



**FLORIDA SURPLUS ASSET FUND TRUST**  
3452 LAKE LYNDA DRIVE, SUITE 365, ORLANDO, FLORIDA 32817

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**FLORIDA SURPLUS ASSET FUND TRUST**  
**MINUTES OF THE BOARD OF TRUSTEES**

**LOCATION:** Fleming Island Public Library  
1895 Town Center Blvd.  
Orange Park, FL 32003

**DATE:** January 29, 2010

**TIME:** 12:08 p.m.

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**MEMBERS IN ATTENDANCE:**

**BOARD OF TRUSTEES:** Joseph MacLaren, Treasurer and Secretary  
Mark Mason, Treasurer Trustee  
Fritz Behring, Treasurer Trustee  
Linda Senne, Treasurer Trustee

**OTHER ATTENDEES:** Chris Blackwood, Managing Director – DFIM  
Bill Spivey, VP Client Service Manager – DFIM  
Glenn Scott, VP Portfolio Manager – DFIM  
Michael Williams, Akerman Senterfitt  
Jeff Larson – Larson Consulting Services  
Jerry Boop – City of Leesburg  
Mary Loughran – Columbia County School District  
Susan Farmer – Nassau County School District  
Sherree Brinkley – Baker County School District  
Sharon Kraus – Clay County Sheriff  
Connie Wolf – City of Orange Park  
Patricia Barthlow – Clay County Utility Authority  
Tom Morris – Clay County Utility Authority  
Mike Price – Clay County Auditor  
Richard O’Connell – Clay County Government  
Chuck Iley – Clay County Government  
Holly Parrish – Clay County Government  
Kathleen Zebraski – Clay County Government

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## 1. ACCEPTANCE OF LETTER OF RESIGNATION

The Secretary/Treasurer, Joe MacLaren, welcomed the audience to the Board Meeting and thanked Clay County for hosting. Joe MacLaren opened the meeting by notifying the Board Members of a resignation letter received from Board Member Harry Dressler. Staff confirmed the receipt of the resignation letter. *Joe MacLaren motioned to approve and Mark Mason seconded.* The resignation letter of Harry Dressler was accepted unanimously.

## 2. CALL TO ORDER/ROLL CALL

The Secretary/Treasurer, Joe MacLaren, called the meeting to order at 12:10 p.m. and a quorum was present.

## 3. BUSINESS ITEMS

### a. Election results – Resolution 2010-01

The Secretary/Treasurer, Joe MacLaren, explained that the election was for himself and Fritz Behring. Chris Blackwood clarified for the audience the process of election and terms of service for Board Members. *Mark Mason motioned to approve Resolution 2010-01 and Joe MacLaren seconded.* Resolution 2010-01 was approved unanimously.

### b. Board of Trustee vacancy appointments

The Secretary/Treasurer, Joe MacLaren, stated that Linda Senne from the City of Cape Coral has offered to fill the position vacated by Harry Dressler (serving as a City Councilman for the City of Tamarac). Linda Senne gave a brief summary of her background. *Joe MacLaren motioned to appoint Linda Senne and Mark Mason seconded.* The appointment of Linda Senne was approved unanimously. Chris Blackwood explained to the audience that Harry Dressler decided to resign his position because Mark Mason, who was previously employed by the City of Cape Coral, is now employed by the City of Tamarac.

### c. Board of Trustee Officer appointments

The appointment of Officers was tabled until the next Board Meeting.

## 4. BUSINESS ADMINISTRATION

### a. Minutes of October 28, 2009 meeting

The Board reviewed the October 28, 2009 minutes and no corrections were made. *Mark Mason motioned to approve and Joe MacLaren seconded.* The minutes were approved unanimously.

The Secretary/Treasurer, Joe MacLaren, asked Chris Blackwood to lead the discussion on the other agenda items listed. Before starting on his presentation, Chris Blackwood gave some background on FLSAFE. Tom Morris asked about representation geographically. Chris Blackwood introduced the FLSAFE team and those in attendance were asked to introduce themselves.

b. Economic and Financial Market Update

Chris Blackwood gave a general discussion of the current economy and went through an economic indicator analysis presentation. He explained that the performance of the U.S. has a direct effect on Federal Reserve monetary and fiscal policies. In 2008-2009, the U.S. was hit with a severe recession. The economy is now expanding, but has logged job losses over the past 22 months. Gains in personal income are slowly becoming evident. Consumer spending is turning around slowly.

The oil price drop and the weak economy held CPI to a negative, but Core CPI (minus food and energy) remains around 2%. Housing starts continue to search for a bottom. Manufacturing activity is slowly picking up, but the weak dollar is assisting this sector. GDP spiked to 5.7% in the fourth quarter of 2009. Mike Price commented that the economic data may appear positive, however he believes that federal government assistance has artificially inflated the numbers. Chris Blackwood added that federal spending programs are not translating into private sector jobs. Discussion ensued regarding the effect of the federal spending programs. Jerry Boop asked what the GDP would be if the federal programs were not in place. Chris Blackwood estimated that the impact is about 2.0% annually on GDP.

The Fed Funds rate has remained below .25% for a year. The Federal Reserve is also buying term securities in the open market which is keeping long term interest rates low as well. Discussion ensued on political pressures, the banking system and world economic conditions. Chris Blackwood added that at some point in the near future, there will be increasing pressure to raise rates. He stated that one member of the Federal Reserve Board just voted to raise rates in the last FOMC meeting.

Chris Blackwood discussed types of approved securities that provide value. FCAR (an A1+ rated securitized asset backed series issued by Ford) was just added to the approved list. He stated that the supply of commercial paper has dropped sharply and that the Board should consider amending the Indenture to add highly rated corporate bonds to the permitted list of investments for FLSAFE. The Board indicated that they would like to discuss the matter in more detail at the next Board meeting. Glenn Scott discussed buy-side credit analysis that is now available and used by Davidson Fixed Income Management (DFIM) as an alternative to Moody's, S&P and Fitch. Chris Blackwood reiterated that reaching for yield is not the priority.

Chris Blackwood reviewed the current FLSAFE performance and asset levels. Total assets were slightly less than \$200 million. Current yields are comparable to the S&P LGIP Index. He also discussed recent proposals to tighten rules for SEC regulated money market funds.

c. Fourth Quarter Unaudited Financial Report

Chris Blackwood discussed various elements of the financials statements and portfolio composition.

d. Budget

Chris Blackwood reviewed the bank checking ledger, 2009 Budget Analysis and 2010 Budget.

***Mark Mason motioned to accept the financial statement and the 2010 budget and Joe MacLaren seconded.*** The fourth quarter unaudited financial statements/2010 budget were approved unanimously.

## 5. STAFF REPORTS

### a. The Reserve Money Market Fund “MMF” and Credit Watch Update

Chris Blackwood explained that FLSAFE had money in the Reserve Primary Money Market Fund (“The Reserve”). In September 2008 this fund “broke the buck” due to the Lehman Brothers bankruptcy. FLSAFE executed a trade to redeem all shares and received a confirmation that the trade was accepted. The Reserve did not wire FLSAFE the money. FLSAFE has received 5 distributions upon maturity of securities totaling 92% at \$1 per share of the \$50 million invested and is expected to receive over 99%. In May 2009, the SEC sued The Reserve. A Federal Judge heard the case in September and in November ruled to distributed funds to investors on a pro-rata basis.

Since no appeal was filed in the SEC’s case against the Reserve, the Judge’s ruling became final on Monday, January 25. Chris petitioned S&P to remove the credit watch in November, but S&P stated that until the Judge’s ruling becomes final and the possibility of an appeal, they would not remove FLSAFE from the credit watch. Chris sent another petition to remove FLSAFE from the credit watch. Today, FLSAFE is expected to receive its 5<sup>th</sup> distribution from The Reserve thus increasing the total amount received to 98.2% of its original investment.

FLSAFE has added three new participants while under credit watch with full disclosure.

### b. Marketing activity and plans

Bill Spivey has concluded the first phase of reaching all 67 counties in Florida. The next phase is to focus on those who are at a point to join. Discussion ensued on the upcoming FGFOA pre-conference and services provided by FLSAFE.

Mark Mason lead a discussion about the merits and benefits of FLSAFE and why he believes that FLSAFE is a valuable tool for Florida public entities. Fritz Behring also discussed Clay County’s involvement in FLSAFE as an option to total investment portfolio. Jerry Boop expressed his appreciation for the economic updates and transparency.

### c. 2010 audit status

Chris Blackwood explained that FLSAFE utilizes Clifton Gunderson as its auditor. The auditor is currently in the process of reviewing FLSAFE and is set to provide audited financials within 90 days of the end of the year.

## 5. NEXT MEETING DATE / ADJOURNMENT

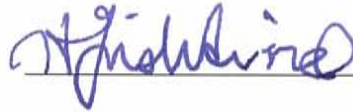
The Board discussed possible meeting dates and asked Bill Spivey to survey all Board members on the best possible dates in late April.

*Mark Mason motioned to adjourn the meeting and Joe MacLaren seconded.* The motion passed unanimously. The Board meeting adjourned at 1:30 p.m.

Meeting Minutes – January 29, 2010  
Signature Page

APPROVED THIS 30 DAY OF APRIL, 2010.

FLORIDA SURPLUS ASSET FUND TRUST

  
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ATTEST:

  
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