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:	**July 20, 2011**
TIME:	**12:00 p.m.**

MEMBERS IN ATTENDANCE:

BOARD OF TRUSTEES:	**Mark Mason, Chairman** **Jerry Boop, Vice - Chairman** **Linda Senne, Secretary/ Treasurer**
OTHER ATTENDEES:	**Sam Doyle, President – DFIM** **Glenn Scott – DFIM, FL SAFE-Senior Portfolio Manager** **Trisha Mingo – DFIM, FL SAFE-Operations Manager** **Julie Hughes, DFIM, FL SAFE-Portfolio Manager** **Scott Prickett, DFIM, Managing Director** **Jeff Larson – FMAS, FL SAFE Administrator** **Larry Aubrecht – FMAS, SVP** **Marcia Bexley, FMAS VP** **Lou Frey, Esq., Lowndes Drosdick, FMAS Counsel** **Michael Williams, Esq. – Akerman Senterfitt, FL SAFE Counsel** **Bob Clinger, Finance Director – City of Deltona** **Jeff Yates, Finance Director – City of Dunedin** **Tom O'Reily, City of Port St. Lucie** **Jesy Acosta, FMAS-Administrative Assistant**

A. CALL TO ORDER/ROLL CALL

1. Mark Mason called the meeting to order at 12:00 p.m. , roll call by Jesy Acosta, FMAS and a quorum was present.

2. Approval of Prior Board Meeting Minutes for January 27, 2011, April 19th, 2011 & May 31st, 2011

Mark Mason stated we have 3 prior Board Meeting Minutes to approve. And asked if anyone would like to make a motion to approve any of the prior meeting minutes. Jerry Boop made a motion to approve the January 27nd Board minutes as submitted, Linda Senne seconded that, Board all approved. Jerry Boop made a motion to approve April 19th, 2011 Board minutes, seconded by Linda, Board all approved. Jerry makes a motion to approve the May 31st, 2011 Board minutes, Linda pointed out a typo on page 1, where it says Call to Order, meeting start at 11:00p.m. and it really should be A.M., so Mr. Boop changed his motion, second based on that correction, Board approves.

3. Board of Trustee Appointments

Mark states appointments to the Board of Trustees is in order, as we had 2 resignations, Hank Fishkind and Jim Anderson, who had served since the creation of FL SAFE, and desired to rotate off, remaining as participants. Mr. Mason introduced 2 participants and Board Candidates, Jeff Yates, Finance Director for the City of Dunedin, and Bob (Robert) Clinger, Finance Director for the City of Deltona. Mark states it does require a Motion.

Jeff Larson, FLSAFE Administrator recommended for the Board's consideration that Dr. Fishkind's term through January 1st, 2014 be designated for Mr. Yates, and that Mr. Anderson's term through January 1st 2012 be considered for Mr. Clinger. Jerry Boop, Vice Chairman makes a motion that we put Mr. Clinger on the Board of Directors for FL SAFE for the previous role of Jim Anderson, Linda Senne, Secretary/ Treasurer seconds that Motion, Board approves. Marks states Bob is now appointed to the Board for a term through January 1st, 2012.

Linda makes a Motion to approve Jeff Yates for the term through January 1st, 2014, Jerry seconds, Board approves. Mr Mason welcomes both Bob and Jeff to the Board.

4. Guest Introductions

Mark Mason asked that everyone introduce themselves.

5. DFIM Investment Advisory Agreement

Mr. Mason refers to the amendments to the existing agreements, combined into one agreement which is attached, and states we will be addressing it today.

Jeff Larson says he will defer to Sam Doyle, but clarifies for the Board that DFIM provided an amendment to the 2007 original DFIM Agreement that Sam signed in June and states the Capital Support Agreement is a separate document, is not being amended, and remains in place.

Trisha Mingo asked for a clarification, to Mr. Mason's comments regarding "amendments to both agreements". Trisha confirms that it was only an amendment to the IA Agreement which the Board had requested we negotiate with Jeff Larson at our last meeting.

Larson states that Sam Doyle was very helpful in working with him on this amendment to the IA Agreement, signed and delivered to the Chairman, prior to the June 27th meeting in Boca, which we had to cancel because we didn't have a quorum due to last minute Board member conflicts related to their government's annual budgeting process . So this is just now being brought to the Board. Mark asks if anyone has any comments or questions. Trisha also asks if there are any questions to the amendment. Mark states not yet. Jerry Boop made a Motion to Approve the amendment, as presented. Linda Senne seconds that motion, Mark asks if any comments or questions. Mike Williams states that the original Investment Advisory and Administration Agreement had sections mis-numbered and got duplicated, three sections were numbered “2” and so not sure if the reference to the adjustment of the fees per Section 6 works, and when you count the sections, it is really Section 7. So the change would be to delete any reference to the section numbers.

Trisha asked for clarification. Mike states page 3 section 4 of the amendment, second line there’s a reference to section 6, when you look at the original Investment Advisory Agreement that not the correct section. Sam asks if DFIM’s attorneys need to look at where you’re referring. Mike just states it’s a typo and suggests to make it easier is to just take out the reference to any sections. Trisha states they may have just referenced the wrong section. Mike agrees they may have.

Mark Mason requests if the motion on the floor to approve it as written can include these slight adjustments FL SAFE Counsel has suggested. Mr. Mason asks if Sam or his staff have any questions. Sam replies no.

Mark asks if there are any questions from the Board. Board has no more questions. Mr. Boop restates his Motion to approve with the suggested typo corrections noted by Mr. Williams, second by Ms. Senne. Voice Vote by Board Passes 5-0. Motion Carries.

6. <u>DFIM Capital Support Agreement</u>

Jerry Boop states to the Chairman in regard to item number 6 on agenda, that he requested Mr. Larson do a comparison of the data that’s embedded in the CSAFE and FL SAFE audits, and mainly as a result of the odd comments when we were at the Venice hosted Board meeting on April 19th. What that uncovered was that a different treatment by DFIM of the CSAFE participants vs. the FLSAFE participants. Jerry asked Mr. Larson to prepare a document that basically identifies the differences between the plans for discussion.

Larson hands out a summary document and gives one to Glenn Scott to pass on to Sam Doyle. Larson states he is trying to clarify by reference to the CSAFE audits which are available on the CSAFE website, as well as the FLSAFE audits on the FLSAFE website. Larson states that it is also nice background material for the new Board members. The historical summary starts with September 08 with the Lehman issue and the impact of the two funds that Davidson runs, CSAFE and FLSAFE. Each Board in Colorado and Florida instituted “temporary fund restrictions” for a period of time, September 2008 thru December of 2008, due to the market impacts related to money market funds, one being Beacon, and the key one being the Reserve Fund. That impacted CSAFE and FL SAFE. Those other funds were ok overtime, with the focus on the Reserve. The Board here in Florida benefited from the active role Davidson played, as the Colorado Securities Division is much more active then what we have here in Florida. Davidson was working to protect the CSAFE fund investments in Colorado, we were also leveraging, as both funds had exposure to the Reserve money market funds’ Lehman holding. Larson reminds the Chairman, who was on the Board during this period, of the activity, support, time and effort various people at DFIM were putting in to make sure the Reserve was doing what it was suppose to.

This Summary details how we went from the first two distributions noted in the 12/31/08 audit totaling approximately 80%, and eventually building up in the 12-31-09 audit to where each of the two funds had 8 different distributions totaling about 99.04%. Davidson came to CSAFE’s Board and at approximately the same time in December 2008 to the FLSAFE Board with a Capital Support Agreement proposal, which was not required in the IA agreement with Davidson.

This is a stable net asset fund, and the fund is “at risk” if these things happen. Notwithstanding that, Davidson came to both funds and stated they will provide enough capital support, or make a contribution of enough money, basically to protect that we will always remain at a minimum of a $1.00 per S&P AAAm rating requirement (minimum of $0.9975). That meant CSAFE’s initial DFIM support was $3 million as of December 2008 represented a much larger Reserve investment of $517 million at the start, versus our Reserve investment in FLSAFE of approximately $55 million. The DFIM deposit under the FL SAFE Capital Support Agreement was $200,000 in December 2008. Both CSAFE and FL SAFE were put on Credit Watch by S&P, with this credit watch removed in February of 2010. As Trisha mentioned in the Venice meeting as of the December 31, 2009 audit, FLSAFE did not have a “contribution event” or a need for the capital call on the $200,000. The 12/31/09 FL SAFE audit showed at that point we were at $0.9982 so it was above the minimum and the money was there but was not needed. CSAFE, Larson noted, had a need and they were marginally below at $0.9927. As the 12/31/10 audit was presented to the Board in Venice in April 2011 for FLSAFE, it did trigger calculations. Davidson and the auditor calculated due to the DFIM Support, that there was a contribution of $102,998 from the FL SAFE Capital Support Agreement to maintain the dollar. In summary, from 2008 to 2011, notwithstanding that the market blew up, and Lehman went away in a day, both CSAFE and FL SAFE had been backstopped and protected, by those DFIM arrangements.

And then, as directed by Mr. Boop, Larson went on to look as to what happened to the Funds upon review of CSAFE and FL SAFE 12/31/10 Audits. We are basically in FLSAFE as of 12/31/08 in the same position as we were with the Davidson support, as we were in December 2008. The 2010 Audit still refers to the $200,000 Escrow account. In addition, the 2010 Audit refers to the Board’s Revenue Recognition policy adopted in November 2008. The 12/31/10 FL SAFE audit shows a loss in the Reserve of $476,260 and that it would be recognized over an 8 year period by basically taking some yield out of the yield to the participants. Mr. Larson stated he will obtain a copy of the Revenue Recognition Policy and distribute it.

When Larson looked at the CSAFE audits, DFIM amended their original December 2008 Capital Support Agreement in January of 2010 by increasing the deposit or the commitment from $3 to $3.4 million, I’m assuming because the contribution needed at year end in 2009 was $2.8 million, so maybe there was a need to have a bit more. And then, it was also amended in December 2010 up to $4.5million and then at that point, Davidson agreed to make 5 payments annually of $900,000 to cover the balance of the loss, or the amount above $0.9904. The Capital Support Agreement of $4.5 million detailed the first $900,000 received per the audit in December of 2010, and the last one due December 2014. This was cited as covering the remaining Reserve loss of 1%. Davidson worked really hard with everybody else to get 99.04%, and this was the 1%.

Mr. Boop addressed a question to Sam Doyle and the DFIM group. Jerry stated that in looking at how CSAFE was treated vs. FL SAFE, certainly a $4.5 million contribution is extremely significant and FLSAFE’s contribution is seemingly insignificant compared to what was done for CSAFE. The question is why weren’t steps taken to make FLSAFE whole hold in the same regard as what was done for CSAFE.

Sam replied that we were looking at documents on how we wanted the relationship with FMAS and we’re probably going to look at that for at the end of the 4 month period and make a determination if this is something we want to go forward in doing. Right now, we put in the sufficient amount of money to maintain the AAA and that’s where we want to stand until the Fall.

Jerry replies to Sam stating that this was done last year well before we made a move to bring on Mr. Larson, stating he doesn’t understand Sam’s answer to the question.

Sam replied, before you brought Jeff in, we were looking into a lot of different options and then when Jeff was presented, DFIM wanted to rethink what they were going to do.

Jerry states that Sam still has not answered the question.

Jerry wants to know why FLSAFE was treated differently last fiscal year. Sam replies we did what we've done on each of the funds, we're obviously making contributions to support the FLSAFE fund and lot of other areas, as far as expenses go. So Sam thinks right now, they are viewed as two different entities. Trisha states it wasn't until last year that FLSAFE dipped below and needed the escrow funds that Davidson had set aside. And at that time, it was brought back to DFIM's attention and that's when we started the process of redoing what we needed to do further for FLSAFE, so you can't really do a comparison of these statements for FLSAFE and they are two separate entities and were at two different places at the time.

Jerry differs with Trisha, $4.5million vs. a couple hundred thousand seems significant. Trisha agrees with Jerry on that. But Trisha says that so are the size of funds, CSAFE was up at $800million and FLSAFE has been steadily at $200million or below, so those are significant factors that DFIM had to take into account. DFIM has been supplementing FLSAFE, that Sam said, in many different ways the fund extended to continuing it on, but there have been a lot of other factors that had to be taken into consideration other than just looking at the $4.5 million vs. $200,000.

Jerry states that if DFIM made this fund whole, and put us into a marketable position then Jerry believes that we would've been able to move forward more favorably. Trisha states DFIM had that conversation with Mr. Spivey a while back, whether or not is Mr. Spivey was running into problems that nobody will invest in the fund because the fund is technically not whole. And Trisha stated that Mr. Spivey responded by saying he was not having any problems, and that was not any of the reasons why nobody was investing in the fund at that time.

Mark asks if anyone has any questions on the Capital Support Agreement.

Larson addressed the Board, to reflect on Trisha's point, that we have different sized funds, as a courtesy from a business perspective, Larson tried to tally what the CSAFE assets in the LGIP were going back to 2006 and then showing where FLSAFE started in 2008. Then through an interim basis, Larson states he didn't have July 17th date on CSAFE, so he grabbed the one that was on CSAFE March 31, 2011 package that was on the CSAFE website. Larson states that when there's a bigger fund you have a bigger need to make it to the 1%. And it also shows the earnings for Davidson for the various funds. You had a much larger fund, that shrunk a good bit, versus a smaller, FLSAFE, that to a lot of credit to the people in the room, has hung in there during a tough period of time.

Larson states that the second page to this piece shows a historical listing of Total Assets in the LGIP for CSAFE in 2006 until an interim basis that was on the website in package March 31, 2011 and Larson shows FLSAFE on a relative basis. For example, in 12-31-08 the audit shows CSAFE had shrunk to a little over a $1 Billion. FLSAFE had just started in 2008 and we were at $235million. CSAFE went down to 610 million and then grew to $707 million, and as of March 31, 2011 was at $826 million. FLSAFE has been fairly consistent, up and around $200 million plus or minus, and the last tally Larson got from Davidson on Monday was $184.8 million. Larson states one fund is much larger and therefore impacts the amount of $3 million growing to $4.5 million, versus the other factor that a larger fund generates more revenue to the Investment Advisory firm and Larson showed those revenues.

A Davidson representative on the conference call stated that DFIM is continuing to feed the fund now with the expenses of the fund. We have the $200,000 to maintain the AAA rating, where the number is where we continue to have bills because the checking account doesn't have sufficient amount of funds in it. DFIM is not sitting there blindly and would like to see how it is to work with FMAS for the next several months, and if DFIM thinks it's working well, DFIM will take a look at what Jerry is bringing up and make a decision accordingly.

Linda Senne asked DFIM why the amended agreement itself is it only through October 31st, 2011 and why is it only to that date? Trisha Mingo responded that DFIM chose that date because it is 4 months out from the date that DFIM amended our agreement and would like to review how it will go the next few months with expenses in Florida that need to be reviewed and we need to see where the funds are at and see how the relationship progresses and at that time we felt that 4 months was a sufficient amount of time to make our review.

Mr. Mason asked Trisha, What expenses need to be reviewed? Trisha Mingo responded that we still have the outstanding audit bill that's $17,000 that needs to be paid, should've been paid back in the first quarter and we are paying that as we can as what comes into the fund. DFIM will have to review, a number of other expenses that need to be paid, there's the attorney bill which is about $7,000 and currently as of to date there's $3,000 sitting in the checking account. So those are among the expenses that Trisha sent Mark the last few days, to have a further analysis on how those need to be paid.

No other comments and Mr. Mason moved the Board to item 2B1 on the Agenda. This was not included in the handout booklets distributed today but FMAS had previously emailed this out to the Board and DFIM.

B. INVESTMENT ADVISOR UPDATES

1. **Economic Update – Portfolio Manager Report**

Glenn Scott, Senior Portfolio Manager, refers to the Economic summary for the last quarter. We've gone through a period of the last 2 months where a second round of sovereign debt problems in Europe have severely impacted the short end of the US treasury curve. We are facing a very challenging environment on the short end of the curve and effective Fed Funds rate, the target rate for Fed Funds, as set by the Federal Reserve between 0 and 25 basis points. And the effective rate is traded between 5,6,7 basis points on a daily basis, that's the basis from which all securities that DFIM can buy under Florida Law and the Investment Policy and S&P guidelines price off of. As talked about in the last meeting, there are some other things that have gone on that, a failure of the recovery not as strong as they had hoped, with changes from the Frank Dodd Act in April and how a repo was treated that also exacerbated these problems. The budget deficit problem hasn't had a significant impact yet on the short end of the curve, there's no place left for it to go. It's not clear in peoples' mind how to model or analyze the impact that would take place on the short end, that being said, it's very challenging, funds that are available to us to invest in whether its commercial paper or bank deposits are affected by these declines and short term rates. At the end of June, we also had the finishing up of the Quantitative Easing II, that was a stimulus program put on by the Treasury and Federal Reserve that caused the Federal Reserve to buy securities directly off the street, both Treasury and Agency securities, at a pace of about $75 billion a month and that was a stimulus, unconventional monetary policy that goes beyond what was possible once the Feds Funds rate was effectively taken to zero. That exhausted conventional monetary policy and QE2 was unconventional. QE2 finished at the end of June, we did not see an immediate effect in terms of rising interest rates. So we are thinking it's still going to happen. The European problem and the lack of recovery of job growth are masking the affects of that would be expected in QE2.

Glenn referred to the Economic indicators, the employment reports we feel the Federal Reserve is in a position where unless it sees significant job growth, its going to make it very difficult for them to change their accommodating monetary policy. On the third page of the packet, there's a graph titled Florida's benchmark comparison and this shows the FLSAFE yield on a monthly basis, against the S&P index which is a benchmark along with the practical benchmark of the yields of the other funds. FLSAFE is hanging right in there, we are slightly positive to our benchmark. The next page is the listing of the portfolio holdings report, and you can see the distribution report of different types of securities held. Glenn states that going forward what we will be doing next when we have the capacity to do so we will buy US government agency floating rate paper that trades off of effective Fed Funds, we feel that effective Fed Funds at 5,6,7 basis points is at the low end yield even if the Fed doesn't officially base the interest rate anytime soon. We feel there's a good probability over time in this fall, the effective Fed Funds rate could return to where we were seeing it earlier this year, which could be around the 15 to 20 basis point range. And if we get that daily floater picked off of that, that's going to make us do well against our benchmarks. Next page, bar graph of monthly assets, we don't see a cycling pattern we would expect from the property tax collection cycle, and it looks like it hanging in there with a very stable Asset Base. Getting the basic Asset rate up would be helpful too. Next graph, is the investment pool comparing FLSAFE yield against other similar investment pool, SBA Pool and Florida Government Investment Trust Pool, and in this graph FLSAFE has a very heavy expense ratio and our gross yield is at 7 basis points, which is very good compared to other money market funds. Our net yield is between the SBA and Florida Investment Trust, and the SBA Pool has the ability to investment in things we talked about but we can't invest in under Florida Law, so it's a comparison of apples and oranges. Last page is showing statistics on the pools and showing some spreads.

Mark states these are our gross yields, but states Glenn didn't say what the net yields were. Glenn states on the last page, the net yield is right now at the end of the month is at 6 basis points and fluctuates back and forth from 6 to 7. Mark asks whats the yield on CSAFE, Glenn states CSAFE is at 8 basis points. And Glenn states that if you back at this last quarter, and DFIM could do this for you, FLSAFE over the quarter is going to outperform CSAFE as a higher rate net yield. Mark states it would be interesting to see.

Glenn asks if there are any more questions. Thanks the Board.

Mark asked if there are any recommendations. Glenn says going forward we were going to look into using effective Fed Fund floaters as a way to keep the portfolio competitive benchmark. Larson asks if the effective Fed Fund floaters is that a new product from the Federal Reserve that we've had access to, how would that help the yield, what's the yield on that vs what you were doing. Glenn states the effective Fed Fund floaters have the potential we believe over the next few months to perform well because effective Fed Funds does change on a daily basis inside the target range that the Fed has established on a target Fed Funds which is 0 to 25 basis points. And historically we've been watching movement of fed funds and in the past we saw either dropping or not having characteristics not an appealing place to go, as we talked about in previous Board meetings, when we bought floating rate notes, we were buying off LIBOR. Right now, effective Fed Funds are trading in at an extremely low level, the reason for that is transitory and has to do with second round of European sovereign crisis safe havening back into the US and because we went into a period of extreme pessimism in the market with respect to the US economy based on a lot of good reasons, mainly lack of job growth amongst other things. So it looks to us like there's a potential that Fed Funds could track back up to more normalcy to which would be that 15 to 20 basis points range which is where it was trading earlier this year. In doing so, even if the Fed doesn't raise interest rates would be the beneficiary of buying when the index is low and as it tracks back up we'll reset on a daily basis and have an asset that is out yielding the overnight moneys that we have invested.

2. **Operations Manager Report**

Trisha commented that over this quarter the activity did pick up on the Fund, a lot of that was due to the opening of the Wells Fargo Omnibus account that brought in over $28 million dollars into the fund. The net changed transaction we were down $13.6 million, leaving $179 million. Currently we built assets back up to $848 million, and just received an additional $4 million from Deltona. Larson states that Trisha misspoke and is actually referring to CSAFE not FLSAFE. Trisha corrected herself and states FLSAFE at $184million, expenses were at $86,000 and a net income at $160,000. Referring to the Operating Checking Account and expenses that were paid in the month for March, April and May. The one thing that did not get paid is the Board Liability Insurance and Property Insurance but that was paid about the first week in July, have been renewed and are in force.

Larson asked if he could get a copy via email of the Board Insurance Policies. Mark asked Trisha to explain the Board Liability Policy, if we increased the limit. Trisha stated they did not, and kept it at $1 million in coverage. Marks stated it's a little different that what was recommended by the insurance agent. Trisha agreed and Mark stated that the Board had a certain budget set aside for liability insurance and where we are today in earnings and this constant problem of not having enough money in the checking account, that they left it at $1 million. Mark stated the Property Policy also included the existing floor plan of the FLSAFE office in Orlando through the beginning of August 1st, which he stated the office has been cleaned out by now but the policy is ineffective through August 1st which is the same period of time the lease runs through.

Linda Senne asked per the Operating Checking Account, if we are taking money out of investment earnings to put in there for the expenses or is Davidson waiving their fee? Trisha stated that part of this is Davidson waiving their fee. So Linda asked if Davidson is waiving their fee to cover all expenses. Trisha states that Davidson has not waived their fee to cover all expenses, but has discussed with Mr. Mason what should be paid at what time. DFIM waived our fee in order to put out your Insurance Policy because those must be paid at certain times so your policies did not lapse.

Mark referred to Sam regarding emails and discussions he had with him on the phone. The IA agreement talks about setting aside 3 basis points per month that goes towards our annual operating expenses. Curently DFIM is setting aside 4 basis points but the FLSAFE agreement with DFIM is 15 basis points. Trisha states its 15 basis points for IA and Admin services with 3 basis for fund expenses increased to 4. Larson clarified that the 4 is not part of the 15, it's in addition to the 15. Mark stated that its additive to the 15 for a total of 19 basis points. Trisha agrees with Marks statement. Larson stated that's what the website shows, 18 not 19.

Trisha stated as of right now FLSAFE has not paid DFIM for IA services for the month of June, that money has been set aside in order to pay FLSAFE fund expenses. Larson would like to add that in talking about fees, the amendment to the IA agreement which the Board accepted basically stated that Davidson receives their original fee of 15 basis less what you pay FMAS as Administrator. So the Board's direction, with Larson and Sam working together, with a split of duties, which has been sent around, Larson stated that since it has been accepted, it kicked in, Trisha agrees. Larson stated that it was important to the Board that the 15 basis points didn't go up because the roles were split. Glenn Scott stated that anything involved in marketing of that 5 basis points comes out of the 5 basis points, Larson agreed.

Mark asked if there are any other questions.

Mark referred to Larson regarding the expense invoice for Dr. Hank Fishkind. Larson states the invoice came to him via Trisha for the proposed June 27th Boca meeting which was canceled, but that it was delivered sometime ago to Bill Spivey. It looks like a reimbursement for Dr. Fishkind for some material he sent somewhere and doesn't know more than that. It's for $88.55 and recommend the Board pay it. Trisha doesn't know anything about the invoice but could look back in her emails and forward it to the Board. Mark states the invoice was around the time of the Venice meeting, and it's dated the 21st, Larson states maybe he held material for Bill. Sam stated he will pay the invoice for $88.55. Larson and then Mr. Mason stated we are not questioning paying it, just want to know what its for. Larson states that the Board passed an Expense Reimbursement Policy, which will be shared with Jeff Yates and Bob Clinger. This Policy says if Board members incur out of pocket expenses to travel to Board meetings, they bring it to the attention of the Board, and review it because it is Fund money. So this came from a prior Board member (or Fishkind) and its coming to you because of your own policy.

Mark stated a Motion to Approve the Fishkind Associates invoice is needed. Jerry made a motion to approve the Dr. Hank Fishkind Invoice, Linda Senne seconded, Motion passed 5-0.

C. OTHER ITEMS

1. **Administrator Update**

Larson provided another Summary to share with the board, per Mr. Mason's request, that is a historical analysis of the Participant balances in FLSAFE. FMAS went back and tracked balances of all participants starting with a June 30th, 2008 balance of roughly $194 million dollars. Tamarac joined, Port St Lucie joined and then Leesburg, Deltona, Sunrise and Mt Dora. Then the fund changed by about $3 million dollars, went from $194 to $197 million, and at the end of 2010 was at $183 million. At an interim basis, as Trisha reported, with Mr. Clinger's transfer of an additional $4 million, we're now at about $184 million since the 17th. When we only had 9 participants early on, with only some major ones with most of the money in the fund, it is hard to manage that because you've got concentration in your portfolio. The good news is that we've been able to consistently keep a lot of these folks in the fund. While we added a significant player, Clay County with Fritz Behring with $40 million, that's now trailed off a little bit as they drew their funds out, Jeff Yates and Dunedin came in with his increased contribution. So the fund has grown from the initial 3 participant founders currently to 19 funded Participants. Larson states that the Traditions CDD's were never a major contributor to the fund, with $279,000 in the fund and today around $284,000. Larson states he has been in contact with most of the participants, but has not had a chance to talk to Glenn's folks.

Larson distributed a page listing some key prospects that he has identified. Larson stated that the FLSAFE booth at the FGFOA Conference was paid for by DFIM. There was a very good turnout, Bill was there, Larry Aubrecht, Jeff Larson and John Moran. Larson stated that when he gets the weekly Participant List from DFIM, we have 5 other participants on a sheet that have approved and signed the documentation but still have no money in the fund. On the sheet, there are other folks that are a top priority. Lou Frey has some great contacts, as well as other members of FMAS team. The goal is consistent with what Glenn and I targeted years ago, where we want to have more participants and from various parts of the State. We currently have Board members representing South Florida, SW FL, Central Florida, St Pete/Tampa, and Volusia/ Flagler regions. The other goal includes having a University present in the fund, as well as School Districts.

Jeff Yates, in referring to the summary Participant balances, asked if the Board could see this in their packets each time? Larson stated that there's a weekly listing sent from DFIM. Trisha will see that all Board members are to receive the Monday Participant balances.

Larson mentioned that the next regular meeting date would address typical Board Elections.

2. **Board Member Comments**

Bob Clinger welcomed the opportunity to serve on the Board. Jeff Yates is excited to be a part of the Board. Jerry stated he appreciates everybody's hard work and involvement at the table today, appreciated Glenn's report, appreciated Mr. William's hard work on the contract. Mr. Boop mentioned to Sam that as tough as some of these questions are, he appreciates this as we work through these things, but please put into consideration some of the comments made today, so we can work out a more amicable agreement with FL SAFE.

Linda Senne asked, as far as the Investment Advisory Agreement on October 31st, do we do anything or do we wait until then to see what happens? Where do we go from there?

Mr. Mason stated the we have an agreement that take DFIM through October 31st, which means that all bets are off after October 31st, 2011. Mark mentioned that most of what DFIM has in the amended agreement talks about evaluating the relationship of the FMAS agreement. So the next question, is the next Board meeting in September? So Mark refers to Sam on the topic.

(Sam had stepped out). Trisha Mingo responded that they could have a meeting in the middle of October, 2 weeks from the October 31st date to have a review of the evaluation of the new relationship with FMAS, and could get something to the Board by that meeting. Glenn Scott stated that its Sam's intention to have continuing communication with the Board regarding the status of the final contract and discussions that were brought up today with respect to the Capital Support Agreement. Jeff Yates makes a request to put out an agreement with Davidson that they cannot terminate the agreement and give us 60 days notice of that. If we wait until the September meeting, we will not be able to get a replacement in place before October 31st, after a bid process, assuming we have to go through a normal RFP/RFQ process to do that. Marks states that in the agreement, DFIM has to give 60 days notice even before October 31st, put it at August 31st where notification needs to be made.

Jerry Boop stated that he doesn't know why the short timeframe was developed and that the State of Florida Sunshine Laws are cumbersome. But at any rate, the Board at its very best needs to come up with a process and an agreement to move forward and believes what's restrictive is the 4 months. But he doesn't know how 4 months can be evaluated over the next 6 weeks, if August 31st is going to be the evaluation date. And he is not sure how DFIM is positioning themselves for, or what tact or process it wants to take. And getting back into some of the discussions we had earlier when Jerry asked Mr. Larson to take a look at the comparison between CSAFE and FLSAFE, Jerry has some concerns about DFIM's commitment to FLSAFE. Jerry's grateful for the waiver of certain fees but is not sure how DFIM is positioning itself. And that makes him very wary as to who DFIM represents itself to be today. Jeff Yates echoed Jerry's concerns and so did Mark.

Mr. Mason commented that we recognize something needs to be done with regard to the Agreement that we received. In so far as we received a signed agreement, one of the difficulties we have is that as the Chairman, he wasn't authorized to negotiate anything different. We expected there would be some discussion between DFIM and FMAS, and then we would have an agreement. FMAS has gone through a list of their FLSAFE key prospects as of July 2011. Contrary to what Trisha said earlier with her discussions with Bill Spivey, one of our major concerns is how do you market something when you only have an agreement for 4 months. Mark stated that we need to do something today to position ourselves if DFIM proves from their analysis that the relationship isn't working. Mark stated that it would be good for FLSAFE to be prepared in the eventuality that something different will occur. Mark said that this is not an indicator that something will change, but that FLSAFE needs to be prepared for something. Marks said we have a couple of options. (1) That we can be on the street with an RFP and DFIM can respond to that as well as they can respond to the Agreement they currently have, because we need to be prepared. We can't be waiting around until August 31st, for someone to tell me that something isn't working out, here's your 60 days notice without a Board meeting; or (2) we can revisit an unsolicited proposal we got last year. Personally, as Chairman, we need to get out into the marketplace and test out the marketplace.

Mark had one question for FMAS who is marketing our fund. Mark wanted an honest assessment from Jeff Larson, FMAS on their ability to market the fund in light of the 4 month amendment that goes out to October 31st. Can you do it or not? Larson said he would address the answer the best he can, citing that people invest funds when they know and trust you and when there's full disclosure and transparency. And the challenge today is how do you represent to a County, for example, that has already approved the documents, and marketing efforts ceased from Davidson a while ago for some reason, because of various things, or Larson shows up, we have a duty on your behalf, to share with folks what the situation is. We have a duty to disclose that we have a talented IA and the Portfolio is doing great, but we have this issue with the Reserve, which the Capital Support Agreement helps address, but and that Agreement goes through October 31st. Which means Davidson is only committed through October 31st. How do we in good faith, entice somebody to come into FL SAFE when we can't answer those two questions? We would be doing FLSAFE a dishonor and disservice and the Board a disservice. They all have a duty to their own communities to tell them whats going on, and that's one of the strengths of FLSAFE. If you look at some of these folks, they have been on the list for awhile, they were ready to join, some were going to be Board members at (Osceola Schools, Florida Atlantic University), then the Reserve hit, and then something else. Lou Frey has been asked 3 times to get involved in this effort. Glenn remembers making a joint call 2 or 3 years with Lou and Jeff on a local school district here. These folks are all busy losing some of their staff, and none of us can be involved where we don't disclose what the situation is. Let's assume they understand this may go away, lets say somebody joins and if this doesn't get rectified there will be an issue and people begin withdrawing their funds. So upon review, a firm's performance does materially affect FMAS's ability to bring it to somebody or to close on somebody who is interested in coming in.

Marks stated that back in 2008, he did the GFOA due diligence that they provide you with and through that due diligence, it talks about the Investment Advisor. And if Mark was doing it today, and he was told the IA had an agreement with 4 months remaining, he would ask what would FLSAFE be doing after the 4 months. The answer would be that he would not invest, me personally or on behalf of my City. Because, for example, do you go into a mutual fund where your investment person is leaving but you were going into that investment just because who the investment manager was.

Jeff Yates asked then if we were then tasking Jeff Larson with putting together an RFP for IA, to put on the streets, and solicit responses in preparation for the August 31st decision. Jerry Boop stated he's extremely disappointed in DFIM and its continued attitude subsequent to the meeting we had in Venice in April 2011 and doesn't understand why they've taken on an adversarial role in this whole process, why they are painting us in the corner, it doesn't bode well for DFIM and is just disappointed.

Jerry Boop seconded Jeff Yates' motion to task Larson with the role of issuing an RFP for IA services. Mark asked if there are any comments. Mark stated that there needs to be a few items added, when we meet again in order to evaluate. So we should meet 1st week in October, review our comments, and have the Board review and make a decision, at that point, it would give the current firm or a different firm that time to also have a contract. The longer this takes affects how we attract new people into the fund.

Mike Williams stated that if the DFIM amendment continues through October 31st, and the agreement between FMAS and DFIM, and the language expires, we go back to the existing DFIM agreement, which increases their fees back to the old agreement which Mike assumes is undesirable to the fund. So if you get within 60 days of October 31st and have not made a decision, then you're back into the old agreement. So it could be that you don't have a new relationship with an IA til December. So Jerry stated that FLSAFE has to be done by August 31st with a decision on the IA firm, and that the backstop agreement expires for the capital support following the 60 days notice to DFIM.

Mark offered to help with drafting the RFP with Larson. So the draft RFP will go to each Board Member separately and they will respond back to Larson individually. Larson asked when can we meet, and the Board consensus was August 30th. FLSAFE will meet at Akerman Senterfitt again for the special August 30th meeting (subsequently moved to August 31st).

Mark stated, in summary, that FMAS is going to put together an RFP, direct the Draft RFP be sent out to all the Board members, solicit their comments, then have FMAS put one out, reconvene on August 30th at Akerman Senterfitt office, for a review and potentially an adoption, or address another situation if something has changed in between.

Mark asked for a vote on the Yates/ Boop motion, and Board passed on a 5-0 vote.

Larson stated a request for Sam Doyle or Connie Steans, DFIM, now that the FLSAFE office is closed, to get copied on the FL SAFE files that were in Florida. The procedure at Davidson in the past, as Participants joined was to have originals sent to Denver Head office and keep copies in Florida. There's also certain filings under Florida Law, the Trust Indenture, Resolutions, etc. FMAS had requested getting with DFIM prior to their Orlando office closing. If they are available on disk or there's a cost to reimburse Davidson for those, Larson would like to put it on record that he has requested copies of all the files per the FMAS FL SAFE Agreement and upon advice from FL SAFE Counsel.

D. SET NEXT MEETING DATE/ ADJOURNMENT

1. FLSAFE will meet Akerman Senterfitt again for the August 30th (moved to 31st). Meeting Adjourned at 1:45 p.m.

Meeting Minutes – July 20, 2011

Signature Page

APPROVED THIS _28th______ DAY OF __February____________, 2011.

FLORIDA SURPLUS ASSET FUND TRUST

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ATTEST:

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