



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: April 20, 2012

TIME: 11:00 a.m.

MEMBERS IN ATTENDANCE:

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

OTHER ATTENDEES: Don Weber – SVP, PMA, FL SAFE Investment Advisor (By
Phone)
Mike English – CEO, PMA, FL SAFE Investment Advisor
Brian Hextrell – PMA, Portfolio Manager (By Phone)
Paula Cooper – PMA, VP Operations (By Phone)
Lori Ragus- SVP, General Counsel, PMA (By Phone)
Fenil Patel – Vice President, PMA (By Phone)
Jeff Larson – President, FMAS, FL SAFE Administrator
Larry Aubrecht – FMAS, SVP Administration (By Phone)
Michael Williams, Esq. – Akerman Senterfitt, FL SAFE Counsel
Jesy Acosta - Admin. Assistant, FMAS
Alissa Shortridge - Associate, FMAS
Patricia Quinones – Orange County Library
Ted Beason – City of Temple Terrace
Tom Gregory – BMO Harris Bank
Bill Petree – CliftonLarsonAllen
Tom Moore - CliftonLarsonAllen

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, Linda Senne, Robert Clinger (by phone), and Jeff Yates. Quorum.

2. Approval Prior Board Meeting Minutes - January 20, 2012

A. Mr. Mason asked if anybody had any comments or questions? Linda made a motion to approve the minutes of January 20,2012, all in favor, Motion passes 5-0.

B. Participant's and Guest Introductions

Mark welcomed the guests and everyone introduced themselves.

B. Other Items

1. Administrator Update

Jeff Larson mentioned having a couple of open Board seats. One seat was vacated when Jerry Boop was on the Board, left Leesburg as a participant and went to Oviedo. Oviedo is now a participant and we have given the Board his updated bio. FMAS would recommend to the Board that one open seat be filled by Mr. Boop. He is in Central Florida and has been very helpful, not only with the Board, but also with FGFOA Chapter meetings, hosting FL SAFE Investment Seminars, FL SAFE Board Meetings, and presentations. Linda made a motion to nominate Jerry Boop as a Board Member, Jeff Yates seconds. Mark asks if there's any discussion or comments? All in favor, say I. Motion passes 4-0. Mark welcomes Jerry back to the Board of FLSAFE.

A. FL SAFE Audit FYE 12/31/11 (CliftonLarsonAllen)

Jeff Larson mentioned we have a team of CliftonLarsonAllen on the phone and they serve as the current auditors for FLSAFE. Paula Cooper is also on the phone from PMA, as their VP of Operations, has been very helpful on the audit process, and reviewing the draft audit. The draft audit had been shared with the Board for their review in advance of the Board meeting. Mark had some good input and also spoke directly with the auditors, Larry and Jeff from FMAS reviewed it, and provided Paula with feedback. She shared it with Steve Shanks and Bill Petri from CliftonLarsonAllen. This is an opportunity, while having the auditors on the phone, to see if the other Board members have comments. Larson noted via Paula that it's fair to say that the note disclosures are essentially different from last year, and stated it's a compliment to the PMA team. Larson asks if Mark would like to add something.

Mark asks Steve if he would like to go through his SAS 114 commentary. Steve refers to Bill Petree said the SAS 114 letter is those items charged with the government backing of the quantitative and qualitative aspects of the audit. Bill mentions that on the first page it talks about our responsibility in terms of the opinion on whether the financial statements are in accordance with GASB. The other information in the document, continuing the financial statements, is really the MD&A. We read that to make sure the information does not require engaging in revisions to the rest of the financial statement. The significant issues discussed with management and consultations with other accounts is designed to

inform the Board of any other opinion shopping, mismanagement, etc. PMA was looking for a different opinion on the issue and there was none of that. Then we get into the qualitative aspects of the accounting practice and accounting policies. There were no transactions or controversial emerging areas, new accounting policies or applications and no significant actions. There were no significant accounting estimates that were particularly sensitive or required substantial judgments. We're also required to disclose particularly sensitive financial statement disclosures, and one sensitive financial statement is one that discusses the Reserve. There were no difficulties in performing the audit. Exhibit A covers the corrected audit adjustments we found during the year. Exhibit B is management's representation letter basically representing to the auditors that disclosed all the information that we've requested, that they are not aware of any fraud. In discussing with the Board Chairman and PMA, there were no disagreements with management. In Exhibit A, we had two audit adjustments, the first one was to record the capital stand-by agreement from PMA, and then the DFIM capital stand-by agreement. Any questions from the Board? None raised.

Mark states that we recognize that these are the draft financial statements because the letter of representation has yet to be signed, which he will be signing following Board direction. In general, we would normally state that there's no requirement to adopt the financial statement, rather a motion to accept them. So Mark asks to hear a motion to accept the financial statements. Jeff Yates makes a motion, Linda seconds, all those in favor, say I. Motion passed 5-0.

B. Banking Services/ Custodian RFP

Jeff Larson states that with their discussions with PMA, that it is prudent to have the Board's approval to have FMAS to release an RFP for Banking and Custodial/Safekeeping Services. Our current situation is one the Board has had since inception, which started with Regions Bank. The prior IA firm determined that Regions Bank trust operation was difficult to work with. The custodian recommended by DFIM and selected by the Board in 2009 was US Bank. It's a nationally known bank that is very solid with custodial/safekeeping services. What we believe in talking with Jim Davis, Mike English, Paula and Elizabeth English is that having two separate banks handle our local banking account and custodial services was never the intention. We don't think it's cost effective. We can't do an RFP without the Board giving us that direction. We would recommend it, and worked already to get a draft going. Obviously the selection of that firm would be brought to the next Board meeting for consideration.

Larson asks if Jim Davis, CEO, PMA would like to add anything. Jim agrees that they think there are efficiencies, and processing of the fund that works a whole lot better if the custodial and bank are the same institution. It would more efficient and cost effective to roll it into one. Mark asks if there are any comments from the Board. Linda agrees with it. Mark asks if there a motion to authorize FMAS to issue an RFP for Banking Services and Custodial Services. Linda Senne makes a motion, Jeff Yates seconds, all in favor, say I. Motion passed 5-0.

C. Marketing Update: LGIP and Value Added Services

Larson states that on the Marketing updates, we'll defer part of this to comments from PMA. We will also ask Mr. Beason, Temple Terrace, and Mr. Yates, Dunedin, to give their thoughts on their experience with the new FL SAFE value added services. Larson

states it is a long sales cycle. It seems people go from the audit to the budget without a break in the state of Florida.

D. Upcoming Presentations, Conferences

Alissa Shortridge, Associate, FMAS, presented the upcoming presentations and conferences from the marketing package handout. After Alissa reviewed the conference dates for FGFOA and FCCMA and locations, and various FGFOA speaking engagements, Mr. Yates asks how many leads were received at the February 10th Gulfcoast Chapter FGFOA meeting. Jeff Larson stated that Mr. Yates is referring to an 8 hour session that he had helped organize along with Fenil Patel from PMA, who covered cash flows. Larson says they had 50-60 attendees and out of those 6-8 active leads. Larson says what helps is people see their peers already having gone through the decision process and that with this Chapter, we have a number of participants, and a Board member. FMAS also did a session for Mr. Beason's Hillsborough County Chapter and Ted said that was well received.

Mr. Yates said he saw a very good response from the way we all approached his Gulf Coast chapter on how to do investments from the ground up. So it really helped out a lot of the local governments. Larson confirmed that a session doesn't need to be 8 hours, we do 4 hour and 2 hour presentations. We also continue to serve on the FGFOA Program Committee for the annual conference, and also on the FGFOA School of Governmental Finance.

E. FMAS Comments

Auditor's Invoice - \$1,780.00

Larson referred to an invoice from Clifton Larson Allen that we received on May 5th, 2012 for review and assistance services for FLSAFE, going back to August, September, October of 20 11 related to an IRS inquiry. That matter was satisfactorily resolved per DFIM and the auditors. Larson responded by asking the auditors for more details, especially since they did not have a copy of the final report, which we asked for and had also not received from DFIM in the transition.

So the Board policy is that we can't pay a bill unless it's in the budget. This is not in the budget under auditing. So we have to bring it to the Board for consideration with either a budget amendment or some direction from the Board. Linda asks if this is related to a prior year audit. Larson states this is related to when the IRS contacted Davidson and then Davidson brought in Clifton Larson Allen to address routine IRS questions as a nontax paying entity, pre-PMA taking over November 1st. So the work was done in the Fall, and somehow the invoice was sent to Larson on May 5th after the transition. Jerry Boop asks Larson why the invoice being sent to us and not Davidson, since it was before the change. Boop asked if this shouldn't be handled under their administrative expense responsibility prior to PMA. Larson states that is a safe assumption. Boop states that since Davidson engaged Clifton Larson Allen without our consent or permission, Boop presumes that they should be responsible for the bill. Larson states he is there to take Board direction. Yates agrees with Boop.

Mark states that we have talked about this particular IRS examination during an August 2011 meeting. At the time, the discussion was we found out almost by accident, by asking a question during the transition. It was then brought to my attention by Davidson

about this examination that they were looking into the tax exempt qualifications for FLSAFE last year. Davidson had advised Mark that they had engaged Clifton Gunderson to work with the IRS to work through rules that were associated with that and Marks comments were, let me know what the results are. Afterwards, Mark states we did get a letter that told us on a preliminary basis their findings that all was OK. We have that letter but we don't have the final determination. At the same, DFIM was in the process of accruing and paying the final bills with Mark's assumption that this would be part of that transition process. Mark agrees with Jerry on this subject that it is a matter for Davidson to address. At the same time, Mark says they should not pay it until they receive final determination letter and all the other documentation we asked for. Paula Cooper from PMA, on the phone, states that her understanding is that Clifton Gunderson has the final determination letter and that it was also sent to Davidson. Paula has also been trying to get the final letters from Clifton Gunderson but so far has been unsuccessful. Paula's understanding was that there was a final determination and there was a letter issued. Paula has not seen it yet. Mark asked if that when Paula received the expenses from DFIM, was this not included. Paula says correct. Mark states when Clifton Gunderson sent out the bill he has a date of 2-23-12 for an invoice and seems like a long time. Mark states he has no problem supporting Mr. Boop and Mr. Yates by sending it back to DFIM and stating it's on their watch. They didn't accrue the expense, they didn't identify the expense during the transition and never brought up in any of the meetings calls, emails or conference calls. Yates asks Paula, when you've asked from Clifton Gunderson, why won't they give it to you. Did they give you a reason? Paula states they have a different tax partner then the audit partner and she thinks they had to go back to the IRS and have it reissued or get a copy of it. And Paula hasn't followed up with it recently. Larson states he is quoting from a letter by Clifton Larson Allen, I've received a closing letter in December but unfortunately can't put my hands on it right now, I've requested duplicates be sent, it'll be several weeks, Trisha Mingo of DFIM received a copy of the closing letter. And that's a letter from Mr. Shoop. Mark states this is a two step here, first step clearly send it back to DFIM. Marks says it should've been included in their list of transition expenses but wasn't. Mark asks PMA, if this was on your watch and it was the flip. How would PMA handle it?

Mike English, PMA, responds by saying that it's not uncommon in the Fund world to get inquiries from the State or the IRS, certain filings that Funds end up needing to do with the IRS, it's not uncommon that these things may arise from time to time. And we would probably look at that as a Fund level expense. You have a policy that you need to approve any expenses above and beyond the budget. Typically that would be a fund level expense; it would probably be need to come to the Board because it was above the engagement amount for Clifton Gunderson.

Mark states this is a two step process, first send it back to DFIM. Secondly, issue nothing from FL SAFE until we see the final determination letter. And if it comes back to us as a refusal by DFIM, I expect to pay the bill. Larson asks if he does get the final letter, does he bring it back in July or does he have the authority to pay? Mark confirms that you have the authority to pay, if they refuse. Linda makes a motion to have Jeff Larson to follow up with DFIM to request they pay for this expense and once we receive the final letter and documentation, and if DFIM does not pay, then authorize Jeff to pay that expense by budget amendments. Jeff Yates seconds. Mark asks if there are any more comments. Boop mentions that he hopes that within the context of the letter, we explain that DFIM did not follow protocol and did not bring it to our attention for approval according to the requirements to the Board and they are deemed responsible for this

matter. Boop says that its disappointing that we are being charged for expenses we did not authorize incurred by our former IA firm. Mark states all those in favor, say I, motion passed 5-0.

2. Investment Advisor/ Operations Manager Update - PMA

A. Economic and Market Update

Brian Hextell provides PowerPoint presentation by PMA regarding Investment Advisor/ Operations Managers Update on the Economic and Market Update.

Mark states that when we brought PMA on in November and we repositioned some of the assets, and the initial goal was to complete the repositioning by March 31, Marks states we've gotten where we want to be. Summary of Presentation to be posted by PMA on the website.

B. FLSAFE LGIP Portfolio Update

Regarding the European bank issues in other funds, Yates has a question. Would it be possible to get a letter from FLSAFE saying that this is our exposure to the European market. Mark says it just goes back to stating why we created this Fund. Mark says that if you want a safe money market fund with very little risk, FLSAFE is your investment vehicle. If you want risk, then go somewhere else. The ultimate goal is that this is your safety net. Larson makes two observations. PMA consistently provides weekly information for participants on rates. They also provide a monthly economic report. Larson suggests that in the April piece, there's a little column where we target or highlight certain things, including European developments.

C. Operations Manager Report

Paula Cooper presents the PowerPoint on the Operations Managers Report. Marks asks if there are any questions. Boop thanks Jim Davis for bringing this to our attention, it's very exciting.

D. FDIC Bank Program Overview CCDARS)

Jim provided an update on the Portfolio, including FDIC Bank Program.

E. Term Series Program Overview

PMA provided an update on the Term Series, as another investment option for FL SAFE participants. Jerry Boop sees an immediate potential application for his community and voices his Support. Linda Senne concurs. There's an expressed interest from the Board to move forward. Jerry Boop makes a motion to amend the Indenture to include the Term Series, Linda Senne seconds. All in favor, say 1. Motion passed 5-0. Larson says he assumes he needs to bring back the election ballots back in July, by delegating that to us. If he gets 51 % approval on a vote then we can amend the Indenture of Trust. Larson would brief the board in July. Mark asks if there's any comments from PMA. No comments from the Board. Summary of the Presentation to be posted by PMA on the website.

F. PMA Comments

No other comments provided.

3. FLSAFE Counsel Comments

Mike Williams has none.

4. Participants' Comments

None voiced by these present or on the phone.

5. Board Members' Comments

Jerry Boop thanks everyone for their confidence in him. He's glad to be back on the Board. Yates mentions that they closed on FIIP yesterday for \$14 Million with Fenil's help after cash flow analysis. Robert Clinger says they put in \$3 Million in FIIP.

Mark states PMA managed to impress him once again with the things they presented. Mark thanks Jeff Larson for putting all this together along with his staff.

C. Set Next Meeting Dates/ Adjournment

Next meeting is set for July 20th, 2012 at the City of Tamarac, lunch at 12:00 pm and 1:00pm is the meeting.

Meeting adjourned at 1:05pm.

Meeting Minutes – April 20th, 2012

Signature Page

APPROVED THIS 20th DAY OF July, 2012.

FLORIDA SURPLUS ASSET FUND TRUST



Mark C. Mason, CPA
FL SAFE Chairman

ATTEST:

Jeffrey T. Larson
FL SAFE Administrator