Agreement.

3 Other than amendments referred to in the preceding paragraph of this Section and subject  
4 to the terms and provisions and limitations contained in Section 1102 of the Master Indenture  
5 and not otherwise, the Owners and Holders of not less than a majority in aggregate principal  
6 amount of the Parity Obligations then Outstanding, shall have the right, from time to time,  
7 anything contained herein to the contrary notwithstanding, to consent to and approve the  
8 execution by the State Board of Administration, the Corporation and the Master Trustee of such  
9 supplements and amendments hereto as shall be deemed necessary and desirable for the purpose  
10 of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or  
11 provisions contained herein; provided, however, nothing in this Section shall permit or be  
12 construed as permitting a supplement or amendment which would impair the pledge and  
13 security interest granted by this Pledge Agreement.

14 Section 15. *Termination of Pledge Agreement.* This Pledge Agreement shall (i) remain  
15 in full force and effect until payment in full of the Parity Obligations, (ii) be binding upon the  
16 FHCF, its successors and assigns and (iii) inure to the benefit of the Corporation, the Master  
17 Trustee and their respective successors, transferees and assigns. Upon the payment in full of the  
18 Parity Obligations, the security interest granted herein shall terminate and all rights to the  
19 Pledged Collateral shall revert to the FHCF. Upon any such termination, the Master Trustee  
20 shall, at the FHCF's expense, execute and deliver to the FHCF such documents as the State  
21 Board of Administration shall reasonably request to evidence such termination.

22 Section 16. *Notices.* All notices, demands and requests to be given to or made  
23 hereunder by the Corporation, the State Board of Administration or the Master Trustee shall be  
24 given or made in writing and shall be deemed to be properly given or made if sent by United  
25 States certified or registered mail, return receipt requested, postage prepaid, addressed as  
26 follows:

27 Party	28 Address
29 Florida Hurricane Catastrophe Fund:	Florida Hurricane Catastrophe Fund
	c/o State Board of Administration
	1801 Hermitage Boulevard
	Tallahassee, Florida 32308
	Attention: Chief Operating Officer

1 Section 20. *Members, Officers and Employees of the State Board of Administration*  
2 *and the Corporation Not Liable.* Neither the members, officers and employees of the State  
3 Board of Administration nor the members of the Board of Directors or the officers and  
4 employees of the Corporation shall be personally liable for any costs, losses, damages or  
5 liabilities caused or subsequently incurred by the State Board of Administration or any member,  
6 officer, employee or agent thereof in connection with or as a result of this Pledge Agreement.

7 Section 21. *Separate Accounts and Records.* The State Board of Administration and  
8 the Corporation represent and covenant, each for itself, that:

9 (i) Each of them will maintain its respective books, financial records and  
10 accounts (including, without limitation, inter-entity transaction accounts) in a manner so as to  
11 identify separately the assets and liabilities of each such entity; each has observed and will  
12 observe all applicable corporate or trust procedures and formalities, including where applicable,  
13 the holding of regular periodic and special meetings of governing bodies, the recording and  
14 maintenance of minutes of such meetings, and the recording and maintenance of resolutions, if  
15 any, adopted at such meetings; and all transactions and agreements between and among them  
16 have reflected and will reflect the separate legal existence of each entity and have been and will  
17 be formally documented in writing.

18 (ii) Each of them has paid and will pay its respective liabilities and losses  
19 from its own respective separate assets, and has compensated and will compensate all  
20 consultants, independent contractors and agents from its own funds for services provided to it by  
21 such consultants, independent contractors and agents.

22 (iii) None of them has commingled or will commingle any of its assets, funds  
23 or liabilities with the assets, funds or liabilities of any other person or entity. Each of them has  
24 conducted and will conduct all business between itself and third parties in its own name and  
25 separate and distinct from the others.

26 (iv) Neither the assets nor the creditworthiness of the FHCF will be held out as  
27 being available for the payment of any liability of the Corporation, and vice versa. Assets will  
28 not be transferred by the Corporation to or from the FHCF inconsistently with the Act or with  
29 the intent to binder, delay or defraud creditors.

30 (v) Each of them in its papers and in the statements of its officials has referred  
31 and will refer to the others as separate and distinct legal entities; and will take no action that is  
32 inconsistent with this Pledge Agreement or that would give any creditor of any of them cause to  
33 believe either that any obligation incurred by it would be not only its obligation, but also of  
34 another party, or that it were not or would not continue to remain an entity separate and distinct  
35 from the others.

36 Section 22. *Transfers to FHCF.* Subject to the provisions of the Act, the Master  
37 Indenture and this Pledge Agreement, all money received by the Corporation or the Master  
38 Trustee which, together with other money available for the purposes of the Master Indenture,  
39 exceeds the amount required for such purposes shall be transferred to the order of the FHCF not  
40 later than the times provided therefor in the Master Indenture and in this Pledge Agreement.

1 Corporation: Florida Hurricane Catastrophe Fund  
2 Finance Corporation  
3 c/o State Board of Administration  
4 1801 Hermitage Boulevard  
5 Tallahassee, Florida 32308  
6 Attention: Senior FHCF Officer

7 Master Trustee: Wells Fargo Bank, N.A.  
8 7077 Bonnevill Road, Suite 400  
9 Jacksonville, FL 32216  
10 Attention: Corporate Trust Department

11 Any such notice, demand or request may also be transmitted to the appropriate above-  
12 mentioned party by telegram or telephone and shall be deemed to be properly given or made at  
13 the time of such transmission if, and only if, such transmission of notice shall be confirmed in  
14 writing and sent as specified above.

15 Any of such addresses may be changed at any time upon written notice of such change  
16 sent by United States certified or registered mail, postage prepaid, to the other parties by the  
17 party effecting the change.

18 Section 17. *No Waiver; Remedies.* No failure on the part of the Corporation or the  
19 Master Trustee to exercise, and no delay in exercising, any right under this Pledge Agreement  
20 shall operate as a waiver of such right, and no single or partial exercise of any right under this  
21 Pledge Agreement shall preclude any further exercise of such right or the exercise of any other  
22 right. The remedies provided in this Pledge Agreement are cumulative and not exclusive of any  
23 remedies provided by law.

24 Section 18. *Conflict.* In the event that any part of this Pledge Agreement is  
25 determined to be in conflict with the terms of the Master Indenture, the terms of the Master  
26 Indenture shall govern to the extent of such conflict.

27 Section 19. *Rights of the Master Trustee.* Neither the Master Trustee nor any of its  
28 officers, directors, employees, agents, attorneys-in-fact or affiliates shall be liable for any action  
29 taken or omitted to be taken by it or any such officer, director, employee, agent, attorney-in-fact  
30 or affiliate under or in connection with this Pledge Agreement (except for the Master Trustee's  
31 or any such person's own negligence or willful misconduct). The Master Trustee undertakes to  
32 perform only such duties as are expressly set forth herein. The Master Trustee may rely, and  
33 shall be protected in acting or refraining from acting, upon any written notice, instruction or  
34 request furnished to it hereunder and believed by it to be genuine and to have been signed or  
35 presented by the proper party. The Master Trustee may consult with counsel of its choice and  
36 shall have full and complete authorization and protection for any action taken or suffered by it  
37 hereunder in good faith and in accordance with the opinion of such counsel. Notwithstanding  
38 any provision to the contrary contained herein, the Master Trustee shall not be relieved of  
39 liability arising in connection with its own negligence or willful misconduct.

1 Section 23. *Severability.* Any provision of this Pledge Agreement that is prohibited,  
2 unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to  
3 the extent of such prohibition, unenforceability or nonauthorization without invalidating the  
4 remaining provisions of this Pledge Agreement or affecting the validity, enforceability or legality  
5 of such provision in any other jurisdiction.

6 Section 24. *Governing Law.* This Pledge Agreement shall be governed by, and  
7 construed and interpreted in accordance with, the domestic law of the State.

8 Section 25. *Headings.* Section headings in this Pledge Agreement are included for  
9 convenience of reference only and shall not constitute a part of this Pledge Agreement for any  
10 other purpose.

11 Section 26. *Counterparts.* This Pledge Agreement may be signed in any number of  
12 counterpart copies, and all such copies shall constitute one and the same instrument.

1 IN WITNESS WHEREOF, the parties have caused this Pledge Agreement to be duly  
2 executed and delivered as of the date first above written.

3 FLORIDA HURRICANE CATASTROPHE FUND  
4 FINANCE CORPORATION

By: [Signature]  
President

5  
6  
7 (SEAL)  
8 Attest:  
9 [Signature]  
10 Secretary  
11

12 STATE BOARD OF ADMINISTRATION,  
13 acting as the governing body and administrator of the  
14 FLORIDA HURRICANE CATASTROPHE FUND

By: [Signature]  
Executive Director

15  
16  
17 (SEAL)  
18  
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WELLS FARGO BANK, N.A.  
Master Trustee

By: \_\_\_\_\_  
[Title]

27 (SEAL)

28 Attest:

29 \_\_\_\_\_  
30 [Title]

1 IN WITNESS WHEREOF, the parties have caused this Pledge Agreement to be duly  
2 executed and delivered as of the date first above written.

3 FLORIDA HURRICANE CATASTROPHE FUND  
4 FINANCE CORPORATION

By: \_\_\_\_\_

7 (SEAL)

8 Attest:

9 \_\_\_\_\_  
10  
11

12 STATE BOARD OF ADMINISTRATION,  
13 acting as the governing body and administrator of the  
14 FLORIDA HURRICANE CATASTROPHE FUND

By: \_\_\_\_\_

17 (SEAL)

18 Attest:

19 \_\_\_\_\_  
20  
21

WELLS FARGO BANK, N.A.  
Master Trustee

By: [Signature]  
Brian P. Clark, Vice President

22  
23  
24  
25  
26 (SEAL)  
27  
28  
29

27 Attest:

28 [Signature]  
29 Title:

APPENDIX D  
PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM FOR REGISTERED BONDS

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**PROVISIONS FOR BOOK-ENTRY-ONLY SYSTEM OR REGISTERED BONDS**

**The Depository Trust Company and Book-Entry-Only System**

THE INFORMATION IN THIS SECTION CONCERNING THE DEPOSITORY TRUST COMPANY AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION BELIEVES TO BE RELIABLE; HOWEVER, NEITHER THE CORPORATION NOR THE SBA TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF. CAPITALIZED, UNDEFINED TERMS HEREIN HAVE THE MEANING GIVEN WITHIN APPENDIX C-1.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2013A Bonds. The 2013A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2013A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such maturity.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules



applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013A Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2013A Bonds, except in the event that use of the book-entry system for the 2013A Bonds is discontinued.

To facilitate subsequent transfers, all 2013A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2013A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2013A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2013A Bond documents. For example, Beneficial Owners of 2013A Bonds may wish to ascertain that the nominee holding the 2013A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notice be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2013A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2013A Bonds unless authorized by a Direct Participant in accordance with DTC MMI

Procedure's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2013A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2013A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent/Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar/Paying Agent/Trustee, the Corporation, or the State Board of Administration, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar/Paying Agent/Trustee; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2013A Bonds at any time by giving reasonable notice to the Corporation or Bond Registrar/Paying Agent/Trustee. The Corporation may decide to discontinue use of the system of book-entry transfers for the 2013A Bonds through DTC (or a successor securities depository). Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2013A Bonds are required to be printed and delivered as provided in the documents authorizing the issuance and sale of the 2013A Bonds.

For every transfer and exchange of beneficial interests in the 2013A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

So long as Cede & Co., as nominee of DTC, is the registered owner of the 2013A Bonds, references herein to the Registered Owners or Holders of the 2013A Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2013A Bonds unless the context requires otherwise.

The Corporation, the SBA and the Bond Registrar/Paying Agent/Trustee will not have any responsibility or obligation with respect to:

- (i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the 2013A Bonds;
- (ii) the delivery to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in

the Bond Register, of any notice with respect to any 2013A Bond, including, without limitation, any notice of redemption;

- (iii) the payment to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on the 2013A Bonds, or the purchase price of, any 2013A Bond;
- (iv) any consent given by DTC or any successor securities depository as registered owner; or
- (v) the selection by DTC or any DTC Participant or by any successor depository or its participants of the beneficial ownership interests in the 2013A Bonds for partial redemption.

So long as the 2013A Bonds are held in book-entry only form, the Corporation, the State Board of Administration and the Bond Registrar/Paying Agent/Trustee may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the 2013A Bonds for all purposes whatsoever, including, without limitation:

- (i) the payment of the principal of, premium, if any, and interest on the 2013A Bonds;
- (ii) giving notices of redemption and other matters with respect to the 2013A Bonds;
- (iii) registering transfers with respect to the 2013A Bonds; and
- (iv) the selection of the beneficial ownership interests in the 2013A Bonds for partial redemption.

#### **Payment, Registration, Transfer and Exchange**

*The following provisions shall be applicable only if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.*

The Corporation, the Master Trustee, the Bond Registrar/Paying Agent and any agent of the Corporation, the Master Trustee or the Bond Registrar/Paying Agent, may treat the person in whose name any Bond is registered as the Owner of such Bond for the purpose of receiving payment of the principal of and premium, if any, and interest on such Bond, and for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent permitted by law, neither the Corporation, the Master Trustee, the Bond Registrar/Paying Agent nor any such agent shall be affected by notice to the contrary.

The payment of interest on each 2013A Bond shall be made by the Bond Registrar on each Interest Payment Date to the person appearing on the registration books of the Bond Registrar as the Owner thereof as of the Regular Record Date (i) by check mailed to the Owner at his address as it appears on such registration books or (ii) by wire transfer to any Owner of 2013A Bonds in the aggregate principal amount of \$1,000,000 or more that requests such method of payment and has furnished the necessary instructions and information to the Bond Registrar. Payment of the principal of all 2013A Bonds shall be made upon the presentation and surrender of such 2013A Bonds at the principal corporate trust office of the Bond Registrar as the same become due and payable (whether at maturity or by acceleration or otherwise).

The transfer of any 2013A Bond may be registered only upon the books kept for the registration and registration of transfer of 2013A Bonds upon presentation thereof to the Bond Registrar together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as shall be satisfactory to the Bond Registrar. No transfer of any 2013A Bond shall alter the ownership of such Bond unless such transfer is registered with the Bond Registrar. Upon any such registration of transfer, the Corporation shall, if necessary, execute and the Bond Registrar shall authenticate and deliver in exchange for such Bond a new 2013A Bond or 2013A Bonds, registered in the name of the transferee, of any denomination or denominations authorized by the Master Indenture, in the aggregate principal amount equal to the principal amount of such bond surrendered or exchanged, of the same maturity and bearing interest at the same rate.

No service charge shall be made for any registration, transfer or exchange of 2013A Bonds, but the Corporation and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of 2013A Bonds.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2013A Bonds on the Record Date.

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APPENDIX E  
FORM OF APPROVING OPINION

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## APPENDIX E

### FORM OF OPINION OF NABORS, GIBLIN & NICKERSON, P.A., WITH RESPECT TO THE 2013A BONDS

Upon delivery of the 2013A Bonds in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, proposes to render its opinion with respect to such 2013A Bonds in substantially the following form:

(Date of Delivery)

Florida Hurricane Catastrophe Fund  
Finance Corporation  
Tallahassee, Florida

State Board of Administration of Florida  
Tallahassee, Florida

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation") of its \$2,000,000,000 Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2013A (the "Series 2013A Bonds"). The Series 2013A Bonds are being issued pursuant to Section 215.555, Florida Statutes (the "Act"). The Series 2013A Bonds are being issued for the principal purpose of providing moneys to enable the Florida Hurricane Catastrophe Fund (the "FHCF"), a trust fund established by the Act, to maximize the ability of the FHCF to meet future obligations, specifically to provide funds to enable the FHCF to make reimbursement payments through the FHCF to participating insurers for reimbursable losses caused by any Covered Events occurring in the Contract Year ending May 31, 2014 or any subsequent Contract Year.

In connection with the delivery of this opinion, we have examined the following: (i) the Act; (ii) the Master Trust Indenture, dated as of June 1, 2006, between the Corporation and Wells Fargo Bank, N.A., as Master Trustee (the "Master Trustee"), as supplemented (the "Master Trust Indenture"), in particular as supplemented by the Sixth Supplemental Indenture, dated as of April 1, 2013 (the "Sixth Supplemental Indenture"); (iii) the resolution of the Corporation adopted January 23, 2013 (the "Resolution"); (iv)



the resolution of the State Board of Administration of the State of Florida (the "SBA") adopted January 23, 2013; (v) the Pledge and Security Agreement, dated as of June 1, 2006 (the "Pledge Agreement"), among the Corporation, the FHCF and the Master Trustee; and (vi) such other documents, instruments, proceedings and opinions as we have deemed relevant in rendering this opinion. All terms used herein in capitalized form and not otherwise defined herein shall have the same meanings as ascribed to them under the Master Trust Indenture.

As to questions of fact material to our opinion, we have relied upon representations of the Corporation and the SBA and the certified proceedings and other certifications of appropriate officials of the Corporation and the SBA furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing and in reliance upon the matters hereinafter referred to, we are of the opinion that:

1. The Corporation is an instrumentality and public benefits corporation of the State, duly created and validly existing under and by virtue of the Act, with the power to enter into the Master Trust Indenture, the Sixth Supplemental Indenture and the Pledge Agreement and to issue the Series 2013A Bonds.

2. The FHCF is a trust fund established by the Act for bond covenants, indentures, or resolutions within the meaning of Article III, Section 19(f)(3) of the Florida Constitution.

3. The Resolution has been duly adopted by the Corporation pursuant to the Act, is valid and binding upon the Corporation and is enforceable in accordance with its terms.

4. The Corporation has duly authorized, executed and delivered the Master Trust Indenture and the Sixth Supplemental Indenture and each of the Master Trust Indenture and the Sixth Supplemental Indenture constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms. The Master Trust Indenture creates a valid pledge of, and lien on, the Net Receipts, subject only to the provisions of the Master Trust Indenture permitting the withdrawal, payment, use or setting apart thereof for the purposes and on the terms and conditions set forth in the Master Trust Indenture.

5. Each of the Corporation and the SBA has the right and lawful authority to enter into the Pledge Agreement, and the Pledge Agreement has been duly authorized, executed and delivered by the Corporation and the SBA and constitutes a legal, valid and binding obligation of each of the Corporation and the SBA enforceable in accordance with its terms. By virtue of the Act, the Pledge Agreement creates a valid pledge of and

security interest in the Pledged Collateral (as defined in the Pledge Agreement), subject only to the provisions of the Pledge Agreement permitting the withdrawal, payment, use or setting apart thereof for or to the purposes and on the terms and conditions set forth in the Pledge Agreement.

6. The Series 2013A Bonds have been duly authorized, executed and issued by the Corporation in accordance with the Act and the Constitution and laws of the State of Florida (the "State"), and in accordance with the Master Trust Indenture and the Pledge Agreement, and represent valid special obligations of the Corporation, enforceable in accordance with their terms and the terms of the Master Trust Indenture. The Series 2013A Bonds are payable from the Net Receipts derived from the Pledged Collateral received by the Corporation in accordance with the Pledge Agreement and do not constitute a debt or liability of the State or of any political subdivision thereof. None of the credit, revenues or taxing power of the State or of any political subdivision thereof is pledged to the payment of the Series 2013A Bonds.

7. Interest on the Series 2013A Bonds is not excluded from gross income of the holders thereof for federal income tax purposes.

8. The Series 2013A Bonds and interest thereon are exempt from taxation by the State and any political subdivision thereof, including the income tax under Chapter 220, Florida Statutes. This exemption does not apply to any tax imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, other than the Corporation.

All opinions as to the enforceability of the legal obligations of the Corporation and the SBA set forth herein are subject to and limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights and (ii) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief. We have assumed the due authorization, execution and delivery of the Master Trust Indenture, the Sixth Supplemental Indenture and the Pledge Agreement by the Master Trustee.

It should be noted that (1) except as may expressly be set forth in an opinion delivered by us to the underwriters (on which opinion only they may rely) for the Series 2013A Bonds on the date hereof, we have not been engaged or undertaken to review the accuracy, sufficiency or completeness of the Official Statement or other offering material relating to the Series 2013A Bonds and we express no opinion relating thereto, and (2) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the Series 2013A Bonds and we express no opinion relating thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts and circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We have examined the form of the Series 2013A Bonds and, in our opinion, the form of the Series 2013A Bonds is regular and proper.

Respectfully submitted,

APPENDIX F  
FORM OF CONTINUING DISCLOSURE AGREEMENT

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## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Florida Hurricane Catastrophe Fund Finance Corporation (the "Corporation") and the State Board of Administration of Florida (the "State Board of Administration") acting as the governing body and administrator of the Florida Hurricane Catastrophe Fund (the "FHCF") in connection with the issuance of \$2,000,000,000 aggregate principal amount of Florida Hurricane Catastrophe Fund Finance Corporation Revenue Bonds, Series 2013A (the "Bonds"). The Corporation and the State Board of Administration covenant and agree as follows:

**SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT.** This Disclosure Agreement is being executed and delivered by the Corporation and the State Board of Administration for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC"). It shall inure solely to the benefit of the Corporation, the State Board of Administration, the Owners, the Beneficial Owners and the Participating Underwriters.

**SECTION 2. DEFINITIONS.** In addition to the definitions set forth in the Master Trust Indenture and the Sixth Supplemental Indenture relating to the Bonds between the Corporation and Wells Fargo Bank, N.A., executed as of June 1, 2006 and April 1, 2013, respectively (collectively, the "Indenture"), and the definitions set forth in the Official Statement relating to the Bonds, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for U.S. federal income tax purposes.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

**SECTION 3. CONTINUING DISCLOSURE.** (A) Information To Be Provided. The Corporation assumes all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Corporation hereby agrees to provide or cause to be provided the information set forth below, or such other information as may be required, from time to time, to be provided by the Rule or the State Board of Administration. The State Board of Administration will be responsible for the filing of the information required by the Rule.

(1) Financial Information and Operating Data. For fiscal years ending on June 30, 2013 and thereafter, annual historical financial information and operating data shall be provided within nine months after the end of the State's fiscal year. Such information shall include:

- (a) Debt Service Coverage;
- (b) Tabular information set forth in the Offering Memorandum under the section entitled "OPERATION OF THE FHCF" with the exception of the Tables entitled "FHCF Estimated Mandatory Coverage Obligation and Funding Sources," "Growth of Insured Values--Last Five Years" and "Gross Residential Loss Per Event," respectively; and
- (c) Annual financial statements of the Corporation and the FHCF.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the Corporation's and the FHCF's audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

(3) Material Events Notices. Notice of the following events relating to the Bonds will be provided in a timely manner not in excess of ten (10) business days after the occurrence of the event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;

- (c) modifications to rights of security holders, if material;
- (d) bond calls, if material, and tender offers;
- (e) defeasances;
- (f) release, substitution or sale of property securing repayment of the securities, if material;
- (g) rating changes;
- (h) an Event of Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
- (i) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (j) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (k) notice of any failure on the part of the Corporation to meet the requirements of Section 3 hereof.

(4) Failure to Provide Annual Financial Information; Remedies.

(a) Notice of the failure of the Corporation to provide the information required by paragraphs (A)(1) or (A)(2) of this Section will be provided in a timely manner.

(b) The Corporation acknowledges that its undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Owners of the Bonds and shall be enforceable only by such Beneficial Owners and Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Authorizing Resolution and shall be limited to a right to obtain specific enforcement of the Corporation's obligations hereunder.

(B) Methods of Providing Information.

(1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to each nationally recognized municipal securities information repository (hereafter "NRMSIR"). As of the date hereof, the only Repository recognized by the Securities and Exchange Commission for such purpose is the Municipal Securities Rulemaking Board ("MSRB"), which currently accepts continuing disclosure submissions through its Electronic Municipal Market Access ("EMMA") web portal.

(b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall be transmitted to each NRMSIR.

(2) Information shall be provided as required by the rules of the NRMSIR.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Corporation's and the State Board of Administration's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Corporation and the State Board of Administration shall otherwise no longer remain obligated on the Bonds.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted;

(3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(4) the amendment does not materially impair the interests of Beneficial Owners or Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as bond counsel), or by approving vote of the Beneficial Owners and Owners pursuant to the terms of the Indenture at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Corporation or the State Board of Administration chooses to include additional information not specifically required by this Disclosure Agreement, neither the Corporation nor the State Board of Administration shall have any obligation to update such information or include it in any such future submission.

Dated this 23rd day of April, 2013.

FLORIDA HURRICANE CATASTROPHE FUND  
FINANCE CORPORATION

STATE BOARD OF ADMINISTRATION  
OF FLORIDA

By \_\_\_\_\_

By \_\_\_\_\_



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**AGENDA**  
**STATE BOARD OF ADMINISTRATION FINANCE CORPORATION**

Governor Scott, Chair  
Chief Financial Officer Atwater  
Attorney General Bondi  
J. Ben Watkins, III  
Jack E. Nicholson, President

**March 24, 2015**

9:00 A.M. (Following the SBA Trustees Meeting)  
Contact Person: Dr. Jack E. Nicholson (850) 413-1340  
LL-03, The Capitol  
Tallahassee, Florida

**AGENDA**

**ITEM 1.      REQUEST APPROVAL OF JUNE 17, 2014 MINUTES.**

(See Attachment 1)

**ACTION REQUIRED**

**ITEM 2.      REQUEST ADOPTION OF A RESOLUTION AUTHORIZING THE  
ISSUANCE AND NEGOTIATED SALE OF PRE-EVENT  
REVENUE BONDS OR NOTES IN A PRINCIPAL AMOUNT UP  
TO BUT NOT EXCEEDING \$2,200,000,000 UPON  
DETERMINATION OF CORPORATION PRESIDENT THAT  
ISSUANCE IS NECESSARY.**

(See Attachment 2A [Resolution] and refer to Attachments 7B-7F of the  
meeting of the State Board of Administration on March 24, 2015).

**ACTION REQUIRED**

# STATE BOARD OF ADMINISTRATION FINANCE CORPORATION

JUNE 17, 2014

## MINUTES

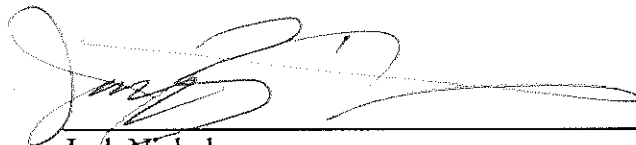
A meeting of the State Board of Administration Finance Corporation (formerly known as the Florida Hurricane Catastrophe Fund Finance Corporation) was held on June 17, 2014, at the Capitol, Tallahassee, Florida.

Board Members present were:

Governor Rick Scott, Chair  
Attorney General Pam Bondi  
Chief Financial Officer Jeff Atwater  
Ben Watkins, Director, Division of Bond Finance  
Jack Nicholson, Chief Operating Officer, Florida Hurricane Catastrophe Fund

- ITEM 1.      Approved the minutes of March 18, 2014.
- ITEM 2.      Approved the request that the Board of Directors of the State Board of Administration Finance Corporation adopt a resolution authorizing the defeasance of the Corporation's outstanding Series 2010A revenue bonds, authorizing the execution and delivery of an escrow deposit agreement, and authorizing the president of the Corporation to execute and deliver certification to the Office of Insurance Regulation.

The State Board of Administration Finance Corporation's agenda was concluded.



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Jack Nicholson  
President  
State Board of Administration Finance Corporation

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE STATE BOARD OF ADMINISTRATION  
FINANCE CORPORATION AUTHORIZING THE  
ISSUANCE AND NEGOTIATED SALE OF PRE-  
EVENT REVENUE BONDS OR NOTES; RATIFYING  
THE MASTER TRUST INDENTURE AND THE  
PLEDGE AND SECURITY AGREEMENT  
PREVIOUSLY ENTERED INTO BY THE  
CORPORATION; AUTHORIZING THE EXECUTION  
AND DELIVERY OF A SEVENTH SUPPLEMENTAL  
INDENTURE, A PRELIMINARY OFFICIAL  
STATEMENT AND OFFICIAL STATEMENT, AND A  
PURCHASE CONTRACT; AND PROVIDING AN  
EFFECTIVE DATE.**

**WHEREAS**, Section 215.555, Florida Statutes (the "Act"), created the Florida Hurricane Catastrophe Fund (the "Fund"), a trust fund administered by the State Board of Administration of Florida (the "Board"), for the purpose of establishing a program to provide insurers who write covered policies, as defined in the Section 215.555(2)(c), Florida Statutes, with reimbursement for a portion of their catastrophic hurricane losses; and

**WHEREAS**, the Act also created the State Board of Administration Finance Corporation (the "Corporation"), formerly known as the Florida Hurricane Catastrophe Fund Finance Corporation, with the authority, pursuant to Sections 215.555(6)(a)1. and 215.555(6)(d)2.d., Florida Statutes, to issue pre-event revenue bonds, which includes other financial obligations such as notes, for the benefit of the Fund when a determination has been made that such action would maximize the ability of the Fund to meet future obligations; and

**WHEREAS**, a determination was made by the Board that the execution of risk-transfer arrangements and/or issuance of pre-event revenue bonds would maximize the ability of the Fund to meet future obligations by managing its market access risk; and

**WHEREAS**, the Corporation has previously issued pre-event bonds on April 23, 2013 (the "Series 2013A Bonds"), which are outstanding in the amount of \$2,000,000,000; and

**WHEREAS**, the President of the Corporation will determine whether it is necessary to issue and sell pre-event revenue bonds in order to bring the execution of any risk-transfer arrangements and the principal amount of any pre-event bonds to a combined amount up to, but not exceeding, \$2,200,000,000 as requested by the Board by resolution adopted on March 24, 2015; and

**WHEREAS**, through an invitation to negotiate issued by the Board on behalf of the Fund, a syndicate of underwriters was selected to serve on the Fund's financial services team which syndicate includes J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, Wells Fargo Bank, National Association, Barclays Capital Inc., Goldman, Sachs & Co., Loop Capital Markets, LLC, Piper Jaffray & Co., PNC Capital Markets LLC, RBC Capital Markets LLC, Siebert Brandford Shank & Co., LLC and Stifel, Nicolaus & Company, Incorporated (collectively, the "Underwriters"); and

**WHEREAS**, the following factors require that pre-event revenue bonds issued by the Corporation receive extensive pre-sale marketing in a manner not likely to be available in a competitive sale:

- (a) The uncertain conditions in the global financial markets;
- (b) Since the size and structure of the financing will be determined by the capacity of the financial markets, a coordinated advanced pre-marketing effort with a pre-selected underwriting team is necessary;
- (c) The nature of and source of the security for the pre-event revenue bonds is still relatively unfamiliar in the credit markets; and
- (d) A large principal amount of pre-event revenue bonds is being sold for each maturity and in total; and

**WHEREAS**, considering the above, it is in the best interests of the State and the Corporation to authorize at this time the negotiated sale of the pre-event revenue bonds; and

**WHEREAS**, it is hereby determined that the pre-event revenue bonds as authorized herein will be sold through negotiated sale to the Underwriters; and

**WHEREAS**, it is necessary to delegate to the chief executive officer of the Corporation or his designee (the "President") the authority to consider, negotiate and approve the final terms of the sale and issuance of the pre-event revenue bonds, subject to certain restrictions set forth herein.

**NOW, THEREFORE, BE IT RESOLVED** by the State Board of Administration Finance Corporation, as follows:

1. The Corporation hereby finds, determines and declares the matters hereinabove set forth.

2. The Corporation hereby authorizes the issuance and sale of up to, but not exceeding, \$2,200,000,000 aggregate principal amount of State Board of Administration Finance Corporation Revenue Bonds, Series 2015A (the "Series 2015A Bonds") for provision of liquidity and reserves in anticipation of future hurricane losses. The President shall determine the amount of the Series 2015A Bonds to be issued; provided that, taking into account any risk-transfer arrangements authorized on the date hereof by resolution of the Board, such risk-transfer arrangements and Series 2015A Bonds shall not exceed on a combined basis \$2,200,000,000. The Series 2015A Bonds shall be issued on a parity basis with the Series 2013A Bonds. The Series 2015A Bonds may alternatively be known by such other name or series designation as is authorized by the President. In addition, all or a portion of the Series 2015A Bonds may be issued as revenue notes; in which case all references herein to the Series 2015A Bonds shall include such revenue notes.

3. The Corporation hereby confirms and ratifies the Pledge and Security Agreement, dated June 1, 2006 and attached hereto as Exhibit A (the "Pledge and Security Agreement"), between the Fund and the Corporation, as supplemented or amended, and confirms and ratifies its prior pledge of revenues to the repayment of debt of the Corporation as provided in the documents approved by the Corporation on May 31, 2006, as supplemented or amended, including but not limited to the pledge of reimbursement premiums levied pursuant to Section 215.555(5), Florida Statutes, and revenues from emergency assessments levied pursuant to Section 215.555(6)(b), Florida Statutes. The pledge of such revenues shall be as provided in the documents executed by the Corporation in relation to debt of the Corporation.

4. The Corporation hereby confirms and ratifies the Master Trust Indenture, dated June 1, 2006 (the "Master Trust Indenture") and attached hereto as Exhibit B, between the Corporation and Wells Fargo Bank, N.A., as supplemented or amended.

5. The Board has designated J.P. Morgan Securities LLC as lead senior managing Underwriter and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and Wells Fargo Bank, National Association, as senior managing Underwriters (collectively, with the lead senior managing Underwriter, the "Senior Managing Underwriters") for the issuance of the Series 2015A Bonds. The selection of the Underwriters and the designation of the Senior Managing Underwriters are hereby confirmed.

6. The President is hereby delegated the authority to consider, negotiate and approve the final terms of sale and the fiscal details of any Series 2015A Bonds, subject to compliance with the following:

(a) The Series 2015A Bonds shall be issued and sold in one or more series, all as determined by the President.

(b) The Series 2015A Bonds shall be sold to the Underwriters pursuant to a purchase contract containing such terms and conditions which are not inconsistent with this resolution and which are approved by the President (the "Purchase Contract"). The President is authorized to define, re-define, designate and re-designate the roles of the Underwriters (including removing any Underwriter) in connection with their participation in the sale of the Series 2015A Bonds to the extent not inconsistent with this Resolution and resolution of the Board relating to the Series 2015A Bonds. The President is further authorized to define, re-define, designate and re-designate the roles of the Senior Managing Underwriters (including removing any Senior Managing Underwriter) in connection with their participation in the sale of the Series 2015A Bonds in the event a Senior Managing Underwriter becomes insolvent, undergoes a change of control or otherwise becomes disqualified, unable or unwilling to participate in the sale of the Series 2015A Bonds.

(c) The President is hereby authorized to approve the final terms of the Series 2015A Bonds, subject to the restrictions set forth herein, without need of further authorization of the Corporation. The maturities, interest rate or rates, redemption provisions, sale price, and other terms and details of the Series 2015A Bonds shall be consistent with the provisions of and shall be within the restrictions set forth in this resolution and shall, in the judgment of the President, best assist in the management of the Fund's market access risk and produce the lowest true interest cost to the Corporation reasonably available in the financial markets at that time for such tenors and maturities of the Series 2015A Bonds. The President shall determine how much, if any, of the Series 2015A Bonds shall be sold as (i) revenue notes or bonds and (ii) fixed rate or variable rate indebtedness.

(d) The President shall determine whether the Series 2015A Bonds shall be secured by a Special Reserve Account and what the amount of the Special Reserve Account Requirement shall be. In addition, the President shall determine how much, if any, capitalized interest the Series 2015A Bonds shall provide for.

7. The Corporation hereby approves the form of and authorizes the execution and delivery of the Seventh Supplemental Indenture to the Master Trust Indenture. Such form of the Seventh Supplemental Indenture is attached hereto as Exhibit C. The document approved herein is subject to such changes, completion, insertions or omissions as may be approved by the President, and the execution or certification of such document shall be conclusive evidence of such approval. Additionally, the President is authorized to amend or revise any other documents relating to debt of the Corporation which have previously been approved or authorized by the Corporation.

8. The Corporation hereby authorizes and directs the President to negotiate, approve, execute and deliver the Purchase Contract for the sale of the Series 2015A



Bonds to the Underwriters in the form attached hereto as Exhibit D. The Purchase Contract shall contain such terms and provisions as are customary for such obligations with such changes, completion, insertions or omissions as may be approved by the President and which are not inconsistent with this resolution, and the execution thereof by the President shall be conclusive evidence of such approval. The President shall have and is hereby acknowledged to have full power and authority to bind the Corporation with respect to the negotiation of the terms of the Purchase Contract.

9. The Corporation hereby authorizes and directs the President to cause the preparation, execution and delivery of a preliminary official statement, an official statement, and any other disclosure document relating to the Series 2015A Bonds which is determined by the President to be necessary or desirable, in substantially the same form as the official statement for the Corporation's Revenue Bonds, Series 2013A attached hereto as Exhibit E with such changes, insertions or omissions as may be necessary to satisfy any regulatory requirements, to update the financial, demographic and statistical data therein with respect to the Fund and the Corporation and to appropriately describe the Series 2015A Bonds as may be approved by the President and which are not inconsistent with this resolution. The execution of the official statement by the Corporation shall be conclusive evidence of such approval. The President is further authorized to certify or otherwise represent when the preliminary official statement shall be "deemed final" by the Corporation as of its date (except for permitted omissions), in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The President and any members of the board of directors of the Corporation are also authorized to execute and deliver to the Underwriters, on behalf of the Corporation, the official statement and such certificates in connection therewith and any amendment thereto, as they determine are necessary or appropriate. The distribution and use of any preliminary official statement or official statement by the Underwriters in connection with the original issuance of the Series 2015A Bonds is further approved.

10. Any and all moneys in the Series 2015A Bonds Proceeds Subaccount of the Pre-Event Parity Obligations Account in the Covered Events Relief Fund, the Subaccounts of the Interest Account of the Bond Fund relating to the Series 2015A Bonds, the Subaccounts of the Principal Account of the Bond Fund relating to the Series 2015A Bonds and any other account or subaccount designated by the President or other authorized officer may be designated as Qualified Escrow Funds as provided in the Master Trust Indenture pursuant to a certificate of the President or other authorized officer. In the event of such designation, such Qualified Escrow Funds shall be used solely to pay principal of, redemption premium, if any, and interest on such Series 2015A Bonds as may be designated by the President or other authorized officer. The President or other authorized officer is authorized to redeem such Series 2015A Bonds upon advice of the Corporation's financial advisor.

11. The President is hereby authorized and directed, upon sale of the Series 2015A Bonds, to provide the Office of Insurance Regulation and the Florida Surplus Lines Service Office any notice required pursuant to Section 215.555(6)(b)6., Florida Statutes.

12. The President is hereby authorized to approve, execute and deliver a Continuing Disclosure Agreement satisfying the requirements of the Rule. The President, officers and members of the board of directors of the Corporation are authorized to execute and deliver the continuing disclosure agreement and are authorized to take all actions necessary to fulfill the obligations of the Corporation thereunder.

13. Wells Fargo Bank, N.A., previously designated as trustee under the Master Trust Indenture and as registrar and paying agent thereunder is hereby confirmed for purposes of the Series 2015A Bonds, and is further authorized, upon approval of the President, to perform any additional duties as fiscal agent, elections agent or calculation agent in relation to the Series 2015A Bonds. The President is authorized to enter into any agreements necessary to continue the retention of such trustee or to authorize the trustee to perform any of the additional duties authorized herein. Alternatively, the President is authorized to retain one or more other firms to provide any of such services if determined by the President to be advisable.

14. The President, officers, and members of the board of directors of the Corporation are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver the named documents and any and all other agreements, documents, instruments, assents, acceptances, assignments, financing statements and approvals which they may deem necessary or advisable in order to consummate the transactions contemplated by this resolution. In the absence or unavailability of the President, the Treasurer is authorized to take all actions provided herein of the President.

15. This resolution shall take effect immediately upon its adoption.

**ADOPTED THIS** 24th day of March, 2015.

**STATE OF FLORIDA**

**COUNTY OF LEON**

I, [], do hereby certify that the above and foregoing is a true and correct copy of the resolution passed and adopted by the State Board of Administration Finance Corporation on the \_\_\_\_ day of \_\_\_\_\_, 2015.

**IN WITNESS WHEREOF**, I hereunto set my hand and official seal of the State Board of Administration Finance Corporation this \_\_\_\_ day of \_\_\_\_\_, 2015.

(SEAL)

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[], Secretary  
State Board of Administration Finance  
Corporation

## **EXHIBIT A**

### **Pledge and Security Agreement**

**EXHIBIT B**

**Master Trust Indenture**

## **EXHIBIT C**

### **Form of Seventh Supplemental Indenture**

**EXHIBIT D**

**Form of Purchase Contract**

**EXHIBIT E**

**2013A Official Statement**