



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

LOCATION: Akerman LLP, CNL Center II Building,
420 South Orange Avenue, Suite 1200, Orlando, FL 32801

DATE: October 18, 2013

TIME: 12:00 p.m.

MEMBERS IN ATTENDANCE:

BOARD OF TRUSTEES: Mark Mason, CPA, Chairman
Linda Senne, CPA, Vice Chairman
Jerry Boop, CPA, Secretary/ Treasurer
Robert Clinger, CPA, Trustee
Christine Trovato, CPA, Board Member (By Phone)

OTHER ATTENDEES: Fenil Patel, VP, PMA
Paula Cooper, PMA (By Phone)
Lori Ragus, SVP, Legal & Compliance, PMA (By Phone)
Brian Hextell, Portfolio Manager, PMA
Bob English, PMA Chairman
Jeff Larson, President, FMAS, FLSAFE Executive Director
Larry Aubrecht, SVP, FMAS (By Phone)
Jesy Acosta, Associate, FMAS
Nicole Larson, Associate, FMAS
Mike Williams, Akerman LLP, FLSAFE Counsel
Hank Gay, VP, BMO Harris Bank, FLSAFE Custodian
Bill Spivey, Enterprise Florida/EDFC
Laura A Tanner, City of Cape Coral
Dan Carpenter, Indian Rocks Beach
Christine Fain, City of Satellite Beach
Vince Tenaglia, Finance Director, City of Madeira Beach (By Phone)
Al Braithwaite, City of Oldsmar (By Phone)
Ted Beason, City of Temple Terrace (By Phone)
Bill Spinelli, City of Leesburg (By Phone)

MEETING OF THE BOARD OF TRUSTEES

A. BUSINESS ITEMS

1. Call to Order/ Roll Call is made by Jesy Acosta of FMAS

Mark called the quarterly meeting for the Florida Surplus Asset Trust Fund to order at noon. Jesy called roll, Mark Mason, Linda Senne, Jerry Boop, Robert Clinger are present and Christine Trovato by phone. Quorum.

2. Results of Board Seat Election- Board Secretary/Treasurer/Administrator

Jeff Larson and Jerry Boop, Secretary Treasurer provided a report on the results of the balloting process for the Board Seat Election. Jeff shared that there is an open seat that's on a three year rotational basis which opens in January 2014. As recommended by FMAS following the Indenture of Trust guidelines and as directed by the Board at the last meeting, we went out for nominations, circulated the ballots on the record date of September 15th to all Participants. Efforts were made to resend out the ballots a number of times if responses had not been received. We received ballots from Participants and delivered the results to our Board Secretary/ Treasurer. Jerry Boop mentions that a total of 27 ballots were issued, one vote for each Participant. FMAS received 18 back that's 67% of the total ballots, and the ballots unanimously re-elected Mr. Mark Mason as a Board Member. Officers will be determined in January 2014. Jerry asked if there were any questions, and none were received. Mark responds by thanking everyone.

3. Approval Prior Board Meeting Minutes

Mark asked if there are any questions or comments on the July 26, 2013 minutes. Hearing none, he asked for a motion to approve the Board Meeting Minutes for July 26, 2013. Linda moves to approve, Jerry seconds. Motion passed.

4. Participant and Guest Introductions

Mark asked that everyone in attendance and on the phone introduce themselves and thanked them for their interest and participation.

5. Approval of 2014 FL SAFE Annual Budget- FMAS/PMA

Larry Aubrecht refers to the proposed 2014 budget as a base taken from last year. FMAS worked again with Paula Cooper, VP Operations, PMA on the annual FL SAFE Budget. Larry went over the budget based upon the expenses. And as you can see that the budget hasn't changed much, there is an obvious reduction in the Board insurance by \$9,000 and the custodial fee is down. Larry refers to the Operational side and the assumptions for assets have gone up by \$20Million, the projected budget there has gone up which is proportional to it. Mark states it is understood. Larry asks Paula if she has any details that she wishes to comment on. Paula replies that we should try to stay conservative on making changes to make sure we can pay the expenses when they come due. So we tried to adjust them reasonable but also conservative. Mark agrees. Mark asked if anyone had any questions for Larry or Paula. Hearing none, he asked if there is a motion to adopt the Budget for 2014, Jerry moves to approve, Linda seconds. All in favor say I. Motion passes 5-0.

B. OTHER ITEMS

I. Investment Advisor/Operations Manager Update - PMA

(a) Economic and Market Update

Mark refers to Brian on the update. Brian provides PMA's Economic and Market Update. He states that we're past the debt ceiling and hopefully we're not revisiting it again in January. We can begin to think of the economy on a more fundamental level and things are generally improving in the U.S.. The fiscal uncertainty remains an issue. The last time we met, the Fed was implying that it would probably begin a tapering, or a reduction of the Quantitative Easing from the Fed. It was really those fiscal issues in the U.S. that was the main point cited by the Fed in terms of why they didn't want to begin that yet. Now with Bernacke moving out in January and Janet Yellen moving in, they may not want to change their approach at this time. Brian refers to the handout on the presentation regarding the GDP.

Jerry asks a question on the declining labor participation contributing less, why is that? Brian states that there are a couple of factors in that. The unemployment benefits were extended during the heart of the recession. As that has wound down, people have also chosen to leave the workforce, as once you're unemployed for three years, it becomes more difficult to re-enter it. It also has to do with the Boomers into retirement, a socio-economic development. Those are the main two factors.

Brian refers to the Housing market and that it is doing well. Sales have been improving, there's an uptick in inventory in this case because people are actually able to sell their house. This is on a national level. The U.S. consumer is looking better, upticks in the equity market have really improved their balance sheets, but housing is the piece that has not really recovered.

Jerry says that debt payments are declining, why is that? Brian states that if you look at the numbers side by side, you see how much the consumer has reduced its debt burden and also match that up with how much has been foreclosed upon. The two numbers are very similar. So a lot of the debt that has been removed has just been taken up by the lender.

Brian continues to refer to the presentation handout regarding the market update.

(b) FLSAFE LGIP Portfolio Update

Jeff Larson shares how the FL SAFE LGIP at a net 10bp compares with some of the money market funds and FL LGIPs that we tend to hear about as we visit with Participants and prospects and compete against. The SBA A or Prime is one, and at around 16-17 bp net versus higher 20's, it's a lot tighter than it was. PFM's money market fund is paying a net yield of 3 basis points. The Association of Counties Day to Day Fund seems to emulate the SBA in terms of portfolio and returns. Federated's fund seems to have some clients on the East coast and it's between 2 or 4 basis points. Some of the large funds with primarily US Govt Securities and ones that the Trustees offer up to their clients on bond proceeds or Debt Service Reserve Funds seem to still be paying 0% still, so we look pretty good against that. I can't recall what the FL Schools Fund is paying, run by PFM, but not much above FL SAFE. So as things get tighter, we appreciate PMA holding their rate, the spread between 10 and 16 is a lot better than 10 versus 28-30.

Brian Hextall refers to the next slide on the money market industry. Brian states that there were a couple of requests made to look the SEC and a money market proposal they have in place. The GFOA set out a letter that relates to some kind of resistance in the industry to some of these new proposals so the GFOA was encouraging the local governments to speak out to some of these proposals. Brian mentions that the direct impact of these proposals are on registered for 2A7 money market funds. FLSAFE is organized as a local government investment pool under FL laws and is not a registered fund, so there is not a direct impact on FLSAFE as a result of these proposals. It is possible that S&P or other rating agencies could start building some of these things into their ratings construct so that could indirectly affect us by them saying if the registered funds are incorporating them we should as well. Brian states he doesn't expect that to be an immediate impact and it may not happen at all. They're just proposals at this point from the SEC. Jeff added that some of the larger local governments that we contact sometimes lead off with the question of "is FL SAFE SEC 2A7 like?", and both of our IAs for FL SAFE have consistently advised us to say no. That is one reason why we prepared a number of years ago a Summary Table for our presentations on the major Stable NAV Funds in FL and Variable NAV Funds, and list 2A7 Funds on the Stable NAV Chart along with FL SAFE, SBA Prime, Counties Fund, etc.

Paula refers to the PMA Mark to Market Report. She mentions the securities are put to third party pricing service on a weekly basis, so its on a weekly basis that we compare the actual market value to the amortized book value. The theory on money market funds is that amortized costs approximate the market value because of the short term nature and all the rules that are in place in the market funds. So on a daily basis the price of a dollar, then on a weekly basis we make sure that amortized cost one dollar NAV did not deviate significantly from market and we review that at the portfolio level as well as review each individual security to see if we might have a problem with any particular item. FL SAFE is heavily invested in cash products (that have daily liquidity) at highly rated financial institutions. As such, they are valued at par.

(c) Operations Manager Report

Paula goes through the four page Quarterly Managers Report handout. Jerry asks Paula that he noticed that FLSAFE had \$3Million dollars in the Bank of China. Brian states that it's a CDAR's deposit. So it's reciprocated, there's actually no money in the Bank of China, so everything's that sent there is actually reciprocated out to other banks. So in reality there's less than \$250,000 deposits. Jerry said thanks, and Brian asked if there were any other questions.

Paula refers to the Operation Managers Report on page 2 the graphic representation. Paula also talks on the budget analysis in the report. Mark asked if there were any questions, and there were none.

(d) Update on FIIP Rates

Fenil Patel provided an the update on the FIIP rates. He says that in about 6 months we could get some good rates around 20 basis points net which segways into the Term Series. So going further out, 1 to 2 year rates probably are around 25 to 30 basis points, 2 to 3 year rates are at 50 to 60 basis points and then once you start hitting 3, 4 & 5 years, you're finally looking at 100 basis points handle. So a 3 year rate CD would be closer to a one percent right now. So we're looking at upticks at the longer end.

(e) Term Series – Discussion Proposed Second 2013 Issue

Fenil thanks Nicole Larson, FMAS, for putting the spreadsheet together, which helped us indentify the targeted capacity for our existing Participants. This shows estimated ad valorem revenues coming into each Participant and the key prospects identified by FMAS based on their calling efforts. Jeff shared that some Participants after the initial summer 2013 One Year Term Series at a net rate of 32 basis points, shared with FMAS and PMA that there could be a need for a six month Term Series in December to help capture some of their incoming ad valorem revenues. FMAS and PMA shared that research on this would continue and the Board encouraged the Team to come out with a second Term Series if it meets the needs of Participants and also potential Participants.

Brian shared with the Board that PMA is expanding and has made a new hire. We've historically focused on local government investment pools and are now also looking to focus more into individually managed accounts. So we currently offer broker dealer services to cities, counties etc, this would also allow us to manage discretionary accounts for individual accounts and he says that's going to be a very powerful tool and help FLSAFE to further grow the fund in the State of Florida. Jeff asks if this new activity continue to be via the FLSAFE platform like some of PMA's recent IA RFP's and Brian said yes.

(f) PMA Comments

No other comments.

2. Administrator Update- FMAS

(a) Marketing Update, Conferences, Events, Presentations

Handouts were made on the Marketing Update. Nicole reviews the various chapters that Jeff is a member of in the State of Florida. FMAS is constantly meeting with new cities, districts, authorities and counties every week both through these chapters' meetings and presentations, as well as individual visits to see if they would be interested in FLSAFE. After a FMAS visit or contact made, Nicole said she follows up with Jeff to send around 20 emails or more a week to these new participant prospects of the PMA FL SAFE preapproved material. Nicole keeps a list of categories of who are our top priorities, and FMAS reviews this with Fenil, Don and Bob on a regular basis. We have quite a few new prospects that will be joining hopefully soon. We are also focusing on the new Big Bend FGFOA chapter out of Tallahassee, and some regional rural counties.

Jeff mentions that Mark assisted with one of the presentations since the last board meeting as part of an annual Eight Hour Investments Seminar the South Florida Chapter. Last year Fenil helped Jeff at this same event, and there are usually 250 local government finance officers that attend from Miami Dade, Broward and Palm Beach counties. Jeff also volunteered Mr. Boop and Fenil Patel to present together on a panel presentation at the annual FGFOA conference next year. Jeff mentions that Christine also volunteered to be on an Investments Panel with Jeff at the 2014 Annual Conference as well. We are also presenting at the FGFOA School of Governmental Finance in November. One of the benefits of being in the chapters on a regular basis is being able to see who else is doing presentations. Bob English has also helped with some presentations to the Volusia/Flagler and Space Coast Chapters, and is helping with attending the First Florida Chapter (NE FL) and Volusia Flagler Chapter meetings when he can. Don has helped with presentations in the past to the Treasure Coast Chapter and the FGFOA Webinair. Even with all of these activities and presentations, the only effective way to get prospects into the fund is to meet with them one on one and it usually takes a couple of calls. Jeff mentioned that they are also being asked to sometimes make presentations to an elected group or an Investment Committee, and FMAS has done that a number of times including a recent one for the Town of Ft Myers Beach. Joint calls are also set up with PMA officers when they are available

PMA touches all the participants with their nice reports, FMAS goes out to far more than that through their distribution list to reach out to new folks with the PMA supplied Economic Monthly Updates. A lot of work, but this constant level of contacts and follow up is probably why the City of Bradenton is here. They saw us speak at a conference, got our material, followed us for a while, and then sent in their funds. In many cases but not all, if you show enough interest and keep talking to people about the fund, and get them to see the value added programs and support via PMA and FMAS, it pays off.

(b) FMAS Comments

Mark asked if Jeff or Nicole had any further comments, and there were none.

3. FLSAFE Counsel's Comments

Mark asked if Mike Williams had any comments. He said he did not.

4. Participants' Comments

Mark asked if any of the Participant at the meeting or on the phone had any comments. No one did, and he thanked them for being there and joining in.

5. Advisory Council Comments- Banking Services Option

Jeff defers to Christine Trovato who asks Jeff to give a short report. We continue to get a lot of interest from folks as we visit with them that seem to have an interest in having FLSAFE in some form or fashion have the ability to offer a simplified banking platform and that's one reason that Hank Gay, BMO Harris is here. These are smaller communities, rural counties, special authorities, districts, folks that don't need extensive services, so if we help someone via FMAS do a banking services RFP and meet their need, others via F.S. can piggy back off of that. There's also a lot of small to medium governments that are not being serviced with their existing banks. We are very careful to not focus too much on this during our calling efforts, as it is not in our interest in just hearing complaints about banks and banking services, as a lot of changes are going on due to Dodd Frank, increased compliance responsibilities and costs on banks, and some are repositioning who are their preferred clients and targeted areas to serve. So that is something that FMAS continues to investigate. Christine serves as a member of the FL SAFE Advisory Committee and also as the Board Liason. Bill Spinelli and Ted Beason also serve on the Committee and have given us feedback and joined some conference calls. Board members have also offered their input, along with insight from Fenil and others at PMA. If there is another area of service that seems to provide another value added program, then Fenil and I would bring that back to the Board with Committee input and recommendation, and Board consideration. Mark appreciated the efforts here, stated that every government has different levels of need and service, and asked if any members of the Committee had further comments. There were none.

6. Board Members' Comments

Mark asks if Christine Trovato on the phone would like to say something to the group at large. Christine thanked everyone for all their assistance and walking through all of this. Jeff has been a big help. Without FLSAFE, PMA and Jeff, Treasure Island would not be able to have what we've got as far as the updated investments approach, updated policy, and laddered investments so she appreciates everyone's assistance.

Mr. Boop congratulates Mr. Mason on his re-election and the great job he has done. Boop thanks PMA for all their great work and all that they are doing. All the marketing efforts and travel from Jeff and Nicole and the marketing team, we great appreciate it as well and thank you for the detailed updates.

Linda repeats the sentiments of Jerry and believes that it is all about the client relationships, getting to know them, and spending time listening. That's the main thing that people are looking for these days, the relationships and the trust. Linda states she can see the marketing efforts at work. Bob echoed the comments of the group and thanked all for their efforts.

Mark states we are headed in the right direction. Having been on this Board for around seven years, I have seen the ups and the downs, and the direction that we're going is a good direction.

C. SET NEXT MEETING DATE/ ADJOURNMENT

I. Future meeting dates: January 2014

After checking calendars for the Board, PMA and FMAS, Mark sets the next meeting date for January 17, 2014 at the Akerman office. Mark states today's meeting is adjourned on 1:22p.m..

Minutes Approved By Board:

Linda Senne
Linda Senne, CPA, Board Vice Chair

1/17/2014
Date

Attested By: Jefferson
Jeffrey T. Larson, President, FMAS