



**FLORIDA SURPLUS ASSET FUND TRUST**  
 10151 University Blvd., #227, Orlando, Florida 32817

**FLORIDA SURPLUS ASSET FUND TRUST**  
**MINUTES OF THE BOARD OF TRUSTEES**

**LOCATION:** Orlando, Florida  
 Akerman Senterfitt, 420 South Orange Avenue, Suite 1200,  
 Orlando, Florida 32801

**DATE:** August 31, 2011

**TIME:** 12:00 p.m.

**MEMBERS IN ATTENDANCE:**

**BOARD OF TRUSTEES:** Mark Mason, CPA, Chairman  
 Jerry Boop, CPA, Vice - Chairman  
 Linda Senne, CPA, Secretary/ Treasurer  
 Robert Clinger, CPA, Trustee  
 Jeff Yates, MPA, Trustee

**OTHER ATTENDEES:** Sam Doyle, President – DFIM (By Phone)  
 Glenn Scott – DFIM, FL SAFE Investment Advisor (By Phone)  
 Trisha Mingo – DFIM, FL SAFE Operations Manager (By Phone)  
 Jeff Larson – President, FMAS, FL SAFE Administrator  
 Larry Aubrecht – FMAS, SVP Administration (By Phone)  
 Lester Abberger – FMAS, SVP Marketing  
 Michael Williams, Esq. – Akerman Senterfitt, FL SAFE Counsel  
 Jesy Acosta, Admin. Assistant, FMAS

**A. CALL TO ORDER/ROLL CALL**

1. Mark Mason called the meeting to order at 12:00 p.m. Roll call by Jesy Acosta with FMAS: Quorum present with all five board members.
2. Following question by Mr. Mason, Jerry Boop makes a Motion to Approve the prior Board Meeting Minutes for July 20, 2011. Linda Senne seconds that motion. Motion passed 5-0 and Board Meeting Minutes for July 20, 2011 adopted.
3. Guest Introductions: Lester Abberger, Mike Williams, Akerman Senterfitt, Jeff Larson and Jesy Acosta, FMAS. Other attendees by phone noted above.

## B. OTHER ITEMS:

### 1. Florida Administrator Update and Recommendation –

Jeff Larson referred to last Board Meeting where Administrator had been directed to put out an RFP. This went out to approximately 30 firms, all but maybe 5 firms contacted directly by FMAS to confirm receipt and solicit responses. The Fed action before the RFP due date did not assist to confirm receipt and solicit responses. The Fed action before the RFP due date did not assist with generating interest from the market. FMAS also received letters or emails from some firms declining to respond to the RFP, due to a lack of experience with LGIPs. Some felt they did not meet the standards the Board had put into the RFP in terms of either Assets under Management or comparable LGIP experience elsewhere in the country. DFIM also received an RFP and did not respond.

FMAS had two responses that were analyzed, from PFM and another one from PMA. Both firms are nationally recognized, each having significant assets under management, extensive LGIP experience, and headquartered out of the state. PMA is based in Illinois and PMG in Pennsylvania. A number of the IA firms with visibility in Florida don't have LGIP capabilities and operations. FMAS' review boiled down to looking at a few critical items as both firms presented RFP proposals of around 180 pages long, and had extensive discussions with FMAS. As a courtesy, FMAS could send one to each of the Board Members. We asked for their Ethics Policy, and asked for Financials.

The three (3) important items included: (1) "What are you going to do to help the Fund grow?" , (2) "What are you going to do in terms of providing support to the Fund, given the situation we still have with the Reserve?" and (3) "What are your fees?" Both firms saw the negotiated Scope of Services with FMAS's role, and what the current IA firm was doing, so no mystery on that. Both firms initially gave "grey area" responses on both their Capital Support response and fees. PFM chose to provide a solution to the Reserve that we felt was not satisfactory after conferring with Board Chairman, as the only mathematical solution from PFM was that Participants could absorb the loss today, thereby freeing up the situation for future participants, in hopes that the current participants won't be de-motivated if we did that. That did not seem to be a practical solution. Their fee proposal was based along the same lines as the other firms, 15 to 20 basis points, with recognition of a partial fee waiver for around 10 basis points (which is the current fee structure with DFIM).

PFM did not provide a Capital Support arrangement that FMAS, after consulting with some of the board members on a one-on-one basis, could bring back to the Board today for consideration. So we proceeded to focus on the other firm, PMA, which was equally qualified. Additional due diligence on PMA was done, and a meeting held with their senior management team, including an introduction to our Board Chairman. PMA had invited us to Illinois, but timing permitted a meeting with them in Florida. FMAS added that PMA was invited to join us today to make a short presentation and address any Board or FL SAFE's Counsel's questions. Mike English, CEO, and Don Weber, Senior Vice President, PMA were invited into the room and introduced by Mr. Mason.

PMA gave their PowerPoint presentation as a summary from their Proposal for FL SAFE. Mike English stated that he will be covering the highlights and introduced the Board to PMA. Jeff Larson stated that the Board was given a copy of the full PMA response, and as a courtesy, a summary of PMA's Term Sheet by FMAS prior to the meeting for the Board Members' review. PMA completed their presentation. Jerry Boop asked to confirm who was still on the conference call, and Larry Aubrecht, Trisha Mingo, and Glenn Scott confirmed.

Mark asked if any Board Member had comments or questions about the presentation. Jeff Yates asked about the 60 days transition period, and having something in place by November 1<sup>st</sup>, and

what happens during this transition. Larson mentioned that the Agreement development and execution process has to happen a lot sooner than 60 days. Linda Senne mentioned that the ultimate goal would be to have the transition completed before November 1<sup>st</sup>, and that PMA would need to start on November 1<sup>st</sup>. Jeff Larson confirmed that timing. Jeff Yates then asked if the new IA firm, whomever that may be, could give us more than 60 days notice. Larson stated that the 60 days is a Trust Indenture requirement, (confirmed by Mike Williams). PMA's draft agreement had 90 days. Mark mentioned that the driver behind this 60 days was with the DFIM amendment. Mark said that if PMA is committed, then they are also serious about getting it done in 60 days. As far as the contract is concerned, when you look at the Term Sheet and the parameters associated with the term sheet, there's very little difference here from what we already have, except for some of the more specific things like absolute fee waivers and a commitment for a minimum net yield. Larson stated his understanding of a minimum market comparable yield for PMA ranging from 5 to 7 basis points. Mike Williams stated for the record that they would have to take on due diligence as FL SAFE Counsel during the transition period.

Mark stated that he will entertain a motion. Linda Senne moved that FL SAFE go forward with PMA as our IA and Operations Manager, and Jeff Yates seconded.

Mark called for a Roll Call vote: Mark Mason, Jerry Boop, Linda Senne, Jeff Yates and Bob Clinger all voted in favor, passed 5-0.

#### Board Member Comments

Mark stated there's a second suggestion that has come up. Due to the fact we don't meet again for a few months, and that we've done this in similar fashion before, to authorize the Administrator and Chairman to finalize the negotiations and all material respects to sign the PMA document. Mark's sure that once we have a proposed agreement, that Jeff will send this out to every Board Member before we go forward. Larson mentioned that FMAS will be happy to assist with that, and should include Mike Williams, because his input is very helpful. Larson stated that meeting in the end of October would be a good strategy before a potential transition. Larson mentioned we would come up with the document, have the benefit of Mr. William's input and FMAS's team review, and then get with Mark Mason, so to not waste the Chairman's time.

Bob Clinger mentioned that if the negotiating process is part of that 60 days timeframe, then this is quite a commitment on PMA's part. Bob says that it is clearly understood that it's not that we negotiate the 60 days time period.

Larson stated that the Capital Support Agreement is absolutely critical and understands that PMA got approval internally before the CEO could offer this. That is also why they insisted on seeing us, as they wanted to check us out, meet the Board, etc. We agreed and felt it was very important that they did this, have the documents including the Amended IA agreement, and FMAS agreement, and all the analysis that they have done.

Mark repeated that he got the impression that if PMA was chosen today, that when they get back in tomorrow, and will be sending of their Transition Worksheet which is 36 questions, in addition to their contract. That means they begin their transition tomorrow. Bob Clinger stated it certainly demonstrates commitment, and within a 14 day timeframe not 14 business days, that we will have some kind of a proposed Agreement from PMA.

Larson stated we don't have sufficient time to investigate all the details and value added services noted in the PMA RFP response and Board PowerPoint, however the value added services are good and can be incorporated by reference. So 60 days is for the core FL SAFE LGIP services per the RFP. Once that's done, then they are committed and we're very interested in exploring and further detailing those other services. The key to these folks seems to be attracting additional funds in the LGIP by services as they have done in some of their other LGIPs, and generating the

additional revenue that they get out of it that flows in the through other factors, their Term Pools and laddering of CD's, which could also help out our FL SAFE LGIP Reserve situation.

Mark says he thinks the value that this firm will bring to this fund are their value added services, the management and operations experience of having a part in 8 other LGIP funds, as this all brings a great deal of background and understanding to the whole LGIP business. Mark said that when they get finished with their full transition, probably no later than Christmas or early January, when we meet around that time, we can do a lot more in depth review and obtain details on these value added services. Mark said as they develop their website and a lot of additional information, we'll be sending it out to the existing participants via FMAS.

Jerry Boop said that having worked with Mr. Larson, Mr. Williams and given Mark's comments, that he has full confidence that PMA will bring us the type of deal that will develop the necessary foundation to get us through the next 60 days.

Jerry makes a motion to delegate the authority to the Chairman, Mark Mason, to work directly with FMAS, and with Mike Williams to negotiate a PMA contract that enables us to make the transition to the new IA. Linda seconds that motion. Mark asks if there are any other comments, Larson asks if authority is delegated for Chairman to sign. Jerry states that he would like to also add that to his motion that the authority is delegated to Chairman Mark Mason to sign the contract. Linda seconds it. Mark asks if there's any other comments, all in favor, say I. Motion passes 5-0. Mark asks if there are any FL SAFE counsel comments; Mike states he has no other comments.

#### Board Member Comments Continued –

Mark stated that in both the existing IA agreement, as amended, and the Administration Agreement, there is a 60 day Termination Notice in order for us to transition this to another firm. Therefore, it is incumbent upon us to issue said termination notice no later than September 1<sup>st</sup>, for the ultimate transition to October 31<sup>st</sup>. Mark passes the gavel to Jerry Boop to chair the meeting. Jerry asked if there are any comments from the Board on this matter. Mr. Mason makes a motion to exercise the termination period associated with the Investment Advisory agreement with DFIM, further authorizing the Chairman to sign said letter of termination, and emailing or mailing no later than September 1<sup>st</sup> indicating the 60 days, and take all other appropriate actions necessary to move forward. Linda seconds that motion.

Vice Chairman Boop asks Jesy for a Roll Call vote. Roll Call in order: Mark Mason, Jerry Boop, Linda Senne, Jeff Yates, and Bob Clinger. Passes 5-0.

Mr. Mason stated that since our Board meeting in July, he's gone back on numerous occasions, and read and reread the DFIM Capital Support Agreement to understand the \$200,000 per the 2010 audit and during that discussion was told unequivocally the money was ours. Further review shows that it currently resides in an account, a separate custodial account with Regions Bank, with the signatories on it being Operations Manager, Trisha Mingo and IA, Glenn Scott. So if we went back to the audit, of December 31<sup>st</sup> 2010, we note in that audit presented by DFIM, that essentially what happened is at the end of the audit it showed that we had \$102,998 which was recorded by FL SAFE as the estimated amount due by DFIM pursuant to the DFIM Capital Support Agreement. So where in this Capital Support Agreement does it talk about the estimated amount due? Well, it doesn't. Actually Section 3A & 3B talks about a Contribution Event. At the time of the discussion during 2008 and 2009, there was no requirement for a contribution event, because the Reserve Fund was continually disbursing funds during that period of time, and distributing out funds back to its shareholders. So we weren't at that point yet where they had no more distributions, or they were holding onto everything else in a reserve until all the lawsuits were settled. That didn't happen until late 2010, as reported with the audit. Since that time, according to the March 2011 quarterly report and the June 2011 quarterly reports from DFIM, the

statement of assets showed the net amount, still in the liability account, of the \$200,000 that was remaining. The Board never declared the Contribution Event, based on the DFIM Capital Support Agreement, and I recognized that we never did that. It's incumbent upon us to do so today, that we do in fact recognize the capital contribution event. Based upon this agreement, these funds would be taken out of that custodial account, wherever that money is, and moved over to a FL SAFE account and there it stays, until such time as we've either been reimbursed back in its entirety, or that additional contributions occur periodically throughout the course of the year, and would stay there and it wouldn't be over here in this custodial account. Jerry mentions his understanding that it does not go back and remains an asset of FL SAFE. Mark agreed. Mark says it's time for us to do this, and give them a days notice as noted in the Capital Support agreement, that we are going to declare a contribution event, identify that we are doing a contribution event, and go forward. Mark has a notice from DFIM that dates back to June 30<sup>th</sup> that shows the contribution event should be closer to \$119,000 vs. the \$102,000 from the audit. And that's a function of whatever the value of the assets are when then contribution event is declared.

Mark makes a motion that we provide notice to DFIM pursuant per Section 3A of the Capital Support Agreement, that we are declaring a Contribution Event and to send a letter to DFIM associated with same. Linda sections that motion.

Vice Chairman Boop asks Jesy for a Roll Call Vote:

Roll Call: Mark Mason, Jerry Boop, Linda Senne, Jeff Yates, and Bob Clinger. Passes 5-0.

Mark makes a motion to declare a contribution event amount as of June 30, 2011 in the amount of \$119,966, based upon information provided by DFIM. Jeff Yates seconds that motion. Linda wants to clarify that the \$119, 966 would come out of that \$200,000 escrow account, and that we do not have to give that back to DFIM. Mark concurs. Jeff Yates further adds if we also need to remind DFIM that per the Capital Support Agreement on the 31<sup>st</sup> of October, that we are not in any way be left without the ability to obtain the \$80,000 in the Escrow account. Mark states that once the Agreement is terminated, you have no more access to it. Larson states there's a need for a true up process. Jeff Yates states that the account should not be liquidated until that true up process has occurred. Mr. Yates asks if Mark Mason would amend his motion on the contribution amount to also reserve the authority to declare a future contribution event in the event said true up occurs. Mr. Mason agrees to amend his motion to incorporate Mr. Yates' suggestion. Vice Chairman Boop asks if any further questions, and then asks Jesy for a Roll Call vote.

Roll Call: Mark Mason, Jerry Boop, Linda Senne, Jeff Yates, and Bob Clinger. All in favor, passes 5-0.

Jerry Boop passes the gavel back to Mr. Mason to chair the meeting.

Mark asks in reference to an earlier discussion on the contract with PMA that in the absence of having a second Board Meeting, how could FL SAFE declare another contribution event. Jerry asks Mike Williams whether we could delegate that authority to our chairman, and Mike states that you can.

Linda asks that by having these contribution event funds moved over to the FL SAFE fund, does that decrease our amortized loss? Larson states that any money moved out of the DFIM \$200,000 account for capital support does help with the loss, and also reduces DFIM's liability under this agreement by the amount that was declared today of \$119,966.

Jeff Yates makes a motion that in the absence of a Board Meeting, Mark Mason, as Chairman, has the ability to do that additional notification, as needed, on behalf of the Board. That the notification would be of a contribution event. Mark states there's two parts: notice of contribution event, and also the letter. Jerry seconds that motion.

Mr. Mason asks Jesy for a Roll Call vote.

Roll Call: Mark Mason, Jerry Boop, Linda Senne, Jeff Yates, and Bob Clinger, all in favor, passes 5-0.

Larson states for the record, he's passed out two items: the Board's Revenue Recognition Policy that came up in discussions during the July meeting, and also the Board's Expense Reimbursement Policy. Jeff then obtains approval for the next Board meeting for October 28<sup>th</sup>, 2011, at the Akerman office at 11:00am, with lunch provided at 12:30pm.

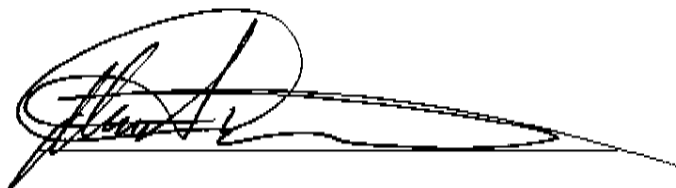
Mark entertains a motion to adjourn; Linda makes a motion to adjourn the meeting. All in favor, five Board members vote yes. Meeting adjourned.

**Meeting Minutes – August 31, 2011**

**Signature Page**

APPROVED THIS 28<sup>th</sup> DAY OF October 28, 2011.

**FLORIDA SURPLUS ASSET FUND TRUST**



**ATTEST:**

