



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

FLORIDA SURPLUS ASSET FUND TRUST
MINUTES OF THE BOARD OF TRUSTEES

LOCATION: City Hall, Room 105 – City of Tamarac
7525 NW 88th Avenue, Tamarac - Florida 33321

DATE: July 21, 2010

TIME: 12:31 p.m.

MEMBERS IN ATTENDANCE:

BOARD OF TRUSTEES: Hank Fishkind, Chairman
Jim Anderson, Vice-Chairman (via telephone)
Mark Mason, Treasurer Trustee
Linda Senne, Treasurer Trustee
Fritz Behring, Treasurer Trustee (via telephone)

OTHER ATTENDEES: Sam Doyle, President DFIM – FLSAFE
Glenn Scott, Portfolio Manager – FLSAFE
Julie Hughes, Assistant Portfolio Manager – FLSAFE
Trisha Mingo, Fund Administrator – FLSAFE (via telephone)
Bill Spivey, VP Client Service Manager – FLSAFE
Jeff Larson – Larson Consulting Services
Laura Toebe – City of Sunrise
Joseph Sabourin – City of Sunrise
Christine Josephs-Cajuste – City of Tamarac
Terry Sharp – City of Lighthouse Point
Jerry Boop – City of Leesburg
Tom O'Reilly – City of Port St. Lucie (via telephone)

1. CALL TO ORDER/ROLL CALL

Hank Fishkind, called the meeting to order at 12:31 p.m. As a point of record, Dr. Fishkind announced that Joe MacLaren has resigned from the Board and so a quorum was present.

2. GUEST INTRODUCTIONS

Hank Fishkind asked that everyone introduce themselves.

3. BUSINESS ADMINISTRATION

- a. Minutes of April 30, 2010 Board meeting
The Board reviewed the April 30, 2010 minutes and no corrections were made. **Mark Mason motioned to approve and Linda Senne seconded.** The minutes were approved unanimously.
- b. Minutes of June 2, 2010 teleconference briefing
The Board reviewed the June 2, 2010 minutes and no corrections were made. **Mark Mason motioned to approve and Linda Senne seconded.** The minutes were approved unanimously.
- c. Second Quarter Unaudited Financial Report
Trisha Mingo discussed the various elements of the financial statements.
- d. Budget Analysis
Trisha Mingo reviewed the 2010 Budget to Actual results. Mark Mason commented that he was glad to hear of the reduction of \$3,000 for the insurance premiums paid for the year.
- e. Insurance Policy: Board Liability renewal
Hank Fishkind stated that this renewal was previously approved so no further discussion was needed.

Mark Mason motioned to approve the 2Q unaudited financial statements and Linda Senne seconded. The motion was approved unanimously.

3. BUSINESS ITEMS

- a. Board of Trustee vacancy
Bill Spivey stated that Joe MacLaren, who served as Secretary/Treasurer for the Board had submitted a resignation letter. According to the Indenture of Trust, the Board has the ability to appoint another participant to serve the remainder of the term. Mr. Spivey introduced Jerry Boop, Finance Director with the City of Leesburg, who has offered to fill the remaining term.

Mark Mason motioned to appoint Jerry Boop to fill the Board vacancy and Linda Senne seconded. The motion on was approved unanimously.
- b. Board of Trustee selection of Secretary/Treasurer officer
Bill Spivey stated that the resignation of Joe MacLaren requires the appointment of a Board member to serve as Secretary/Treasurer. Hank Fishkind asked the Board members and Mark Mason agreed to serve as the Secretary/Treasurer.

Mark Mason motioned by acclamation to agree to serve as Secretary/Treasurer and Linda Senne seconded. The motion on was approved unanimously.
- c. Approval of designated Nationally Recognized Statistical Rating Organizations (NRSRO)
Glenn Scott explained that Local Government Investment Pools (“LGIP”) operate under statutory law as opposed to Money Market Funds (“MMF”) that operate under the Security and Exchange Commission (“SEC”) 2a-7 Rules. LGIP’s are referred to as “2a-7 like” and it would be a policy decision of the Board to reconcile what it means to be “2a-7 like”. FLSAFE should note instances where statutory law does not allow compliance with the 2a-7 rules, but in all other circumstances FLSAFE should seek to reconcile to the 2a-7 requirements. New 2a-7 rules were

adopted in early 2010. One of the new rules requires the Board to designate four (4) credit rating agencies that will serve as its recognized credit rating agencies for the purpose of controlling ratings within the fund. There are twelve (12) Nationally Recognized Statistical Rating Organizations (“NRSRO”) in existence. Staff proposes that the Board approve Moody’s, Standard & Poor’s, FITCH and Egan-Jones. The first three are paid by the issuer of debt. Egan-Jones is a buy-side paid-for service. DFIM currently subscribes to Egan-Jones. The amendment is for the Board to recognize these four NRSRO’s as per the new regulations.

Mark Mason commented that he believed the Board should discuss and approve the other two amendments prepared and discussed at the last board meeting before approving this item. Mr. Mason noted that even though the item is on the agenda, there is no support material for the given recommendation by staff. Glenn Scott stated that the Board has until December 31, 2010 to make the designation. Mr. Mason asked about any other buy-side credit agency that DFIM uses. Glenn Scott replied that DFIM used Arrowhead and Givemecredit.com. The item was tabled until after Items 4.d and 4.e.

d. Approval in form of Indenture of Trust Amendment 2010-01 to revise annual report process for vote by participants

Bill Spivey stated that Akerman Senterfitt has reviewed both amendments in form and that both amendments will be sent to participants as part of the upcoming election ballot process. Mr. Spivey briefly explained processes for approval of the amendments and recording in the public record. He also stated that there will be future discussions with Akerman to streamline the approval process so that a simple vote of the participants would allow the Board to adopt future amendments.

Mr. Spivey briefly reviewed Amendment 2010-01 to revise language in the Indenture of Trust regarding the acceptance of the annual financial report.

Mark Mason motioned to approve the form of Amendment 2010-01 for a vote by the participants and Linda Senne seconded. The motion was approved unanimously.

e. Approval in form of Indenture of Trust Amendment 2010-02 to add highly rated corporate bonds to permitted investment list for vote by participants

Glenn Scott stated that the Amendment will allow other forms of corporate securities as permitted investments within the Indenture of Trust. Currently, commercial paper is the only form of corporate securities allowed. Mr. Scott briefly explained an example of corporate bonds that would meet the investment parameters of FLSAFE or MMF eligible.

Mark Mason motioned to approve the form of Amendment 2010-02 for a vote by the participants and Linda Senne seconded. The motion was approved unanimously.

Mark Mason wanted to readdress Item 4.c regarding NRSRO approval by stating that he would like to see a list of all NRSRO’s and a report from staff at the next board meeting in October. Glenn Scott will prepare a list and recommendations at the next board meeting.

f. Expense Reimbursement Policy

Bill Spivey briefly explained the board sentiment and the request to see a formal travel reimbursement policy for discussion and approval by the board. Hank Fishkind stated that he thought the Board was held to requirements for expense reimbursements that were outlined in the Florida Statutes. Mark Mason added that at the local government level, the home rule powers allow entities to create their own policies although the State of Florida and their agencies must

abide by it. Jerry Boop stated that his current and prior local governments created their own reimbursement policies as well. Mark Mason suggested that Akerman review the policy against the Florida Statutes to ensure that this policy is acceptable. Bill Spivey also added that Section 2.9 of the Indenture of Trust allows for travel reimbursement, but that the requested policy gives more clarity and guidelines. Jim Anderson suggested that these expenses be documented and be as transparent as our other expenses. Trisha Mingo stated that these expenses will be separately shown on the financials.

Mark Mason motioned to approve the Expense Reimbursement Policy subject to the review and acceptance of Akerman and Linda Senne seconded. The motion was approved unanimously.

4. STAFF REPORTS

a. Economic update and portfolio discussion

Julie Hughes summarized the economic situation in the US. High volatility still exists. Rates remain low. The Federal Government continues to spend. Glenn Scott mentioned that the US is close to breaking the 'AAA' rating. Julie Hughes continued to add that the housing market continues to decline. Employment growth is important in recovery. No inflation on the horizon, but deflation is a concern. Consumer Confidence is very low. Unemployment is around 9.7%. Personal Income is down. Manufacturing showed positive activity. Fed Funds remains that same.

Glenn Scott reviewed the FLSAFE portfolio. FLSAFE's rate has improved and was higher than the S&P LGIP Index for most of the 2Q. He reviewed the structural changes to the portfolio given the changes to MMF's as a result of the new 2a-7 rules and his new position as portfolio manager for FLSAFE. Two new tests are overnight liquidity and 7-day liquidity. FLSAFE has reduced the use of MMF's from 3 to 1 in the 2Q. Mr. Scott also elaborated on his concerns with new legal precedents with MMF's where non-participant creditors make claim to assets of a MMF in bankruptcy court. DFIM continues to look at bank deposits and commercial paper. The energy sector is strong at this time. Some corporate credits are trading through T-bills despite its credit rating. Dollar denominated US commercial paper programs with some foreign national banks are strong. Prime MMF yields are increasing due to a tie to LIBOR and substantial European exposure.

Trisha Mingo updated the Board on The Reserve status. On June 16th, FLSAFE received the 7th distribution of about \$260,000. This distribution brings the total assets recovered as of the amount held on 9/15/2008 to 99.03%.

b. Marketing

Bill Spivey briefly reviewed the marketing activity. FLSAFE has added two new clients in the 2Q. He went over the seminars and conference attended.

c. Elections reminder

Bill Spivey reminded the Board of the elections coming up in the next quarter. He stated that Jerry Boop will have a term through January 1, 2013. Both Dr. Fishkind and Mr. Mason have an expiring term as of January 1, 2011.

Discussion of unsolicited proposal by Chris Blackwood and PFM

Hank Fishkind let everyone know about a proposal received from PFM and Chris Blackwood that he circulated to the Board members. He opened up the time to the Board for discussion.

Mark Mason stated that the proposal was unsolicited, FLSAFE is not currently looking to make a change and he would not want to entertain it at this time.

Linda Senne stated that she agreed with Mr. Mason. She was happy with the performance of DFIM and saw no need to look elsewhere.

Hank Fishkind stated that he felt no need to change, but felt compelled to circulate the document rather than reject it out of hand. When or if the Board wishes to have a solicitation and competition, it would be done in an open and coordinated fashion.

Mark Mason added that his position is the previous portfolio manager left, which happens in the private market place all the time. The relationship with DFIM is based on the company, not the portfolio managers. DFIM has a number of people that do this job. Glenn Scott has been appointed to do this and he will be graded on investment returns as we go forward. He appreciates the opportunity that someone sent him a proposal and he has worked with PFM before, but now is not the time or place and we will continue to grow the fund. Mark does not want to entertain it.

Sam Doyle added that if there is anything DFIM can do better that they remain open to advice and suggestions.

Jerry Boop stated that what speaks loudest to him is when Davidson Companies stepped in to backstop FLSAFE at the \$1 level. FLSAFE is going in the right direction. He agrees with Mark Mason's comments.

Jim Anderson stated that he agrees with the collective comments and there is no reason to be hasty.

Hank Fishkind closed the discussion.

5. SET NEXT MEETING DATE / ADJOURNMENT

Bill Spivey notified the Board that the next meeting will be in October and he would like the meeting to take place in Tallahassee. The last two weeks of October would be the targeted date. He will review and get back with the Board.

Hank Fishkind opened the floor to members of the audience for comments or questions.

Laura Toebe had two questions. The first question was directed to Glenn Scott and she stated that she knew the local economy is not good, but noticed that some of the returns in the other pooled funds she has are increasing. Is it due to the composition? Glenn Scott replied that when he and Julie took over the portfolio, they looked at efficiencies in the structure, reallocations and negotiations with banks, the WAM, the WAL and other opportunities. Sam Doyle added that with the change in portfolio managers, internally there are more people looking at FLSAFE. Mark Mason added that timing in the market is a factor.

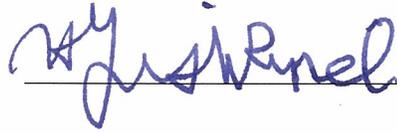
The second question was that she heard the plan to liquidate the MMF positions so how fast and into what securities are you looking to move the funds? Glenn Scott reviewed the use of MMF's. The larger the fund assets, the more statistically predicable the cash flow. Other places for the funds may include banks, repos, or commercial sweeps, which are all collateralized.

Linda Senne motioned to adjourn the meeting and Jerry Boop seconded. The motion passed unanimously. The Board meeting adjourned at 1:49 p.m.

Meeting Minutes – July 21, 2010
Signature Page

APPROVED THIS 4TH DAY OF NOVEMBER, 2010.

FLORIDA SURPLUS ASSET FUND TRUST



ATTEST:

