



FLORIDA SURPLUS ASSET FUND TRUST  
3452 LAKE LYNDA DRIVE, SUITE 365, ORLANDO, FLORIDA 32817

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FLORIDA SURPLUS ASSET FUND TRUST  
MINUTES OF THE BOARD OF TRUSTEES

**LOCATION:** City of Tamarac – City Hall  
7525 NW 88<sup>th</sup> Avenue, Room 105  
Tamarac, FL 33321

**DATE:** May 6, 2009

**TIME:** 1:06 p.m.

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**MEMBERS IN ATTENDANCE:**

**BOARD OF TRUSTEES:** Hank Fishkind, Chairman  
Harry Dressler, Non-Treasurer Trustee  
Mark Mason, Treasurer Trustee  
Fritz Behring, Treasurer Trustee  
Jim Anderson, Vice-Chairman - via phone

**OTHER ATTENDEES:** Chris Blackwood, Managing Director – FLSAFE  
Bill Spivey, VP Client Service Manager – FLSAFE  
Jeff Larson, SVP - D.A. Davidson & Co.  
Glenn Scott, VP Portfolio Manager - DFIM  
Robert Nanni, Chief of Op. – Osceola County School District  
Ken Jessel, VP for Financial Affairs – FAU  
Michael Cernech, Deputy City Manager – Tamarac  
Christine Josephs-Cajuste, Controller – Tamarac  
Laura Toebe, Finance Director – Sunrise  
Stephen Farmer, Investments Coord. – Broward County  
Pita-Gay Clemetson, Controller – North Lauderdale  
Allison Feurtado, Accountant – Cooper City

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**1. CALL TO ORDER/ROLL CALL**

The Chairman, Hank Fishkind, called the meeting to order at 1:06 p.m. and a quorum was present.

**2. BUSINESS ADMINISTRATION**

- a. Minutes of February 2009  
The Board reviewed the February 2009 minutes and no corrections were made. *Mark Mason motioned to approve and Harry Dressler seconded.* The minutes were approved unanimously.

b. Economic and Financial Market Update

Chris Blackwood provided a general discussion of the current economy and provided an economic indicator analysis presentation. Yields remain low on Treasuries and Agencies; the yield curve is positively sloped; inflation is not a short term concern, but actions by the Federal Reserve may foster inflation in the future.

FLSAFE assets are at \$215 million and growing. A benchmark comparison shows that FLSAFE was at par with the S&P LGIP Index at the end of March. SBA rates are about 30 basis points higher than FLSAFE due to their ability to invest in securities prohibited by FLSAFE's permitted investments list.

Mark Mason asked Chris Blackwood to explain to the audience the split into SBA A-shares and B-shares. For the benefit of the audience, Hank Fishkind asked Chris Blackwood to explain the purpose of FLSAFE and why it was formed. Transparency and ownership by participants was the mandate. The Board members were asked why they joined FLSAFE. Answers included diversification needs, lack of trust in SBA due to the way the assets were frozen, and trust in portfolio approach and high level of transparency. The Board asked the members of the audience to introduce themselves and thanked them for attending.

c. First Quarter Unaudited Financial Report

Chris Blackwood explained the approval and posting process for all financial statements.

- i. Financial Statements: Mr. Blackwood briefly went through the unaudited financial statements. He explained the portfolio assets and bank checking account. The Money Market Funds ("MMF") are still an advantage as they lag interest rates in a downward rate environment and they provide liquidity. The selected MMF's are primarily the largest fund families with large parent companies or institutions that are rated, and have operated well in current economic environment. Internal policy for diversification exceeds S&P requirements.
- ii. Checking Account: Transactions were reviewed. Investment Advisor fees and expenses that were temporarily waved had resumed in mid-December.
- iii. Budget: Budget v. Actual results show that FLSAFE is on budget. Hank Fishkind asked about legal billing and Chris Blackwood indicated that an invoice was received for six months of work.

***Harry Dressler motioned to approve and Mark Mason seconded.*** The first quarter unaudited financial statements were approved unanimously.

d. 2008 Annual Audit

Chris Blackwood stated that the 2008 Annual Audit is complete and is posted on the website. It was clean with no management letter and distributed to all participants. The auditor letter was standard and was reviewed by Chris Blackwood and Hank Fishkind.

e. Custodian

Chris Blackwood reminded the Board that Regions is used as both the bank and custodian (separate legal entities). There have been issues with using Regions on the custody side that Chris Blackwood has tried to work through, but has been unsuccessful. The Board previously gave Chris Blackwood the ability to change custodians, but he wanted to bring the issue back to the Board one more time to explain why he wanted to switch from Regions to US Bank. Mr. Blackwood explained that he would normally switch both the banking and custodian services, but in this case Regions will remain because a) requirements to modify all the wiring instructions with participants and b) US Bank is not a QPD in the State of Florida even though US Bank

purchased Wachovia's Trust Services in Florida. Chris Blackwood stated that two instances of unacceptable service include a) lack of notification for payment or maturity of securities and b) overnight cash not being invested. Board agreed with the recommendation to switch the custodian with the provision that fees would not increase.

*Harry Dressler motioned to approve and Mark Mason seconded.* The change in custodian from Regions Bank to US Bank was approved unanimously.

### 3. BUSINESS ITEMS

- a. None

### 4. STAFF REPORTS

#### a. The Reserve MMF Update

Chris Blackwood reviewed the history of FLSAFE's investment in The Reserve Primary money market fund. The Reserve has paid back investors as securities have matured. To date, FLSAFE has received 4 distributions equal to about 90% of the original investment at \$1 per share. In February 2009 The Reserve proposed a special reserve for indemnification purposes which prompted S&P to place FLSAFE on a credit watch. Chris Blackwood stated that on May 5, 2009 the SEC filed a lawsuit against The Reserve and related parties and requested the expedited distribution of the funds to investors on a pro rata basis. Chris Blackwood will approach S&P on the removal of the credit watch given the SEC action. Even if FLSAFE were to receive a pro rata share distribution, the current asset levels and Standby Capital Agreement would keep FLSAFE at an AAAM credit rating.

Stephen Farmer asked if the sole reason for the credit watch was the frozen assets of The Reserve and how a pro rata share distribution would affect participants. Chris Blackwood stated that FLSAFE was AAAM rated even with the partially-frozen assets and the reason for the credit watch was because of the Reserve's proposed plan of distribution to hold-back funds in the special reserve. Chris Blackwood went through the mathematical computation, the Standby Capital Agreement to maintain the \$1 per share NAV.

#### b. Qualified Public Depository ("QPD") information

Chris Blackwood reviewed the QPD process and collateralization requirements outlined by the State. He discussed bank CD's as an option for investments in FLSAFE.

#### c. Insurance policy renewal

Chris Blackwood discussed the Board Liability Insurance for FLSAFE. The Hartford notified FLSAFE that the current policy would not be renewed for three reasons, a) the Florida economy, b) FLSAFE as an investment pool and c) FLSAFE's participants are government entities. Chris instructed FLSAFE's insurance agent to solicit new bids. Chris stated that he expects the insurance premium to be higher.

#### d. Securities database review

Chris Blackwood explained the document known as the FLSAFE Security Concentration Report and how it was prepared to provide as a higher level of due diligence that is required for investing in MMF's in today's market. The database report shows very detailed information and outlines the amount of exposure to all securities within each MMF.

Stephen Farmer asked about the ongoing credit quality monitoring process in conjunction with the Security Concentration Report. Chris Blackwood stated that DFIM has access to many reporting and analysis tools, such as S&P. Blackwood stated that he participates in internal bi-weekly meetings within DFIM to assess the portfolio.

e. Investment policy discussion

Chris Blackwood stated that FLSAFE's permitted investments are listed in the Indenture of Trust, but no formal investment policy has been adopted by the Board. Feedback from meetings by Bill Spivey with prospective participants indicated that some would like to see a formal investment policy in line with a GFOA style format. A draft investment policy has been produced and will be brought back for the Board's approval at the next FLSAFE Board meeting.

f. Marketing activity and plans

Bill Spivey briefly went over the marketing map of Florida outlining the counties he is targeting for the second quarter of 2009, mainly in northeast Florida. He also reviewed the upcoming conferences where he will have a booth. Some on the Top Prospects list have joined FLSAFE already. Hank Fishkind requested a list of all participants be included for the next FLSAFE Board meeting packet.

Stephen Farmer asked about the total number of participants and the average level of assets. Bill Spivey and Chris Blackwood explained there are about 25 participants at this time and contributions vary greatly. Mark Mason discussed Cape Coral's investment level and what is required to participate in FLSAFE. He also explained the responsibility of those on the Board and their "skin-in-the-game" to make sure it works correctly. Discussion ensued regarding the types of funds and accounts that were set up by the Board members in using FLSAFE. Board members addressed their particular needs. Mark Mason also discussed how much he likes the level of transparency. Harry Dressler stated that safety of principal and transparency are not secondary to yield. The lack of transparency in the SBA was the impetus of FLSAFE. Fritz Behring recounted his experience with funds frozen in the SBA given an investment policy that required the County to invest all funds in the SBA. The level of transparency gives him and his Board a higher level of comfort.

g. S&P rating profile

Chris Blackwood reviewed the recent S&P fund profile report. It is posted to the FLSAFE website and is updated every six months even though S&P receives a week report on all investments. The S&P fund profile report also includes the credit watch letter as well. Harry Dressler addressed the audience regarding the S&P rating and stressed that due-diligence is required. Chris Blackwood stressed that monitoring the Net Asset Value is vital and the rating reflects that an independent third-party has reviewed the pool. Discussions ensued regarding Moody's downgrading of all state and local governments in the US. Robert Nanni stated that a comparison of FLSAFE to the SBA would be helpful. Stephen Farmer asked about what benchmark is used. Chris Blackwood stated the use of the S&P LGIP Index.


5. SET NEXT MEETING DATE / ADJOURNMENT

Discussion ensued regarding the next Board meeting. July 29<sup>th</sup> was selected and Mark Mason stated that they would host the next meeting at the City of Cape Coral. *Mark Mason motioned to adjourn and Harry Dressler seconded.* The motion passed unanimously. The Board meeting adjourned at 2:27 p.m.

APPROVED THIS 29<sup>TH</sup> DAY OF JULY, 2009.

FLORIDA SURPLUS ASSET FUND TRUST

ATTEST:

  
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