



**Clifton
Gunderson LLP**
Certified Public Accountants & Consultants

FLORIDA SURPLUS ASSET FUND TRUST
Orlando, Florida

FINANCIAL STATEMENTS
December 31, 2009 and 2008

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Independent Auditor's Report

Board of Trustees
Florida Surplus Asset Fund Trust
Orlando, Florida

We have audited the accompanying statements of net assets of Florida Surplus Asset Fund Trust ("FLSAFE") as of December 31, 2009 and 2008, and the related statements of operations and changes in net assets for the year ended December 31, 2009 and for the period February 5, 2008 (Inception) to December 31, 2008. These financial statements are the responsibility of FLSAFE's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FLSAFE as of December 31, 2009 and 2008, and the results of its operations and the changes in its net assets for the year ended December 31, 2009 and for the period February 5, 2008 (Inception) to December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Denver, Colorado
April 1, 2010

FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008

Florida Surplus Asst Fund Trust ("FLSAFE") is a local government investment pool trust fund which began operations on February 5, 2008. FLSAFE is organized under Florida Statutes §163-01, *et seq.* As such a trust, FLSAFE pools and invests the funds of its Florida local government participants within the investment policies and limitations set forth in FLSAFE's Indenture of Trust and Florida Statutes §218-415, *et seq.*

FLSAFE is overseen by a Board of Trustees comprised of Florida local government officials. All of the local government assets entrusted to FLSAFE are held in a trust custody account at U.S. Bank N.A. Clifton Gunderson, LLP serves as the independent auditor to FLSAFE. Davidson Fixed Income Management, Inc., an investment adviser registered with the U.S. Securities and Exchange Commission, serves as FLSAFE's investment adviser and administrator.

FLSAFE operates to provide daily liquidity for Florida government entities. Authorized FLSAFE participants include school districts, higher education institutions, counties, municipalities and special districts. In addition, FLSAFE is rated AAAM by the Standard & Poor's Corporation (S&P). S&P has strict requirements that further govern the composition of investments, the average maturity of the investments and the types of investments. FLSAFE reports to S&P on a weekly basis and is subject to an annual rating review.

FINANCIAL HIGHLIGHTS

- FLSAFE's net assets totaled \$197.1 million for the year ended December 31, 2009, down from \$235.2 million on December 31, 2008. Much of the decrease in assets was the result of falling market yields and the imposition of credit watch by Standard & Poor's Corporation on February 27, 2009. The credit watch was removed on February 2, 2010 and FLSAFE's AAAM credit rating was affirmed.
- Throughout the year, the composition of security investments shifted to a greater portion of security holdings, and the percentage of assets in term securities investments increased. As of December 31, 2009, approximately 3.5% of FLSAFE's assets were invested in bank certificates of deposit, 9.1% in U.S. agency securities, 4.0% in commercial paper, 20.0% in collateralized bank deposits and 63.2% in AAAM rated money market funds.
- Net investment income declined \$3.5 million in 2009 compared to 2008, totaling \$0.5 million. The decrease in investment income from 2008 through 2009 was primarily the result of a) falling market interest rates and b) decreased asset levels. The net yield of an investment in FLSAFE was 2.1% in 2008 and 0.49% in 2009.
- FLSAFE received five distributions from the Reserve Primary money market fund of its September 15, 2008 investment balance, representing approximately 92% of its assets in that fund. A sixth distribution was received on January 29, 2010 bringing the total received to 98.6%. It is anticipated that a final distribution from the Reserve Primary fund to FLSAFE will be received in 2010, bringing the total amount received in excess of 99% of its September 15, 2008 balance.

FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008

FLSAFE Asset Summary

The changes in FLSAFE's net assets are the result of increases in net investment income and purchases and redemptions of shares by participants. Assets as of the year ended December 31, 2009 were down 16% from the prior year. FLSAFE primarily invests in certificates of deposit, U.S. treasury securities, U.S. agency securities, highly rated commercial paper, bank deposits, repurchase agreements and AAAM rated money market funds.

By following the AAAM rating guidelines of Standard & Poor's Corporation, FLSAFE maintained a per share value of \$1.00 per share throughout 2008 and 2009.

Shown below is a summary of the net assets of FLSAFE.

Table 1
Net Assets
(in Millions)

	2009	2008
ASSETS		
Investments		
U.S. Government agency securities	\$ 18.01	\$ 5.00
Bank certificates of deposit	7.00	-
Commercial paper	<u>7.98</u>	<u>21.66</u>
Total investments	32.99	26.66
Cash	163.98	208.19
Other assets		
Accrued interest	<u>0.15</u>	<u>0.42</u>
Total assets	<u><u>197.12</u></u>	<u><u>235.27</u></u>
LIABILITIES		
Accrued expenses	<u>0.04</u>	<u>0.03</u>
Net assets applicable to shares outstanding	<u><u>\$ 197.08</u></u>	<u><u>\$ 235.24</u></u>
Net asset value per share	<u><u>\$ 1.00</u></u>	<u><u>\$ 1.00</u></u>

FLSAFE's net assets are the result of increases in net investment income and purchases and redemptions of shares by participants. Changes in net assets for the year ended December 31, 2009 were mostly the result of participant transactions comprised of \$237.82 million of purchases and \$276.51 million of redemptions, as well as \$0.53 million of net investment income resulting in net assets of \$197.08 million. FLSAFE's net assets decreased by \$38.16 million as of December 31, 2009 compared to December 31, 2008.

**FLORIDA SURPLUS ASSET FUND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008**

**Table 2
Changes in Net Assets
(in Millions)**

	<u>2009</u>	<u>2008</u>
Increase in net assets attributed to operations - net investment income	\$ 0.53	\$ 3.98
Share transactions		
Net proceeds from sale of shares	237.82	398.99
Cost of shares redeemed	<u>(276.51)</u>	<u>(167.73)</u>
Net increase in net assets derived from share transactions	<u>(38.69)</u>	<u>231.26</u>
Net increase (decrease) in net assets	(38.16)	235.24
Net assets at beginning of year	<u>235.24</u>	<u>-</u>
Net assets at end of year	<u>\$ 197.08</u>	<u>\$ 235.24</u>

Currently Known Facts, Decisions or Conditions

Because FLSAFE operates in a fiduciary capacity on behalf of various Florida government entities, changes in interest rates, changes in the number of participating governments and investment decisions of those Florida government entities, are the primary drivers of FLSAFE's net assets and changes in net assets.

Requests for Information

This financial report is designed to provide a general overview of FLSAFE's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Chris Blackwood, Portfolio Manager and Fund Administrator, 1600 Broadway, Suite 1100, Denver, Colorado 80202.

FLORIDA SURPLUS ASSET FUND TRUST (FLSAFE)
STATEMENTS OF NET ASSETS
December 31, 2009 and 2008

	2009	2008
ASSETS		
Investment in securities		
US government agency securities	\$ 18,009,864	\$ 5,000,000
Commercial paper	7,979,547	21,661,676
Total investment in securities	25,989,411	26,661,676
Bank certificates of deposit	7,000,000	-
Total investments	32,989,411	26,661,676
Cash and cash equivalents	163,976,084	208,188,063
Other assets		
Accrued interest	153,372	418,706
Total assets	197,118,867	235,268,445
LIABILITIES		
Accrued expenses	35,884	27,305
Net assets applicable to shares outstanding	\$ 197,082,983	\$ 235,241,140
NET ASSETS VALUE PER SHARE	\$ 1.00	\$ 1.00

The accompanying notes are an integral part of the basic financial statements.

FLORIDA SURPLUS ASSET FUND TRUST (FLSAFE)
STATEMENTS OF OPERATIONS
Year Ended December 31, 2009 and from
February 5, 2008 (Inception) to December 31, 2008

	2009	2008
INVESTMENT INCOME		
Interest	\$ 1,548,511	\$ 4,179,191
Realized loss	(539,701)	-
	<u>1,008,810</u>	<u>4,179,191</u>
Expenses		
Audit	27,000	-
Activity and transaction fees	7,790	5,547
Advisory fees	319,091	172,002
Custodian fees	40,594	10,578
Filing fees	850	588
Insurance	49,392	527
Internet	6,484	-
Legal	18,375	-
Standard & Poor's fee	8,000	10,475
Miscellaneous	212	162
Trustee expenses	-	300
	<u>477,788</u>	<u>200,179</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS - NET INVESTMENT INCOME	<u><u>\$ 531,022</u></u>	<u><u>\$ 3,979,012</u></u>

The accompanying notes are an integral part of the basic financial statements.

FLORIDA SURPLUS ASSET FUND TRUST (FLSAFE)
STATEMENTS OF CHANGES IN NET ASSETS
Year Ended December 31, 2009 and from
February 5, 2008 (Inception) to December 31, 2008

	<u>2009</u>	<u>2008</u>
Increase in net assets attributed to		
Operations - net investment income	\$ 531,022	\$ 3,979,012
Share transactions		
Net proceeds from sales of shares	237,815,697	398,987,426
Cost of shares redeemed	<u>(276,504,876)</u>	<u>(167,725,298)</u>
Net increase (decrease) in net assets derived from share transactions	<u>(38,689,179)</u>	<u>231,262,128</u>
Net increase (decrease) in net assets	(38,158,157)	235,241,140
NET ASSETS, BEGINNING OF YEAR	<u>235,241,140</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 197,082,983</u>	<u>\$ 235,241,140</u>

The accompanying notes are an integral part of the basic financial statements.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Florida Surplus Asset Fund Trust (“FLSAFE”) was established under authority of, and in conformity with, Florida Statutes §163-01, *et seq.* FLSAFE began operations on February 5, 2008. FLSAFE was formed by and for Florida local governmental entities as a means of investing funds. FLSAFE operates as a liquid money market fund with each share equal in value to \$1.00. FLSAFE is not registered with the U.S. Securities and Exchange Commission.

Following is a summary of significant accounting policies consistently applied by FLSAFE in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America (“US GAAP”).

Measurement Focus

FLSAFE prepares its financial statements as a special-purpose government in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Standards on Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, FLSAFE has elected to apply the provisions of all relevant standards of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, to the extent they do not conflict with or contradict GASB standards.

In accordance with GASB Standards on Accounting and Financial Reporting for Certain Investments and for External Investment Pools, FLSAFE is an external investment pool and reports its investments at amortized cost. In accordance with GASB Standards on Deposit and Investment Risk Disclosures, FLSAFE discloses certain information regarding credit risk, concentration of credit risk, interest rate risk and custodial credit risk of its deposits and investments. As provided for in GASB standards, the financial statements of FLSAFE are presented as a fiduciary fund type-investment trust fund. The economic resources measure focus and accrual basis of accounting is followed as required by GASB standards noted above.

Custodian

During 2009, FLSAFE changed custodians from Regions Bank to US Bank pursuant to a custody agreement. The custodian is responsible for the safekeeping of all securities, cash and cash equivalents and trust accounting. All cash accounts owned by FLSAFE remain at Regions Bank and securities and money market funds are held by US Bank.

Valuation of Investments

FLSAFE’s investments are stated at amortized cost.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Valuation

For the purpose of calculating FLSAFE's net asset value per share, the securities held by FLSAFE are valued weekly as follows: securities for which market quotations are readily available are valued at the most recent bid price or yield equivalent as obtained from the custodian except that any such securities maturing within 60 days of the valuation date may be valued at cost, plus or minus any amortized discount or premium.

The result of this calculation will be a per-share value, which is rounded to the nearest penny. Accordingly, the price at which portfolio shares are sold and redeemed will not reflect net realized or unrealized gains or losses on portfolio securities which amount to less than \$.005 per share.

FLSAFE will endeavor to minimize the amount of such gains or losses. However, if net realized or unrealized gains or losses should exceed \$.005 per share a portfolio's net asset value per share may change from \$1.00 or be maintained at \$1.00 per share by reducing on a pro rata basis each participant's shares in the event of losses, or by a distribution of additional shares in the event of gains.

There has been no involuntary participation (required by legal provisions) in the pool.

Investment Income

Investment income is recognized on an accrual basis. Distributions from net investment income are declared and payable on a daily basis. It is currently the policy of FLSAFE not to invest in securities to realize capital gains.

Income Taxes

FLSAFE was organized to provide pooling of public funds for local governmental entities in Florida, which are exempt from federal and state income taxation. Accordingly, no provision for income or other taxes is required in the accompanying financial statements.

Use of Estimates

In preparing financial statements in conformity with US GAAP management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Securities are held in trust with US Bank for safekeeping; as such, management believes there is no credit risk for FLSAFE's assets.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. FLSAFE's investment policy calls for diversifying the investment portfolio, according to the AAAM rating guidelines, so that the impact of potential losses from any one type of security or from any one individual issuer will be contained. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this disclosure requirement. There were no individually significant assets that represent 5% or more of FLSAFE's total investments, including money market funds. The following assets represent 5% or more of FLSAFE's investments in securities:

	December 31, 2009	
<u>Security</u>	<u>Amortized Value</u>	<u>% of FLSAFE's Investments in Securities</u>
FCAR Owner Trust due June 24, 2010	\$ 1,994,067	8%
FCAR Owner Trust due June 25, 2010	3,988,067	15%

	December 31, 2008	
<u>Security</u>	<u>Amortized Value</u>	<u>% of FLSAFE's Investments in Securities</u>
General Electric Capital Corporation due February 2, 2009	\$ 1,962,343	7%
General Electric Capital Corporation due March 5, 2009	1,956,258	7%
Toyota Motor Credit Corporation due April 30, 2009	1,958,615	7%
Toyota Motor Credit Corporation due April 3, 2009	2,944,200	11%
Toyota Motor Credit Corporation due January 21, 2009	2,962,760	11%
Household Finance due January 8, 2009	3,958,933	15%
Household Finance due January 28, 2009	2,963,267	11%
Household Finance due February 25, 2009	2,955,300	11%

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. FLSAFE's investments as of December 31, 2009 and 2008, all mature within one year of that date.

FLSAFE's cash and investments at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Bank certificates of deposit	\$ 7,000,000	\$ -
Collateralized bank deposits	39,421,622	-
Money market funds	124,554,462	208,188,063
U.S. government agency securities	18,009,864	5,000,000
Commercial paper	<u>7,979,547</u>	<u>21,661,676</u>
Total Cash and Investments	<u>\$ 196,965,495</u>	<u>\$ 234,849,739</u>

FLSAFE maintains a controlled disbursement account for the use of its participants. Participants can use the account as a demand deposit account and may make withdrawals in amounts up to their share account total.

FLSAFE maintains an operating checking account for payment of operating expenses. At December 31, 2009 and 2008, the account had a value of \$36,860 and \$32,326, respectively. This amount has been transferred from the FLSAFE trust account and is included in expenses on the statement of operations.

Deposits

At December 31, 2009, FLSAFE's collateralized deposits totaled \$39,421,622. All deposits are covered by Federal insurance or the State's collateral pool pursuant to Chapter 280, Florida Statutes. Chapter 280, Florida Statute, generally requires public funds to be deposited in a bank or savings association designated by the Chief Financial Officer (CFO) as authorized to receive deposits in the State and that meets the collateral requirements as set forth in Chapter 280, Florida Statutes.

The CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository following the guidelines outlined in the 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 CFO's permission.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in Securities

Pursuant to its investment policy, FLSAFE may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper, repurchase agreements collateralized with securities valued in excess of the repurchase agreement amount, certificates of deposit and other evidences of deposit with approved financial institutions, obligations of state and local governments and public authorities rated in the two highest rating tiers by a nationally recognized rating agency, and money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities. With the exception of certain floating rate securities, the maximum maturity allowed for any investment is 397 days.

As discussed in Note 1, FLSAFE's investments in securities are held by US Bank. The custodian's internal records identify the specific investments owned by FLSAFE.

Pursuant to the Indenture of Trust, FLSAFE may not borrow money or incur indebtedness with the intent to purchase investments, except as a temporary measure to facilitate withdrawal requests that would otherwise require selling investments before their maturity.

Investments in U.S. government agency securities rated A-1+ at December 31, 2009, were as follows:

<u>Face Amount</u>	<u>Security</u>	<u>Yield</u>	<u>Carrying Value- Amortized Cost</u>	<u>Market Value</u>
\$2,000,000	FFCB callable note due January 1, 2010	.71%	\$ 2,009,864	\$ 2,017,031
\$5,000,000	FHLB callable note due February 5, 2010	1.00%	5,000,000	5,023,205
\$3,000,000	FFCB callable note due September 15, 2010	.54%	3,000,000	3,004,793
\$3,000,000	FHLB callable note due October 28, 2010	.25%	3,000,000	3,001,336
\$5,000,000	FHLB callable note due October 29, 2010	.50%	<u>5,000,000</u>	<u>5,003,438</u>
Total			<u>\$18,009,864</u>	<u>\$18,049,803</u>

Investments in U.S. government agency securities rated A-1+ at December 31, 2008, were as follows:

<u>Face Amount</u>	<u>Security</u>	<u>Yield</u>	<u>Carrying Value- Amortized Cost</u>	<u>Market Value</u>
\$5,000,000	FHLB callable note due April 21, 2009	2.45%	<u>\$ 5,000,000</u>	<u>\$ 5,030,247</u>

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in commercial paper rated A-1+ at December 31, 2009, were as follows:

<u>Face Amount</u>	<u>Security</u>	<u>Yield</u>	<u>Carrying Value- Amortized Cost</u>	<u>Market Value</u>
\$1,000,000	FCAR Owner Trust due February 25, 2010	.45%	\$ 999,262	\$ 999,750
1,000,000	FCAR Owner Trust due April 28, 2010	55%	998,151	999,161
2,000,000	FCAR Owner Trust due June 24, 2010	.60%	1,994,067	1,996,533
4,000,000	FCAR Owner Trust due June 25, 2010	.60%	<u>3,988,067</u>	<u>3,993,067</u>
Total			<u>\$ 7,979,547</u>	<u>\$ 7,988,511</u>

Investments in commercial paper rated A-1+ at December 31, 2008, were as follows:

<u>Face Amount</u>	<u>Security</u>	<u>Yield</u>	<u>Carrying Value- Amortized Cost</u>	<u>Market Value</u>
\$2,000,000	General Electric Capital Corporation due February 4, 2009	2.92%	\$ 1,962,343	\$ 2,002,440
2,000,000	General Electric Capital Corporation due March 5, 2009	3.03%	1,956,258	1,984,167
2,000,000	Toyota Motor Credit Corporation due April 30, 2009	2.85%	1,958,615	1,993,659
3,000,000	Toyota Motor Credit Corporation due April 3, 2009	2.84%	2,944,200	2,993,765
3,000,000	Toyota Motor Credit Corporation due January 21, 2009	2.69%	2,962,760	2,999,790
4,000,000	Household Finance Discount due January 8, 2009	2.83%	3,958,933	3,999,994
3,000,000	Household Finance Discount due January 28, 2009	2.94%	2,963,267	2,999,528
3,000,000	Household Finance Discount due February 25, 2009	3.03%	<u>2,955,300</u>	<u>2,997,673</u>
Total			<u>\$21,661,676</u>	<u>\$21,971,016</u>

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

FLSAFE's investments in institutional money market funds except for those funds in The Reserve Primary Money Market Fund ("Reserve Fund") are rated 'AAAm' by Standard & Poor's.

FLSAFE holds shares in the Reserve Fund, which as of December 31, 2009, totaled \$4,532,040 prior to the recording of the realized loss of \$539,701 (see Note 5). The Reserve Fund incurred liquidity issues in 2008 due to its holding of debt securities issued by Lehman Brothers Holdings, Inc., which filed for bankruptcy protection in 2008. As of December 31, 2009, FLSAFE received distributions representing approximately 92% of its assets in the Reserve Fund and as of February 2010, FLSAFE received distributions representing approximately 98.6% of its assets in the Reserve Fund, reducing the Reserve Fund shares to \$767,173.78. FLSAFE's remaining investment is anticipated to be distributed to FLSAFE in 2010 according to a federal court order (see Note 5).

NOTE 3 – INVESTMENT ADVISORY AND ADMINISTRATIVE FEES

Davidson Fixed Income Management, Inc. ("DFIM") provides investments advisory services to FLSAFE. Fees for such services are calculated daily and paid monthly, at a rate of .15% of the average daily net assets up to \$500 million. Fees paid in 2009 and 2008 totaled \$319,091 and \$172,002, respectively.

NOTE 4 – ADDITIONAL INFORMATION

Selected data for each share outstanding at December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Investment income	\$ 0.007077	\$ 0.022056
Expenses	<u>0.002183</u>	<u>0.001056</u>
Net investment income	<u>\$ 0.004894</u>	<u>\$ 0.021000</u>

Additional data on the investment portfolio as of December 31, 2009 and 2008 is as below:

	<u>2009</u>	<u>2008</u>
Weighted-average maturity in days	28	8

FLSAFE's net average yield for the year ended December 31, 2009 was .49%. For example, \$1,000 invested in FLSAFE on January 1, 2009, would have been worth \$1,005 at December 31, 2009. FLSAFE's net average yield for period of operation in 2008 was 2.1%. For example, \$1,000 invested in FLSAFE on February 5, 2008 would have been worth \$1,021 at December 31, 2008. For 2009 and 2008, the unamortized portion of realized losses on investments is excluded from the above calculations, because it did not impact participant valuation calculations.

FLORIDA SURPLUS ASSET FUND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 – RESERVE PRIMARY MONEY MARKET FUND

On December 11, 2008, FLSAFE entered into a Standby Capital Agreement with Davidson Fixed Income Management, Inc. (“DFIM”) under which DFIM agreed to contribute up to \$200,000 to FLSAFE in the event that a loss is recognized from FLSAFE’s investment in the Reserve Fund, which would cause FLSAFE’s NAV to fall below \$.9975 per share. As of December 31, 2009, DFIM’s obligation under the Capital Support Agreement is collateralized by escrowed advisory fees held at US Bank in the trust’s name (see Note 2).

In a November 25, 2009 Memorandum Opinion issued by the United States District Court for the Southern District of New York, it was determined that the remaining assets of the Reserve Fund be liquidated and distributed on a pro rata basis to all Reserve Fund shareholders who have not received \$1 per share owned on or after September 15, 2008, less a holdback for indemnified expenses. On December 11, 2009, a Court Order was issued by the same court to distribute \$3.4 billion of the \$3.5 billion remaining in the Reserve Fund to investors by the week of January 25, 2010. FLSAFE received \$3,764,866.65 on January 29, 2010 from the Reserve Fund. FLSAFE estimates its realized loss relating to this investment to be \$539,701 which creates an estimated net asset value of \$0.9982, a net asset value which is above the AAAM credit rating level required by Standard & Poor’s of \$0.9975. Under US GAAP, FLSAFE has treated the loss as a recognized event and has therefore recorded the realized loss in its 2009 financial statements.

NOTE 6 – CURRENT ECONOMIC CONDITIONS

The current economic environment presents local government investment pool trust funds with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments, declines in net assets from increased share redemptions and constraints on liquidity. The financial statements have been prepared using values and information currently available to FLSAFE.

Current economic and financial market conditions could adversely affect activities in future periods. The current instability in the financial markets may reduce the amount of funds Florida local governmental entities have available for investment in the trust, which in turn would have an impact on funds available for investment and total net assets.

This information is an integral part of the accompanying basic financial statements.

Florida Surplus Asset Fund Trust (“FLSAFE”)

FLSAFE Board of Trustees

as of December 31, 2009

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