



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

FLORIDA SURPLUS ASSET FUND TRUST
MINUTES OF THE BOARD OF TRUSTEES MEETING
& BOARD OF PARTICIPANTS MEETING

LOCATION: City Hall, City of Tamarac,
7525 NW 88th Avenue, Tamarac, FL 33321

DATE: July 20, 2012

TIME: 1:00 p.m.

MEMBERS IN ATTENDANCE:

BOARD OF TRUSTEES: Mark Mason, CPA, Chairman
Linda Senne, CPA, Vice Chairman
Jeff Yates, MPA, Secretary/Treasurer (By Phone)
Robert Clinger, CPA, Trustee
Jerry Boop, CPA, Trustee

OTHER ATTENDEES: Don Weber – SVP, PMA, FL SAFE Investment Advisor
Mike English – President, PMA, FL SAFE Investment Advisor (By Phone)
Jim Davis- CEO, PMA Financial (By Phone)
Brian Hextell –Portfolio Manager, PMA
Paula Cooper –VP Operations, PMA (By Phone)
Lori Ragus, Esq. – PMA Counsel (By Phone)
Jeff Larson – President, FMAS, FL SAFE Administrator
Larry Aubrecht –SVP Administration, FMAS (By Phone)
Michael Williams, Esq. – Akerman Senterfitt, FL SAFE Counsel (By Phone)
Jesy Acosta – Admin. Assistant, FMAS
Alissa Shortridge – Associate, FMAS (By Phone)
Hank Gay – BMO Harris Bank
John Mattern – BMO Harris Bank
Steve Shanks – CliftonLarsonAllen (By Phone)
Christine Cajuste- City of Tamarac
Linda Toebe- City of Sunrise
Jack Lazarowitz-City of Sunrise

A. Business Items

1. Call to Order/Roll Call

At 1:00 p.m., Mark called the Meeting of the Board of Trustees, Florida Surplus Asset Trust Fund, to order. Roll call: Mark Mason, Linda Senne, Jeff Yates (By Phone), Robert Clinger and Jerry Boop. Quorum.

2. Approval Prior Board Meeting Minutes – April 20, 2012

A. Mark Mason requests approval of prior Board Meeting Minutes for April 20, 2012. Linda Senne had one comment, on the second page, it's got NDNA, it needs to be MDNA. Jerry Boop made a Motion for approval of minutes, with Linda's correction, Linda seconds, all in favor. Motion approved 5-0.

B. Participant's and Guest Introductions

Chairman requests those in attendance introduce themselves, followed by conference call participants.

B. Other Items

1. Administrator Update – FMAS

(a) Ballot Results – Amendment to Indenture, Term Series Option

Amendment to Indenture

Jeff stated FMAS worked to amend the Indenture of Trust following Board direction at its April meeting, primarily to provide for the opportunity to include an additional value added service via PMA, called the Term Series. The ballots went out to all Participants, and we had 82% of the ballots returned. Of all ballots that did come back, they voted 100% YES for the amendment. Amendments to the Indenture require a minimum 51% approval of all participants.

As background, the new Term Series program, when offered, is optional. Larson asks if there needs to be any signatures to the Indenture, as amended. Mike Williams responds that it should be signed by all Board members, and that he will work with FMAS to file it per Florida State Statutes.

Term Series Information

With the assistance of Mr. Williams, as well as PMA's counsel, Lori Ragus, a couple of other documents were shared with the Board. One of those is the summary on the Term Series program done by PMA. The Term Series will act as a subset within the Indenture, as a separate series. For example, if there's a special investment that goes out for \$50million, and 5 FL SAFE LGIP participants chose to participate at their option for \$10million shares of this distinct Term Series, it is a separate investment instrument within the Indenture, not part of the LGIP. Term Series participants elect to invest for specific amounts, specific terms at that rate, and I will leave the rest of any discussions or Q&A to PMA at the end of the meeting. This led for good disclosure reasons to a PMA recommended specific Investment Policy for the Term Series program, as distributed to the Board. This states what the permitted investments are, it's a short 3 page document, and we don't like to go to any of the participants without the Board approving the Information Statement or Investment Policy, so this is something we need the Board to review. Larson asks Mr. Mason for a Board motion to adopt the Term Series Investment Policy. Mark states do we hear a motion, Boop motions to approve, Senne seconds. All in favor, motion passes 5-0.

Amendment to PMA IA Agreement

Larson states that the original PMA IA Agreement did not cover the Term Series, as this was not in the Indenture of Trust. So an amendment to the Investment Advisory agreement was distributed to the Board, reviewed by Mike Williams, and FMAS. The amendment covers their fees, and also the revenue sharing arrangement. As with the FIIP program, as they generate revenue in this Term Series program, per the Royalty Agreement, some of those fees come back to the Board to help with the fund. We would like a motion to have that also adopted. Mr. Mason asks for motion to adopt to the First Amendment of the Investment Advisory Agreement, Linda makes the motion and Boop seconds. All in favor, Motion passes 5-0.

Information Statement Update:

Larson references the next document, the Information Statement, which is posted on the website. We sent this the Board and have additional copies for our guests of this amended Information Statement. The changes are two-fold, first the Term Series description begins on page 14 and clarifies a lot of what is in the Indenture of Trust, as amended. As a side note, we need the Board's approval for the Information Statement per the Indenture of Trust. Since it was not done at the last meeting, Mark recalls a discussion about identifying the Operational Manager as PMA Financial Network. Linda makes a motion to approve the amended Information Statement, Jeff Yates second. All those in favor, Motion passes 5-0.

(b) Banking Services/Custodian RFP Results

Larson states we will be seeking the Board's approval of recommendations from FMAS/PMA on the Institution following the RFP for Banking and Custodial Services. Today, Regions Bank is our Florida Bank, and US Bank is the Custodian. Should the Board accept our recommendations today, we estimate, per PMA, that the new firm could start around October 1st, so prior to the next Board meeting. So we would like some pre-approval, when we get to that part, that we can amend the Information Statement to reflect the Board's action without calling a Special Board meeting. Mark states we are approving the Resolution prepared by Mike Williams for the Banking and Custodial Services. Mark asks Mr. Larson to first give background on this.

Larson states we sent out a Banking Services and Custodian RFP to the banks that are in this business per Board direction in April, and we had responses from four institutions, BMO Harris, Regions Bank, TD Bank and US Bank. The RFP prepared by a team of FMAS and PMA Officers gave the respondents that opportunity to respond as either a Bank and/or a Custodian, but we stated we would like for one institution to serve in both roles. It was our belief, as discussed with the Board and PMA in April, that one institution performing both roles could be more cost effective than having two financial institutions do each separate roles. It was also important, but not a necessity, for a respondent to be a QPD Bank. FMAS also wanted to measure what sort of Florida operations/presence they have in the State. It's a subjective matter but it does help that it's a bank folks recognize and know, as we go out and talk to new potential participants. Finally, do they have experience being in a similar role with an LGIP. (Jesy handed out a Summary Ranking Sheet and a Summary comparison on fees to the Board and attendees).

As you can see with the FMAS developed ratings, 1 being the best and 4 being the lowest, BMO Harris came in first with 1.3, with the cover being TD Bank with a 2. Regions only responded as a Custodian, and US Bank responded primarily as a Custodian, not being a QPD bank in FL. On an subjective basis, we then more closely reviewed BMO Harris and TD Bank as both have solid experience as custodians/trustees, and also a presence in the State of Florida. On an objective basis, and referencing the Summary spreadsheet that Don Weber and Fenil prepared, we looked at fees. Since we had two qualified banks, strong and highly rated financial institutions, we then looked to see what was their difference in estimated annual costs. Per the PMA summary, done for both a \$175Million and \$500million LGIP, please refer to the 175million handed out by Jesy. This showed BMO Harris being the most cost effective for the fund at around \$7,880 per year and the next lowest was TD Bank at an estimated \$30,665. So on behalf of the FMAS/PMA Selection Committee, we would like to recommend BMO Harris bank as the proposed new bank and custodian bank. Mr. Williams handed out a short Resolution to that affect, and Mike do you have any comments? Mike states its very straight forward, the Resolution takes effect immediately on October 1st. Mark states if we have a motion, Jerry Boop moves to appoint BMO Harris for the banking and custodial services, Linda seconds. All in favor, motion passes 5-0.

Larson asks that now that this motion has passed, can we as Administrator, since we do not meet prior to October 1st, have your authority to amend the Information Statement to reflect that change, by removing reference to Regions Bank and US Bank, and put BMO Harris as the new bank and custodial bank. Mark states he would like to wait until we get closer to the end of the meeting and address other items prior to taking up that request, as opposed to doing it piece meal.

(c) Marketing Update: Annual Conference and Upcoming Presentations

Larson states we continue to leverage a couple of things here. The existing participants, the leadership of the Board, as well as getting out there actively on direct calls, and joint calls with PMA members. This includes attending key annual conferences, and going to multiple local FGFOA chapter meetings. We have not been hesitant in doing these things, and have also worked to assist the awareness and education efforts by speaking at several conferences and local Chapters. FL SAFE had a booth for the recent FGFOA and FCCMA annual conferences, with a strong presence and support from PMA and FMAS. As for local Chapters, at the end of August, Mark and I will be helping with sessions as part of an all day Investment Conference for the South Florida chapter. We are lined up to do a presentation at the Nature Coast Chapter, and Treasure Coast Chapter, and also in December again for the Volusia/Flagler Chapter and SW Florida Chapter. FMAS has also been in front of the Hillsborough, Central FL, Space Coast and Gulf Coast Chapters over the past 12 months.

What we have found to help folks on an educational basis, similar to the annual FGFOA Session done with Jerry Boop and Linda Senne, is to get out and tell the story as to how to approach investments for small, to medium to larger local governments. Then, in a helpful way, tell them about the value added services we provide through FMAS and now with PMAS. This takes time, but has led to two folks joining the fund recently, the St. Augustine Airport Authority and St. Pete Beach. Many others are in discussion with us and PMA.

We are also seeing that in some geographic situations, for example South Florida, once folks know that Tamarac and Sunrise are in the fund, it's a little easier to talk to folks in the South

Florida region. The Gulf coast, Central FL, Nature Coast, and Volusia/Flagler chapters are very active. The sales cycle is somewhat long just to give folks some time and attention, between the CAFR and the budget. People are still very hesitant to change, and many do not have training in this area. So we get in there and help them with their investment policy, help them with how much they need in the bank, which is solidified with the cash flow analysis efforts via PMA once folks are a FL SAFE participant. Then we figure out the options for some of their Core Funds, and if you want to do a Laddered QPD CD portfolio, how you can leverage the FIIP competitive bidding platform via PMA. The next thing will be the Term Series, per Board direction, as a very specific type of investment that is another option in the fund. PMA has seven or eight of these LGIP funds, and they've seen how these services and the FIIP and Term Series programs help grow their other LGIP money market funds.

Larson states that the Bond Proceeds program is getting some attention also, but will do better once new money issues start to pick up. A guest in the audience asked, how many participants do we currently have? Larson stated around 24. Larson asks Don Weber how much do we have in the FIIP program, and Don stated around \$34million.

(d) Update: FLSAFE Board Insurance

We worked closely with PMA on this. Through our broker, FMAS did go out and get updated bids from other insurance firms, but we stayed with the existing carrier. We will repeat that effort again in 2013, as the cost is a little under \$25,000/yr. We learned that any big company that is doing any kind of insurance on LGIPs was cautious because of the State issues and liquidity issues for LGIPs and money market funds.

(e) FMAS Comments

Auditor Invoice and Engagement for 2012 Audit

Larson states per Board direction that FMAS sent a letter to D.A. Davidson to cover a bill for some of the work from the prior Auditor, \$1,280.00 prior to PMA coming on board. We received a letter back from Scott Pricket reminding us that they are in no legal obligation to pay that, but they did pay it as a goodwill gesture for FLSAFE.

PMA got some price quotes from other LGIP auditors they work with, including one for \$35,000. FMAS went back to our existing Auditor, Clifton Larsen Allen. Steve Shanks is on the phone in case we have any questions. He agreed to review his proposed fee, and decreased it by \$4,000 to a maximum of \$25,500 per the engagement letter provided to the Board for its review. Mr. Williams reviewed the engagement letter, asked for and received some changes relating to Florida law and Sunshine law. Therefore, we recommend to the Board approval for Mr. Mason to sign the Engagement Letter with Clifton Larson Allen for the 2012 audit. Mark states we have a Resolution before us, do I hear a motion to appoint Clifton Larsen Allen and authorize the Chair to sign the contract? Boop moves to approve as recommended, Robert Clinger seconds. All in favor, Motion approved 5-0.

2. Investment Advisor/Operations Manager/Distributor Update – PMA

PMA Update

Brian refers to the Economic Update and Portfolio Update via Powerpoint. He updated the Board on the economy, interest rates, and projections for the future. He then covered the FL SAFE LGIP Portfolio. Both items are posted in summary fashion by PMA to the FL SAFE Website. No questions from the board or audience.

Operations Manager's Report

Paula Cooper referred to the Operations Manager's Report and reviewed the Powerpoint, and the Summary handout. The summary handout is posted to the FL SAFE Website. Jim Davis, CEO, PMA then mentioned the three other PMA documents: (1) Compliance Review, a quarterly report to the Board, (2) a Mark to Market Report, and explained this as a weekly exercise PMA goes through to compare the accounting of the actual cost and market pricing, and states that we are well within tolerance to maintain the \$1, and (3) a list of new participants.

Mark asked if there were any participant or audience comments. Laura Toebe, Finance Director, City of Sunrise, asked if the pool that we invest in has \$135million, and then this other product that you're offering has \$30million. Don Weber clarified by stating the LGIP FL SAFE Pool has approx. \$130 Million, and the FIIP has around \$32million, for a total at FL SAFE of around \$162million as of June 30, 2012.

Board Comments

Budget Amendment Approvals

Mark states that during the course of the insurance discussion with FMAS, he had asked the question about the fee that it costs us to extend the policies for a temporary period of time before we entered into the new ones. There was a timing issue, when we were looking at the costs and seeing if we can get additional pricing and options, that we needed to extend our policy for a period of time, there was a \$700.00 fee for doing that which exceeded the overall amount that we had budgeted for insurance for 2012, so we need a motion from the Board to authorize that the \$700.00 can be spent. Jerry Boop made a motion to approve this budget amendment, Linda Senne seconds, All in favor, motion passes 5-0. Larson makes a clarification, it's not an increase in the budget, rather an allocation out of the \$2,000 misc category in the budget, and Paula Cooper at PMA is going to earmark it and move it over to the insurance area. Mark states we are not increasing the overall budget, we're increasing the line budget.

Jim Davis, PMA, clarifies that the \$700 amount Mr. Mason is referring to is related to a Clifton Larson amount, and the \$800 item is referring to the insurance matter. Mark Mason states a motion is needed to approve both payments as clarified by Jim. Jerry Boop amended his earlier motion to approve both items, Linda Senne seconds. All in favor, Motion passed 5-0.

Information Statement:

Mark refers to the earlier change in the Bank and Custodian, as this change will occur prior to the next Board meeting and we need direction to FMAS and PMA to make changes prior to that. So Mark would like to get a generalized motion that the BMO Harris information be reflected, and any other reasonable changes that may come up that need to be advanced into the Information Statement. Mike Williams states that it is fine, and suggests ratifying it at the next meeting for these changes. Mark states that its important to have an up to date Information Statement out there, and on the website, as opposed to waiting up to 3 months to update something. Mark would like to add a motion that authorizes changes to the Information Statement by FMAS, and PMA on the website, with ratification at the very next meeting as necessary. Boop makes a motion to that effect, Senne seconds, all those in favor, motion carries 5-0.

Board Member comments:

Robert Clinger states that he has enjoyed this process, and that FLSAFE is moving in the right direction. Mark states the number of pendings are good. Jerry Boop added that he wants to commend Jeff Larson for the hard work that he's done, and how hard he and his staff have been working, along with the folks from PMA. Linda also added her thanks to Larson and PMA for getting the FL SAFE pool where we wanted it to go, that we are getting more participants, and more interest. Jeff Yates added his supporting comments as well, and noted the City's use of the cashflow analysis with PMA, and the Bond Proceeds program on a recent Water and Wastewater financing, and a Stormwater financing. Mark states that those of us that have stuck with this LGIP have seen many of the positive changes that have come with it, and there's going to be positive changes going forward. Mark states that FLSAFE was started to create a safety net, an environment that you could confidently invest in a product that was inherently safe, unlike some other investments or investing groups who have elected to take risk to get higher yield. FLSAFE has continued to create that haven for that amount of money that FL Governments want to continue to take a very low risk with. That's what we are, and that's what we continue to be. So we are working diligently on getting back and growing. Jeff Larson, we put a great deal on work on you with the last meeting, with the amendment to the Trust Indenture, balloting process, the addition of the new product in the Trust Indenture, the review of Auditors, and review of Board Insurance, and the RFP with the Banking and Custodial Services. One thing we didn't talk about it is that proposed Custodian contract is on a per item basis ,versus an assets under management basis.

C. SET NEXT MEETING DATES / ADJOURNMENT

Next FL SAFE Board Meeting

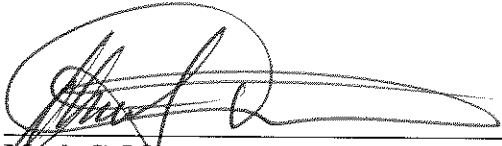
After checking with the Board members, FMAS, PMA and Mike Williams' schedules, Mark states we need to set the next meeting Friday, October 19th in Orlando, at Akerman Senterfitt's office, at 12:00 p.m. , following an early lunch at 11:00a.m.

Mark states meeting is adjourned.

Signature Page

APPROVED THIS 19 DAY OF October, 2012.

FLORIDA SURPLUS ASSET FUND TRUST



Mark C. Mason, CPA
FL SAFE Chairman

ATTEST:

Jeffrey T. Larson
FL SAFE Administrator