



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: Orlando, Florida

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

DATE: January 20, 2012

TIME: 11:00 a.m.

MEMBERS IN ATTENDANCE:

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

OTHER ATTENDEES: Don Weber – SVP, PMA, FL SAFE Investment Advisor
Mike English – CEO, PMA, FL SAFE Investment Advisor
Brian Hextrell – PMA, Portfolio Manager (By Phone)
Paula Cooper – PMA, VP Operations (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
Alissa Shortridge, Associate, FMAS
Christine Trovato – City of Treasure Island
Dan Carpenter - City of Gulfport
John Mattern – BMO Harris Bank
Tom Gregory – BMO Harris Bank
Clint H. Monts de Oca – BMO Harris Bank
Jim Williams – City of Mount Dora
David Wright – City of Bartow
Stacy Molinar – City of Bartow

A. Business Items

1. Call to Order/ Roll Call

At 11:05 a.m., Mark called the Meeting of the Board of Trustees, Florida Surplus Asset Trust Fund to order. Roll call: Mark Mason, Jerry Boop (Call In), Linda Senne, Robert Clinger and Jeff Yates. Quorum.

2. Approval Prior Board Meeting Minutes

A. Approval of prior Board Meetings of October 28th, 2011. Mr. Mason asked if anybody had any comments or questions? Linda made a motion to approve the minutes of October 28th, 2011 with the minor changes Mr. Mason provided to Jeff Larson, Jeff Yates seconded, all in favor, Motion carried, 5-0.

B. Participant's and Guest Introductions

Mark welcomed the guests and everyone introduced themselves.

B. Other Items

1. Administrator Update

A. PMA FIIP documents

As detailed in the October 28th minutes, and adopted by Resolution, Jeff Larson noted that we now can provide Participants with the opportunity to utilize the value added services through FLSAFE, PMA, and FMAS. The Board has those documents. For existing participants, they can chose to take advantage of the Fixed Income Investment Program ("FIIP") with a revised Instrument of Adoption. For people coming into the fund directly, they will have an Instrument of Adoption form that covers FL SAFE LGIP and FIIP.

B. Information Statement, Investment Policy

The Information Statement is the disclosure document as required by the Trust Indenture that is disseminated to each potential participant and posted on the website. It describes the FLSAFE LGIP and was amended to include the new additional value added services. The Board asked FMAS to update this at the October 28th meeting. Each of the Board had received the blacklined version and FMAS worked with Lori Ragus, PMA Counsel and Mike Williams, FL SAFE Counsel to get their input. You also have a clean version. We made sure we described the Reserve shortfall, what happened with the DFIM capital support money that is with us and the new PMA capital support deposit. We also added the updated contact information.

Mike Williams made mention of word smithing comments in the Information Statement that will be corrected and provided to Jeff Larson.

Jeff Yates made a motion to approve the Information Statement with the minor modification mentioned, Linda seconded all those in favor, Motion passed 5-0.

Investment Policy

The other document provided to the Board was the Investment Policy. The Indenture of Trust calls for the Board to also ratify that as your investment policy. Very few changes were made and they reflect the October 28th discussion that was verified by the work of Akerman Senterfitt. As you recall, we had a decision about how to deal with QPD's. The AAAM rating for FLSAFE had been maintained since its inception, and was confirmed by S&P during their October review of PMA and FMAS and cited in the November 1 Rating Report. But if we are dealing within the portfolio, what we did now complies with the requirements set forth by S&P to maintain the AAA which really means that (1) 10% of the portfolio with any Bank will have to be highly rated to be uncollateralized, and (2) if it goes above that up to 25%, it has to be collateralized. The Board discussed that on October 28th, approved that Investment Policy, so we want you to just this Investment Policy.

Jeff Yates had a question about the Investment Policy that we made on the QPD's. Jeff stated that with the Dodd Frank Act, and the portion that is uncollateralized, will the 10% uncollateralized bank exposure be guaranteed anyway? Mike English replied no, that the uncollateralized piece is not guaranteed by any other entity except from the issuing bank entity. So similar to commercial paper investments, that is the pledge of the issuer, that's what you will get from a bank deposit. With insurance of \$250,000 FDIC, you will notice that many of these deposits are larger than 250. Jeff Yates asked if that is the case, even with the legislation in place, that's guaranteeing above the \$250,000. Mike English stated that those are on transaction accounts with a 0% yield, and FL SAFE is obviously seeking deposits with a positive yield, so this does take it out of that transaction account guaranteed program.

Mark asked for a motion to approve the Investment Policy, with the modification regarding the dealings with Banks. Linda made a motion to approve the Investment Policy, Jeff seconded, all those in favor, Motion passed 5-0.

C. Marketing Update, Upcoming Presentations, Conferences

FMAS has been asked by the FGFOA Gulf Coast Chapter to support an 8 hour investment session for Mr. Yates' chapter, and Christine Trovato's Chapter on February 10th. PMA has offered to assist us as well.

Christine Trovato was asked by Jeff Yates to cover this presentation. She mentioned that Jeff Yates has put together the whole program on investments that their Chapter holds every spring. Because Jeff has also managed to get sponsors for our lunch, we are going to be offering lunch to our members for free, and the 8 hours worth of investment CPE's as required by F.S. We have room for about 90 participants and will open it up to our surrounding chapters. Jeff has a very nice list going for our agenda. Mr. Larson mentioned that FLSAFE is supporting it but it is coming from FMAS and PMA, but FLSAFE will be very visible. Jeff Yates confirmed that PMA is doing a component on Cash Management and Jeff Larson on Best Practices in Investment Management, and that FLSAFE will be very visible there.

Larson mentioned we did an October 2011 Best Practices in Investment Management with Dr. Bob English, Chairman, PMA, and Jerry Boop for the FGFOA Space Coast Chapter in Melbourne and it was very well received. Larson mentioned he did a similar session in September 2011 for the Volusia/Flagler Chapter, where we have clients and we

have about many leads from that. We have recruited Linda and Jeff to help us with an FGFOA May 2012 Annual Conference session that's going to be on Investments for Small and Medium Governments, which we've done a couple of years in a row. Mark Mason and Don Weber assisted Jeff Larson with one of the Statewide FGFOA Webinars on Investments last October 2011.

2. PMA

A. Marketing Update

Don Weber mentioned that they developed cut sheets, explaining the programs and services that PMA provides the participants of FLSAFE, and shared a folder with all in attendance. Fenil Patel will be working as a representative of FLSAFE on the cash flow analysis that we provide to municipalities. In the cases where we have worked with participants on the cash flow program, PMA and FMAS received some very favorable comments, and some FIIP investments have come forth from that. Mr. Larson has additional folders and will be passing those out to potential and current participants in FLSAFE, again explaining FLSAFE, the FIPP program and services offered by the Investment Advisor PMA Financial Network.

Mr. Larson referred to the page called FLSAFE Marketing Update. One of the concerns that the Board had expressed in 2011 was that these Market Updates weren't going out regularly from the Investment Advisor. Now, they do go out regularly, once a month. This is intended to both support the participants and give them information, in addition to FMAS distribution to FL prospects. The Weekly Rate Sheet is only going out to the participants, and that is where somebody involved in FIIP and laddering securities and agencies can see indicative rates on a weekly basis.

B. FLSAFE LGIP Portfolio Update and Operations Manager Report

Mike English referred to the PowerPoint slide template provided to everyone at the meeting, which covers the Investment Advisor Report, and the Operations Manager's Report. These handouts are also provided to the participants. Please refer to the website (www.flSAFE.org) for documents reviewed at the meeting for the Economic and Market Update.

D. Update on FIIP, Cash Flow, PMA FLSAFE Value Added Program

Larson provided feedback from Participants that the PMA Cash Flow Analysis has been helpful. It's about how much you need in the bank, how much you need in a AAAm rated fund or your money market account, and what do you do with the other funds? That's the basic approach which leads to the Value Added program and one of the things that only offered to FLSAFE participants. There are various options with your "permitted investments" which usually are the same, namely QPD Banks, commercial paper on the short end, include agencies and treasuries. If you are more diversified and have more staff, you might get into corporate notes, mortgage backed securities, and I think 80% percent of the governments we see don't get into those investments. Mr. Mason covered this during the 2 hour October FGFOA Webinar.

Christine Trovato mentioned that Larson and she had been talking since last summer. This is what Treasure Island looked like, referring to a handout. We had all of our money sitting in Bank of America, at one point they were paying 50 basis points to us which got reduced over time to around 36 b.p. gross (net of 13 b.p. Federal Reserve Charge), and

our service fees were anywhere from \$1,500 to \$2,000 a month to Bank of America. After talking with Larson and Don Weber just before PMA took over for FLSAFE in November, we chatted about the Cash Flow Analysis and received the initial reports. Don produced a memo (handed out) with 24 months and 36 months options of laddering CDs. Then in January, we went with the 36 months option, had \$4 million dollars to invest and ladder. So we did that. This summary chart (handout) shows how the money has changed from most of it being in Bank of America, for some reason over the years the City has had money in SunTrust little over a million, a little over a million in Fifth Third and I don't know the reason for those other checking accounts, they weren't paying much. Slowly but surely Treasure Island is moving towards having some solid investment approaches thanks to FLSAFE and PMA.

Jeff Yates mentioned that a lot of the participants he has noted are very excited about having these value added services. Jeff stated it is worth just joining the FL SAFE pool for it, to be able to get to this service because a lot of people don't have the staff to cover that. Mike English stated that he appreciated Chris stepping in and getting this product launched. In the case of Treasure Island, the opportunity of the laddered program is that once the ladder is set, as the investments are redeployed at the back end of the ladder in 6 months, once this 20 point rate comes off, we're going to see the average rate of the whole portfolio rise. Hopefully, that is synchronized also with a Federal Reserve policy that is a little friendlier. It's a great way to get an increased yield, diversified portfolio, with Florida QPD banks bidding components, making sure that everyone in the community that wanted to be a part of this had an opportunity to jump in to support Treasure Island. We're excited about the income enhancements for Chris and the City.

Larson stated that this same Don Weber memo is how we start off. For a smaller community that is staff constrained, and even larger governments with limited experience or staff resources, this approach is a great tool for them. What governments are telling FL SAFE is that (1) it needs to be competitively bid, (2) safekept in their name, and (3) confirm that it does not count as part of their FLSAFE exposure. There are certain banks that are using the Dodd Frank new legislation with their banking services to put a tighter grip on our clients in the State, in terms of minimum balances. If you pull money out to ladder something or you're trying to get a better yield, you're getting resistance from banks. There is a cost of doing this and for some of our clients their bank service agreements go back many years. Some of these charges we saw with Christine such as the FDIC charge being passed on. She had earlier focused on what her gross yield was, until Don Weber and Fenil pointed out that the 13 basis points should be netted out. Then we knew what the rate at which we could do a good job for that client was, and worked to get her a net yield above that level.

E. Term Series Approach

Mike English referred to a handout called "Term Series Program Outline January 20th". The Terms Series concept is essentially complimentary to the FIIP program. A term series is a pool, a group of FLSAFE participants buying assets, maybe it's a deposit, but they are buying it together in a pooled structure where the asset is going to have a fixed rate of return, and a fixed maturity or term. So when you get into it, you know you're buying a portion or a share, for example, of a one year CD at a fixed rate and at the maturity you'll get that return. These pools that we would establish in a Term Series program are separate from each other, so you would be creating the opportunity to set up an unlimited number of pools, but each one is separate from each other and all separate

from the FLSAFE money market funds and FIIP. So Term Series is an optional program if it makes sense for your cash flow.

Mike mentioned that the asset that can go into a Term Series is anything that is allowable under that government's Investment Policy for the Term Series program. So in the last year, these have been largely bank deposit products. There is a limited level of liquidity in a deposit product, so the way we've helped other pools with this is if you needed to get out, you'd have to provide notice, then we'd see if there would be another FLSAFE participant that would want to take on your shares, as opposed to liquidating the assets inside that Term Series pool.

Jeff Yates asked how does that work with the liquidity requirements? Mike English stated this would be a fully disclosed separate pool, can be seen as a "buy and hold", not intended to be a daily liquidity type of instrument. It is really a proxy for a deposit. The benefits that we see, if you went into the market with half a million of your own to buy a CD, you could get a price, but if we could get 20 of you to come together with half a million, we can leverage that into a better execution and go to an institution and ask for a premium rate.

Linda Senne asked Mike English, if you would start a pool, and then participants have an opportunity to get into that term pool by a certain date, and then the pool closes, and then you may open another pool later? Mike stated that they would open up a pool with a subscription period for example on a Monday, and then have four days to make an investment decision, by knowing exactly what's going into the pool, the maturity date, here's the rate, and then we settle it on a Thursday or Friday. Then you wire your money in to FLSAFE, it gets withdrawn and put into the Term Series pool, then we report back to you.

Mark Mason stated that the real key to this is that the Indenture of Trust needs to be amended in order to put this into place. Because the Trust controls these particular Term Series, then in order for the Series to be developed, we have to have the authority to be able to do it. Mike Williams states he's started the review process on that. Mark and Jeff confirmed that any change in the Indenture would require participants' approval.

Mark Mason asked if there are any other PMA comments. Mike English said that they really appreciate the level of trust that was invested in them and hope to bring you all these reports in a positive manner. He would like to commend Jeff Larson and all the efforts he's made not only in the transition, but also the new Business Plan for the fund. And also from Mike Williams' side, we've gotten a lot of support and would like to thank everybody for that.

F. FL SAFE Attorney Comments

Mark referred to Mike Williams to see if he had any comments. Mike Williams stated that he was asked to report back on the Tolling Agreement. Williams said that they did reach out to DFIM one more time, the call was taken but not received favorably, so we are in the same position we were the last time, essentially if we were to come across an issue, we will be either hopefully dealing with the statute of limitations issue and indemnification issue.

Referring to an earlier question from Linda Senne, Larson stated that DFIM honored the four months "no fee payment" through October 31, 2011 which we negotiated with

support from the Chairman. They paid all the expenses, but did not accrue properly for some, and following Board action, the \$200,000 Capital Support Agreement did not leave. The Board should note that there was some absorption by PMA on behalf of the Fund for the improper accrual, and we appreciate PMA taking care of that. DFIM also promised to cooperate with the audit, as they were the portfolio manager through 10-31-2011. Other than that, FMAS does not think there's much value in pursuing anything else at this time.

G. Participant Comments

Mark Mason asked if there were any Participant comments. Dan Carpenter appreciated the efforts of the Board and all those involved. Dan noted he was glad to make it over and looks forward to following in the footsteps of my neighbor city, Treasure Island, once I work out my banking issues and try to work on some of the cash flow as well, so that's appreciated as a member and having the additional services.

H. Board Member Comments

Mark Mason asked if there were any Board Member comments. Robert Clinger had no comments. Jeff Yates announced that the National GFOA session in Fort Lauderdale on February 13th -14th will be on training, and PMA services via FL SAFE will probably be discussed, and he hoped that they'll be a lot of Florida participation. Linda Senne would like to thank Jeff Larson and Mike English for the smooth transition along with Mike Williams, and working with PMA to get everything up and running. She shared that she was proud to be part of FLSAFE and excited to see the value added services. We as a City are also working with them on the cash flow analysis and doing the laddering of the investments also. Jerry Boop added that he has been working with Mike and Don over the past week, placing about 10 million dollars in some type of a ladder sometime next weekend, and I think we're pretty close to sealing that deal. We hope to have that done by Wednesday or Thursday of next week. Jerry Boop, Vice Chair, stated he had submitted a Letter of Resignation to Jeff Larson on behalf of the Board a few weeks ago, and was resigning from the City of Leesburg effective January 31st and moving to the City of Oviedo February 1st. Some of the Board asked FMAS if Jerry could remain on the Board.

Larson stated that the Indenture requires that a Board Member be a Participant. So we have an open seat, but Oviedo is not a current participant. Jeff Yates suggested that one of the open seats be reserved for a Florida Government other than a City, and Mark Mason and Jeff Larson confirmed that as the objective. Jeff Yates nominated Linda to be the Vice Chair to replace Mr. Boop, and Mark commented that she could continue to be the Treasurer. Mark stated we have a nomination for Linda Senne to be the Vice Chair, Robert Clinger seconded. All in favor, Motion passed 5-0. Linda Senne nominated Jeff Yates to be the Secretary/Treasurer, seconded by Robert Clinger, all those in favor, Motion passed 5-0.

Mark stated we are setting the next meeting for Friday, April 20th, 2012 at 11:00a.m.. Meeting adjourned at 12:45 p.m..

Meeting Minutes – January 20th, 2012

Signature Page

APPROVED THIS 20 th DAY OF April, 2012.

FLORIDA SURPLUS ASSET FUND TRUST

A handwritten signature in black ink, appearing to read 'Mark C. Mason', is written over a horizontal line.

Mark C. Mason, CPA
FL SAFE Chairman

ATTEST:

Jeffrey T. Larson
FL SAFE Administrator