MEETING OF THE STATE BOARD OF ADMINISTRATION

GOVERNOR SCOTT AS CHAIRMAN
CHIEF FINANCIAL OFFICER ATWATER AS TREASURER
ATTORNEY GENERAL BONDI AS SECRETARY

NOVEMBER 1, 2011

To View Agenda Items, Click on the Following Link:
www.sbafla.com

AGENDA

ITEM 1. Request approval of the minutes of the September 20, 2011, meeting.

(See Attachment 1)

ACTION REQUIRED

ITEM 2. Request approval of a fiscal determination $20,500,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (Series to be Designated) (Captiva Cove Apartments).

(See Attachment 2)

ACTION REQUIRED

ITEM 3. Request approval of a fiscal determination $7,000,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (Series To Be Designated) (Georgia Ayers Apartments).

(See Attachment 3)

ACTION REQUIRED

ITEM 4. Request approval of a fiscal determination $5,600,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (Series to be Designated) (Foxwood Apartments).

(See Attachment 4)

ACTION REQUIRED

ITEM 5. Request approval of a fiscal determination $4,875,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (Series to be Designated) (Pine Meadow Apartments).

(See Attachment 5)

ACTION REQUIRED

ITEM 6. Request approval of an interest rate exception pursuant to Section 215.84, F.S. for the Housing Finance Authority of Miami-Dade County (the "Authority"), on a proposed issue not exceeding $2,400,000 Subordinate Multifamily Mortgage Revenue Bonds (the "Bonds").

(See Attachment 6)

ACTION REQUIRED

ITEM 7. Request approval of the appointment of Jeffrey D. Evans, as insurance agent representative, to the Advisory Council of the Florida Hurricane Catastrophe Fund.

Pursuant to Section 215.555(8), F.S., the State Board of Administration must appoint a nine-member advisory council. One of the appointees must be a representative of insurance agents. Members of the advisory council serve at the pleasure of the State Board of Administration.

See Jack Nicholson's Memo Detailing FHCF Items 7 and 8 - Attachment 7
(See Attachments 7-A **Backup to Follow** and 7-B-Attached)

ACTION REQUIRED

ITEM 8. Request approval of the appointment of Donald D. Brown, as a representative of reinsurers, to the Advisory Council of the Florida Hurricane Catastrophe Fund.

Pursuant to Section 215.555(8), F.S., the State Board of Administration must appoint a nine-member advisory council. One of the appointees must be a representative of reinsurers. Members of the advisory council serve at the pleasure of the State Board of Administration.

(See Attachment 8)

ACTION REQUIRED

T H E   C A B I N E T

S T A T E   O F   F L O R I D A

Representing:

STATE BOARD OF ADMINISTRATION

The above agency came to be heard before THE FLORIDA CABINET, Honorable Governor Scott presiding, in the Cabinet Meeting Room, LL-03, The Capitol, Tallahassee, Florida, on Tuesday, September 20, 2011, commencing at 1:05 p.m.

Reported by:
JO LANGSTON
Registered Professional Reporter
Notary Public

ACCURATE STENOTYPE REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
(850) 878-2221

APPEARANCES:

Representing the Florida Cabinet:

RICK SCOTT
Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

* * *

INDEX

STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS)

P R O C E E D I N G S

* * *

GOVERNOR SCOTT: Good afternoon. Is everybody ready? Ash, are you ready?

MR. WILLIAMS: Yes, sir.

GOVERNOR SCOTT: Okay. I guess the first one is -- you're up, I guess, the minutes. Just making sure I don't get ahead of myself here.

MR. WILLIAMS: Thank you, Governor, Trustees, good afternoon. I thought what might make sense as a format today, since we have several normal, what I would call SBA non-investment agenda items on today's agenda, is perhaps cover those first. And then before we go into the quarterly meeting, I'll give the usual comments about balance in the fund and other general observations, if that suits the group.

Thank you. Item 1, request approval of the minutes from the August 2 meeting.

GOVERNOR SCOTT: Sure.

CFO ATWATER: So moved.

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: Moved and seconded. Item 1 is approved without objection.

MR. WILLIAMS: Item 2, request approval of a fiscal sufficiency of an amount not exceeding $65 million State of Florida, Full Faith and Credit, Board of Education Capital Outlay Refunding Bonds.

GOVERNOR SCOTT: Is there a motion?

CFO ATWATER: So moved.

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: Moved and seconded. Item 2 is approved without objection.

MR. WILLIAMS: Thank you. Item 3, request approval of a fiscal sufficiency of an amount not exceeding $33 million State of Florida, Board of Governors, Florida State University Dormitory Revenue Refunding Bonds.

GOVERNOR SCOTT: Is there a motion?

ATTORNEY GENERAL BONDI: So moved.

CFO ATWATER: Second.

GOVERNOR SCOTT: Moved and -- sorry.

MR. WILLIAMS: Thank you.

GOVERNOR SCOTT: Moved and seconded. Item 3 is approved without objection.

MR. WILLIAMS: Item 4, request approval of a fiscal sufficiency of an amount not exceeding $26 million State of Florida, Board of Governors, Florida International University Dormitory Revenue Funding Bonds.

GOVERNOR SCOTT: Is there a motion?
ATTORNEY GENERAL BONDI: So moved.
CFO ATWATER: Second.
GOVERNOR SCOTT: Moved and seconded. Item 4 is approved without objection.
MR. WILLIAMS: Thank you. Item 5, request approval of a fiscal sufficiency of an amount not exceeding $18 million State of Florida, Board of Governors, University of Florida Dormitory Revenue Refunding Bonds.
CFO ATWATER: So moved.
ATTORNEY GENERAL BONDI: Second.
GOVERNOR SCOTT: Moved and seconded. Item 5 is approved without objection.
MR. WILLIAMS: Thank you. I'd like to request withdrawal of Item 6, please.
CFO ATWATER: So moved.
ATTORNEY GENERAL BONDI: Second.
GOVERNOR SCOTT: Moved and seconded. Item 6 is withdrawn without objection.
MR. WILLIAMS: Thank you. Item 7, request approval of a fiscal sufficiency of an amount not exceeding $15 million State of Florida, Board of Governors, University of Central Florida Parking Facility Revenue Refunding Bonds.

ATTORNEY GENERAL BONDI: So moved.

CFO ATWATER: Second.

GOVERNOR SCOTT: Moved and seconded. Item 7 is approved without objection.

MR. WILLIAMS: Thank you. Item 8, request approval of a fiscal determination of an amount not exceeding $24 million Florida Housing Finance Corporation Multifamily Mortgage Revenue Notes/Bonds.

GOVERNOR SCOTT: Is there a motion?

CFO ATWATER: So moved.

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: Moved and seconded. Item 8 is approved without objection.

MR. WILLIAMS: Thank you. Item 9, request approval of the quarterly State Board of Administration PFIA Act, that's Protecting Florida's Investments. This is the statute that deals with not trading in Iran or Sudan. And essentially what we have in this report is we look at those two countries, Iran and Sudan, and we have two categories of companies, scrutinized and continued examination. A little minor movement back and forth between the two. Nothing of materiality and no problems to report.

GOVERNOR SCOTT: Okay. Is there a motion?

ATTORNEY GENERAL BONDI: So moved.

CFO ATWATER: Second.

GOVERNOR SCOTT: Moved and seconded. Item 9 is approved without objection.

MR. WILLIAMS: Thank you. So with that, we are now in position to move into our normal quarterly meeting. And what I'd like to do, if I may, is share a couple of things just at the outset. First of all, as of last night's close, calendar year to date, the Florida Retirement System Trust Fund is down 1.7 percent, which is 33 basis points ahead of target. That leaves the balance at $118.7 billion, which to put in perspective, is down approximately five and a half billion from the beginning of the year.

And I think the down market environment that we've seen month to date and particularly during August, particularly miserable period during August, just reflects the ongoing misery accompanying global deleveraging. We talked about this yesterday in the Investment Advisory Council.

But I think the inability, particularly on the public sector side, for there to be closure on --

GOVERNOR SCOTT: Greece?

MR. WILLIAMS: Greece, absolutely, it's right there. I mean, people talk about the debt crisis in Europe. Keep in mind, we haven't resolved the debt issues in this country either. So it's a global problem. And I think the public sector is lagging the private sector in terms of delevering, restructuring, focusing on sustainability, et cetera.

GOVERNOR SCOTT: Ash, what was our high? Our high was 128, around 128? Is that what it was on the pension?

MR. WILLIAMS: Yes.

GOVERNOR SCOTT: And so were both July and August down months?

MR. WILLIAMS: July, I'm not sure. August was absolutely a down month.

GOVERNOR SCOTT: August was a down month?

MR. WILLIAMS: Yes. August was a miserable month, one of the worst in recent memory. And basically what you're seeing is a number of things telegraphing greater concern about where we're going from here. Perhaps the biggest thing one might look at is where the ten-year Treasury bond is. You're now seeing the ten-year at two or less percent yield, which I think could reasonably be interpreted to suggest that maybe the bond market is more worried about deflation than it is inflation, which is sort of a scary thought.

And if you look at what's going on with S&P 500 earnings information, remember, when we were -- in one of our recent meetings, I don't know if it was the last one, but I shared several things that were fairly positive on the information about leading indicators, et cetera. Now I see negatives on those areas.

Governor, you had mentioned that you had been in the field talking to a lot of folks, and there was a lot of anxiety out there. That anxiety would appear to have been well placed, from the standpoint that you're now seeing, when you look at the revisions of S&P 500 earnings estimates, those revisions for the first time in 27 months have now taken on a negative tone, which tells you companies looking forward are now saying, gee, it doesn't look as good as it was, concerned about a dip back into recession, et cetera.

So those are just a few broad comments for you. I also wanted to touch on a couple of things that we talked about a little bit before. One is the ongoing interest in and commitment to transparency.

Today's agenda package is our new standard quarterly reporting package for the trustees, and we had the new standard version for the Investment Advisory Council yesterday.

Both of these are fully digital. They're on the Web, together with all the backup materials, and the entire package can be sent electronically instantaneously to any citizen who wants it. So it's a nice step forward, I think, in transparency.

It also is designed to follow what our fiduciary counsel told us are all the appropriate areas that you as trustees need to be on top of to fulfill your fiduciary responsibility. So that is exactly the model we're on, which is consistent with the direction you provided.

GOVERNOR SCOTT: Ash, can I ask you a question on that?

MR. WILLIAMS: Yes, sir.

GOVERNOR SCOTT: If you have money in the pension, how -- so, you know, you're relying on the pension. What sort of -- how easy is it for them to get -- is it quarterly information that they're able to get? Is it monthly information they're able to get, or are they able to sort of track on a daily basis how you're doing?

MR. WILLIAMS: I don't believe there's daily tracking. We provide monthly and quarterly reports to you. And those, I believe, are all posted. And the monthly reports and the quarterly reports are quite thorough, and they show performance by asset class, benchmark, et cetera, relative performance, absolute dollars present, offer a little bit of commentary, et cetera. Both the monthly and quarterly reporting packages are pretty darn thorough.

GOVERNOR SCOTT: And the only thing that's hard to mark to market is the private investments. Everything else, it's pretty easy.

MR. WILLIAMS: Yeah. I mean, public markets by definition get a daily mark that's unquestioned. And when you have nonmarketable investments, there will be, A, a lag in reporting and, B, there will be some element of process that has to be gone through to make sure that you have an objective and defensible mark in accordance with accepted practice.

GOVERNOR SCOTT: And historically, on the nonpublic investments, how -- have we been off ever very much on how we value those historically? Did we have a lot of surprises?

MR. WILLIAMS: I don't think so. Historically, does anybody have any recollection of surprises of that nature? I do not. We've certainly never had to do a restatement or anything of that nature.

GOVERNOR SCOTT: And the information -- if you were an individual employed in the state and looking at this stuff, what they would get on the private side, they might have the information monthly, but it would be updated how often?

MR. WILLIAMS: The private investments are valued quarterly basically.

ATTORNEY GENERAL BONDI: And, Ash, when you say posted for the public, what do mean by that? Where can someone go to find that information exactly?

MR. WILLIAMS: Well, it would be on our website --

ATTORNEY GENERAL BONDI: On your website.

MR. WILLIAMS: -- when you go to look at the periodic reports. Keep in mind we send each of your offices monthly reports and quarterly reports that are detailed. All of those are public documents. They're all easily accessible.

ATTORNEY GENERAL BONDI: And so the public can just type in State Board of Administration and pull it right up.

MR. WILLIAMS: Sbafla.com.

GOVERNOR SCOTT: On pick your equities, how -- so on your equities, how often, how much -- how detailed is the information that the public can look at on a constant basis?

MR. WILLIAMS: On a constant basis?

GOVERNOR SCOTT: Start with quarterly.

MR. WILLIAMS: Okay. We post holdings reports periodically. I'm not sure exactly what the periodicity is, probably quarterly, that go down to the security name. Whether that's interesting or useful or meaningful information to anyone, I would argue probably not. But it's there if anybody wants it.

GOVERNOR SCOTT: And is anybody -- on the pension funds across the country, is anybody doing more on transparency than we are?

MR. WILLIAMS: Well, I'm not going to claim to be an expert on what others are doing, but I will say this. On a pretty regular basis, we have calls from other folks saying they really like what we've done and they're going to copy one aspect or another. I know I was at a meeting during the summer, met the trustee of one of the big New York funds, and they said they were studying our website, really liked it and hoped they could get to where we are at some point in the future.

GOVERNOR SCOTT: Is it something that's hard to do? If we ask, if we said, could you take the -- I don't know if it makes sense to do all 50 states, but take the top five or ten and compare transparency and say, does this one have something that we don't have that might be interesting to people? Does that make any sense to do?

MR. WILLIAMS: Well, I don't know. I think the general key we try and do is everything in Florida, with a very, very narrow list of exceptions, is public. And what we generally do is whatever we've got that would be of interest, if a link would help, we'll put it there. And that's been the general trend, because from our standpoint, frankly, the easiest thing to do is, if it's public, put it out there. And that way you're not spending time responding to inquiries about it. And you can say, if somebody says, I want X, Y, Z, go to the website, here's where to look, enjoy.

CFO ATWATER: Governor, I would just be curious, too. The national association, does it have a periodic review of transparency, when you all would gather and converse, as to laying kind of a grid of who may be standard bearers and --

MR. WILLIAMS: Not really. My experience -- and I'm talking here, when you say the national association, I'm talking about the National Association of State Investment Officers. That dialogue is pretty exclusively focused on investing, investment results, risk management, current opportunities, that sort of conversation.

GOVERNOR SCOTT: Have y'all done any meetings with employees to say, you know, what sort of information -- is there more information you would like that -- have you ever done meetings like that?

MR. WILLIAMS: We talk to employees pretty regularly. I speak to employee groups pretty regularly, and I recently met with all of the HR directors from state employer groups, and that was part of the dialogue. It wasn't all of it, but it was part of it. Generally, we find a pretty high level of satisfaction with what we're doing. If people ask us for something and it's reasonable, we'll generally do it.

GOVERNOR SCOTT: Thanks.

MR. WILLIAMS: Thank you. One other thing I wanted to just come back to a little bit, because we had had a follow-up question on it. We had a brief conversation. Governor, you had asked me a question or two at one of our recent meetings about the whole active versus passive question and how that has gone. We since had a follow-up question and prepared a little answer. I just wanted to touch on a couple of high points there for just a moment, if I may.

Basically the question was why wouldn't we do all of our investing passively. And the answer is -- I think I touched on this previously -- that we do invest passively in areas where the markets are most efficient and we don't believe active management will be rewarded, but that some financial markets are in fact less efficient, and in those, active management can be rewarded. That is how we decide where to be active or passive.

And the premise is supported by the experience that our active equity and fixed income managers have in fact collectively beaten their benchmarks going all the way back to inception, net of fees.

And we did some analysis on that and confirmed that. We also did a little further research and found that there's not a single state pension fund in the United States that employs an exclusively passive strategy. There's a blend of active and passive everywhere for exactly the reason I just outlined.

And one of the great appeals of passive investing and one of the reasons we've been passive investors for so long is that it's a very low cost way to put money to work. And we are quite consistently among the lowest cost pension plans in the country. And I think you're going to hear a little information on that later today from Hewitt EnnisKnupp.

And one of the reasons is that we do have a significant passive component. The other reason is, because of our size, to the extent we are active, the fees we capture on the active side are extraordinarily competitive, when you look at our portfolio in aggregate, which holds down our costs overall.

So I just wanted to touch on those two things. And, last, as a housekeeping item, in terms of how I was going to go through today's agenda, we have Hewitt EnnisKnupp here to do the major mandate investment performance, walk us through that. We have standing reports from the Investment Advisory Council, Participant Local Government Advisory Council, Audit Committee. We have all the staff standing reports in your document.

It was not my intention to go through all the staff reports. They're there, happy to provide answers to any questions. Staff are here. If you want to question any staff people directly, they're available. But in the interest of time, I think keeping it at this level probably makes sense.

Again, I want to thank members of the IAC. We had a tremendous meeting yesterday. We had the same two esteemed members of our Audit Committee who are here today were with us yesterday and stayed the duration of the Advisory Council's meeting. And I think it actually went quite well all the way around.

So unless there are questions, why don't we go ahead and move into the major mandate investment performance report with Hewitt EnnisKnupp. Mike Sebastian from EnnisKnupp, Hewitt EnnisKnupp.

GOVERNOR SCOTT: Good afternoon.

MR. SEBASTIAN: Thank you very much. Good afternoon. Attorney General Bondi, CFO Atwater, Governor Scott, thanks very much for having us here today. As Ash alluded to, our report covers all the major mandates managed by the SBA. I begin with some summary information. This summary covers all the mandates and just attempts to hit at the high points regarding the investment results over the past quarter, one year and longer periods.

Over this period all major mandates have outperformed their respective benchmarks. Over longer time periods, you'll see a little bit more information on performance through July 2011, but it's been extremely good.

Within the Pension Plan, the global equity and fixed income components added the most value, through successful active management. We do some comparisons of FRS pension results with peers, both a broad group of peers and a more focused group, and performance relative to peer funds has been strong over the one-, five- and ten-year periods.

Just noting some events in the various mandates managed by the SBA. Within the Investment Plan, the Defined Contribution Plan, we saw some movement on the part of participants away from riskier asset classes, such as equities, into safer asset classes, such as the money market funds, TIPS and fixed income. And that's fairly normal during periods of market volatility.

And then, lastly, the Lawton Chiles Endowment Fund outperformed its performance benchmark over all periods that are tracked, with foreign equity being the largest contributor to value added.

We have a number of slides, a number of exhibits relating to the economic market environment. And in the interest of time, unless there are questions or you'd like to direct me otherwise, particularly given that the information is a few weeks behind this, I'll just kind of summarize and then move on to more of a discussion of the mandates.

This particular slide shows returns ending June 30th, so this report is largely through the period ending June 30th, for major asset classes for the one quarter and longer time periods. And what I would note is that for the second quarter, risk in general in the capital markets was not rewarded.

You see that blue chip U.S. stocks, such as seen in the S&P 500, were flat. Bonds did very well for the quarter. Small cap stocks and emerging market stocks, the riskier investments, were hurt during the second quarter, posted negative returns.

The MSCI EAFE Index, which tracks the returns of the developed markets, did post a positive return, but part of that was the weakness of the U.S. dollar relative to foreign currencies, which helped an unhedged investor in those stocks.

Over the year-to-date period and the one-year period in particular, the fiscal year ending June 30th, the story was quite a bit different. This is a period of very strong returns for the capital markets, in particular riskier securities, stocks of the U.S. and foreign variety.

Again, I mentioned that there's a summary of economic data in the following slides. Certainly there are areas of concern. And those areas of concern have magnified since the production of this report. There's been some signs of a loss of momentum in economic growth and a decline in outlook, shown in the Philly Fed survey results. The dollar continues to be weak. And we see issues in the Eurozone, in particular Greece but in other areas as well. And on the positive side, in some areas of the country at least, bank lending has picked up to a degree. So that's one bright spot.

In that context, I'll just summarize. I had mentioned in general that performance was good, but this table, I think, is kind of striking in that it shows the major mandates' performance over year to date and longer trailing periods, up to 10 years, and for every mandate in every trailing period, performance relative to the performance benchmark was positive. Each fund outperformed its benchmark returns, with the exception of the Cat Operating Fund that modestly underperformed over the five-year period. So performance relative to the benchmarks that are markers of the investment policies of these funds has been strong.

We'll move into a little bit more detailed look at each one of the major mandates, beginning with the Pension Plan. The executive summary of that suggests that -- Ash gave more up-to-date asset values, but as of June 30th, 2011, fund assets were $128.5 billion, which represented a $700 million increase since last quarter.

Performance relative to the performance benchmark has been strong. The fund is well diversified across six major asset classes, representing every major area of investment, and within each one of those asset classes the investments are well diversified.

Asset allocation is monitored on a daily basis to ensure that it is in line with the investment policy and the allowable ranges of allocations around those investment policy targets, and it has been.

SBA staff, with the assistance of the consultant, us, Hewitt EnnisKnupp, review the investment policy of the Pension Plan annually, through informal and formal reviews. The last formal review was in 2010. The next formal one will likely be in 2013. We conduct annual updates to ensure the investment policy of the fund is in line with its objectives and circumstances. And we've found it has been so.

And then lastly, in our view, there's adequate liquidity within the Pension Plan to meet its obligations.

CFO ATWATER: Mike, could I ask a question?

MR. SEBASTIAN: Yes.

CFO ATWATER: The question is, in the investment policy, what do you look for that would suggest it's time to revisit? Is there any types -- the significance of world events or what we're seeing taking place in Europe, is there anything that says, you know what, rather than -- I know that we look at it periodically. You mentioned last full review was 2010, next time will be 2013. We keep an eye on things.

Can you give us a sense of what would trigger a more significant look that may lead to recommendations of changes of allocations?

MR. SEBASTIAN: The two drivers of an investment policy review and any changes recommended would be first the circumstances of the plan, so if there's a change in the plan's funding, the plan's liabilities and obligations, other actuarial characteristics of the plan that would change its nature against which the assets are matched, that might lead us to recommend a change in investment policy.

And that's why actuaries on staff work with the fund's actuaries to examine the liability side of the equation and match that up with the investment policy and update that once per year.

The other side would be the assets, we use a 15-year planning horizon when recommending an investment policy for the Pension Plan. And so that's really a long-term look at the capital markets, but it also links into current market conditions, so changes in valuations, changes in interest rates, will have an impact on our long-term returns. It tends to be muted to the extent that those long-term terms shouldn't change too much from year to year and study to study, but they do change.

So a major development in the capital markets would have a reasonably large impact on our long-term assumptions, and that could change the appropriate level of risk that we recommend the Pension Plan take, or suggest a different way to diversify those risks within the larger categories. Does that help?

CFO ATWATER: Yeah. So is there anything about Europe that is of such concern that we should be looking at doing anything different on the short-term?

MR. SEBASTIAN: Not at the moment. We are well aware of the situation in Europe and how it impacts the potential returns on global fixed income and also riskier securities and equities. The impact for a long-term investor, with a 15-year time horizon is not such that we'd suggest a change in investment policy. However, you have a mixture of active and passive management within the fund and also some degree of tactical asset allocation.

So you have, with your professional staff, a mechanism in place to respond to shorter term market events. And that's what's happening with your external active managers and the actions of your internal staff. But we don't recommend a change in long-term investment policy.

CFO ATWATER: Maybe Ash --

GOVERNOR SCOTT: Is the reason that you already have a band? Ash, what's your band on equities right now?

MR. SEBASTIAN: It is illustrated in this graph. Global equity, it comprises all public equities, domestic and foreign, and the allowable range around a target of approximately 59 is 48 to 64 percent of the total fund.

GOVERNOR SCOTT: So you'd have to -- something would have to happen that you'd come to the conclusion that you want to have less than 48 percent in global equities.

MR. SEBASTIAN: There is room to move within those --

GOVERNOR SCOTT: Does that answer your question?

CFO ATWATER: It is. It's Mike, right?

MR. SEBASTIAN: Yes.

CFO ATWATER: Yeah, Mike. And you're pointing it out as well, Governor. I'm just curious. Mike is kind of saying, as you did, you've got the band, you've got the policy, we can make more limber, more agile decisions with the managers themselves.

MR. SEBASTIAN: That's correct.

CFO ATWATER: And I was going to suggest that maybe when Ash comes back up later, I'd just be interested in being informed as to what direction we may be offering to some of those managers at this moment, or at least the discussion we're having that may in fact be guiding some other decisions within the bands or within the options that we have within equities at the moment, or global equities.

MR. SEBASTIAN: Sure.

GOVERNOR SCOTT: Do we give them advice, Ash? We just -- we take what their plate is, right?

MR. WILLIAMS: We essentially ask them to follow a mandate. We populate our manager universe within our allocation, our policy allocation. And then it is the manager's job to evaluate the current and future environment and make the best decisions. The idea of tactically adjusting your weightings with regularity based on your own anticipation of the market is a field known as tactical asset allocation, which has honestly been widely discredited. It hasn't worked. The Board had a period of time many years ago where it attempted tactical asset allocation, and it just did not add value.

What we find at the margin really makes the difference is getting the asset allocation right in the first place, which is exactly why we did the big asset-liability study and target allocation work, started in tail end of '09, finished in '10, revisited not once but twice already in '11, March and June, to get our asset allocation targets right.

Then what you have is, in the marketplace, as there are movements that force you to the outer bounds of your rebalancing ranges, then you rebalance, as indicated by the market, so that you are mechanically selling what is dear and buying what is cheap, because you will be forced underweight or overweight by market movements.

But we don't get up on a given day and say Europe looks like trouble, let's call all the European managers and tell them to sell. Because they're discretionary managers, they have the ability to carry -- to adjust their own books as they see fit, and they're held accountable for the result. So that's how it works.

CFO ATWATER: And we live with the result.

MR. WILLIAMS: Correct.

CFO ATWATER: Just -- and I don't think anyone would suggest waking up on a given morning and selling everything in Europe. Just curious as to everyone's flexibility to work with the picture that's being painted before you every day and if they choose to ride a horse off a cliff --

MR. WILLIAMS: Well, let's relate this to exactly the decision-making that this group has been through since you've been in office. One of the primary initiatives we've been trying to address is to reduce risk and increase diversification in a portfolio by giving us more flexibility to use opportunistic strategies mandated -- implemented outside the SBA through managers that will have more ability to take advantage of different sorts of opportunities, including on the short side, et cetera.

And the reason is that those strategies generally have been demonstrated pretty consistently to better protect capital in down markets and do roughly like the broad markets in up markets, so that over the fullness of cycles, you have better compounding.

There was a piece in the *Financial Times* on the 18th of this month on exactly this subject, where a firm called LCH, which is related to the Rothschild family holdings, has done an extensive study and concluded that by adding a mix of alternatives, including hedge funds, to a portfolio, you can very significantly reduce the long-term risk of the portfolio and slightly increase its performance, which is exactly the message that Hewitt EnnisKnupp brought us in the work that we did. And I'll be happy to share that article with you if you'd like to see it.

CFO ATWATER: Thank you.

GOVERNOR SCOTT: And the biggest -- if anybody is going to complain about that, they're going to complain because there's less transparency with the alternatives.

MR. WILLIAMS: If anybody is going to complain, yes.

MR. SEBASTIAN: Shall I continue? We had touched briefly on the actual asset allocation of the plan to its six major asset classes and the bands that are around the allowable ranges or, rather, the allowable ranges around the targets. An important measure of risk control that's monitored on a continuous basis is where those actual allocations fall relative to the actual ranges. And they were in compliance with policy as of June 30th, as they have been in past periods.

This graph illustrates the results, the

investment results of the Pension Plan over the quarter and longer periods relative to two benchmarks, one labeled and in blue performance benchmark, which is a representation of the investment policy of the fund, so the difference between the actual returns, and the performance benchmark represents the success of active management relative to that policy. And performance relative to the performance benchmark over every period shown here has been positive. The fund has outperformed.

A second benchmark that's shown is the absolute nominal target rate of return, which is the rate of inflation plus five percent per year. That's intended to be a measure of the return needed to achieve the financial objectives of the plan over the long-term. That is intended to be a long-term target rate of return. So we focus on comparisons of long-term actual returns with that target.

And although the performance has been mixed relative to that target over shorter periods, which is not surprising given the volatile markets, performance relative to the target has been a positive outperformance over the long periods, the 15-year period and then in a separate exhibit shown on the next page, over the 15-, 20-, 25- and 30-year periods.

GOVERNOR SCOTT: The only thing that's scary is it's coming down, right? Returns have gotten harder, it seems like.

MR. SEBASTIAN: Absolutely true.

GOVERNOR SCOTT: Especially the last ten years.

MR. SEBASTIAN: Yes. It's good to see that at least over the one-year period, you know, helped by the stock market relative to the fixed target rate of return, performance has been very strong. But, yes, it continues to be challenging.

Attribution analysis, as shown here, details the contribution of the various asset classes to total fund performance. The bar at the foot of these tables, which are one-year and five-year periods, represents the difference between the total fund performance and that of its benchmark, so 31 basis points or 31 one-hundredths of a percent of excess return over the one-year period and 28 over the five-year period.

As I alluded to in the early comments, global equity and fixed income have been the strongest contributors to pension performance over the one-year period. This was a particularly good time to take active risk. Active risk for skilled investment managers was rewarded in this period, and that shows through in the results.

Private equity, for the one-year period, shows a negative contribution. Part of the reason for that is the lag of the public markets that is exhibited by the private equity market. In general, private equity valuations follow those of the public markets. And so when the public markets are strongly positive, as they were in the one-year period ending June 30th, private equity tends to lag. If there were opposite market conditions, we would likely see the opposite effect.

And I will skip to a performance or a peer comparison that I promised earlier. We do a couple of them, but I'll focus on the comparison of the Pension Plan with what is called the Top 10 Defined Benefit Plans. This is from a source called TUCS, Trust Universe Comparison System.

The statistics for the universe, for the peer group, are shown in the footnote. I apologize for the small font. But the peer group includes $1.1 trillion in total assets. Median fund size was $110 billion, and average was about the same. So this particular peer group is comparable in size to FRS.

And since a major driver of investment performance over time will be the investment policy decision, the asset allocation decision, that's what we focus on here. And just noting FRS versus this top 10 peers, FRS has -- the Pension Plan has more global equity, moderately more real estate, less fixed income and less cash and significantly less alternatives at this point in time. That would combine, other than real estate, the private equity investments at 4.4 percent of the total fund on the left and 3.2 percent strategic investments, compared with the catchall category of alternatives on the right, 14 percent.

So there has been an underweight in alternatives. One of the outcomes of the comprehensive asset-liability and asset allocation study that happened last year was to consider over time building into a larger allocation to alternatives, in particular hedge funds, where it's believed -- we believe that the risk-return trade-off is better and the return per unit of risk is --

GOVERNOR SCOTT: Is there an analysis that shows you the risk relative to the other -- the top 10? I understand looking at per asset class, but is there a way you can say that we have taken more risk or less risk than the other funds or the other plans?

MR. SEBASTIAN: Those comparisons are available. Peer comparisons tend to focus on returns rather than risk. I think that you would likely find that -- I suppose it's dangerous speculating, so I'll just throw that out. But the FRS has experienced volatility similar to other plans, a slightly greater allocation to public risky assets, to stocks, but a lower allocation to some forms of alternatives, like private equity. So I could come with more detail, but I would expect you would see that you were about in line with peers.

CFO ATWATER: But the answer to that was it is available.

MR. SEBASTIAN: Yes. Risk as measured by volatility of returns, that is information we're capable of providing. We'd be happy to bring it back to you.

CFO ATWATER: Thank you.

GOVERNOR SCOTT: Yeah, I think that would be interesting.

MR. SEBASTIAN: This exhibit shows a performance comparison of the Pension Plan relative to the top 10 universe that we've just seen some detail on. Again, the universe comparisons should be taken with a degree of a grain of salt, to the extent that every plan's circumstances are different, and the primary driver of returns will be asset allocation.

So to the extent that different funds have different circumstances and different investment policies, their results will differ. But results for the pension relative to the top 10 universe were generally positive, with outperformance over the one-, three- and five-year periods and returns slightly below the median over the ten-year period, probably reflecting the difference in allocation to equities of the FRS relative to peers.

That concludes the summary of the Defined Benefit Pension Plan. If it's your desire, I'll move on to the Defined Contribution Plan.

GOVERNOR SCOTT: That's great. Thanks.

MR. SEBASTIAN: The summary of the Investment Plan is shown here. In general, performance relative to the aggregate benchmark, we'll see more on that in a second, but over the trailing one-year and five-year periods has been strong, suggesting strong relative performance for the underlying options.

Fees and expenses are a strong driver of performance and something that we watch very closely. And we'll see some detail on how the fees and costs of the Investment Plan, the DC plan, are low relative to peer DC plans and also other alternatives, such as defined benefit plans in the corporate and public fund space. And that is driven by the fact that fees are lower than the median supplied by Morningstar in every investment category.

And we believe the investment plan offers an appropriate number of options that span the risk-return spectrum. And that's part of reviews of investment policy that are done on a regular basis on the part of us, your general consultant, and your staff.

Here are Investment Plan returns for periods ending June 30th. There are two different comparisons shown here. One, in the top panel, it's relative to the total plan aggregate benchmark. So this is a combination of the benchmarks of the individual options included in the plan all rolled up into one. And so the difference between the investment plan total returns and the aggregate benchmark returns will be the success of active management relative -- and then structure of those options relative to the benchmarks.

And over the one-, three- and five-year periods, results have been positive, 90 basis points, 60 and 60 of outperformance, so indicating good implementation of those investment options.

The second panel shows Investment Plan's returns relative to the U.S. median peer plan. Now, there are some details in the footnotes regarding how that's constructed, but it's from a firm called Cost Effectiveness Measurement that provides very well respected comparisons of plan performance and costs.

Even more so than probably in the defined benefit area, care needs to be taken in interpreting peer comparisons because the trustees do not, of course, control the asset allocation or the allocation among options in the plan. The participants do.

But in the left side of numbers in the bottom table I would note the five-year average return, 4.0 percent for the investment plan versus 3.8 for the U.S. median. So that suggests that the participants are creating portfolios, based on the options they have available to them, that are generating returns that are competitive with peers.

GOVERNOR SCOTT: Just to make sure I understand this, so if I'm in the Investment Plan, I've got one of six options and I can do any number of them. So I can just say I'll put all money into the balanced funds, right?

MR. SEBASTIAN: Yes.

GOVERNOR SCOTT: And then what this -- this 17.2 on the aggregate benchmark basically says that that's -- that's what the benchmark was based on how much money was in each one of those.

MR. SEBASTIAN: That's right.

GOVERNOR SCOTT: Okay.

MR. SEBASTIAN: The second part of the bottom panel shows gross value added. These are gross of fees because that's how the peer group data is available. But the gross value added for FRS Investment Plan was 1.0 percent. The U.S. median was 0.5 percent. So on a total return basis, generating returns competitive with peers, not only has the Investment Plan outperformed the benchmarks of underlying options but it's done so to a somewhat greater degree than peers.

And, again, this is gross of fees. Were we to take fees into account, because fees are very competitive for the Investment Plan, the results would likely look even better.

This is a summary of cash flows for the second quarter and the fiscal year to date. This is showing net contributions and withdrawals, netted out with investment earnings. What I would note from this table is that the Investment Plan is growing in terms of positive investment earnings over this period, for one, but also net contributions, so that the plan is increasing in size. It's gaining participation.

Just a quick note on this. This is cash flow by product type. I had said at the outset that there had been some flows between products away from the riskier investment options, domestic equities, international equities, and toward the safer or lower volatility options, money market, inflation-protected TIPS and fixed income.

And we see that here, with amounts that are overall large in dollar terms, relatively modest compared to the size of the overall plan, that's fairly common in periods of market volatility. It's not something we see as unusual.

This slide shows the expense ratio of the FRS

Investment Plan relative to the peer DC plan. And so this is essentially the same peer group that we saw in terms of the performance comparison on the first slide. So we want to see costs be low, because a dollar of cost reduces returns dollar for dollar, while at the same time offering adequate management of options, options that when expected to do so, actively managed ones outperform the benchmarks.

And we see that here; 23 basis points expense ratio for the FRS Investment Plan versus 27 percent for the peer DC plan. So cost-effective operation relative to other DC plans.

Relative to DB plans, there's some detail in the footnote regarding the nature of the peer groups, but corporate and public funds turned in expenses of 50 basis points and 46, compared with the 23 for the Investment Plan. So as an option, the FRS DC plan is cost-effective relative to defined benefit options in the marketplace.

As I had suggested before, the fees within each option category are lower than the average mutual fund fee. So these are, in the middle column, FRS's actual fees, average within the investment options, and to the right is a Morningstar average. And it's lower in each case, substantially lower.

The plan continues to grow. This is data for fiscal yearend in millions of dollars over all assets under management in the plan, with a small downturn or downturn in fiscal year '08-'09. We've seen steady increases in overall plan size, ending with $6.7 billion as of the most recent data period. And that increase has shown in plan membership as well, with an all time high of 136,661 participants as of the current fiscal year.

Barring further questions, I will move on to the Cat Fund, the Hurricane Catastrophe Fund. In terms of summary, the performance of the Cat Fund has been positive on an absolute basis and relative to its benchmark over short- and long-term time periods. We believe that the Cat Fund is adequately diversified among issuers in the short-term bond market. The funds -- the securities contained in the fund are constrained, which we believe is appropriate, to short-term and high quality bonds.

The fund has, we believe, adequate liquidity to meet its cash flow obligations. And as with the other mandates, the investment policy is revisited periodically to ensure that it is in line with best practices, and we believe that is the case.

Here is a table as seen for other mandates. It shows a summary of cash flows for the second quarter and fiscal year to date. So we see a net change that is negative for the second quarter, positive for the fiscal year to date, a combination of net contributions and investment earnings, while not to sneeze at it, $29 million, low relative to other mandates, just reflecting the short-term bond nature of the Cat Fund, but brought together a net change of about $1.3 billion in growth in assets in this fund.

And investment results have been strong over the most recent and longer term periods, with returns greater than the benchmark for the quarter, one-year and ten-year periods.

If I might, I will review the Lawton Chiles Endowment Fund. Another agenda item later this afternoon relates to the investment policy of the endowment fund. But in terms of performance over the periods shown here, assets, a total of $667 million as of June 30th, and the return of the endowment was greater than that of its benchmark over the periods, over the periods that we analyzed, all of them. And a major driver of that outperformance was the foreign equity component.

The cash flows for the quarter and fiscal year to date are shown here. Just focusing on year to date, fiscal year to date, $15 million in net withdrawals, that is the regular distribution based on the spending rule for the Lawton Chiles Endowment Fund, so those are just regular distributions, and investment earnings of $155 million, so a growth in assets and ending, as I noted, with a market value of $767 million for the endowment fund. And performance, as I noted, was strong relative to its target over all periods, quarter, one, three, five and ten years.

Then, lastly, I'll touch on the Florida PRIME. Its purpose is safety and liquidity and competitive returns with minimal risk. The bonds or the investments contained in the fund are short-term and high quality. We believe that it's adequately diversified across issuers and that there's adequate liquidity within the fund to address its cash flow obligations.

Performance has been strong over short- and long-term time periods. Market value is growing. It's at $6.8 billion as of June 30th. And I would just note that we, Hewitt EnnisKnupp along with SBA staff, do an annual best practices report that covers every element of the operations and management of the fund to ensure that it is in line with best practices, and we have found that it is.

And performance is shown here relative to an index of similar local government investment pools in other states. And performance has been positive over every time period.

And then to end with cash flows, the second quarter and fiscal year to date, the fund is increasing in size. It ends with $6.8 billion in assets, a change of $1.3 billion over the fiscal year period. That includes transfers from Fund B. And as of June 30th, 83 percent of Fund B principal has been returned to participants. And that number is shown here at $102 million over that period.

And that concludes my prepared remarks, and I'll be glad to take any further questions you might have. Thank you very much.

MR. WILLIAMS: Thank you, Mike. Why don't we move ahead to the standing reports that we have. These are the statutorily required reports. First is the Investment Advisory Council, and we have with us Mr. Rob Gidel, the chairman.

MR. GIDEL: Good afternoon, everyone.

ATTORNEY GENERAL BONDI: And, Governor. Happy birthday, Chairman Gidel.

MR. GIDEL: The big six-O. We survived it. The IAC met yesterday, and all the members were present, including Chuck Newman, who is one of our new members who was appointed to the Council by CFO Atwater earlier this year. He has been a terrific addition to our group, and we appreciate the appointment very much.

At our meeting yesterday we accomplished three things. First of all, we reviewed the investment performance, as Mike presented earlier, on all the major mandates. And we continue to be satisfied that the current asset allocation and management continues to add value, and we hope that will continue to be the case.

Second, pursuant to our standing agenda, we reviewed the real estate portfolio as presented by our consultant, The Townsend Group, who you will hear from in a few minutes. And the Council wanted the trustees to know that we support the current investment strategy and the plan that's being executed on our behalf in that segment of the portfolio.

Next we reviewed the process that was used to effect a transition of equities and real estate security portfolios, and we were satisfied with that transition and the results of that transition. And, finally, we reviewed the recommended asset allocation changes that you're going to hear about in a few minutes to the Lawton Chiles Endowment Fund. And since that matter will come before the trustees, the Council wanted you to know that we voted unanimously to make that recommendation, so that you can support it.

As always, the Council is here to support you and your decision-making, and anything we can do on your behalf, we are happy to do so. Our next meeting is here in Tallahassee on December 5th, and that's really the conclusion of our report.

GOVERNOR SCOTT: Thank you. Does anybody have any questions? Thanks, Rob.

MR. WILLIAMS: Thank you. Next we have Chairman Roger Wishner of the Participant Local Government Advisory Council.

MR. WISHNER: Good afternoon, Governor --

GOVERNOR SCOTT: Good afternoon.

MR. WISHNER: -- CFO, Attorney General. It's great to be here again. Your Participant Local Government Council recently met, on August 24th. And our next quarterly meeting is tentatively scheduled for November 16th. We continue to oversee the operations, client services and investment management of the Florida PRIME.

As for performance, over the quarter ending on June 30th of 2011 participants deposited a total of $3.18 billion, and participants withdrew a total of $3.31 billion, for a net decrease of approximately $104 million. During the second quarter the Florida PRIME delivered an aggregate of $4.57 million in investment earnings to its investors.

Performance of Florida PRIME has been strong over the short- and long-term periods. In the period ending June 30th, 2011, the Florida PRIME generated excessive performance above the pool's benchmark of approximately 16 basis points over the last three months and 15 basis points over the last 12 months.

Pool characteristics, as of June 30th of 2011, the total market value of Florida PRIME was $6.82 billion and had a seven-day SEC yield that stood at .22 percent and a weighted average equal to 31.5 days.

As for Fund B, which a lot of local governments and others that had investment in there, there's good news on that front as well, that we continue to pay the principal and interest, with a cumulative distribution to the participants of a little over $1.6 million. That's through the end of June. As a proportion of the original principal amounts, 83.9 percent has been returned to the Fund B investors, which is very commendable to staff and the direction, obviously, of you, the trustees.

Our committee continues to be very active in making sure that the Florida PRIME is making it the best place for short- and long-term investments by local governments. And I'm here if you have any questions.

GOVERNOR SCOTT: Thank you.

MR. WILLIAMS: Thank you. Now we have the chairman of SBA's Audit Committee, Ms. Judy Goodman. And talking about comparisons with other funds, in talking with other funds, one of the things I do think is fairly unusual about ours is our independent Audit Committee, and it's a great body and has been a real value add for us.

GOVERNOR SCOTT: Good afternoon.

MS. GOODMAN: Good afternoon. The State Board of Administration Audit Committee met twice during this past quarter. And Kimberly Ferrell, she's our newest addition, and Rolf Engmann and I serve on this committee. The committee reviewed six externally prepared audit reports of SBA wholly-owned title holding companies which are reported in the real estate asset class.

The audits disclosed misstatements, some of which were corrected and some were not. The uncorrected misstatements were not considered material to the financial statements as a whole. Corrected misstatements had to do with the change in value of investments and mortgages.

Ernst & Young continued to work on their financial statement audit of the FRS Pension Plan and FRS Investment Plan for the fiscal year ended June 30th, 2011. The anticipated completion date of this report is November of this year.

As mentioned in the previous audit committee's report, the SBA has four special purpose entities that hold unusual, illiquid and difficult to market investments. The face value of these investments is over $1 billion.

In the August 15th meeting the committee approved the evaluation team, and on September 7th, the audit firm was selected. The committee intends to have financial statement audits of these four special purpose entities beginning with calendar year ending December 31st, 2011.

The committee updated and approved audit charters for both the Office of Internal Audit and the SBA Audit Committee. You might ask what were some of the changes. And regarding the Office of Internal Audit charter, we defined auditing and consulting objectives, proficiency requirements, and we added responsibility over engagement and oversight of external auditors and standardized the reference to the head of the Office of Internal Audit to chief audit executive.

Regarding the Audit Committee, we referenced a section of the statute that codified the existence of the Audit Committee, added responsibilities over compliance and enterprise risk management activity and engagement in oversight of all external auditors of the SBA.

The committee also reviewed four audit reports issued by the Office of Internal Audit. The first was a Clifton Gunderson compliance performance audit follow-up report. Seven recommendations were implemented, and one was partially implemented, and the remainder will not be implemented.

The real estate follow-up audit reported --

GOVERNOR SCOTT: What was the one that's not going to be implemented?

MS. GOODMAN: It has to do with SAS-70 audits. And management's prerogative is to accept the risk or implement alternative actions to handle the concerns, and so that's what they did.

GOVERNOR SCOTT: Can you say that one more time?

MS. GOODMAN: Say it again?

GOVERNOR SCOTT: Can you repeat it one more time?

MS. GOODMAN: The recommendation was that all external investment managers provide SAS-70 audit reports to the SBA to ensure that no internal deficiencies exist and for the SBA to review and monitor user controls. The SBA has decided not to require the submission of SAS-70 reports and not to review and monitor user controls. But they -- if you want to expand more on that --

GOVERNOR SCOTT: Why do you do that, Ash?

MR. WILLIAMS: Let me summarize a couple of points here and answer your questions. First of all, not all managers have SAS-70s. Not all of them will choose to have them. Those who do have them set the scope of the SAS-70 themselves and will by definition or could be by definition susceptible to tilting the scope of the SAS-70 away from areas where they have weakness.

And our belief was that given the cost of trying to compel SAS-70s where they don't otherwise exist, the potential that people would not choose to comply and the mitigating factors of our own dilly, the dilly of our outside consultants that we use for manager selection and oversight and other oversight mechanisms we have, that on balance it was not a constructive exercise to try and say uniformly everywhere we're going to have SAS-70s.

GOVERNOR SCOTT: And not doing this -- this has not caused us problems in the past?

MR. WILLIAMS: No.

GOVERNOR SCOTT: Okay. Thank you.

MS. GOODMAN: The real estate follow-up audit reported nine recommendations implemented and two remained open. The Office of Internal Audit reported four additional findings, which pertain to real estate investment adviser contracts. The market valuation follow-up audit reported all recommendations were implemented as stated or through alternative procedures.

Regarding follow-up on open recommendations made by OPPAGA, Auditor General, Ernst & Young and

Office of Internal Audit, eight recommendations were implemented as stated or through alternative procedures, while three remained open.

GOVERNOR SCOTT: Can I ask you a question real quick? All of the audit reports are public, right?

MR. WILLIAMS: Yes.

GOVERNOR SCOTT: And your response to all the audit reports are public?

MR. WILLIAMS: Yes.

GOVERNOR SCOTT: Any open items are all public?

MR. WILLIAMS: Yes.

GOVERNOR SCOTT: And if you don't comply, you explain why, if you decide not to, like that last issue that you had?

MR. WILLIAMS: Yes, that's exactly right. And the pattern has been we bring these things to the Audit Committee, discuss them there. The MO that we're on now that I think is one of the changes that's been made in the way the Audit Committee does its business relative to management is that we now have a quarterly report prepared by our internal audit unit that reports on any outstanding items, progress generally, et cetera.

Sometimes the nature of audit issues is such that there's a long lead in getting them closed out.

But, yes, it's all public, and it's discussed. Now, there could be circumstances when there is backup information on particular items. For example, some of the real estate holding company information, where there is asset-specific detail. Think of a rent roll of an owned leased real estate, an office building, something like that. But generally it's public.

GOVERNOR SCOTT: Ash, do the audit reports ever deal with conflict of interest, if anybody is accusing anybody of a conflict? Do they deal with that? They don't, do they?

MR. WILLIAMS: We did bring in fiduciary counsel, had them do some work and report to the Audit Committee, say, a year or two ago. Normally the process through which things of that nature would get dealt with would be our attorney, our general counsel acting as chief ethics officer or through Eric Nelson, who of course is our risk management and compliance officer.

GOVERNOR SCOTT: Thank you.

MS. GOODMAN: Regarding enterprise risk management and compliance, the SBA presented to the Audit Committee an overview of strategic risk, enterprise risk management framework and internal governance structure. In addition, the committee received updates on risk management and compliance activities. Recently the SBA hired a director of enterprise risk management.

On August 12, 2011, the SBA contracted with Crowe Horwath to evaluate the progress made by the SBA relative to its compliance and enterprise risk management program. The engagement plan and report format outline are approved by the Audit Committee. Crowe Horwath personnel are on site currently at the SBA performing their field work, and the bidding specs call for the final audit report to be delivered to the Audit Committee by October 24th.

This concludes our progress report, and thank you for the pleasure of serving.

GOVERNOR SCOTT: Sure. Is there anything that keeps you up at night?

MS. GOODMAN: The truth? What kind of questions I might get up here and if I can answer them.

GOVERNOR SCOTT: That's truthful. I'd be the same way. Don't worry. It happens to me, with all these gaggles I do.

MS. GOODMAN: Oh, no, no. I have confidence. All the external auditors, they add value, and they're looking at everything. So, yes, I think we're addressing the problems as they come up.

ATTORNEY GENERAL BONDI: Thank you, Judy. You did great.

CFO ATWATER: Governor.

GOVERNOR SCOTT: Good job.

CFO ATWATER: We just hired a director of enterprise risk management?

MS. GOODMAN: Yes, sir.

CFO ATWATER: Who does that person report to?

MS. GOODMAN: The young man back here, I believe. Chief compliance is Eric, in the back.

CFO ATWATER: Okay. Thank you.

MR. WILLIAMS: Lest there be any doubt that the Audit Committee's oversight is thorough. Okay. Let's move on. As I mentioned earlier, we have a number of attachments in here that are the standing staff reports. I'm not going to go into those unless any of you have questions about specific reports.

A couple of minor items. Well, I wouldn't say minor. A couple of items I'd like to draw your attention to. One is quite germane to the line of conversation we just had. If you look immediately ahead of Tab 11 in your hard copy book, you will see a risk management and compliance report template. This is a new template that Eric Nelson and his team in Risk Management and Compliance put together that breaks down relevant areas of compliance, statutory, investment policy compliance, ethics, conflicts of interest, Governor, to your point, governance policy and oversight. And we will populate this document no less than quarterly, provide it to you and to the Audit Committee. I think it's a nice way to very concisely cover a wide range of areas of compliance.

I would also mention that we are well along the way to filling several key vacancies on our team. We have had turnover in three senior investment officer slots. We've been in the marketplace recruiting both in the external marketplace and internally for people to fill the slots of senior investment officer fixed income, SIO real estate and also an SIO for private equity and strategic. We've had turnover in those positions recently. We're well along the way with fixed income and real estate.

More recently the private equity and strategic position became vacant. We've been through the ad process. We're waiting on HR to give us the qualified screen of candidates, and then we'll get going on that one. We're hopeful to have the fixed income and real estate positions filled early October, and we'll do the other as soon as prudently reasonable thereafter.

GOVERNOR SCOTT: Ash.

MR. WILLIAMS: Yes, sir.

GOVERNOR SCOTT: If somebody -- if a senior person leaves, do they have the same sort of limitation on ability to come back and do business with the SBA --

MR. WILLIAMS: Yes.

GOVERNOR SCOTT: -- like lobbyists do?

MR. WILLIAMS: I believe they do, and it actually goes further than that. We even have a bar that say if I left the SBA tomorrow, for a period of, I believe, two years I could not go to work for any of our vendors. So there's a pretty sweeping --

The only other area I wanted to touch on is that we are also moving along in an orderly fashion on several vendor selection processes that represent standard practice of reviewing key relationships regularly, making sure they're competitive, we have best in class providers, competitive fee structures and terms, et cetera. So we're working along on those, including the areas of master custody, a couple of our consulting relationships have recently been revisited, clearing broker and a total fund risk model.

So unless you have questions about the staff reports, why don't we move ahead, if we could.

ATTORNEY GENERAL BONDI: Ash, I don't want to lose you. Where are you now in the book?

MR. WILLIAMS: Let's go, if it's all right with you, Trustees, to Item 11, which is the annual Pension Plan real estate review. And we have with us a team from The Townsend Group, who are our outside specialty real estate consultants.

MR. BROWN: Richard Brown with The Townsend Group, Attorney General Bondi, Governor Scott, CFO Atwater.

GOVERNOR SCOTT: Where do y'all live?

MR. BROWN: We're in different places. I'm in Denver, and my two partners here are in Cleveland.

ATTORNEY GENERAL BONDI: He's going to try to move you to Florida.

GOVERNOR SCOTT: So when are you moving to Florida? Why would you live someplace else? You like to pay taxes?

MR. BROWN: Those are all good points. Terry Ahern, our CEO, is going to walk you through the market, and then Jack and I, Jack Koch and I will walk you through the program review.

MR. AHERN: Good afternoon.

MR. WILLIAMS: Terry, while you're setting it up, you might show the trustees your driver's license.

MR. AHERN: Yes, I'm a Florida resident.

GOVERNOR SCOTT: If it's not Florida, it's not a good one.

MR. AHERN: It is.

GOVERNOR SCOTT: Oh, it is. Okay. That's good. They should let you be the spokesman always then.

MR. AHERN: I'm going to provide you a brief market update, and then Dick and Jack are going to walk through your portfolio for you. On the slide, on page 88, our two indices, in the private market, institutional and commercial real estate, the blue line is the lowest risk sector. It's called core real estate, charactered by institutional quality properties that are operating substantially leased with low or no leverage.

And the red line is what we call the value sector. It's the next riskiest sector. And it is institutional quality properties, but it has moderate amount of leverage, and the strategy is life cycle risk, leasing, redevelopment, rehabilitation.

And this chart spans from 2008 to the present. And what it illustrates is that the market has gone through a significant correction, not surprising, given what's happened to the economy, but that it has bottomed and it's on recovery, in both sectors. And not surprising, during a period of recovery, the riskier sector showing a stronger recovery than the more moderate, just as they had a greater loss on the downturn.

What's interesting about the recovery, though, is it's bifurcated and that the strength of the recovery really is in a limited number of elite markets, and it's characterized by a flight to quality. And that's really -- the capital flows that came back to real estate were really a flight to quality. Also there was offshore global capital flows attracted by the weak U.S. dollar as well.

The only property type that has recovered, I would say, across more than the elite markets in a meaningful way is the apartment sector. And that's because there's both secular and cyclical events that are promoting a recovery of the underlying fundamentals in the apartments.

ATTORNEY GENERAL BONDI: So you feel good about the recovery?

MR. AHERN: Yes, I do. And I'll explain it towards the end. I think some of the recent events actually have made us feel more comfortable in our investment committee meetings than we did, say, before August.

On this page, on 89, it's really an indication of the fundamentals of real estate. The top chart is the NOI, net operating income growth rate for the primary index in the core sector, called the NPI. And basically it shows the health of the underlying fundamentals. Positive growth means positive health of the underlying fundamentals, comprised of the level of rent one can charge and the amount of occupancy there are in properties.

And as you can see, towards the right-hand side of the chart, the above chart, the NOI growth rate was declining as we were going into -- this is a rolling four quarter chart -- in the correction. And then over the last year or so it's bottomed. It's been slightly negative, but it's bottomed and it's trending positive.

Below is the by property type, and the reason I put that chart in there is just to highlight the green line to the far right. The green light is the apartment property sector exclusively. And you can see that the recovery in the fundamentals have been extremely strong there.

We do a survey of private market core real estate funds as well, on their projections. And for 2011, 75 percent of the funds projected that their NOI growth would be better than it had been in 2010. So we're not only seeing it in the data, we're seeing it in the forecasts going forward.

Also, the absorption, which is the amount of space taken versus new development, across all four property types, starting the fourth quarter of last year, has been positive. So not only was there a recovery in value, but there was beginning to be a recovery in the underlying fundamentals in the property type as well.

The next chart on page 90, the top line is the index cap rate, and the cap rate is essentially the yield at which a property is being acquired. And the line, as you go to the far right, of particular interest, you can see the line sloping down, the top line. And that essentially meant that the cap rates were compressing. People were willing to pay more for a lower current yield in real estate.

The diamond, as opposed to the rolling four, is the most recent cap rate for the quarter. As you can see, a significant compression in that cap rate. If you recall the fundamentals I showed you, while they were bottoming and beginning to turn positive, with the only exception being apartments, they weren't positive, but we saw significant value appreciation in the indices. And that's because the cap rate was compressing, capital flows into real estate affecting the pricing, in anticipation of a recovery in fundamentals.

One of the reasons for this occurring and a very strong reason is the attractive yield of real estate relative to fixed income. And the blue line there is the Treasury, the ten-year Treasury. If we were to take that Treasury today, you can see, sitting at about three, it's probably down to about two right now, the ten-year or below. And so as a result, the spread of real estate continues to look attractive relative to the ten-year Treasury. It also looks attractive relative to corporates. And as a result, real estate has been attracting capital from the capital markets.

The next page, page 91, deals with supply and demand. And I had referenced earlier that for this year and since last quarter, supply-demand has been favorable for all four property types in terms of more space being absorbed than is completed.

Now, these charts don't go back, candidly, far enough to give you a good picture. If we were to go back, say, to the year '99 or 2000, for office, industrial and retail completions, you would see that the completions, which is new supply, would be -- the bar would be above the top of each of these charts.

The reason I bring that up is part of the other attractiveness of real estate to the capital markets is that this time as opposed to '90, '94 correction in the market, this time supply remained relatively modest. So the supply of new real estate coming onto the market wasn't as strong. There wasn't as much speculative development as the last correction. So investors feel more comfortable that as they look out on the horizon, they can see their competition.

GOVERNOR SCOTT: This is national data. Well, going back to the last one, that was national data?

MR. AHERN: Pardon me?

GOVERNOR SCOTT: The last slide, that's national data, right?

MR. AHERN: Yes, it is.

GOVERNOR SCOTT: Do you have Florida data, just Florida?

MR. AHERN: I don't have Florida data. We can see if we can find Florida data.

GOVERNOR SCOTT: If you have something, can you send it to me?

MR. AHERN: Yes, absolutely. The question had been asked about our comfort level with the recovery. And it was very interesting. Our feeling was, because of monetary policy in the government, that they were promoting valuations in the asset classes, the equity markets and in real estate.

So our read on the market was that properties were appreciating further in advance of when they normally would, in expectation of the recovery of fundamentals, because real estate is a lagging indicator in the economy. First you have jobs, then the -- first the business comes back. Then it's strong enough over a long enough period of time that the owners feel comfortable. Then they hire people. And as a result, they need more office space.

And then those people have jobs, and they can go to the retail stores and shopping centers and buy, they can rent apartments. So real estate tends to be a lagging indicator of the economy. And we were a bit surprised at how quickly the values were recovering in advance of the recovery in the economy.

Last year, up until last year, it was probably a flight to quality, I would say. Like in many of the asset classes, you know, money was gravitating towards quality. And you saw that in real estate, and that's why it was primarily focused in the elite markets.

And I would say we read about it more than we would as representative of the total real estate market because the elite markets are those that are published, Washington, D.C., San Francisco, Boston, New York, et cetera.

And about the first or second quarter of this year we were a bit concerned and anxious because we had some money through our clients' portfolios in the market, and we were seeing that the managers were becoming extremely aggressive in projecting out rents and occupancy improvements in order to rationalize the price they would pay for a property in the bidding.

Interestingly enough, right after the second quarter, anecdotally we saw that begin to soften a little bit. In talking to some of the major brokers, in those elite cities, while there still was highly competitive bidding, the number of bids anecdotally might be five instead of ten at the end of the day. They were real and strong. And in the middle of the market we were actually seeing evidence that perhaps the bidding wasn't as rich as it was earlier in the year.

Then in August, of course, Standard & Poors came out with their rating reduction, and I think more importantly for us was when the Fed came out and said they were going to hold interest rates low through 2013. And our belief is that, for many of the investors, it was an affirmation that any concerns about whether the growth was coming were probably validated. And as a result, the markets took a little more conservative view as to what the future might look like.

And if you go to the next page, on 93, there are two charts that relate to the public equity real estate market, not the private equity real estate market. And directing your attention to the chart on the right, to the far right, those are the cap rates. Again, I had referred to cap rates as the price, the yield at which people were buying properties.

And you can see, because of the correction in valuation of publicly traded shares of REITs, that the cap rates, the implied cap rate went up significantly, indicating that investors were seeing more risk in that sector.

And to the left is a chart done by a third party, Green Street, and they were estimating the value of the properties relative to the value of the company's stock. And prior to the correction, as a generalization, the companies were trading above the value of their properties, and that was a reason for our concern in the market, because not only do you invest in this sector but you compete against this sector's capital flows when you buy properties.

And as you can see, post-correction the property -- the company valuations fell more in line with or below the value of the properties. So the market clearly perceived additional risk in the sector.

If you were to go to the debt sector as opposed to the equity sector, mortgage loans, in the public market, CMBS market, one CMBS offering was pulled from the market, but the spreads widened for all offerings in the market, again indicating a greater concern of the potential risk and the timing of the recovery in the market.

In the private market there's still meaningful capital from insurance companies and banks for first mortgage loans, but there's a void of capital from the 60 percent slice up, again indicating an increased sensitivity in the market to risk that may be there now. And the spreads over Treasuries are wider today in the private market as well as the public debt market.

What we've seen in our market is, as I'd indicated earlier, we saw some indications after the second quarter going into this month. But since that time we've seen less competitive bidding and perhaps more thoughtfulness, as we would put it, behind the assumptions for growth in the NOI when bids are made.

And to conclude, what our feeling is the following. Your portfolio is primarily valued on appraisals, and an appraisal is the compromise of three types of valuations, one of which is looking at comparable sales in the market.

So as a result of the process, appraisals tend to lag the market. And our feeling is that your valuations were probably lagging the market recovery, as were all funds.

Our belief in the transaction market is that to the extent that it was overheated and there's any correction, you shouldn't see that in your portfolio because the appraisal market lags the transaction market in terms of when it's moving up in a recovering market. And any of the perhaps correction in the transaction pricing in the market will be absorbed in the spread between the valuation of portfolios and what they're actually transacting at.

On the other hand, in terms of opportunities, we think there will be more rational assumptions and make us more comfortable as managers go forward to buy, with a better -- without perhaps -- at least we hope, and that can change -- without what we thought might be a little froth in the market.

We also think it will create opportunities where lenders -- as you recall, they amended and extended loans, and I think for them it turned out to be a very good program for a whole variety of reasons. But I think as they look out now, they may not see the recovery in the values as strong. And this may be the opportunity for them to recognize some of the losses, recover some of the value on those loans.

And that in turn means, for investors like yourself, the opportunity to buy perhaps attractive opportunities for distressed debt or provide mezzanine lending for owners who need to refinance their first mortgages, as the banks are looking to move those off the books.

So our feeling is that, you know, big picture, when you say the recovery of the economy is going to be further out in the future than we thought, that's not good for real estate as a lagging indicator of the economy. But based upon we saw capital flows and the froth in the market, our feeling is that this type of message probably will be healthy for investing for us.

And I can take any questions you have regarding the real estate markets. Jack and Dick are going to talk about your portfolio. I thought I might take maybe a minute to describe the big picture of your portfolio, and then they're going to fill in.

What you're going to see is, we measure your portfolio against a variety of time periods. But the one we focus on the most is a five-year period. And you're going to see that your portfolio has outperformed its benchmark and performed strongly relative to a survey of peers over that five-year period.

And I would say the following: Your portfolio has a large core component, and within that core component -- and recall I said core was the least risky sector of private market, operating substantially leased, relatively low leverage. It's comprised of funds and direct properties bought for you.

Your staff in that portfolio has been able to design a core portfolio that has lower risk than the core index because your direct portfolio has lower leverage in it. That's been accretive to your returns relative to your index. Also within that core portfolio the property selection in the direct portfolio has been very good, particularly six of the properties. That's been accretive relative to your index.

So you performed well relative to your core index because your core portfolio, as designed by your staff, has lower risk and had superior investment selection in it. You've performed well relative to your peer group because your core portfolio, which was the lowest risk sector of the private market, was a greater portion of your portfolio than it was of your peer groups.

So as a result, you had a more conservative portfolio relative to your peers going into the market downturn. And then within that, through stock selection and structure, they were able to make it even less risky than the core index itself. And as a result, that was the primary driver of your returns.

Two other components drove -- were accretive to your returns. One was that you didn't have farmland as part of your index but your staff made a farmland commitment. And farmland, over the five-year period, performed at about 13 percent. Your farmland portfolio performed at about 14 percent. But the real estate benchmark was at about a negative 1 percent over the five years. So the inclusion of farmland was accretive relative to your benchmark and to your peers as well.

And then finally you have a public REIT component that's around 10 or 12 percent, and the stock selection in that public REIT component was superior to the index that's part of your total portfolio benchmark. So the combination of your weighting to core, your investment selection and structuring of your core by your staff, your inclusion of farmland in your portfolio and then, within your public REIT portfolio, the stock selection of the REIT portfolio, were accretive to the total return relative to your index, your benchmark and also relative to your peers.

The two components that were dilutive were the two higher risk sectors, which were the value. And you had seen at the initial chart the value underperformed, and in the higher risk sector, the opportunistic. But the combination of the good things that occurred in the core portfolio, farmland and the public sector, outweighed the dilutive effect of those. And as a result, your total program outperformed your benchmark and outperformed your peer group. Okay.

GOVERNOR SCOTT: Thank you.

MR. BROWN: Thank you, Terry. We're on page 96. And, again, just big picture highlight, your target allocation is 7 percent. At June 30th you had about 8.3 billion in net assets in real estate, just slightly below six and a half percent. And, again, as Terry said, when we look at real estate over the five-year period, your program exceeded it by 240 basis points. And that core investment that Terry had highlighted exceeded the ODCE by 410 basis points. So what that demonstrates is active management and the strategy is working.

Again, big picture, the program, the target is 90 percent public and 10 percent in private REITs. Jack is going to indicate in more detail how each of those components performed.

The public, as we indicated here, 30 basis points of outperformance net of fees. The farmland, almost 15 percent over a five-year period. And one of the things that real estate does is it provides cash to pay benefits, almost $322 million.

In that first -- at the end of the first quarter and through the second quarter we transitioned the domestic REIT portfolio to a global REIT portfolio. What that does is that gives you -- roughly 40 to 45 percent of the REIT index is in North America, and the balance is international.

Again, we've got a blended benchmark of roughly 90 percent of the ODCE net of fees and 10 percent of the REIT index. You can see here how over time, this is rolling five-year periods, so peaking obviously in '07 and early '08 at over 15 percent. Obviously, the recession hurt every institutional investor, including Florida. But in the recovery this past year -- this isn't indicated here.

There's a table in the back that shows you the one-, three-, five- and ten-year returns, 18.4 percent for the portfolio.

As Terry indicated, this is just a survey of a peer group, and you were up almost to the top of the peer group of five-year returns. Finally, this just highlights -- the left graph shows the core portion of the portfolio, just shy of 75 percent, 73.4; the public REITs, about 13 percent; and then the value added and opportunistic make up just shy of 14 percent.

When we look on the right side, the principal investments -- now, these are the direct-owned properties where Florida, SBA still retains the discretion. You have managers that implement the strategy and acquire and manage the assets. That's just a little over 50 percent of the portfolio. And then the externally managed, just shy of 50 percent, that includes the public REITs, that includes the farmland, that includes pooled funds, both open-end pooled funds, core pooled funds, and closed-end value and opportunistic funds, and it includes some joint ventures in which the managers retain discretion.

And with that, I'm going to turn it over to

Jack.

MR. KOCH: Good afternoon, everybody.

GOVERNOR SCOTT: Good afternoon.

MR. KOCH: Sorry it's a little bit of musical chairs here this morning, or this afternoon. What we wanted to do was walk you through beginning on page 100 here, of what Terry had mentioned before, with regards to the breakdown and the drivers and/or detractors from your overall performance.

You can see here, on page 100, the core performance. And what I can tell you is that, as Terry indicated before, the allocation and the strategic decision to allocate a significant part of the overall portfolio to core has been accretive to the overall performance.

The chart on the bottom left here, the top blue, darker blue bar, or line, excuse me, is Florida's overall real estate performance. Underneath that, the lighter blue line, is core performance, followed by opportunistic, followed by value-add. If the decision would have been made to weight the portfolio more heavily towards opportunistic or more heavily towards value-add, certainly your overall performance would have come down.

Similarly, if you would have just invested 100 percent of the portfolio in core, your performance, your overall performance would have been slightly below where it is today. But that, aided by investment selection, has also proved accretive.

The chart on the right is another explanation of that, taking a look at the portfolio in core, public, value-add and opportunistic. This simply illustrates that core has provided approximately 120 basis points of accretive performance to your overall portfolio performance. So think of it as the zero line is the portfolio's real estate performance. A hundred and 20 basis points of additional performance was provided by core. If you didn't have that core aspect, your performance would have been 120 basis points less than it is today.

Within core, as Dick alluded to before, we have separate accounts or those direct assets that you all own. Those have provided significant enhancement to the overall performance of the portfolio. On slide 101 you can see the overall principal investments return, so 4 percent over that five-year period. The benchmark performed a negative 1.9 for those principal investments, and then the overall real estate portfolio benchmark performed a negative 1.3. So certainly providing some strong performance versus the individual benchmark but also the overall portfolio benchmark.

It's interesting, as Terry alluded to before, there are approximately 50 assets in this aspect of the portfolio. There are about six of them that make up a little under 20 percent. One of them, for example, 10100 Little Santa Monica Boulevard out in Beverly Hills is a great asset, overlooks the L.A. Country Club, has performed an 11.2 percent net return over the five-year period. So strong performance being reported by a number of those assets.

Within the externally managed portfolio, still within the core side, as Dick alluded to before, are a number of investments in open-ended commingled funds. You can think of these as mutual funds in real estate. You can technically buy in and sell out of them on a quarterly basis, assuming that the market provides that liquidity.

But what these -- these investments make up approximately 50 percent of that externally managed pool. And you can see, based on the chart on the bottom left, that these investments have really tracked that index, so haven't necessarily diluted, haven't necessarily been extremely accretive but have really provided you that beta and thus the attributes for real estate.

As Terry alluded to before, farmland once again has proven very accretive from an overall diversifier perspective. So if you just take a look, I'll draw your attention to the 14.7 five-year return under farmland versus the negative 1 percent return on the ODCE on the chart to the left. Certainly farmland has significantly outperformed real estate over this period. And then, once again, your investment selections, that 14.7 over the 13.1, have once again proven beneficial.

REITs, as Terry alluded to before, the allocation to the sector has been beneficial, 1.9 percent over the five-year period versus that same negative 1 percent from the previous page, as well outperforming the benchmark over that period.

What has been slightly dilutive to the overall portfolio has been the non-core investments. These began really in 2006 and 2007 and since that time have certainly been impacted by vintage year performance. And that's what I'm going to speak to slightly on the next page. Bear with me for one second while I explain this a little bit of confusing chart here.

Just take a look at 2001, for example. The light blue -- or I'm sorry -- the light green represents the opportunistic returns for all investments that were made under that time period. The blue would be the core investments and the red would be the value-add investments.

So you can see that over time those investments, and in hindsight here, have certainly decreased over the course leading up to 2007 and '8. In hindsight, certainly those investments that appear to have been made in 2007 and 2008 will be impacted by the overall global recession. Furthermore, the investment selections that were made during those periods will likely underperform the overall benchmark.

Having said that, those investments do represent only approximately 9 percent of the overall private portfolio. So the weighting to core and the investment selections within core have certainly out -- have been further accretive over those investments.

With regards to compliance, we do set out a policy between staff and was ultimately approved by the IAC members. That portfolio -- or the policy is set to be 90 percent private and 10 percent public. We do set ranges around that, 85 to 95 percent in private and 5 to 15 percent in public, with the idea that if there are opportunities or tactical opportunities that we'd like to take advantage of during those periods, that the policy allows for that. You can see where we sit today, at 87 percent in private and 13 percent in public, so within the ranges and the policy.

To the right of the chart -- I'm not going to go through all these individually -- but are the property geography and exposure weightings from the policy and where we sit as of March 31st.

In closing, what I'd like to do is spend just a couple of moments discussing current initiatives that both staff and Townsend are working on. We've alluded to a number of these through our presentation here, and Terry certainly hit on some of them in his opening remarks. But these initiatives are detailed in the bullets on slide 106. The first six really do -- I would say you can break these down into two themes, strategic and tactical, both in the core and non-core aspects of the market.

The first six really do focus on the opportunities to capitalize on core, whether that is buying into strong stabilized assets with durable income that have been underwritten both conservatively and if a slow or no growth type economic environments, or it may be analyzing opportunities in the next ring of primary markets.

As Terry mentioned before, we really have seen a flood of capital move into the elite markets of New York, San Francisco, Washington, D.C. Really the next wave of capital is anticipated to go in still those primary markets, so whether it be Denvers, Seattles, Bostons, Miamis, to really get in and take advantage of the higher cap rates that are in those markets prior to that flood of capital chasing those opportunities.

Additionally, and generally speaking, it would be a time really to cull and review the portfolio, whether it is tactically selling off some of those nonstrategic assets, given the flood of capital that's chasing core, or then buying additional capital -- or buying additional assets prior to that capital chasing those same assets.

On the non-core side, we would focus really on distress and the recovery in the market, and/or recovery and growth -- I'm sorry -- growth in the emerging markets. So it really can be broken down to distress in the developed markets and growth in the emerging markets.

There are opportunities, as Terry alluded to before, with regards to whether it's assets and owners not having the available capital to pay down loans, so therefore it would be an opportunity to go in and take over that loan and ultimately foreclose and own the asset. Additionally, capitalizing on the emergence of the middle case, the availability of credit and strong real estate fundamentals in the emerging markets.

So with that, we go ahead and open it up to any questions that you may have with regard to the overall market or specific portfolio performance.

GOVERNOR SCOTT: Does anybody have any questions? Thank you very much.

MR. KOCH: Great. Thank you.

GOVERNOR SCOTT: Move to Florida soon, next time you present.

MR. KOCH: A tight time line.

GOVERNOR SCOTT: Ash knows what that means.

MR. WILLIAMS: Okay. Thank you. Why don't we move on to Item 12, the review of the Pension Plan policy transition, Kristen Doyle.

MS. DOYLE: Good afternoon. It's good to be here again. I'm going to provide a brief update on the asset transitions that have been noted during this meeting already with regards to the global equity, real estate and fixed income transitions. I also wanted to note that there is a memo that's also included in your materials that has a bit more detail than what my slides I'm going to cover today have on them. So I'd be happy to address any questions that you have on those slides -- on that memo.

Over the past year the SBA staff has been diligently working to restructure the Pension Plan to achieve the new policy targets that were approved last June, as well as to restructure within a few of the additional -- the other asset classes. So given the size and complexity of these asset moves, we felt it was important to highlight them, as well as to provide an overview of the final results of these transitions, including both the cost and risk mitigation, as well as the timing of these transitions.

So just briefly, the global equity transition, the purpose of that transition was to re-allocate assets between U.S. and foreign equity in order to have a more global equity exposure relative to the market. Along those same lines, within the public real estate portfolio, there was a move from U.S. to global. So we expanded the mandates of three of the existing public real estate managers and added one global public real estate manager.

And then lastly, within fixed income, the goal there was to lower the allocation to the active core portfolio and to diversify among other external fixed income managers, as well as to increase the allocation to passive within that asset class.

So given the complexity and the size of the global equity and real estate transitions, the decision was made to hire a transition manager, which is a specialist that provides project management and training expertise when making large asset moves. So BlackRock Transition Management, which is one of the leading transition managers in the industry, was hired for both the global equity and the real estate transitions.

Careful thought and consideration were given to the actual implementation strategy before each of these transitions were embarked upon, taking into account the significant trading size, the complexity, the global nature of the trading that was going to need to occur, market exposure risk and currency risk.

The final decision was to execute over multiple tranches for both transitions based on a pre-defined schedule, and as this was determined to be the most effective way to control the costs and risks that we identified with regards to both of these transitions.

BlackRock has provided estimated transaction costs before each tranche and in addition provided significant transparency at the end of each tranche as well as at the end of the entire transition event, with regards to the costs incurred and where those were incurred and why those were incurred.

We reviewed those costs relative to their pre-trade estimates and determined that they were very close to -- the actual results were very close to what they estimated results would be as far as transaction costs before the transition event. And in addition took another step and hired a third-party transaction cost analysis provider to come in and review those costs that BlackRock had estimated, in order to ensure that they were accurate. And the conclusion there was that, yes, in fact, the information that BlackRock was providing as far as transaction costs were accurate.

GOVERNOR SCOTT: So what are some of the things they do? Is this how fast you get out of a position? Is that what they're doing?

MS. DOYLE: The transition managers, yes. They have significant experience acting as a trader, a trading facility as well as a project manager. So they are solely responsible for moving the assets that are in the legacy portfolio into the target portfolio and minimizing and controlling the costs and risks that are associated with that.

So not only are they -- do they have significant access to liquidity sources, as far as trading is concerned, in order to minimize transaction costs, things like market impact, you have a large trade in a U.S. equity name, you want to make sure you minimize the market impact that you have by trading across multiple trading venues. That's their expertise.

They also have strong back office and operational capabilities. So there's a lot of moving parts. You're dealing with multiple custodians, multiple money managers. And so they are also responsible for the operational controls.

GOVERNOR SCOTT: And they're completely separate from other things BlackRock does? So BlackRock is not on the other side of the trade or things like that?

MS. DOYLE: That's correct. They are 100 percent agency trading shop only, so they are never taking both sides of the trade. They're completely objective and conflict free.

And then lastly the fixed income transition, prior to this transition, this transition was -- we did not use a transition manager for this transition. Instead, the SBA fixed income team was responsible for this transition.

It was completed in two tranches. And prior to both tranches, staff provided a comprehensive transition strategy that was reviewed by Hewitt EnnisKnupp that appropriately measured costs and estimated costs that would be incurred by transitioning these assets. That is an extremely difficult task. As you all know, within the fixed income markets, there is a lack of transparency, and the over-the-counter nature of the fixed income market makes it very difficult to do that. But we felt that their approach was sound and thoughtful and appropriate. They also describe the implementation plan, so the plan is to control both cost and risk in regards to this transition.

So, as I mentioned, estimating and calculating transaction costs before and after a fixed income transition are extremely difficult. But if you look at the transition account, which is where the assets were restructured during the months when the restructuring occurred, given that the end goal for the majority of the transition was to be in a passive portfolio that tracked the Barclays Capital Aggregate Bond Index, we looked at the performance of that transition account relative to that index. And it either approximated that index or outperformed that index during the months when the restructuring was occurring, which indicates that transaction costs were not significant in order to impair performance.

GOVERNOR SCOTT: What does it cost to get a transition team like this? Is it based -- do you pay by basis points?

MS. DOYLE: The transition manager makes money based on commission, and it is a -- in the U.S. equity markets, it's cents per share, and in the non-U.S. equity markets, it's basis points. So there is -- they earn an overall commission based on the amount that they're trading. And that is all they earn. They don't earn any additional revenue from making a spread on a particular trade or trading foreign exchange.

GOVERNOR SCOTT: So you picked them because of expertise and they give you better pricing? Is that how you picked them?

MS. DOYLE: BlackRock is very competitive as far as pricing is concerned, that is true, especially given the fact that they -- they have such significant experience and reputation and relationships within the trading and brokerage communities that they're able to trade at very, very low cost, which means that the pass-through costs to clients like the SBA are very low.

The other reason we chose BlackRock was that they have a very experienced team that really specializes in these types of large global transition events, very complex, with many moving parts. We have a lot of experience using them, they have significant trading capabilities, and believe that they are the leading transition manager in the industry right now.

So, overall, we had one recommendation, that the SBA consider using a fixed income transition manager for the next large fixed income restructuring, whenever that should occur. But overall I just want to make sure that what's communicated is that these transitions were all executed prudently, very thoughtfully and with much time, effort and focus from all of the parties involved on minimizing the costs and risks that are associated with these types of moves.

I'd be happy to answer any other questions.

GOVERNOR SCOTT: So who makes the decision on this? How do you make the decision? There's a suggestion that the SBA utilize a transition manager. So you have nothing we have to do now. You're just talking about the next time.

MS. DOYLE: Yeah. So we -- we recently worked with the SBA staff on a transition manager search. And so what we did was we did complete due diligence on a group of transition managers in the industry that we felt would be appropriate for the SBA staff to have as a bench. So what we've done is signed contracts already with three entities that are currently available and ready for a transition event.

And one thing that we focused on, or one part of the transition manager search was fixed income capabilities, so that we were sure that we would have transition managers on that bench that had fixed income capabilities. And it will depend on the event and the nature of the event. The recommendation really is just for consideration.

GOVERNOR SCOTT: Okay.

MS. DOYLE: Thank you.

GOVERNOR SCOTT: Thank you very much.

MR. WILLIAMS: Thank you, Kristen. Why don't we move on to the revisions to the Lawton Chiles Endowment Fund investment policy. We go back to Mike Sebastian.

MR. SEBASTIAN: Thank you. Hewitt EnnisKnupp was asked to review the appropriateness of the investment policy of the Lawton Chiles Endowment Fund. And that essentially means a review of the asset allocation and overall appropriate risk level and diversification within the fund.

When we did this analysis, we kept at the front of our minds the objectives of the endowment fund, which are, first, the long-term preservation of after-inflation value of contributed capital, so over time, to preserve the real value of the dollars that were put into the endowment fund, and also to maintain regular annual cash outflows as defined by the spending policy of the endowment fund.

Our recommendations are, first, to maintain the current 71 percent allocation to risky assets that help generate long-term growth. And for the endowment fund this means stocks, U.S. and foreign stocks. We believe that the current lineup of asset classes for the endowment fund is appropriate, given its objectives and circumstances.

So essentially this means that, unlike some large endowments that have substantial allocations to areas like private equity and hedge funds, we don't believe that this is appropriate for the endowment fund given, among other things, its need for liquidity.

We do make the investment policy recommendation of combining the existing U.S. and non-U.S. equity asset classes into one global equity asset class that's fully diversified across the opportunity set of public equities.

The current policy is shown on this slide as well as the alternative policy. So we break down by asset class that is currently included in the endowment fund, the current percentage allocations to each and our recommendation as far as the alternative. So, again, no change in the overall stock/bond mix or risky/safe asset allocation of the fund. We do recommend combining the U.S. and non-U.S. components into one global component, as has been done with the defined benefit pension fund.

The impact of doing so is a modest increase in the expected return of the fund, both before and after inflation, a modest increase in risk associated with that, given the increase in the foreign equity allocation that's associated with moving to a global equity stance.

And probability of preserving real value maintaining at 50 percent, indicating that our expectation is that over the analysis period that we used, that the best guess, the median scenario shows real value of contributed capital of the fund being preserved. We'll have some more detail on that in a moment.

ATTORNEY GENERAL BONDI: So when you say modest risk increase, exactly would what do you mean by that?

MR. SEBASTIAN: The 12.3 percent versus 12.7 percent, to give you an idea, the 12.7 is approximately the level of risk or volatility that the FRS, the Defined Benefit Pension Plan operates at.

GOVERNOR SCOTT: So when you say 12.71, is that the spread in a year is going to be 12 percent down, or how are you saying that?

MR. SEBASTIAN: Statistically that means that -- so given an expected return, here about 7.2 percent, in two out of three years, you would expect the total fund to generate a return that's within plus or minus 12.7 percent of that expected return. So, you know, roughly 20 on the upside and, doing math here, about negative 6 on the downside.

So the relative change in risk is from the 12.3 to 12.7. So most of that risk is just being in the markets. And the recommendation we're making here is not to greatly alter that risk.

GOVERNOR SCOTT: And when you're saying that, is that the -- you don't anticipate a return of less than 6 percent, or worse than a negative 6 percent?

MR. SEBASTIAN: That could happen as well. So the negative 6 percent is the range we would expect to see between -- in about two out of three years. Clearly there could be years that have worse results than that. We saw that in 2008, early 2009. So that's certainly not out of the question. But we tend to look at that standard deviation, that volatility, as a range that we expect returns to be in most of the time. Downside risk and on the upside are also -- are beyond that potentially.

CFO ATWATER: Governor.

GOVERNOR SCOTT: Yes.

CFO ATWATER: Would it be accurate then for, just to look at the final numbers, would it just be accurate to state that the alternative policy provides maybe two additional basis points of return at 40 basis points of additional risk, or is that not the way to look at that?

MR. SEBASTIAN: No. That's a correct analysis. And you might look at that and think, well, that's not much of a trade-off in terms of additional return for the additional risk you're taking on. We think that the distinction between U.S. and non-U.S. stocks is fading. We think that it's really becoming one global equity asset class, where sales of U.S. companies or non-U.S. companies are so widely drawn around the world, it's no longer common to see companies earning all their revenues within their home country.

We just think that it's becoming one global world. And we think there are risks associated with concentration in one country, the home country bias that's shown here, where most of the public equity investments are in the U.S. We think there are risks there that aren't necessarily shown in the volatility, concentration in one economy, in one fiscal policy, in one currency and so on.

So although it might not show clearly with the 12.3 versus the 12.7, we think that over the long-run, it's an increase in portfolio efficiency to make this shift.

CFO ATWATER: So you don't have confidence in the 12.3 being accurate?

MR. SEBASTIAN: No, no, no. The 12.3 is volatility, is one measure of risk, and there are others as well.

CFO ATWATER: And just curious. Why wouldn't the suggestion be on the near term to just go 59 percent U.S. to 40 and then -- and shift the difference to non-U.S.?

MR. SEBASTIAN: Well, the 71 percent that we -- we don't show a split between U.S. and non-U.S. in that right column, but if we did, given the current market split between U.S. and non-U.S. in the global market, it would be about 32 percent U.S. equity and 39 percent non-U.S. equity. So that's our suggestion.

CFO ATWATER: A significant shift.

MR. SEBASTIAN: It is.

CFO ATWATER: And is that more in the emerging or where?

MR. SEBASTIAN: It's not proportionally more. Our suggestion would be to increase the existing non-U.S. equity component, which is about 75 percent developed markets and about 25 percent emerging markets. So we recommend a proportional increase in your investment in developed and emerging.

GOVERNOR SCOTT: Can you explain the probability of preserving that real value number again? What does that mean?

MR. SEBASTIAN: Sure. Perhaps one good way to do it might be to look at a picture, if that's all right. So this slide, which is six in the materials, shows two things. And we're jumping ahead a little bit, but a blue line to the left of the black divider line is the inflation-adjusted contributed capital of the endowment fund.

So the 700 or so million dollars that was contributed in 1999, the additional 975 or so that was contributed in the following years, the money that was taken out in 2008 and 2009, all that is reflected in that blue line, and then that's also increased year by year by inflation.

The green line shows the progression of the market value of the endowment. So it fluctuates with that contribution of capital in and withdrawals out and also market returns. So if that black divider line in the center between actual on the left, which we've experienced, and the projections in the future, you can see there's a gap right now between the blue line, at about a billion dollars, which is the inflation-adjusted value of contributed capital, and the current value of the endowment, which is about $767 million in the green line. The difference between those two is a gap the investment policy would suggest needs to be closed.

We believe that over a 15-year modeling horizon, which is consistent with what we've done in asset-liability work for the Pension Plan, for example, we believe that the investments suggested in the alternative investment policy, which includes the shift to more non-U.S. equities, we believe that over that 15-year time horizon that gap will be closed. So our best estimate is closure over that period.

But best estimate means that, because there's volatility in the markets, 50 percent of possible scenarios lie above that and 50 percent blow. And that's the 50 percent probability number you saw on an earlier page.

ATTORNEY GENERAL BONDI: And is that the favorable and the unfavorable scenarios we're looking at on this --

MR. SEBASTIAN: That's right, that's right.

ATTORNEY GENERAL BONDI: -- that scare me? Okay.

MR. SEBASTIAN: That's right. So those gray lines, that distribution just reflects the risk of the markets, and about 90 percent of scenarios over that 15 years fall between those, the top and bottom lines. Those are actually the 95th and 5th percentile.

So there could be an increase in risk, which we believe expectationally would close that gap sooner, an increase in risk meaning a larger allocation to stocks, but also widen that distribution of possible outcomes, and the downside outcomes being worse. At the same time you could lower risk and the gap might not be closed on a median basis, but you'd have less uncertainty about what those outcomes are.

We think that where you are in terms of level of risk and the level of risk in the alternative policy is about right. That closes the gap and it's associated with a reasonable level of risk around that. Our suggestion is to maintain overall level of risk, with the exception of the shift to foreign equity, which leaves you in about the same neighborhood.

GOVERNOR SCOTT: Are you picking allocation of risk tied to how much you think we need to get as a return?

MR. SEBASTIAN: I'm sorry. Could you repeat, please?

GOVERNOR SCOTT: Is your allocation of risk partially decided by what you -- what we need to get as a return for this?

MR. SEBASTIAN: That's right. That's right, so -- yes.

GOVERNOR SCOTT: So if we told you we didn't need as big a return, you would have less equity?

MR. SEBASTIAN: That's right.

CFO ATWATER: Just for my benefit, again, just on the near-term horizon, do you mind sharing where you think on the non-U.S. equity the real opportunities present themselves?

MR. SEBASTIAN: We think that -- let me phrase this question this way. When we're doing a planning horizon here, we're looking at a 15-year period.

We're setting an investment policy that you expect to earn a premium for taking risk over a long period of time.

We have views on the markets in more the medium term, the one- to three-years horizon, that might be more along what you're thinking. In that time horizon we're cautious about stocks. We're about the -- we have about the same view on U.S. stocks and non-U.S. stocks, which is consistent with my suggestion that we think global equities are one asset class.

We think that certainly there are risk factors associated with non-U.S. stocks in terms of the Eurozone crisis but also many similar, if not exactly the same, risk factors within U.S. stocks, our debt situation and so on. However, we like both U.S. and non-U.S. stocks more than we like the alternative of fixed income investments for the most part in that medium term, one- to three-year period, just given uncertainties in the fixed income market and the current level of interest rates.

So we think there's a lot of benefit to taking equity risk in general in the medium term, over one to three years, and we think that -- we're relatively indifferent between where you take that, whether it's U.S. or abroad.

CFO ATWATER: Relatively indifferent, but suggesting a rather significant shift from 59 to 32 and 12 to 39.

MR. SEBASTIAN: That's right. And I would frame that as the existing investment policy right now has a significant underweight relative to the opportunity set in non-U.S. stocks. So the current investment policy suggests a 59/12 allocation, so maybe one-sixth in non-U.S. equity, and it's closer to a half and half in terms of the global market and the opportunity set.

So we don't think that the fundamentals, either over the medium term or the long term, suggest having that big of a bet against non-U.S. markets, against the foreign markets.

GOVERNOR SCOTT: How did you come to the conclusion as far as what return we needed to get?

MR. SEBASTIAN: We would do that through two ways. One, there's not an explicit return target. With the DB Pension Plan, there's an actuarially expected rate of return. It's more complex with the endowment fund. So what we look at is, given the rule about spending, which is a complex rule but determines how much those annual distributions are, and given expectations about inflation and so on, what is the chance that the endowment will be sustainable, that you will meet what is specified in the investment policy of preserving real capital.

So we would say the amount of return you need is to achieve that objective over a reasonable time horizon. The reasonable time horizon we work with is 15 years. You can use a different one. But over that period I would point back to this exhibit and say the fact that you achieve that goal of preserving value over that time period, with this investment policy, the one you have now, with the exception of the change to foreign equities, would say that that's about the return you need. And the 7.2 percent or so that we project for that investment policy is about right for this fund.

CFO ATWATER: Governor, I was curious. Is this a -- I know you did this review for us. Is this a recommendation for us to contemplate or for us to approve today?

MR. WILLIAMS: It's on as an action item for today.

GOVERNOR SCOTT: Ash, the distributions that go out of here, how is this used?

MR. WILLIAMS: This is a statutory program where the primary emphasis is on tobacco-related programs.

GOVERNOR SCOTT: But there's not a requirement as far as a percentage distribution, is there?

MR. WILLIAMS: There's a legislative process where we have an annual -- I don't know if it's appropriated annually. How is that done? It's annually appropriated, and we distribute it out.

GOVERNOR SCOTT: I'm sorry?

MR. WILLIAMS: There's an annual appropriation for it, consistent with the statutory model, and we have that history. There has also been some history of extraordinary legislative redemptions. That's the big down line you see here, but that's obviously not what was tried to be modeled here.

CFO ATWATER: Did the investment committee have a chance to review this --

MR. WILLIAMS: Yes.

CFO ATWATER: -- and they've express their --

MR. GIDEL: Mr. CFO, I'm going to take a minute, if I can, just to try to put some of this in perspective. One of the other roles I play during the day is I'm on the endowment board at the University of Florida endowment. Looking at what you do as an individual and how you would appropriate capital to accumulate for retirement sends you in one set of risk-return parameters. In other words, as I sit over here during the day and manage capital for myself and other people, I think about things differently because I have a set of objectives that are very different.

When I approach the defined benefit plan here for the Florida Retirement System, that has a very definitive objective of paying out -- accumulating and paying out benefits over what could be a very long period of time.

It's hard for individuals to think, you know, when they come to deal with this and say, I'm worried about what's going to happen tomorrow in Europe, at the same time we're challenged, these gentlemen and ladies, to appropriate something that could last 40 or 50 years. That's a hard thing to kind of adjust, but you have to put yourself in that world.

Now come over here to the Lawton Chiles Endowment, which is not similar to the University of Florida endowment but not dissimilar, where what the challenge is accumulating capital that is being used to pay out whatever the criteria is over a different period of time. And, again, those time differences set up different investment objectives.

So I can tell you that at the University of Florida endowment, for example, 90 percent of that portfolio is in private equity and hedge funds, because the objective is to take -- is to make sure that you don't reduce volatility but grow those assets over time, because that's for research and scholarships, et cetera, very different than if you were going to pay people retirement benefits out of that.

So when the Council looked at this, you know, we have to kind of shift our hat again. It's a different pool of money than the Florida Retirement System. And as a consequence, one of the things that gets really confusing to people that don't spend all day in this environment is when you talk about risk. For example, if there is no risk, you would get no return.

So when we talk about risky assets, it's doing anything other than investing in a Treasury bill at zero. You have to accept risk. The risk comes with the volatility, which is hard to understand. Each of these asset classes performs differently against each other and against other types of investment environments under different circumstances. And that's what they try to quantify for us.

So when you look at this and say that you're going to take apparently more exposure to foreign markets, in many ways, when you look at the growth opportunities in Europe and the fundamentals, it may actually represent less risk. That's a very hard thing to do if you're not in those markets all day.

All I'm suggesting to you is that we looked at it, we understood what we -- the movement that we're making and thought, for this endowment, with this kind of criteria, that that was the most appropriate shift to make.

And reiterating what Mike just said, to leave it the way it is and make -- it makes five out of -- five-sixths in the U.S. markets and one-sixth, you're betting against the foreign markets in an overall pool of capital, which would be an inappropriate, in our view, investment program.

I'm sorry to take the time, but this is one of those where you have to kind of think about what is the pool of money that you're managing and how best to invest it to get the highest levels of return at the lowest amount of volatility. And that's what we're all --

CFO ATWATER: I think it's a healthy

conversation. I don't think you're wasting our time or need to apologize for coming back up. And I certainly can appreciate, that is a very healthy way to look at all of this. And it is just that when we look at certain GDP numbers around the globe at this moment, ours isn't great, but there aren't that many other places and certainly you can't point to the European continent as the standard bearer at the moment.

And we just worked the last transition -- the last report was how quickly you worked the last transition of those dollars. So all I'm thinking in my mind is that next one to three years. While we're throwing political barbs at each other in this country, they're throwing Molotov cocktails. Okay?

So other than some places in Asia with GDP growth and some places in South America with GDP growth, I'm just curious. That's just a pretty big swap, from 12 to 39.

MR. GIDEL: But you have -- unfortunately government has become a big noise in the capital markets and in the investment markets. Meanwhile a lot of people are going to work and figuring out how to sell more cereal and how to sell more fried chicken in China.

And as a consequence, what's happening that we sometimes have a hard time visioning is how the United States GDP, as part of the world GDP, is shrinking. And just take Procter & Gamble, for example. How much of their sales are actually in the United States versus overseas. If you invest in Procter & Gamble, you're investing overseas.

It's a very hard thing to understand unless you spend your time thinking about what are my investment opportunities. And I think to the average American -- I hate to categorize that -- many of whom have never been overseas or invested overseas, it's a hard thing to contemplate how fast many of these companies are growing and the investment opportunities that really were not available to us in a sophisticated, visual, transparent way just ten years ago.

These markets are evolving, and they're clearly more risk, but they can't be avoided if you're investing for a long period of time.

CFO ATWATER: I'm not just suggesting -- it's just how quickly we worked the last transition. I mean, to someone's credit, we worked that transition, what, in six months? Okay. So we're talking now -- we're still 25 percent of the entire global GDP, even though we're shrinking. That's not bad. So it's just 12 to 39 in six months or whatever the plan may be, that's just --

MR. GIDEL: Remember, this isn't $125 billion that you're talking about either.

CFO ATWATER: I understand. It's --

MR. GIDEL: This is the endowment fund, which is --

CFO ATWATER: But it's everything to that fund. It's everything to that fund. It is the universe to this fund.

MR. GIDEL: Yeah, exactly. Well, the University of Florida endowment is 2 billion.

CFO ATWATER: And I'm pulling for you.

MR. GIDEL: And I'm as much concerned about that as I am about the Lawton Chiles Fund. Trust me, I go home -- the Governor is always asking people what will keep you up at night. All this keeps me up. You know, if I could stop watching CNBC and if I could get my money back on some of the deals I've made overseas, I might feel differently, too.

But we worry about this all the time. Yet at the same time investing requires a process, discipline, you know, and making sure that you're staying on course. I can remember dealing with the State of Maryland, who was a client of mine in 1987. And their Board of Trustees literally sold every equity they had before the market crashed. The problem was they had no money in the market when it came back. And so that's what's difficult. That's what requires patience during these volatile periods, and some faith.

CFO ATWATER: Well, that's kind of all I'm asking for, is what's the transition period that we're talking about here, because if in the near term -- unless, again, there is a strong sense that in the near term we're missing tremendous opportunity in the next six months, I just would be curious how quickly we would attempt to restructure that 71 percent of the portfolio.

MR. GIDEL: We don't deal in tactical allocation or implementation. We're strategy. So we approve the strategy. It's not appropriate for me to comment on how quickly they would make that.

CFO ATWATER: Well, who would?

MR. GIDEL: One other, if I can -- I'm sorry. One other comment that I'd like to make is that when we came before you last meeting and recommended, you know, the further diversification into private equity and alternative investments, it's a further comment, it's a further response to your concern that having so much exposure to the equity markets, both domestic and foreign, is a level of risk that we were uncomfortable with.

And so as a consequence, we were hopeful that we could move forward with those allocation decisions that could put more money in assets that aren't as volatile and who could take advantage of some tactical moves in distressed debt or long-short strategies that can be a little bit more tactical than just putting your money in foreign markets or domestic markets and hope.

And so I would encourage you again, as much as you can, to move that legislative agenda forward and get those changes made so that we don't find ourselves in a position where we have nowhere to go but continue to be exposed to these markets.

GOVERNOR SCOTT: I have a different question. My question is not so much moving the international equity from 12 percent to 39 or whatever you move it to. Is it -- it's more important to get a -- to have growth in the value of the principal than it is to worry about the risk of the principal going down? I guess that's what we're saying?

MR. GIDEL: That's a philosophy. I mean, I will tell you I feel the same way, you know, at the University of Florida, where you have 2,500 endowment people like you or -- you know, that have given money for an endowment. It's a very hard thing to go back and tell somebody that our investment program froze your endowment and it can't go to fund cancer research.

It's the same thing here. You can make that kind of decision, that you reduce risk significantly and it doesn't grow, and then unfortunately at the other end it doesn't provide the capital, the distributions for what the endowment was --

Unfortunately, Governor, I don't really -- I've not spent a lot of time on the distribution side of this. And maybe that's an appropriate discussion to take place, to see if that may in fact be a worthwhile study.

GOVERNOR SCOTT: Having 71 percent in equities, that's the decision we're making. It's more important to grow the principal than it is to take risk that the principal is going to go down.

MR. WILLIAMS: Just to clarify, the decision we're making today is not to change the overall risk level of this portfolio at all. It's to change the composition of it so that it structurally mirrors the global equity capitalization of our world and no longer is an explicit active bet on the U.S.

And we don't generally try to tactically time those sorts of changes. You're the trustees. And if that's your will, it's your decision. But our recommendation was to move forward with it.

GOVERNOR SCOTT: Okay.

CFO ATWATER: I just want to say, I can appreciate that as an investment philosophy, you know. At the same time, I just don't want to run into a burning building. That's all. I can appreciate for a long-term horizon. I just -- you can't help, you know, our own human experiences, and I appreciate your suggesting that we have -- we come to this room with certain biases or observations of the moment. And I just wish I had -- it doesn't seem like an unreasonable question to be asking in return --

MR. WILLIAMS: No, it's not.

CFO ATWATER: -- what is the tactical plan. We made the last transition quite rapidly. And that was the assumption, I think, that may have been taken away from the meetings when those policy changes were made. And maybe somebody out there would have a far different take, that the most hurried and rushed conversion from a 59 percent U.S. portfolio to a 32 percent and a 12 to a 40 should be done posthaste.

GOVERNOR SCOTT: We could do this in a day, though. This size portfolio, you could do this in a day.

MR. WILLIAMS: I don't think this would be a complicated transition to make.

GOVERNOR SCOTT: Yeah. This would be -- it's not that much money.

MR. WILLIAMS: But that said, I guess I'd say two things. Words like "hurried" and "hasty" aren't in our vocabulary. We're about prudence. That's what the analysis was you just heard. And I would say, with something like this, one of the things you have to always keep in mind, keep in mind the way human beings are wired.

The very things -- and you're exactly right, CFO. The very things that would give any of us pause about European markets right now or certain other non-U.S. markets that might be unappealing or even those that are appealing -- some of the Asian markets have their own issues associated with them. Those things in a lot of ways are priced in.

And it is often the case that exactly when it's least comfortable to buy something, it's an opportune to do so over the longer horizon. And our ability to likely perfectly time either tops or bottoms, I don't claim any expertise in that area, but we've been pretty good at being reasonably right in the long-term strategy.

And if the will of the group is to slow this down until you have some higher level of comfort, that's fine. If you want us to take that under advisement and use our own judgment, we'll do that, too. Your call.

GOVERNOR SCOTT: All right. Any other questions?

ATTORNEY GENERAL BONDI: I'd like to hear your thoughts, Governor. If we slowed this down, what impact would that have?

MR. WILLIAMS: Well, that's the thing. Our crystal ball has never been great. We do the best we can, just like everybody else. And I think our advisers sort of constitute all the king's horses and all the king's men in terms of quality of expertise and global views.

But we just have never claimed to have expertise in market timing. And I'm not sure exactly what the bell is we would want to hear ring to say, okay, it's time, let's rebalance the Lawton Chiles Endowment and put it on a global benchmark. Things change day to day.

GOVERNOR SCOTT: I'm comfortable going forward.

CFO ATWATER: Well, Governor, I think there is a point -- and I appreciate how the AG was asking the question, how you've been thinking about it. We put all this process in place. We have talented people on the investment committee that we trust or we wouldn't have picked. I think the conversation we've just had is very healthy. And I wish, you know, we were having this one in April or March, but then I may -- Greece may be gone at that point and we're on to Portugal. I mean, so, I may not be any more comfortable at that point.

I'm -- and no offense to my friends from Greece. I meant the debt, not the country. And so I'm willing, Governor, to move on and accept the --

GOVERNOR SCOTT: All right. Is there a motion for Item 13?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Moved and second. Show Item

13 is approved without objection.

MR. WILLIAMS: Thank you. And let me just say, we will work with our transition advisers, our other partners, et cetera, and we will not be hasty.

CFO ATWATER: And I didn't mean to suggest that was the philosophy either. We talked -- Governor, I'd just say this. Earlier on the agenda, a Florida State Seminole asked two Florida Gators up here to either motion and second dormitory construction for Florida State. That was a much more difficult decision.

GOVERNOR SCOTT: I think we're doing the right thing. I think we need to have a healthy discussion.

ATTORNEY GENERAL BONDI: Right.

GOVERNOR SCOTT: And the other thing is, I welcome anybody that is -- has money, whether we're talking about the pension fund or anything else, this is the State, citizens' money. And if they have ideas, they ought to be sending them to us. So I look forward to hearing from people. And as you know, I do sometimes.

But thank you very much for your candidness and thank you for the information, and I look forward to seeing you at the next meeting. This concludes our

Cabinet meeting. Thanks, everybody, for their service. We're adjourned.

(Whereupon, the meeting was concluded at 3:30 p.m.)

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO:	Ash Williams
FROM:	Robert Copeland
SUBJECT:	Fiscal Determination
DATE:	October 26, 2011

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $20,500,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (CAPTIVA COVE APARTMENTS)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $20,500,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose of providing financing for the construction of a multifamily rental development located in Broward County, Florida (Captiva Cove Apartments). The Bonds shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this bond issue.

cc: Janie Knight

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $20,500,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (CAPTIVA COVE APARTMENTS)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $20,500,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose financing the construction of a multifamily rental development located in Broward County, Florida (Captiva Cove Apartments); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the "Florida Constitution"); and,

WHEREAS, the Bonds shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Bonds shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

WHEREAS, the Board has relied upon information from others, including the Corporation, but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the Board's determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Bonds as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (Captiva Cove Apartments), in an amount not exceeding $20,500,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED November 1, 2011

we make housing affordable™
Florida Housing
Finance Corporation
227 North Bronough Street, Suite 5000 • Tallahassee, Florida 32301
850.488.4197 • Fax: 850.488.9809 • www.floridahousing.org

October 14, 2011

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director /Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Bonds,
Not to exceed $20,500,000 Tax-Exempt Bonds,
Captiva Cove Apartments

Dear Mr. Williams:

On behalf of the Florida Housing Finance Corporation, I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced bond issue prepared by the bond underwriter, RBC Capital Markets Corporation. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This bond issue is recommended to be a negotiated sale. We request that this item be placed on the agenda for approval at the State Board of Administration's November 1, 2011 Cabinet meeting, due to financing and closing schedules. The Final Authorizing Resolutions are enclosed.

Should you or your staff have any questions or concerns with respect to this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,

Wayne Conner

Wayne Conner
Director of Multifamily Bonds

WC/smr

Enclosures

	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
	$ 3,983,042	$ 4,062,703	$ 4,143,957	$ 4,226,836	$ 4,311,372	$ 4,397,600	$ 4,485,552	$ 4,575,263	$ 4,666,768	$ 4,760,104	$ 4,855,306	$ 4,952,412
	$ 134,369	$ 137,057	$ 139,798	$ 142,594	$ 145,446	$ 148,355	$ 151,322	$ 154,348	$ 157,435	$ 160,584	$ 163,796	$ 167,071
	$ 54,296	$ 55,382	$ 56,490	$ 57,620	$ 58,772	$ 59,947	$ 61,146	$ 62,369	$ 63,617	$ 64,889	$ 66,187	$ 67,511
	$ 4,171,707	$ 4,255,141	$ 4,340,244	$ 4,427,049	$ 4,515,590	$ 4,605,902	$ 4,698,020	$ 4,791,980	$ 4,887,820	$ 4,985,576	$ 5,085,288	$ 5,186,994
	$ (166,868)	$ (170,206)	$ (173,610)	$ (177,082)	$ (180,624)	$ (184,236)	$ (187,921)	$ (191,679)	$ (195,513)	$ (199,423)	$ (203,412)	$ (207,480)
	$ (41,717)	$ (42,551)	$ (43,402)	$ (44,270)	$ (45,156)	$ (46,059)	$ (46,980)	$ (47,920)	$ (48,878)	$ (49,856)	$ (50,853)	$ (51,870)
	$ 3,963,122	$ 4,042,384	$ 4,123,232	$ 4,205,697	$ 4,289,811	$ 4,375,607	$ 4,463,119	$ 4,552,381	$ 4,643,429	$ 4,736,298	$ 4,831,024	$ 4,927,644
	$ 494,387	$ 509,218	$ 524,495	$ 540,230	$ 556,436	$ 573,130	$ 590,323	$ 608,033	$ 626,274	$ 645,062	$ 664,414	$ 684,347
	$ 191,013	$ 196,743	$ 202,646	$ 208,725	$ 214,987	$ 221,436	$ 228,079	$ 234,922	$ 241,970	$ 249,229	$ 256,705	$ 264,407
	$ 198,156	$ 202,119	$ 206,162	$ 210,285	$ 214,491	$ 218,780	$ 223,156	$ 227,619	$ 232,171	$ 236,815	$ 241,551	$ 246,382
	$ 168,541	$ 173,597	$ 178,805	$ 184,169	$ 189,694	$ 195,385	$ 201,247	$ 207,284	$ 213,503	$ 219,908	$ 226,505	$ 233,300
	$ 449,442	$ 462,926	$ 476,813	$ 491,118	$ 505,851	$ 521,027	$ 536,658	$ 552,757	$ 569,340	$ 586,420	$ 604,013	$ 622,133
	$ 382,026	$ 393,487	$ 405,291	$ 417,450	$ 429,974	$ 442,873	$ 456,159	$ 469,844	$ 483,939	$ 498,457	$ 513,411	$ 528,813
	$ 56,180	$ 57,866	$ 59,602	$ 61,390	$ 63,231	$ 65,128	$ 67,082	$ 69,095	$ 71,168	$ 73,303	$ 75,502	$ 77,767
	$ 292,138	$ 300,902	$ 309,929	$ 319,227	$ 328,803	$ 338,667	$ 348,827	$ 359,292	$ 370,071	$ 381,173	$ 392,608	$ 404,387
	$ 89,888	$ 92,585	$ 95,363	$ 98,224	$ 101,170	$ 104,205	$ 107,332	$ 110,551	$ 113,868	$ 117,284	$ 120,803	$ 124,427
	$ 134,833	$ 138,878	$ 143,044	$ 147,335	$ 151,755	$ 156,308	$ 160,997	$ 165,827	$ 170,802	$ 175,926	$ 181,204	$ 186,640
	$ 2,456,604	$ 2,528,320	$ 2,602,149	$ 2,678,152	$ 2,756,393	$ 2,836,940	$ 2,919,861	$ 3,005,225	$ 3,093,105	$ 3,183,577	$ 3,276,716	$ 3,372,602
	$ 1,506,518	$ 1,514,064	$ 1,521,083	$ 1,527,545	$ 1,533,417	$ 1,538,667	$ 1,543,258	$ 1,547,157	$ 1,550,324	$ 1,552,721	$ 1,554,308	$ 1,555,042
												$ 10,400,000
	$ 1,057,159	$ 1,065,358	$ 1,062,036	$ 1,067,700	$ 1,061,843	$ 1,064,972	$ 1,066,580	$ 1,056,667	$ 1,065,740	$ 1,072,785	$ 1,057,802	$ 1,061,805
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,400,000
	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,000,000
	$ 1,107,159	$ 1,115,358	$ 1,112,036	$ 1,117,700	$ 1,111,843	$ 1,114,972	$ 1,116,580	$ 1,106,667	$ 1,115,740	$ 1,122,785	$ 1,107,802	$ 11,511,805
	$ 399,359	$ 398,706	$ 409,047	$ 409,845	$ 421,574	$ 423,695	$ 426,678	$ 440,490	$ 434,584	$ 429,936	$ 446,506	$ 443,237
	1.43	1.42	1.43	1.43	1.44	1.44	1.45	1.46	1.45	1.45	1.47	1.46
	1.36	1.36	1.37	1.37	1.38	1.38	1.38	1.40	1.39	1.38	1.40	1.40
	1.36	1.36	1.37	1.37	1.38	1.38	1.38	1.40	1.39	1.38	1.40	1.04
	1.36	1.36	1.37	1.37	1.38	1.38	1.38	1.40	1.39	1.38	1.40	1.04
	62%	63%	63%	64%	64%	65%	65%	66%	67%	67%	68%	68%
	85%	86%	86%	86%	86%	86%	86%	86%	86%	86%	86%	95%

Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18
$ 3,267,482	$ 3,332,831	$ 3,399,488	$ 3,467,478	$ 3,536,827	$ 3,607,564	$ 3,679,715	$ 3,753,309	$ 3,828,375	$ 3,904,943
$ 110,230	$ 112,434	$ 114,683	$ 116,977	$ 119,316	$ 121,703	$ 124,137	$ 126,619	$ 129,152	$ 131,735
$ 44,542	$ 45,433	$ 46,341	$ 47,268	$ 48,213	$ 49,178	$ 50,161	$ 51,165	$ 52,188	$ 53,232
$ 3,422,253	$ 3,490,698	$ 3,560,512	$ 3,631,722	$ 3,704,357	$ 3,778,444	$ 3,854,013	$ 3,931,093	$ 4,009,715	$ 4,089,909
$ (136,890)	$ (139,628)	$ (142,420)	$ (145,269)	$ (148,174)	$ (151,138)	$ (154,161)	$ (157,244)	$ (160,389)	$ (163,596)
$ (34,223)	$ (34,907)	$ (35,605)	$ (36,317)	$ (37,044)	$ (37,784)	$ (38,540)	$ (39,311)	$ (40,097)	$ (40,899)
$ 3,251,140	$ 3,316,163	$ 3,382,486	$ 3,450,136	$ 3,519,139	$ 3,589,522	$ 3,661,312	$ 3,734,538	$ 3,809,229	$ 3,885,414
$ 367,870	$ 378,906	$ 390,273	$ 401,982	$ 414,041	$ 426,462	$ 439,256	$ 452,434	$ 466,007	$ 479,987
$ 142,132	$ 146,396	$ 150,787	$ 155,311	$ 159,970	$ 164,769	$ 169,713	$ 174,804	$ 180,048	$ 185,450
$ 162,557	$ 165,808	$ 169,124	$ 172,507	$ 175,957	$ 179,476	$ 183,066	$ 186,727	$ 190,461	$ 194,271
$ 125,410	$ 129,173	$ 133,048	$ 137,039	$ 141,150	$ 145,385	$ 149,746	$ 154,239	$ 158,866	$ 163,632
$ 334,427	$ 344,460	$ 354,794	$ 365,438	$ 376,401	$ 387,693	$ 399,324	$ 411,303	$ 423,642	$ 436,352
$ 284,263	$ 292,791	$ 301,575	$ 310,622	$ 319,941	$ 329,539	$ 339,425	$ 349,608	$ 360,096	$ 370,899
$ 41,803	$ 43,058	$ 44,349	$ 45,680	$ 47,050	$ 48,462	$ 49,915	$ 51,413	$ 52,955	$ 54,544
$ 217,378	$ 223,899	$ 230,616	$ 237,535	$ 244,661	$ 252,000	$ 259,560	$ 267,347	$ 275,368	$ 283,629
$ 66,885	$ 68,892	$ 70,959	$ 73,088	$ 75,280	$ 77,539	$ 79,865	$ 82,261	$ 84,728	$ 87,270
$ 100,328	$ 103,338	$ 106,438	$ 109,631	$ 112,920	$ 116,308	$ 119,797	$ 123,391	$ 127,093	$ 130,906
$ 1,843,054	$ 1,896,720	$ 1,951,964	$ 2,008,831	$ 2,067,371	$ 2,127,633	$ 2,189,667	$ 2,253,526	$ 2,319,265	$ 2,386,938
$ 1,408,086	$ 1,419,443	$ 1,430,523	$ 1,441,305	$ 1,451,768	$ 1,461,889	$ 1,471,645	$ 1,481,012	$ 1,489,964	$ 1,498,475
$ 1,055,990	$ 1,062,808	$ 1,058,612	$ 1,063,909	$ 1,058,192	$ 1,061,968	$ 1,064,730	$ 1,056,478	$ 1,057,719	$ 1,057,946
$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	
$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 1,105,990	$ 1,112,808	$ 1,108,612	$ 1,113,909	$ 1,108,192	$ 1,111,968	$ 1,114,730	$ 1,106,478	$ 1,107,719	$ 1,107,946
$ 302,096	$ 306,635	$ 321,911	$ 327,396	$ 343,576	$ 349,921	$ 356,915	$ 374,534	$ 382,245	$ 390,529
1.33	1.34	1.35	1.35	1.37	1.38	1.38	1.40	1.41	1.42
1.27	1.28	1.29	1.29	1.31	1.31	1.32	1.34	1.35	1.35
1.27	1.28	1.29	1.29	1.31	1.31	1.32	1.34	1.35	1.35
1.27	1.28	1.29	1.29	1.31	1.31	1.32	1.34	1.35	1.35
57%	57%	58%	58%	59%	59%	60%	60%	61%	61%
86%	86%	86%	86%	86%	86%	86%	85%	85%	85%

$20,500,000 during construction; $17,300,000 permanent
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Bonds
(U.S. Treasury / Government-Sponsored Enterprises)
New Issue Bond Program - Captiva Cove Apartments

Key Terms:	
Interest Only Term	2 years
Bond Term	32 years
Amortization Period	35 years

Projected Operations

Income	% of EGI	Per Unit / Stabilized	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Gross Potential Rental Revenue	100.5%	$ 10,564	$ 2,788,764	$ 2,844,539	$ 2,901,430	$ 2,959,459	$ 3,018,648	$ 3,079,021	$ 3,140,601	$ 3,203,413
Other Income										
Washer/Dryer rentals	3.4%	356	$ 94,080	$ 95,962	$ 97,881	$ 99,838	$ 101,835	$ 103,872	$ 105,949	$ 108,068
Miscellaneous Income	1.4%	144	$ 38,016	$ 38,776	$ 39,552	$ 40,343	$ 41,150	$ 41,973	$ 42,812	$ 43,668
Gross Potential Income	105.3%	$ 11,064	**$ 2,920,860**	**$ 2,979,277**	**$ 3,038,863**	**$ 3,099,640**	**$ 3,161,633**	**$ 3,224,865**	**$ 3,289,363**	**$ 3,355,150**
Less										
Vacancy Loss 4%	4.2%	(442.55)	$ (116,834)	$ (119,171)	$ (121,555)	$ (123,986)	$ (126,465)	$ (128,995)	$ (131,575)	$ (134,206)
Collection Loss 1%	-1.1%	$ (111)	$ (29,209)	$ (29,793)	$ (30,389)	$ (30,996)	$ (31,616)	$ (32,249)	$ (32,894)	$ (33,552)
Total Effective Gross Income (EGI)	100.0%	$ 10,511	**$ 2,774,817**	**$ 2,830,313**	**$ 2,886,920**	**$ 2,944,658**	**$ 3,003,551**	**$ 3,063,622**	**$ 3,124,895**	**$ 3,187,393**
Expenses										
Fixed										
Taxes	10.5%	1,100	$ 290,400	$ 299,112	$ 308,085	$ 317,328	$ 326,848	$ 336,653	$ 346,753	$ 357,155
Insurance	4.0%	425	$ 112,200	$ 115,566	$ 119,033	$ 122,604	$ 126,282	$ 130,071	$ 133,973	$ 137,992
Variable										
Management Fees 5%	5.00%	526	$ 138,741	$ 141,516	$ 144,346	$ 147,233	$ 150,178	$ 153,181	$ 156,245	$ 159,370
General and Administrative	3.6%	375	$ 99,000	$ 101,970	$ 105,029	$ 108,180	$ 111,425	$ 114,768	$ 118,211	$ 121,758
Payroll Expenses	9.5%	1,000	$ 264,000	$ 271,920	$ 280,078	$ 288,480	$ 297,134	$ 306,048	$ 315,230	$ 324,687
Utilities	8.1%	850	$ 224,400	$ 231,132	$ 238,066	$ 245,208	$ 252,564	$ 260,141	$ 267,945	$ 275,984
Marketing and Advertising	1.2%	125	$ 33,000	$ 33,990	$ 35,010	$ 36,060	$ 37,142	$ 38,256	$ 39,404	$ 40,586
Maintenance and Repairs	6.2%	650	$ 171,600	$ 176,748	$ 182,050	$ 187,512	$ 193,137	$ 198,931	$ 204,899	$ 211,046
Grounds Maintenance and Landscaping	1.9%	200	$ 52,800	$ 54,384	$ 56,016	$ 57,696	$ 59,427	$ 61,210	$ 63,046	$ 64,937
Replacement Reserves	2.9%	300	$ 79,200	$ 81,576	$ 84,023	$ 86,544	$ 89,140	$ 91,815	$ 94,569	$ 97,406
Total Expenses	53.8%	$ 5,551	**$ 1,465,341**	**$ 1,507,914**	**$ 1,551,736**	**$ 1,596,845**	**$ 1,643,278**	**$ 1,691,074**	**$ 1,740,275**	**$ 1,790,920**
Net Operating Income			**$ 1,309,476**	**$ 1,322,400**	**$ 1,335,184**	**$ 1,347,813**	**$ 1,360,274**	**$ 1,372,548**	**$ 1,384,620**	**$ 1,396,472**
Draw on Credit Facility, or Refinance, or Sale of Property										
Debt Service Payments:										
First Mortgage Bond Debt Service (1)			**$ 967,110**	**$ 1,052,547**	**$ 1,063,421**	**$ 1,053,281**	**$ 1,063,141**	**$ 1,051,987**	**$ 1,060,833**	**$ 1,058,665**
First Mortgage Bond - Maturing Principal (1)			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FHFC HOME Loan (4)			**$ 50,000**	**$ 50,000**	**$ 50,000**	**$ 50,000**	**$ 50,000**	**$ 50,000**	**$ 50,000**	**$ 50,000**
FHFC HOME Loan Maturing Principal (4)			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Debt Service Payments			**$ 1,017,110**	**$ 1,102,547**	**$ 1,113,421**	**$ 1,103,281**	**$ 1,113,141**	**$ 1,101,987**	**$ 1,110,833**	**$ 1,108,665**
Operating Income After Debt Service - Before Tax Cash Flow			**$ 292,366**	**$ 219,853**	**$ 221,763**	**$ 244,532**	**$ 247,133**	**$ 270,561**	**$ 273,787**	**$ 287,807**
Debt Service Coverage Ratios (2)										
DSC - First Only (and Negative Arbitrage)			**1.35**	**1.26**	**1.26**	**1.28**	**1.28**	**1.30**	**1.31**	**1.32**
DSC - First and Second Mortgage Loans			**1.29**	**1.20**	**1.20**	**1.22**	**1.22**	**1.25**	**1.25**	**1.26**
DSC - All Mortgages			**1.29**	**1.20**	**1.20**	**1.22**	**1.22**	**1.25**	**1.25**	**1.26**
DSC - All Mortgages & Fees			**1.29**	**1.20**	**1.20**	**1.22**	**1.22**	**1.25**	**1.25**	**1.26**
Financial Ratios										
Operating Expense Ratio			**53%**	**53%**	**54%**	**54%**	**55%**	**55%**	**56%**	**56%**
Break-even Ratio			**85%**	**88%**	**88%**	**87%**	**87%**	**87%**	**87%**	**86%**

Growth Rates	
Rents	2.0%
Other Income	2.0%
Expenses	3.0%

Assumed Bond Rate (3)
All - In (Tax-exempt)
5.070%

Bond Size
$ 17,300,000

Units
264

(1) The debt service is calculated on a par amount of $17,300,000. The anticipated balance in the amount of $5,400,000 in year 30 will be funded from the remarketing, refinancing, replacement of or draw upon the credit enhancement that secures the bonds for the entire remaining balance. Although the stated bond maturity may extend out beyond the credit enhancement period, the NIBP structure with the US Treasury as the significant bondholder will terminate with the credit enhancement period. At this point the Bonds would need to be retired or refunded under a new structure which prescribes that the project would be required to re-engage the FHFC credit underwriting and approval process to include submission of a new Fiscal Determination report.

(2) The DS coverage calculation does not take into account any balloon feature in the first mortgage financing (i.e. the Fannie Mae Credit Enhancement term is 30 years, which parallels the mortgage term, and is amortized over 35 years). It is industry standard for Fannie Mae, Freddie Mac and Bank enhanced bond issues and conventional mortgage loans to contain balloons or a shorter credit enhancement term than the mortgage. The expectation is for the developer to either refinance the loan/bonds, replace or extend the credit enhancement instrument, or sell the property at the time any balloon loan comes due or the Credit Enhancement terminates. In the subject transaction, if the borrower did not sell or refinance the project on the final maturity date, Fannie Mae would advance funds to repay the bondholders. There is a reimbursement agreement in place whereby the borrower would be required to repay Fannie Mae for funds advanced. Therefore, the balloon feature is "secured" by the credit enhancement agreement from Fannie Mae.

(3) The assumed All-In bond rate is comprised of the following: the NIBP Bond Interest Rate of 3.57% (locked via the US Treasury Rate Re-lock provision on 12/2/10), the Issuer Administrative Fee of 0.33, and the Fannie Mae Credit Enhancement-Liquidity and Servicing Fee of 1.17%, for an All-In rate of 5.07%

(4) The FHFC HOME Loan is non-amortizing, bearing 1% interest and matures 6 months after the Bonds. Payments are contingent upon available cash flow. Repayment upon maturity is anticipated to be funded through a refinance, sale of the property, or borrower equity.

$20,500,000 during construction; $17,300,000 permanent
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Bonds
(U.S. Treasury / Government-Sponsored Enterprises)
New Issue Bond Program - Captiva Cove Apartments

Combined Debt Coverage Table

	Revenue	Bond Payments		Bond Fees			HOME Ln	Debt Service			Debt Service Coverage		
	Net Operating Income (1)	Principal Bonds (2)	Interest Bonds (3) 3.57%	Issuer Fee 0.33%	Servicing & Guarantee Fee 1.17%	**Total Bond Debt Service**	Subord Debt Service (4)	Total Bond & Subord DS w/ Fees	Total Bond & Subord DS w/out Fees	**Surplus Revenues**	Bond Debt Service DCR	Total Bond & Subord DCR	**Bond Balance (5)**
													$ 17,300,000
YR 1	$1,309,476	90,000	617,610	$ 57,090	$ 202,410	$ 967,110	$ 50,000	$ 1,017,110	$ 757,610	$ 292,366	1.35	1.29	$ 17,210,000
YR 2	1,322,400	180,000	614,397	56,793	201,357	1,052,547	50,000	1,102,547	844,397	219,853	1.26	1.20	17,030,000
YR 3	1,335,184	200,000	607,971	56,199	199,251	1,063,421	50,000	1,113,421	857,971	221,763	1.26	1.20	16,830,000
YR 4	1,347,813	200,000	600,831	55,539	196,911	1,053,281	50,000	1,103,281	850,831	244,532	1.28	1.22	16,630,000
YR 5	1,360,274	220,000	593,691	54,879	194,571	1,063,141	50,000	1,113,141	863,691	247,133	1.28	1.22	16,410,000
YR 6	1,372,548	220,000	585,837	54,153	191,997	1,051,987	50,000	1,101,987	855,837	270,561	1.30	1.25	16,190,000
YR 7	1,384,620	240,000	577,983	53,427	189,423	1,060,833	50,000	1,110,833	867,983	273,787	1.31	1.25	15,950,000
YR 8	1,396,472	250,000	569,415	52,635	186,615	1,058,665	50,000	1,108,665	869,415	287,807	1.32	1.26	15,700,000
YR 9	1,408,086	260,000	560,490	51,810	183,690	1,055,990	50,000	1,105,990	870,490	302,096	1.33	1.27	15,440,000
YR 10	1,419,443	280,000	551,208	50,952	180,648	1,062,808	50,000	1,112,808	881,208	306,635	1.34	1.28	15,160,000
YR 11	1,430,523	290,000	541,212	50,028	177,372	1,058,612	50,000	1,108,612	881,212	321,911	1.35	1.29	14,870,000
YR 12	1,441,305	310,000	530,859	49,071	173,979	1,063,909	50,000	1,113,909	890,859	327,396	1.35	1.29	14,560,000
YR 13	1,451,768	320,000	519,792	48,048	170,352	1,058,192	50,000	1,108,192	889,792	343,576	1.37	1.31	14,240,000
YR 14	1,461,889	340,000	508,368	46,992	166,608	1,061,968	50,000	1,111,968	898,368	349,921	1.38	1.31	13,900,000
YR 15	1,471,645	360,000	496,230	45,870	162,630	1,064,730	50,000	1,114,730	906,230	356,915	1.38	1.32	13,540,000
YR 16	1,481,012	370,000	483,378	44,682	158,418	1,056,478	50,000	1,106,478	903,378	374,534	1.40	1.34	13,170,000
YR 17	1,489,964	390,000	470,169	43,461	154,089	1,057,719	50,000	1,107,719	910,169	382,245	1.41	1.35	12,780,000
YR 18	1,498,475	410,000	456,246	42,174	149,526	1,057,946	50,000	1,107,946	916,246	390,529	1.42	1.35	12,370,000
YR 19	1,506,518	430,000	441,609	40,821	144,729	1,057,159	50,000	1,107,159	921,609	399,359	1.43	1.36	11,940,000
YR 20	1,514,064	460,000	426,258	39,402	139,698	1,065,358	50,000	1,115,358	936,258	398,706	1.42	1.36	11,480,000
YR 21	1,521,083	480,000	409,836	37,884	134,316	1,062,036	50,000	1,112,036	939,836	409,047	1.43	1.37	11,000,000
YR 22	1,527,545	510,000	392,700	36,300	128,700	1,067,700	50,000	1,117,700	952,700	409,845	1.43	1.37	10,490,000
YR 23	1,533,417	530,000	374,493	34,617	122,733	1,061,843	50,000	1,111,843	954,493	421,574	1.44	1.38	9,960,000
YR 24	1,538,667	560,000	355,572	32,868	116,532	1,064,972	50,000	1,114,972	965,572	423,695	1.44	1.38	9,400,000
YR 25	1,543,258	590,000	335,580	31,020	109,980	1,066,580	50,000	1,116,580	975,580	426,678	1.45	1.38	8,810,000
YR 26	1,547,157	610,000	314,517	29,073	103,077	1,056,667	50,000	1,106,667	974,517	440,490	1.46	1.40	8,200,000
YR 27	1,550,324	650,000	292,740	27,060	95,940	1,065,740	50,000	1,115,740	992,740	434,584	1.45	1.39	7,550,000
YR 28	1,552,721	690,000	269,535	24,915	88,335	1,072,785	50,000	1,122,785	1,009,535	429,936	1.45	1.38	6,860,000
YR 29	1,554,308	710,000	244,902	22,638	80,262	1,057,802	50,000	1,107,802	1,004,902	446,506	1.47	1.40	6,150,000
YR 30	$6,955,042	$ 6,150,000	$ 219,555	$ 20,295	$ 71,955	$ 6,461,805	$ 50,000	$ 6,511,805	$ 6,419,555	$ 443,237	1.08	1.07 (5)	$ -

(1) *NOI based on 'Projected Operating Revenue' Schedule Year 30 includes revenues from either: draw on credit facility, refinance, or sale of property pursuant to note #5 below.*
(2) *Based on estimated bond sinking fund schedule*
(3) *Bond Interest Rate is based on the NIBP Bond rate locked by FHFC on December 2, 2010, of 3.57%.*
(4) *FHFC Home Loan debt service based on non-amortizing, interest only at a rate of 1%. The FHFC Home Loan matuers 6 months after the Bonds.*
(5) *The Bonds are Credit Enhanced by a Fannie Mae Credit Facility for a term of 32 years. Payments made by the Credit Facility Provider pursuant to the Credit Facility are Pledged Revenues. Termination of the Credit Facility without refinancing or extinguishment of the Bonds through a sale of the property will result in a mandatory redemption of the Bonds, which can be funded via a draw on the Credit Facility. As such, the ending Bond balance in year 30 is anticipated to be retired through either: a) draw on the Credit Facility; b) refinance; or c) sale of the property.*

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO:	Ash Williams
FROM:	Robert Copeland
SUBJECT:	Fiscal Determination
DATE:	October 26, 2011

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $7,000,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (GEORGIA AYERS APARTMENTS)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $7,000,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose of providing construction phase financing for a new multifamily rental development located in Miami-Dade County, Florida (Georgia Ayers Apartments). The Bonds shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this bond issue.

cc: Janie Knight

ATTACH 3

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $7,000,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (GEORGIA AYERS APARTMENTS)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $7,000,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose of providing construction phase financing for a new multifamily rental development located in Miami-Dade County, Florida (Georgia Ayers Apartments); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the "Florida Constitution"); and,

WHEREAS, the Bonds shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Bonds shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

WHEREAS, the Board has relied upon information from others, including the Corporation, but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the Board's determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Bonds as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (Georgia Ayers Apartments), in an amount not exceeding $7,000,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED November 1, 2011

we make housing affordable™
Florida Housing
Finance Corporation

227 North Bronough Street, Suite 5000 • Tallahassee, Florida 32301
850.488.4197 • Fax: 850.488.9809 • www.floridahousing.org

October 14, 2011

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director/Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Bonds, not to exceed $7,000,000 Tax-Exempt Bonds, Georgia Ayers Apartments

Dear Mr. Williams:

On behalf of the Florida Housing Finance Corporation, I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced bond issue prepared by the Bond Underwriter, Morgan Keegan & Company. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This bond issue is recommended to be a negotiated sale. We request that this item be placed on the agenda for approval at the State Board of Administration's November 1, 2011 Cabinet meeting due to financing and closing schedules. The Final Authorizing Resolutions are enclosed.

Should you or your staff have any questions or concerns referencing this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,

Wayne Conner

Wayne Conner
Director of Multifamily Bonds

WC/dkw

Enclosures

Source and Payment of Interest Expense During Construction

	1	2	3	4	5	6	7	8	9	10	11
Beginning Note Balance	0	291,667	583,333	875,000	1,166,667	1,458,333	1,750,000	2,041,667	2,333,333	2,625,000	2,916,667
Advances	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667
Repayment from GOB/HC Equity (1)	0	0	0	0	0	0	0	0	0	0	0
Ending Note Balance	291,667	583,333	875,000	1,166,667	1,458,333	1,750,000	2,041,667	2,333,333	2,625,000	2,916,667	3,208,333
Capitalized Interest (2)	0	1,142	2,285	3,427	4,569	5,712	6,854	7,997	9,139	10,281	11,424
Capitalized Interest Fund											
Beginning Fund Balance	315,292	315,292	314,149	311,865	308,438	303,868	298,156	291,302	283,306	274,167	263,885
Interest Expense	0	1,142	2,285	3,427	4,569	5,712	6,854	7,997	9,139	10,281	11,424
Ending Fund Balance	315,292	314,149	311,865	308,438	303,868	298,156	291,302	283,306	274,167	263,885	252,462

(1) Repayment is from available GOB Funds and HC Equity.

(2) Assumes a level draw for 24 months. An interest rate of 4.7% has been assumed to allow for potential increases in the variable rate of interest charged to the Borrower.

12	13	14	15	16	17	18	19	20	21	22	23	24	
3,208,333	3,500,000	3,791,667	4,083,333	4,375,000	4,666,667	4,958,333	5,250,000	5,541,667	5,833,333	6,125,000	6,416,667	6,708,333	
291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	291,667	
0	0	0	0	0	0	0	0	0	0	0	0	7,000,000	
3,500,000	3,791,667	4,083,333	4,375,000	4,666,667	4,958,333	5,250,000	5,541,667	5,833,333	6,125,000	6,416,667	6,708,333	0	
12,566	13,708	14,851	15,993	17,135	18,278	19,420	20,563	21,705	22,847	23,990	25,132	26,274	315,292
252,462	239,896	226,188	211,337	195,344	178,208	159,931	140,510	119,948	98,243	75,396	51,406	26,274	
12,566	13,708	14,851	15,993	17,135	18,278	19,420	20,563	21,705	22,847	23,990	25,132	26,274	315,292
239,896	226,188	211,337	195,344	178,208	159,931	140,510	119,948	98,243	75,396	51,406	26,274	(0)	

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO:	Ash Williams
FROM:	Robert Copeland
SUBJECT:	Fiscal Determination
DATE:	October 26, 2011

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $5,600,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (FOXWOOD APARTMENTS)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $5,600,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose financing the acquisition and rehabilitation of a multifamily rental development located in Bay County, Florida (Foxwood Apartments). The Bonds shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this bond issue.

cc: Janie Knight

ATTACH 4

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $5,600,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (FOXWOOD APARTMENTS)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $5,600,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose financing the acquisition and rehabilitation of a multifamily rental development located in Bay County, Florida (Foxwood Apartments); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the "Florida Constitution"); and,

WHEREAS, the Bonds shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Bonds shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

WHEREAS, the Board has relied upon information from others, including the Corporation, but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the Board's determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Bonds as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (Foxwood Apartments), in an amount not exceeding $5,600,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED November 1, 2011

we make housing affordable™
Florida Housing
Finance Corporation
227 North Bronough Street, Suite 5000 • Tallahassee, Florida 32301
850.488.4197 • Fax: 850.488.9809 • www.floridahousing.org

October 14, 2011

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director/Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Bonds (U.S. Treasury/Government-Sponsored Enterprises), not to exceed $5,600,000 Tax-Exempt Bonds, Foxwood Apartments

Dear Mr. Williams:

On behalf of the Florida Housing Finance Corporation, I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced bond issue prepared by the Bond Underwriter, Morgan Keegan & Company. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This bond issue is recommended to be a negotiated sale. We request that this item be placed on the agenda for approval at the State Board of Administration's November 1, 2011 Cabinet meeting due to financing and closing schedules. The Final Authorizing Resolutions will be forwarded under separate cover.

Should you or your staff have any questions or concerns referencing this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,

Wayne Conner
Director of Multifamily Bonds

WC/dkw

Enclosures

$5,600,000 MMRB NIBP Bond Issue
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Notes/Bonds
Projected Operations
(Foxwood Apartments)

Assumptions			
Revenue Growth	2.0%	Management Fee	5.0%
Expense Growth	3.0%	Total Units	72
Vacancy & Collection Loss	5.0%	Reserve/Unit/Year	300
		Collection Loss	

Key Terms:
Interest Only Term - N/A
Bond Term - 35 Years (Maximum)
Amortization Term - 35 Years

Assumed All-In Mortgage Rate (1):	
Construction	4.440%
Permanent	4.440%

Period Ending December 1

	Underwriting Pro Forma	Pro Forma Per Unit	% of Total Revenues	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
Income																	
Gross Potential Rental Revenue	$911,616	$12,661	103.800%	$911,616	$929,848	$948,445	$967,414	$986,762	$1,006,497	$1,026,627	$1,047,160	$1,068,103	$1,089,465	$1,111,254	$1,133,479	$1,156,149	$1,179,272
Washer & Dryer Income	$0	$0	0.000%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Miscellaneous Income	$12,850	$178	1.463%	$12,850	$13,107	$13,369	$13,636	$13,909	$14,187	$14,471	$14,760	$15,055	$15,356	$15,663	$15,976	$16,296	$16,622
Gross Potential Income	$924,466	$12,840	105.263%	$924,466	$942,955	$961,814	$981,050	$1,000,671	$1,020,684	$1,041,098	$1,061,920	$1,083,158	$1,104,821	$1,126,917	$1,149,455	$1,172,444	$1,195,893
Less:																	
Vacancy and Collection Loss @ 5%	($46,223)	($642)	-5.263%	($46,223)	($47,146)	($48,091)	($49,053)	($50,034)	($51,034)	($52,055)	($53,096)	($54,158)	($55,241)	($56,346)	($57,473)	($58,622)	($59,795)
Total Effective Gross Revenue	$878,243	$12,198	100.000%	$878,243	$895,807	$913,723	$931,998	$950,637	$969,650	$989,043	$1,008,824	$1,029,000	$1,049,580	$1,070,571	$1,091,982	$1,113,822	$1,136,098
Operating Expenses																	
Real Estate Taxes	$52,730	$732	6.004%	$52,730	$54,312	$55,941	$57,619	$59,348	$61,128	$62,962	$64,851	$66,797	$68,801	$70,865	$72,991	$75,181	$77,436
Insurance	$50,000	$694	5.693%	$50,000	$51,500	$53,045	$54,636	$56,275	$57,963	$59,702	$61,493	$63,338	$65,238	$67,195	$69,211	$71,287	$73,426
Management Fee (5%)	$43,912	$610	5.000%	$43,912	$44,790	$45,686	$46,600	$47,532	$48,482	$49,452	$50,441	$51,450	$52,479	$53,529	$54,599	$55,691	$56,805
General and Administrative	$35,000	$486	3.985%	$35,000	$36,050	$37,132	$38,246	$39,393	$40,575	$41,792	$43,046	$44,337	$45,667	$47,037	$48,448	$49,901	$51,398
Payroll Expenses	$104,080	$1,446	11.851%	$104,080	$107,202	$110,418	$113,731	$117,143	$120,657	$124,277	$128,005	$131,845	$135,800	$139,874	$144,070	$148,392	$152,844
Utilities	$92,192	$1,280	10.497%	$92,192	$94,958	$97,807	$100,741	$103,763	$106,876	$110,082	$113,384	$116,786	$120,290	$123,899	$127,616	$131,444	$135,387
Marketing and Advertising	$0	$0	0.000%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Maintenance and Repairs	$88,000	$1,222	10.020%	$88,000	$90,640	$93,359	$96,160	$99,045	$102,016	$105,076	$108,228	$111,475	$114,819	$118,264	$121,812	$125,466	$129,230
Grounds Maintenance and Landscaping	$0	$0	0.000%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reserves for Replacement	$15,000	$208	1.708%	$15,000	$15,000	$30,000	$30,000	$30,000	$30,000	$30,900	$31,827	$32,782	$33,765	$34,778	$35,822	$36,896	$38,003
Security	$0	$0	0.000%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Expenses	$480,914	$6,679	54.759%	$480,914	$494,452	$523,388	$537,733	$552,499	$567,697	$584,243	$601,275	$618,810	$636,859	$655,441	$674,569	$694,258	$714,529
Net Operating Income	$397,329	$5,518	45.241%	$397,329	$401,355	$390,335	$394,265	$398,139	$401,952	$404,800	$407,549	$410,190	$412,721	$415,130	$417,414	$419,563	$421,569
Proceeds from Draw on Credit Facility, Refinance or Sale of Property																	
Preliminary Debt Service																	
First Mortgage Bonds (2)				$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12
Total Debt Service				$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536
Net Cash Flow				$81,792	$85,819	$74,799	$78,729	$82,602	$86,416	$89,264	$92,013	$94,654	$97,185	$99,594	$101,877	$104,027	$106,033
Debt Service Coverage Ratios																	
Debt Service Coverage - First Only (Bonds)				1.259	1.272	1.237	1.250	1.262	1.274	1.283	1.292	1.300	1.308	1.316	1.323	1.330	1.336
Financial Ratios																	
Operating Expense Ratio				54.8%	55.2%	57.3%	57.7%	58.1%	58.5%	59.1%	59.6%	60.1%	60.7%	61.2%	61.8%	62.3%	62.9%
Break-even Ratio				86.2%	85.9%	87.2%	87.0%	86.7%	86.5%	86.4%	86.3%	86.3%	86.2%	86.2%	86.1%	86.1%	86.1%

Footnotes

(1) The assumed All-In Bond rate is comprised of the following: THE NIBP Bond Rate of 2.62%, the Issuer Fee of 0.40%, the Fannie Mae Credit Enhancement Fee of 0.98% and the RMC Servicing Fee of 0.44% for a total AllIn rate of 4.44%

(2) The term of the loan is 35 years with amortization of principal and interest based on a 35 year schedule. Credit enhancement for the bonds is provided through Fannie Mae, expiring at the end of 35 years

$5,600,000 MMRB NIBP Bond Issue
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Notes/Bonds
Projected Operations
(Foxwood Apartments)

Key Terms:
Interest Only Term - N/A
Bond Term - 35 Years (Maximum)
Amortization Term - 35 Years

	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22
Income								
Gross Potential Rental Revenue	$1,202,857	$1,226,914	$1,251,452	$1,276,481	$1,302,011	$1,328,051	$1,354,612	$1,381,704
Washer & Dryer Income	$0	$0	$0	$0	$0	$0	$0	$0
Miscellaneous Income	$16,954	$17,293	$17,639	$17,992	$18,352	$18,719	$19,093	$19,475
Gross Potential Income	$1,219,811	$1,244,207	$1,269,091	$1,294,473	$1,320,362	$1,346,769	$1,373,704	$1,401,178
Less:								
Vacancy and Collection Loss @ 5%	($60,991)	($62,210)	($63,455)	($64,724)	($66,018)	($67,338)	($68,685)	($70,059)
Total Effective Gross Revenue	$1,158,820	$1,181,997	$1,205,636	$1,229,749	$1,254,344	$1,279,431	$1,305,019	$1,331,119
Operating Expenses								
Real Estate Taxes	$79,759	$82,152	$84,617	$87,156	$89,771	$92,464	$95,238	$98,095
Insurance	$75,629	$77,898	$80,235	$82,642	$85,121	$87,675	$90,305	$93,014
Management Fee (5%)	$57,941	$59,100	$60,282	$61,487	$62,717	$63,972	$65,251	$66,556
General and Administrative	$52,940	$54,528	$56,164	$57,849	$59,584	$61,372	$63,213	$65,109
Payroll Expenses	$157,429	$162,152	$167,017	$172,028	$177,189	$182,505	$187,980	$193,619
Utilities	$139,449	$143,632	$147,941	$152,379	$156,950	$161,659	$166,509	$171,504
Marketing and Advertising	$0	$0	$0	$0	$0	$0	$0	$0
Maintenance and Repairs	$133,107	$137,100	$141,213	$145,449	$149,812	$154,306	$158,935	$163,703
Grounds Maintenance and Landscaping	$0	$0	$0	$0	$0	$0	$0	$0
Reserves for Replacement	$39,143	$40,317	$41,527	$42,773	$44,056	$45,378	$46,739	$48,141
Security	$0	$0	$0	$0	$0	$0	$0	$0
Total Expenses	$735,397	$756,879	$778,996	$801,763	$825,200	$849,330	$874,170	$899,741
Net Operating Income	$423,423	$425,117	$426,641	$427,986	$429,144	$430,100	$430,849	$431,378
Proceeds from Draw on Credit Facility, Refinance or Sale of Property								
Preliminary Debt Service								
First Mortgage Bonds (2)	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12
Total Debt Service	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536
Net Cash Flow	$107,887	$109,581	$111,104	$112,450	$113,608	$114,564	$115,313	$115,842
Debt Service Coverage Ratios								
Debt Service Coverage - First Only (Bonds)	1.342	1.347	1.352	1.356	1.360	1.363	1.365	1.367
Financial Ratios								
Operating Expense Ratio	63.5%	64.0%	64.6%	65.2%	65.8%	66.4%	67.0%	67.6%
Break-even Ratio	86.2%	86.2%	86.2%	86.3%	86.4%	86.5%	86.6%	86.7%

	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Income								
Gross Potential Rental Revenue	$1,409,338	$1,437,505	$1,466,276	$1,495,602	$1,525,514	$1,556,024	$1,587,144	$1,618,887
Washer & Dryer Income	$0	$0	$0	$0	$0	$0	$0	$0
Miscellaneous Income	$19,865	$20,262	$20,667	$21,080	$21,502	$21,932	$22,371	$22,818
Gross Potential Income	$1,429,202	$1,457,766	$1,486,942	$1,516,681	$1,547,015	$1,577,955	$1,609,514	$1,641,704
Less:								
Vacancy and Collection Loss @ 5%	($71,460)	($72,889)	($74,347)	($75,834)	($77,351)	($78,898)	($80,476)	($82,085)
Total Effective Gross Revenue	$1,357,742	$1,384,897	$1,412,595	$1,440,847	$1,469,664	$1,499,057	$1,529,038	$1,559,619
Operating Expenses								
Real Estate Taxes	$101,038	$104,069	$107,191	$110,407	$113,719	$117,131	$120,645	$124,264
Insurance	$95,804	$98,678	$101,638	$104,687	$107,828	$111,063	$114,395	$117,827
Management Fee (5%)	$67,887	$69,245	$70,630	$72,042	$73,483	$74,953	$76,452	$77,981
General and Administrative	$67,062	$69,074	$71,146	$73,280	$75,478	$77,742	$80,074	$82,476
Payroll Expenses	$199,428	$205,411	$211,573	$217,920	$224,458	$231,192	$238,128	$245,272
Utilities	$176,649	$181,948	$187,406	$193,028	$198,819	$204,784	$210,928	$217,256
Marketing and Advertising	$0	$0	$0	$0	$0	$0	$0	$0
Maintenance and Repairs	$168,614	$173,672	$178,882	$184,248	$189,775	$195,468	$201,332	$207,372
Grounds Maintenance and Landscaping	$0	$0	$0	$0	$0	$0	$0	$0
Reserves for Replacement	$49,585	$51,073	$52,605	$54,183	$55,809	$57,483	$59,208	$60,984
Security	$0	$0	$0	$0	$0	$0	$0	$0
Total Expenses	$926,068	$953,170	$981,071	$1,009,796	$1,039,369	$1,069,816	$1,101,162	$1,133,432
Net Operating Income	$431,674	$431,727	$431,524	$431,051	$430,295	$429,241	$427,877	$426,187
Proceeds from Draw on Credit Facility, Refinance or Sale of Property								
Preliminary Debt Service								
First Mortgage Bonds (2)	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12	$ 315,536.12
Total Debt Service	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536	$315,536
Net Cash Flow	$116,138	$116,191	$115,988	$115,515	$114,759	$113,705	$112,341	$110,651
Debt Service Coverage Ratios								
Debt Service Coverage - First Only (Bonds)	1.368	1.368	1.368	1.366	1.364	1.360	1.356	1.351
Financial Ratios								
Operating Expense Ratio	68.2%	68.8%	69.5%	70.1%	70.7%	71.4%	72.0%	72.7%
Break-even Ratio	86.9%	87.0%	87.2%	87.4%	87.6%	87.8%	88.0%	88.3%

$5,600,000 MMRB NIBP Bond Issue
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Notes/Bonds
Combined Debt Coverage Table
(Foxwood Apartments)

	Revenue	Bond Payments		Bond Fees	Total Bond Debt Service	Debt Service		Surplus Revenues	Bond Debt Service DCR	Bond Balance
	Net Operating Income [1]	Principal [2]	Interest [3]	Total Fees 1.82%		Total Bond DS w/ Fees	Total Bond DS w/o Fees			
YR 1	$397,329	$ 68,274.39	$ 145,906.70	$ 101,355.03	$ 315,536.12	$ 315,536.12	$ 214,181.09	$ 81,792.44	1.26	$ 5,531,725.61
YR 2	$401,355	$ 71,368.23	$ 144,081.06	$ 100,086.84	$ 315,536.12	$ 315,536.12	$ 215,449.28	$ 85,818.77	1.27	$ 5,460,357.38
YR 3	$390,335	$ 74,602.26	$ 142,172.68	$ 98,761.18	$ 315,536.12	$ 315,536.12	$ 216,774.95	$ 74,799.01	1.24	$ 5,385,755.12
YR 4	$394,265	$ 77,982.85	$ 140,177.83	$ 97,375.44	$ 315,536.12	$ 315,536.12	$ 218,160.68	$ 78,728.50	1.25	$ 5,307,772.28
YR 5	$398,139	$ 81,516.62	$ 138,092.59	$ 95,926.91	$ 315,536.12	$ 315,536.12	$ 219,609.21	$ 82,602.46	1.26	$ 5,226,255.65
YR 6	$401,952	$ 85,210.53	$ 135,912.85	$ 94,412.74	$ 315,536.12	$ 315,536.12	$ 221,123.38	$ 86,416.19	1.27	$ 5,141,045.12
YR 7	$404,800	$ 89,071.83	$ 133,634.34	$ 92,829.96	$ 315,536.12	$ 315,536.12	$ 222,706.16	$ 89,263.82	1.28	$ 5,051,973.30
YR 8	$407,549	$ 93,108.10	$ 131,252.57	$ 91,175.45	$ 315,536.12	$ 315,536.12	$ 224,360.67	$ 92,012.68	1.29	$ 4,958,865.20
YR 9	$410,190	$ 97,327.27	$ 128,762.88	$ 89,445.97	$ 315,536.12	$ 315,536.12	$ 226,090.15	$ 94,654.16	1.30	$ 4,861,537.93
YR 10	$412,721	$ 101,737.63	$ 126,160.37	$ 87,638.12	$ 315,536.12	$ 315,536.12	$ 227,898.00	$ 97,184.57	1.31	$ 4,759,800.30
YR 11	$415,130	$ 106,347.85	$ 123,439.93	$ 85,748.35	$ 315,536.12	$ 315,536.12	$ 229,787.78	$ 99,594.25	1.32	$ 4,653,452.45
YR 12	$417,414	$ 111,166.98	$ 120,596.21	$ 83,772.94	$ 315,536.12	$ 315,536.12	$ 231,763.18	$ 101,877.45	1.32	$ 4,542,285.47
YR 13	$419,563	$ 116,204.49	$ 117,623.62	$ 81,708.01	$ 315,536.12	$ 315,536.12	$ 233,828.11	$ 104,027.37	1.33	$ 4,426,080.98
YR 14	$421,569	$ 121,470.27	$ 114,516.34	$ 79,549.52	$ 315,536.12	$ 315,536.12	$ 235,986.60	$ 106,033.21	1.34	$ 4,304,610.72
YR 15	$423,423	$ 126,974.66	$ 111,268.25	$ 77,293.21	$ 315,536.12	$ 315,536.12	$ 238,242.91	$ 107,887.11	1.34	$ 4,177,636.05
YR 16	$425,117	$ 132,728.49	$ 107,872.97	$ 74,934.66	$ 315,536.12	$ 315,536.12	$ 240,601.46	$ 109,581.20	1.35	$ 4,044,907.56
YR 17	$426,641	$ 138,743.06	$ 104,323.84	$ 72,469.23	$ 315,536.12	$ 315,536.12	$ 243,066.89	$ 111,104.49	1.35	$ 3,906,164.51
YR 18	$427,986	$ 145,030.17	$ 100,613.87	$ 69,892.08	$ 315,536.12	$ 315,536.12	$ 245,644.04	$ 112,449.93	1.36	$ 3,761,134.34
YR 19	$429,144	$ 151,602.18	$ 96,735.80	$ 67,198.15	$ 315,536.12	$ 315,536.12	$ 248,337.97	$ 113,607.57	1.36	$ 3,609,532.16
YR 20	$430,100	$ 158,471.99	$ 92,681.99	$ 64,382.14	$ 315,536.12	$ 315,536.12	$ 251,153.98	$ 114,564.21	1.36	$ 3,451,060.17
YR 21	$430,849	$ 165,653.12	$ 88,444.48	$ 61,438.53	$ 315,536.12	$ 315,536.12	$ 254,097.59	$ 115,312.72	1.37	$ 3,285,407.05
YR 22	$431,378	$ 173,159.65	$ 84,014.94	$ 58,361.53	$ 315,536.12	$ 315,536.12	$ 257,174.60	$ 115,841.83	1.37	$ 3,112,247.40
YR 23	$431,674	$ 181,006.34	$ 79,384.69	$ 55,145.09	$ 315,536.12	$ 315,536.12	$ 260,391.03	$ 116,138.25	1.37	$ 2,931,241.06
YR 24	$431,727	$ 189,208.60	$ 74,544.62	$ 51,782.90	$ 315,536.12	$ 315,536.12	$ 263,753.22	$ 116,190.75	1.37	$ 2,742,032.45
YR 25	$431,524	$ 197,782.55	$ 69,485.22	$ 48,268.36	$ 315,536.12	$ 315,536.12	$ 267,267.77	$ 115,987.85	1.37	$ 2,544,249.90
YR 26	$431,051	$ 206,745.02	$ 64,196.55	$ 44,594.55	$ 315,536.12	$ 315,536.12	$ 270,941.57	$ 115,515.14	1.37	$ 2,337,504.88
YR 27	$430,295	$ 216,113.63	$ 58,668.23	$ 40,754.27	$ 315,536.12	$ 315,536.12	$ 274,781.86	$ 114,759.08	1.36	$ 2,121,391.25
YR 28	$429,241	$ 225,906.77	$ 52,889.39	$ 36,739.96	$ 315,536.12	$ 315,536.12	$ 278,796.16	$ 113,705.16	1.36	$ 1,895,484.49
YR 29	$427,877	$ 236,143.68	$ 46,848.69	$ 32,543.75	$ 315,536.12	$ 315,536.12	$ 282,992.37	$ 112,340.67	1.36	$ 1,659,340.80
YR 30	$426,187	$ 246,844.48	$ 40,534.26	$ 28,157.38	$ 315,536.12	$ 315,536.12	$ 287,378.74	$ 110,650.92	1.35	$ 1,412,496.32
YR 31	$424,156	$ 258,030.18	$ 33,933.68	$ 23,572.25	$ 315,536.12	$ 315,536.12	$ 291,963.87	$ 108,620.09	1.34	$ 1,154,466.14
YR 32	$421,767	$ 269,722.76	$ 27,034.01	$ 18,779.35	$ 315,536.12	$ 315,536.12	$ 296,756.77	$ 106,231.31	1.34	$ 884,743.38
YR 33	$419,006	$ 281,945.19	$ 19,821.68	$ 13,769.26	$ 315,536.12	$ 315,536.12	$ 301,766.87	$ 103,469.68	1.33	$ 602,798.19
YR 34	$415,852	$ 294,721.47	$ 12,282.52	$ 8,532.13	$ 315,536.12	$ 315,536.12	$ 307,003.99	$ 100,316.23	1.32	$ 308,076.71
YR 35	$412,290	$ 308,076.71	$ 4,401.72	$ 3,057.69	$ 315,536.12	$ 315,536.12	$ 312,478.44	$ 96,753.85	1.31	$ 0.00

Footnotes:
(1) NOI based upon "Projected Operating Revenue" schedule
(2) Based on estimated bond sinking fund schedule/
(3) Bond Interest Rate is based on the NIBP Bond rate locked by FHFC and applicable fees. All in rate is estimated to be 4.44%

STATE BOARD OF ADMINISTRATION
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

TO:	Ash Williams
FROM:	Robert Copeland
SUBJECT:	Fiscal Determination
DATE:	October 26, 2011

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $4,875,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (PINE MEADOW APARTMENTS)

The Florida Housing Finance Corporation has submitted for approval as to fiscal determination a proposal to issue an amount not exceeding $4,875,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose financing the acquisition and rehabilitation of a multifamily rental development located in Alachua County, Florida (Pine Meadow Apartments). The Bonds shall be payable as to principal, premium (if any), and interest solely out of revenues and other amounts pledged therefor, and shall not be secured by the full faith and credit of the State of Florida.

RECOMMENDATION: It is recommended that, pursuant to the fiscal determination requirements of Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended, and in reliance upon information provided by the Florida Housing Finance Corporation, the Board find and determine that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements. The Board does not assume any responsibility for, and makes no warranty (express or implied) with respect to any aspect of this bond issue.

cc: Janie Knight

A RESOLUTION OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA MAKING THE FISCAL DETERMINATION IN CONNECTION WITH THE ISSUANCE OF AN AMOUNT NOT EXCEEDING $4,875,000 FLORIDA HOUSING FINANCE CORPORATION MULTIFAMILY MORTGAGE REVENUE BONDS, (SERIES TO BE DESIGNATED) (PINE MEADOW APARTMENTS)

WHEREAS, the Florida Housing Finance Corporation (the "Corporation") proposes to issue an amount not exceeding $4,875,000 Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (the "Bonds") for the purpose financing the acquisition and rehabilitation of a multifamily rental development located in Alachua County, Florida (Pine Meadow Apartments); and,

WHEREAS, the Corporation has requested the State Board of Administration of Florida to make the fiscal determination required by Section 420.509, Florida Statutes, as stated in Section 16(c) of Article VII of the Constitution of the State of Florida, as revised in 1968 and subsequently amended (the "Florida Constitution"); and,

WHEREAS, the Bonds shall be secured by a Trust Indenture; and,

WHEREAS, in accordance with Section 420.509, Florida Statutes, the principal of and all interest and any premium on the Bonds shall be payable solely out of revenues and other amounts pledged therefor, as described in the Trust Indenture and other required documents, and shall not be secured by the full faith and credit of the State of Florida; and,

WHEREAS, the cash flow analysis furnished by the Corporation shows that in no State fiscal year will the debt service requirements of the Bonds proposed to be issued and all other bonds secured by the same pledged revenues exceed the pledged revenues available for payment of such debt service requirements; and,

WHEREAS, the Corporation has furnished sufficient information to enable the State Board of Administration of Florida to fulfill its duties pursuant to Section 420.509(2), Florida Statutes; and,

WHEREAS, the Board has relied upon information from others, including the Corporation, but has not independently verified the accuracy or completeness of such information; and,

WHEREAS, the Board's determination pursuant to Section 16(c) of Article VII of the Florida Constitution and Section 420.509(2), Florida Statutes, is limited to a review of the matters essential to making such determination and the Board does not approve or disapprove of the Bonds as investments and has not passed upon the accuracy or adequacy of the Trust Indenture or any other required documents; **Now, Therefore,**

BE IT RESOLVED, by the State Board of Administration of Florida, a constitutional body created by Section 4 of Article IV of the Florida Constitution, that in connection with the issuance of the Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds, (series to be designated) (Pine Meadow Apartments), in an amount not exceeding $4,875,000, for the uses and purposes hereinabove set forth, it makes the fiscal determination required by Section 420.509, Florida Statutes.

Accordingly, as required by Section 16(c) of Article VII of the Florida Constitution, the Board finds and determines that in no state fiscal year will the debt service requirements of the Bonds and all other bonds secured by the same pledged revenues exceed the pledged revenues, as defined in Section 420.503, Florida Statutes and described in the Trust Indenture, which are available for payment of such debt service requirements.

ADOPTED November 1, 2011

we make housing affordable™
Florida Housing
Finance Corporation
227 North Bronough Street, Suite 5000 • Tallahassee, Florida 32301
850.488.4197 • Fax: 850.488.9809 • www.floridahousing.org

October 14, 2011

VIA HAND DELIVERY

Mr. Ash Williams
Executive Director/Chief Investment Officer
State Board of Administration
P.O. Box 13300
Tallahassee, Florida 32317-3300

RE: FHFC Multifamily Mortgage Revenue Bonds (U.S. Treasury/Government-Sponsored Enterprises), not to exceed $4,875,000 Tax-Exempt Bonds, Pine Meadow Apartments

Dear Mr. Williams:

On behalf of the Florida Housing Finance Corporation, I am submitting a cash flow analysis for the approval of fiscal determination of the above-referenced bond issue prepared by the Bond Underwriter, Stern Brothers & Company. Florida Housing endorses this analysis and believes it will show sufficient coverage.

This bond issue is recommended to be a negotiated sale. We request that this item be placed on the agenda for approval at the State Board of Administration's November 1, 2011 Cabinet meeting due to financing and closing schedules. The Final Authorizing Resolutions are enclosed.

Should you or your staff have any questions or concerns referencing this transaction, please feel free to call me at (850) 488-4197. Thank you for your consideration.

Sincerely,

Wayne Conner
Director of Multifamily Bonds

WC/dkw

Enclosures

$4,875,000
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Bonds
(U.S. Treasury / Government-Sponsored Enterprises)
New Issue Bond Program - Pine Meadow Apartments

Key Terms:	
Interest Only Term	1 year
Bond Term	40 years
Amortization Period	40 years

Projected Operations

Income	%	Per Unit / Stabilized	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Gross Potential Rental Revenue	104.9%	$ 9,459	$ 737,832	$ 752,589	$ 767,640	$ 782,993	$ 798,653	$ 814,626	$ 830,919	$ 847,537
Other Income										
Storage Units	0.0%	-	$ -	$ -	$ -	$ -	$ -	$ -	$	$ -
Cable Television Income	0.0%	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Miscellaneous Income	0.4%	36	$ 2,808	$ 2,864	$ 2,921	$ 2,980	$ 3,039	$ 3,100	$ 3,162	$ 3,226
Water/Sewer Collections	0.0%		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gross Potential Income (GPI)	105.3%	$ 9,495	$ 740,640	$ 755,453	$ 770,562	$ 785,973	$ 801,693	$ 817,726	$ 834,081	$ 850,763
Less										
Vacancy Loss 4% of GPI	-4.2%	(379.82)	$ (29,626)	$ (30,218)	$ (30,822)	$ (31,439)	$ (32,068)	$ (32,709)	$ (33,363)	$ (34,031)
Collection Loss 1% of GPI	-1.1%	$ (95)	$ (7,406)	$ (7,555)	$ (7,706)	$ (7,860)	$ (8,017)	$ (8,177)	$ (8,341)	$ (8,508)
Total Effective Gross Income (EGI)	100.0%	$ 9,021	$ 703,608	$ 717,680	$ 732,034	$ 746,674	$ 761,608	$ 776,840	$ 792,377	$ 808,224
Expenses										
Fixed										
Taxes	6.4%	575	$ 44,850	$ 46,196	$ 47,581	$ 49,009	$ 50,479	$ 51,993	$ 53,553	$ 55,160
Insurance	6.3%	565	$ 44,070	$ 45,392	$ 46,754	$ 48,156	$ 49,601	$ 51,089	$ 52,622	$ 54,201
Variable:										
Management Fees 5%	6.93%	625	$ 48,778	$ 49,753	$ 50,748	$ 51,763	$ 52,799	$ 53,855	$ 54,932	$ 56,030
General and Administrative	3.4%	310	$ 24,180	$ 24,905	$ 25,653	$ 26,422	$ 27,215	$ 28,031	$ 28,872	$ 29,738
Payroll Expenses	5.5%	500	$ 39,006	$ 40,176	$ 41,381	$ 42,623	$ 43,902	$ 45,219	$ 46,575	$ 47,972
Utilities	8.5%	770	$ 60,060	$ 61,862	$ 63,718	$ 65,629	$ 67,598	$ 69,626	$ 71,715	$ 73,866
Marketing and Advertising	0.3%	25	$ 1,950	$ 2,009	$ 2,069	$ 2,131	$ 2,195	$ 2,261	$ 2,328	$ 2,398
Maintenance and Repairs	11.5%	1,036	$ 80,844	$ 83,269	$ 85,767	$ 88,340	$ 90,991	$ 93,720	$ 96,532	$ 99,428
Grounds Maintenance and Landscaping	2.5%	225	$ 17,550	$ 18,077	$ 18,619	$ 19,177	$ 19,753	$ 20,345	$ 20,956	$ 21,584
Replacement Reserves	2.8%	250	$ 19,500	$ 19,500	$ 39,000	$ 39,000	$ 39,000	$ 39,000	$ 40,170	$ 40,170
Other	0.0%	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Expenses	57.6%	$ 4,882	$ 380,788	$ 391,139	$ 421,290	$ 432,252	$ 443,531	$ 455,139	$ 468,255	$ 480,548
Net Operating Income			$ 322,820	$ 326,541	$ 310,743	$ 314,423	$ 318,076	$ 321,701	$ 324,122	$ 327,676
Debt Service Payments:										
First Mortgage Bond Debt Service (1)			$ 271,563	$ 279,663	$ 277,288	$ 274,913	$ 272,538	$ 270,163	$ 277,788	$ 274,938
First Mortgage Bond - Maturing Principal (1)			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FHFC HOME Loan (2)			$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637
FHFC HOME Loan Maturing Principal (2)			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Debt Service Payments			$ 290,200	$ 298,300	$ 295,925	$ 293,550	$ 291,175	$ 288,800	$ 296,425	$ 293,575
Operating Income After Debt Service - Before Tax Cash Flow			$ 32,621	$ 28,242	$ 14,819	$ 20,873	$ 26,902	$ 32,901	$ 27,697	$ 34,102
Debt Service Coverage Ratios										
DSC - First Only (and Negative Arbitrage)			1.19	1.17	1.12	1.14	1.17	1.19	1.17	1.19
DSC - First and Second Mortgage Loans			1.11	1.09	1.05	1.07	1.09	1.11	1.09	1.12
DSC - All Mortgages			1.11	1.09	1.05	1.07	1.09	1.11	1.09	1.12
DSC - All Mortgages & Fees			1.11	1.09	1.05	1.07	1.09	1.11	1.09	1.12
Financial Ratios										
Operating Expense Ratio			54%	55%	58%	58%	58%	59%	59%	59%
Break-even Ratio			91%	91%	93%	92%	92%	91%	92%	91%

Growth Rates	
Rents	2.0%
Other Income	2.0%
Expenses	3.0%

Assumed Bond Rate (1)
All - In (Tax-exempt)
4.750%

Bond Size
$ 4,875,000

Units
78

(1) The assumed All-In bond rate is comprised of the following: the NIBP Bond Interest Rate of 2.97% (locked via the US Treasury Rate Re-lock provision on 12/2/10) plus the Issuer Administrative Fee of 0.40%, the MIP of 0.45%, the Guarantee Fee of 0.85%, and the Servicing Fee of .08%, for a blended All-In rate of 4.75%. The Bonds are fully amortized over the term.

(2) The FHFC HOME Loan is a non-amortizing, 1% interest bearing co-terminus with the bond maturity. Repayment upon maturity is anticipated to be funded through a refinance, sale of the property, or borrower equity

	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
	$ 864,486	$ 881,778	$ 899,413	$ 917,401	$ 935,749	$ 954,464	$ 973,554	$ 993,025	$ 1,012,885	$ 1,033,143	$ 1,053,806	$ 1,074,882
	$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$	$ -	$ -	$	$	$ -	$	$ -	$ -	$	$ -	$ -
	$ 3,290	$ 3,356	$ 3,423	$ 3,491	$ 3,561	$ 3,632	$ 3,705	$ 3,779	$ 3,855	$ 3,932	$ 4,011	$ 4,091
	$	$ -	$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$
	$ 867,778	$ 885,133	$ 902,836	$ 920,893	$ 939,311	$ 958,097	$ 977,259	$ 996,804	$ 1,016,740	$ 1,037,075	$ 1,057,816	$ 1,078,973
	$ (34,711)	$ (35,405)	$ (36,113)	$ (36,836)	$ (37,572)	$ (38,324)	$ (39,090)	$ (39,872)	$ (40,670)	$ (41,483)	$ (42,313)	$ (43,159)
	$ (8,678)	$ (8,851)	$ (9,028)	$ (9,209)	$ (9,393)	$ (9,581)	$ (9,773)	$ (9,968)	$ (10,167)	$ (10,371)	$ (10,578)	$ (10,790)
	$ 824,389	$ 840,877	$ 857,694	$ 874,848	$ 892,345	$ 910,192	$ 928,396	$ 946,964	$ 965,903	$ 985,221	$ 1,004,925	$ 1,025,024
	$ 56,815	$ 58,519	$ 60,275	$ 62,083	$ 63,945	$ 65,864	$ 67,840	$ 69,875	$ 71,971	$ 74,130	$ 76,354	$ 78,645
	$ 55,827	$ 57,501	$ 59,226	$ 61,003	$ 62,833	$ 64,718	$ 66,660	$ 68,660	$ 70,719	$ 72,841	$ 75,026	$ 77,277
	$ 57,151	$ 58,294	$ 59,460	$ 60,649	$ 61,862	$ 63,099	$ 64,361	$ 65,649	$ 66,962	$ 68,301	$ 69,667	$ 71,060
	$ 30,631	$ 31,549	$ 32,496	$ 33,471	$ 34,475	$ 35,509	$ 36,574	$ 37,672	$ 38,802	$ 39,966	$ 41,165	$ 42,400
	$ 49,412	$ 50,894	$ 52,421	$ 53,993	$ 55,613	$ 57,282	$ 59,000	$ 60,770	$ 62,593	$ 64,471	$ 66,405	$ 68,397
	$ 76,082	$ 78,365	$ 80,716	$ 83,137	$ 85,631	$ 88,200	$ 90,846	$ 93,572	$ 96,379	$ 99,270	$ 102,248	$ 105,316
	$ 2,470	$ 2,544	$ 2,621	$ 2,699	$ 2,780	$ 2,864	$ 2,950	$ 3,038	$ 3,129	$ 3,223	$ 3,320	$ 3,419
	$ 102,411	$ 105,483	$ 108,648	$ 111,907	$ 115,264	$ 118,722	$ 122,284	$ 125,952	$ 129,731	$ 133,623	$ 137,631	$ 141,760
	$ 22,232	$ 22,899	$ 23,586	$ 24,293	$ 25,022	$ 25,773	$ 26,546	$ 27,342	$ 28,163	$ 29,007	$ 29,878	$ 30,774
	$ 40,170	$ 40,170	$ 40,170	$ 40,170	$ 40,170	$ 40,170	$ 41,375	$ 41,375	$ 41,375	$ 41,375	$ 41,375	$ 41,375
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 493,199	$ 506,219	$ 519,617	$ 533,406	$ 547,597	$ 562,201	$ 578,436	$ 593,904	$ 609,823	$ 626,207	$ 643,069	$ 660,423
	$ 331,190	$ 334,658	$ 338,077	$ 341,442	$ 344,748	$ 347,991	$ 349,960	$ 353,060	$ 356,080	$ 359,014	$ 361,856	$ 364,601
	$ 272,088	$ 279,238	$ 275,913	$ 272,588	$ 279,263	$ 275,463	$ 271,663	$ 277,863	$ 273,588	$ 269,313	$ 275,038	$ 270,288
	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -		$ -	$ -
	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 290,725	$ 297,875	$ 294,550	$ 291,225	$ 297,900	$ 294,100	$ 290,300	$ 296,500	$ 292,225	$ 287,950	$ 293,675	$ 288,925
	$ 40,465	$ 36,783	$ 43,528	$ 50,218	$ 46,849	$ 53,892	$ 59,660	$ 56,560	$ 63,855	$ 71,064	$ 68,182	$ 75,676
	1.22	1.20	1.23	1.25	1.23	1.26	1.29	1.27	1.30	1.33	1.32	1.35
	1.14	1.12	1.15	1.17	1.16	1.18	1.21	1.19	1.22	1.25	1.23	1.26
	1.14	1.12	1.15	1.17	1.16	1.18	1.21	1.19	1.22	1.25	1.23	1.26
	1.14	1.12	1.15	1.17	1.16	1.18	1.21	1.19	1.22	1.25	1.23	1.26
	60%	60%	61%	61%	61%	62%	62%	63%	63%	64%	64%	64%
	90%	91%	90%	90%	90%	89%	89%	89%	89%	88%	89%	88%

Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
$ 1,096,380	$ 1,118,307	$ 1,140,673	$ 1,163,487	$ 1,186,756	$ 1,210,492	$ 1,234,701	$ 1,259,395	$ 1,284,583	$ 1,310,275
$ -	$ -	$ -	$	$	$ -	$ -	$	$ -	$ -
$ -	$	$	$	$ -	$ -	$ -	$ -	$	$ -
$ 4,173	$ 4,256	$ 4,341	$ 4,428	$ 4,516	$ 4,607	$ 4,699	$ 4,795	$ 4,889	$ 4,987
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 1,100,552	$ 1,122,563	$ 1,145,014	$ 1,167,915	$ 1,191,273	$ 1,215,098	$ 1,239,400	$ 1,264,188	$ 1,289,472	$ 1,315,262
$ (44,022)	$ (44,903)	$ (45,801)	$ (46,717)	$ (47,651)	$ (48,604)	$ (49,576)	$ (50,568)	$ (51,579)	$ (52,610)
$ (11,006)	$ (11,226)	$ (11,450)	$ (11,679)	$ (11,913)	$ (12,151)	$ (12,394)	$ (12,642)	$ (12,895)	$ (13,153)
$ 1,045,524	$ 1,066,435	$ 1,087,764	$ 1,109,519	$ 1,131,709	$ 1,154,344	$ 1,177,430	$ 1,200,979	$ 1,224,999	$ 1,249,499
$ 81,004	$ 83,434	$ 85,937	$ 88,515	$ 91,171	$ 93,906	$ 96,723	$ 99,625	$ 102,614	$ 105,692
$ 79,595	$ 81,983	$ 84,443	$ 86,976	$ 89,585	$ 92,273	$ 95,041	$ 97,892	$ 100,829	$ 103,854
$ 72,481	$ 73,931	$ 75,410	$ 76,918	$ 78,456	$ 80,025	$ 81,626	$ 83,258	$ 84,923	$ 86,622
$ 43,672	$ 44,982	$ 46,331	$ 47,721	$ 49,153	$ 50,628	$ 52,146	$ 53,711	$ 55,322	$ 56,982
$ 70,449	$ 72,563	$ 74,740	$ 76,982	$ 79,291	$ 81,670	$ 84,120	$ 86,644	$ 89,243	$ 91,920
$ 108,475	$ 111,729	$ 115,081	$ 118,534	$ 122,090	$ 125,752	$ 129,525	$ 133,411	$ 137,413	$ 141,535
$ 3,522	$ 3,628	$ 3,736	$ 3,848	$ 3,964	$ 4,083	$ 4,205	$ 4,332	$ 4,461	$ 4,595
$ 146,013	$ 150,394	$ 154,905	$ 159,553	$ 164,339	$ 169,269	$ 174,347	$ 179,578	$ 184,965	$ 190,514
$ 31,697	$ 32,648	$ 33,628	$ 34,636	$ 35,676	$ 36,746	$ 37,848	$ 38,984	$ 40,153	$ 41,358
$ 41,375	$ 42,616	$ 42,616	$ 42,616	$ 42,616	$ 42,616	$ 42,616	$ 42,616	$ 43,895	$ 43,895
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 678,284	$ 697,908	$ 716,827	$ 736,300	$ 756,341	$ 776,968	$ 798,198	$ 820,050	$ 843,819	$ 866,967
$ 367,240	$ 368,527	$ 370,936	$ 373,219	$ 375,368	$ 377,375	$ 379,232	$ 380,929	$ 381,180	$ 382,532
$ 275,538	$ 270,313	$ 275,088	$ 269,388	$ 273,688	$ 277,513	$ 270,863	$ 274,213	$ 277,088	$ 269,488
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
$ 294,175	$ 288,950	$ 293,725	$ 288,025	$ 292,325	$ 296,150	$ 289,500	$ 292,850	$ 295,725	$ 288,125
$ 73,066	$ 79,578	$ 77,212	$ 85,195	$ 83,044	$ 81,226	$ 89,732	$ 88,080	$ 85,456	$ 94,407
1.33	1.36	1.35	1.39	1.37	1.36	1.40	1.39	1.38	1.42
1.25	1.28	1.26	1.30	1.28	1.27	1.31	1.30	1.29	1.33
1.25	1.28	1.26	1.30	1.28	1.27	1.31	1.30	1.29	1.33
1.25	1.28	1.26	1.30	1.28	1.27	1.31	1.30	1.29	1.33
65%	65%	66%	66%	67%	67%	68%	68%	69%	69%
88%	88%	88%	88%	88%	88%	88%	88%	88%	88%

Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
$ 1,336,481	$ 1,363,210	$ 1,390,474	$ 1,418,284	$ 1,446,650	$ 1,475,583	$ 1,505,094	$ 1,535,196	$ 1,565,900	$ 1,597,218
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$	$ -	$ -
$	$ -	$ -	$ -	$ -	$	$	$	$ -	$ -
$ 5,086	$ 5,188	$ 5,292	$ 5,398	$ 5,506	$ 5,616	$ 5,728	$ 5,843	$ 5,959	$ 6,079
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$	$ -
$ 1,341,567	$ 1,368,398	$ 1,395,766	$ 1,423,681	$ 1,452,155	$ 1,481,198	$ 1,510,822	$ 1,541,039	$ 1,571,859	$ 1,603,297
$ (53,663)	$ (54,736)	$ (55,831)	$ (56,947)	$ (58,086)	$ (59,248)	$ (60,433)	$ (61,642)	$ (62,874)	$ (64,132)
$ (13,416)	$ (13,684)	$ (13,958)	$ (14,237)	$ (14,522)	$ (14,812)	$ (15,108)	$ (15,410)	$ (15,719)	$ (16,033)
$ 1,274,489	$ 1,299,978	$ 1,325,978	$ 1,352,497	$ 1,379,547	$ 1,407,138	$ 1,435,281	$ 1,463,987	$ 1,493,266	$ 1,523,132
$ 108,863	$ 112,129	$ 115,492	$ 118,957	$ 122,526	$ 126,202	$ 129,988	$ 133,887	$ 137,904	$ 142,041
$ 106,969	$ 110,179	$ 113,484	$ 116,888	$ 120,395	$ 124,007	$ 127,727	$ 131,559	$ 135,506	$ 139,571
$ 88,354	$ 90,121	$ 91,924	$ 93,762	$ 95,638	$ 97,550	$ 99,501	$ 101,491	$ 103,521	$ 105,592
$ 58,691	$ 60,452	$ 62,266	$ 64,133	$ 66,057	$ 68,039	$ 70,080	$ 72,183	$ 74,348	$ 76,579
$ 94,678	$ 97,518	$ 100,444	$ 103,457	$ 106,561	$ 109,758	$ 113,050	$ 116,442	$ 119,935	$ 123,533
$ 145,781	$ 150,155	$ 154,659	$ 159,299	$ 164,078	$ 169,001	$ 174,071	$ 179,293	$ 184,671	$ 190,212
$ 4,733	$ 4,875	$ 5,021	$ 5,172	$ 5,327	$ 5,487	$ 5,652	$ 5,821	$ 5,996	$ 6,176
$ 196,230	$ 202,116	$ 208,180	$ 214,425	$ 220,858	$ 227,484	$ 234,308	$ 241,338	$ 248,578	$ 256,035
$ 42,598	$ 43,876	$ 45,193	$ 46,548	$ 47,945	$ 49,383	$ 50,865	$ 52,391	$ 53,962	$ 55,581
$ 43,895	$ 43,895	$ 43,895	$ 43,895	$ 43,895	$ 45,212	$ 45,212	$ 45,212	$ 45,212	$ 45,212
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 890,793	$ 915,316	$ 940,558	$ 966,538	$ 993,280	$ 1,022,122	$ 1,050,454	$ 1,079,616	$ 1,109,633	$ 1,140,531
$ 383,696	$ 384,662	$ 385,420	$ 385,959	$ 386,267	$ 385,016	$ 384,827	$ 384,370	$ 383,633	$ 382,601
$ 271,888	$ 273,813	$ 275,263	$ 276,238	$ 276,738	$ 276,763	$ 276,313	$ 275,388	$ 273,988	$ 267,113
$ -	$ -	$ -							
$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637	$ 18,637
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 290,525	$ 292,450	$ 293,900	$ 294,875	$ 295,375	$ 295,400	$ 294,950	$ 294,025	$ 292,625	$ 285,750
$ 93,171	$ 92,212	$ 91,521	$ 91,084	$ 90,893	$ 89,617	$ 89,878	$ 90,346	$ 91,008	$ 96,851
1.41	1.40	1.40	1.40	1.40	1.39	1.39	1.40	1.40	1.43
1.32	1.32	1.31	1.31	1.31	1.30	1.30	1.31	1.31	1.34
1.32	1.32	1.31	1.31	1.31	1.30	1.30	1.31	1.31	1.34
1.32	1.32	1.31	1.31	1.31	1.30	1.30	1.31	1.31	1.34
70%	70%	71%	71%	72%	72.6%	73.2%	73.7%	74.3%	74.9%
88%	88%	88%	89%	89%	88.9%	89.1%	89.1%	89.2%	89.0%

$4,875,000
Florida Housing Finance Corporation
Multifamily Mortgage Revenue Bonds
(U.S. Treasury / Government-Sponsored Enterprises)
New Issue Bond Program - Pine Meadow Apartments

Combined Debt Coverage Table

	Revenue	Bond Payments		Bond Fees				HOME Ln	Debt Service			Debt Service Coverage		
	Net Operating Income (1)	Principal Bonds (2)	Interest Bonds (3) 2.97%	Issuer Fee 0.40%	Grty & Srvc Fee 0.85%	Credit Enh Fee 0.53%	Total Bond Debt Service	Subord Debt Service (4)	Total Bond & Subord DS w/ Fees	Total Bond & Subord DS w/out Fees	Surplus Revenues	Bond Debt Service DCR	Total Bond & Subord DCR	Bond Balance
														$ 4,875,000
YR 1	$ 322,820	40,000	144,788	$ 19,500	$ 41,438	$ 25,838	$ 271,563	$ 18,637	$ 264,362	$ 203,425	$ 58,458	1.19	1.22	$ 4,835,000
YR 2	326,541	50,000	143,600	19,340	41,098	$ 25,626	$ 279,663	18,637	272,674	212,237	53,867	1.17	1.20	4,785,000
YR 3	310,743	50,000	142,115	19,140	40,673	$ 25,361	$ 277,288	18,637	270,564	210,752	40,179	1.12	1.15	4,735,000
YR 4	314,423	50,000	140,630	18,940	40,248	$ 25,096	$ 274,913	18,637	268,454	209,267	45,969	1.14	1.17	4,685,000
YR 5	318,076	50,000	139,145	18,740	39,823	$ 24,831	$ 272,538	18,637	266,344	207,782	51,732	1.17	1.19	4,635,000
YR 6	321,701	50,000	137,660	18,540	39,398	$ 24,566	$ 270,163	18,637	264,234	206,297	57,467	1.19	1.22	4,585,000
YR 7	324,122	60,000	136,175	18,340	38,973	$ 24,301	$ 277,788	18,637	272,124	214,812	51,998	1.17	1.19	4,525,000
YR 8	327,676	60,000	134,393	18,100	38,463	$ 23,983	$ 274,938	18,637	269,592	213,030	58,084	1.19	1.22	4,465,000
YR 9	331,190	60,000	132,611	17,860	37,953	$ 23,665	$ 272,088	18,637	267,060	211,248	64,130	1.22	1.24	4,405,000
YR 10	334,658	70,000	130,829	17,620	37,443	$ 23,347	$ 279,238	18,637	274,528	219,466	60,130	1.20	1.22	4,335,000
YR 11	338,077	70,000	128,750	17,340	36,848	$ 22,976	$ 275,913	18,637	271,574	217,387	66,503	1.23	1.24	4,265,000
YR 12	341,442	70,000	126,671	17,060	36,253	$ 22,605	$ 272,588	18,637	268,620	215,308	72,822	1.25	1.27	4,195,000
YR 13	344,748	80,000	124,592	16,780	35,658	$ 22,234	$ 279,263	18,637	275,666	223,229	69,082	1.23	1.25	4,115,000
YR 14	347,991	80,000	122,216	16,460	34,978	$ 21,810	$ 275,463	18,637	272,290	220,853	75,701	1.26	1.28	4,035,000
YR 15	349,960	80,000	119,840	16,140	34,298	$ 21,386	$ 271,663	18,637	268,914	218,477	81,046	1.29	1.30	3,955,000
YR 16	353,060	90,000	117,464	15,820	33,618	$ 20,962	$ 277,863	18,637	275,538	226,101	77,522	1.27	1.28	3,865,000
YR 17	356,080	90,000	114,791	15,460	32,853	$ 20,485	$ 273,588	18,637	271,740	223,428	84,340	1.30	1.31	3,775,000
YR 18	359,014	90,000	112,118	15,100	32,088	$ 20,008	$ 269,313	18,637	267,942	220,755	91,072	1.33	1.34	3,685,000
YR 19	361,856	100,000	109,445	14,740	31,323	$ 19,531	$ 275,038	18,637	274,144	228,082	87,712	1.32	1.32	3,585,000
YR 20	364,601	100,000	106,475	14,340	30,473	$ 19,001	$ 270,288	18,637	269,924	225,112	94,677	1.35	1.35	3,485,000
YR 21	367,240	110,000	103,505	13,940	29,623	$ 18,471	$ 275,538	18,637	275,704	232,142	91,536	1.33	1.33	3,375,000
YR 22	368,527	110,000	100,238	13,500	28,688	$ 17,888	$ 270,313	18,637	271,062	228,875	97,465	1.36	1.36	3,265,000
YR 23	370,936	120,000	96,971	13,060	27,753	$ 17,305	$ 275,088	18,637	276,420	235,608	94,516	1.35	1.34	3,145,000
YR 24	373,219	120,000	93,407	12,580	26,733	$ 16,669	$ 269,388	18,637	271,356	232,044	101,863	1.39	1.38	3,025,000
YR 25	375,368	130,000	89,843	12,100	25,713	$ 16,033	$ 273,688	18,637	276,292	238,480	99,076	1.37	1.36	2,895,000
YR 26	377,375	140,000	85,982	11,580	24,608	$ 15,344	$ 277,513	18,637	280,806	244,619	96,569	1.36	1.34	2,755,000
YR 27	379,232	140,000	81,824	11,020	23,418	$ 14,602	$ 270,863	18,637	274,898	240,461	104,334	1.40	1.38	2,615,000
YR 28	380,929	150,000	77,666	10,460	22,228	$ 13,860	$ 274,213	18,637	278,990	246,303	101,939	1.39	1.37	2,465,000
YR 29	381,180	160,000	73,211	9,860	20,953	$ 13,065	$ 277,088	18,637	282,660	251,848	98,520	1.38	1.35	2,305,000
YR 30	382,532	160,000	68,459	9,220	19,593	$ 12,217	$ 269,488	18,637	275,908	247,096	106,624	1.42	1.39	2,145,000
YR 31	383,696	170,000	63,707	8,580	18,233	$ 11,369	$ 271,888	18,637	279,156	252,344	104,540	1.41	1.37	1,975,000
YR 32	384,662	180,000	58,658	7,900	16,788	$ 10,468	$ 273,813	18,637	281,982	257,295	102,680	1.40	1.36	1,795,000
YR 33	385,420	190,000	53,312	7,180	15,258	$ 9,514	$ 275,263	18,637	284,386	261,949	101,034	1.40	1.36	1,605,000
YR 34	385,959	200,000	47,669	6,420	13,643	$ 8,507	$ 276,238	18,637	286,368	266,306	99,591	1.40	1.35	1,405,000
YR 35	386,267	210,000	41,729	5,620	11,943	$ 7,447	$ 276,738	18,637	287,928	270,366	98,339	1.40	1.34	1,195,000
YR 36	385,016	220,000	35,492	4,780	10,158	$ 6,334	$ 276,763	18,637	289,066	274,129	95,950	1.39	1.33	975,000
YR 37	384,827	230,000	28,958	3,900	8,288	$ 5,168	$ 276,313	18,637	289,782	277,595	95,045	1.39	1.33	745,000
YR 38	384,370	240,000	22,127	2,980	6,333	$ 3,949	$ 275,388	18,637	290,076	280,764	94,294	1.40	1.33	505,000
YR 39	383,633	250,000	14,999	2,020	4,293	$ 2,677	$ 273,988	18,637	289,948	283,636	93,685	1.40	1.32	255,000
YR 40	$ 382,601	255,000	$ 7,574	$ 1,020	$ 2,168	$ 1,352	$ 267,113	$ 18,637	$ 284,398	$ 281,211	$ 98,203	1.43	1.35	$ -

(1) *NOI based on 'Projected Operating Revenue' Schedule.*
(2) *Based on estimated bond sinking fund schedule*
(3) *Bond Interest Rate is based on the NIBP Bond rate locked by FHFC on December 2, 2010, of 2.97%*
(4) *FHFC Home Loan debt service based on non-amortizing, interest only at a rate of 1%. The FHFC Home Loan is co-terminus with the Bond maturity.*

STATE BOARD OF ADMINISTRATION
1801 HERITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308

To:	Ash Williams
From:	Robert Copeland
Subject:	Interest Rate Exception
Date:	October 26, 2011

INTEREST RATE EXCEPTION PURSUANT TO SECTION 215.84, F.S.:

Background

The Housing Finance Authority of Miami-Dade County (the "Authority") has submitted a request for an approval of an interest rate exception on a proposed issue of its not exceeding $2,400,000 Subordinate Multifamily Mortgage Revenue Bonds (the "Bonds"). The Authority is acting solely as a conduit issuer of the Bonds. The Authority will loan the proceeds of the Bonds to Palm Lake Renovation, LLLP, a Florida limited liability limited partnership (the "Borrower") who will in turn utilize the proceeds to assist in the financing of a portion of the cost of the acquisition, rehabilitation and equipping of a multifamily rental housing development located in Miami- Dade County, Florida (Palm Lake Apartments Project). The Bonds and the interest thereon shall be limited obligations of the Authority payable solely out of the amounts pledged therefor under the Subordinate Trust Indenture securing the bonds. These amounts pledged will be discussed in the Plan of Finance section below.

The Bonds will be privately placed to an Accredited Investor as a single bond in a denomination of $2,400,000. The Authority will sell the Bonds only to an Accredited Investor as such term is used in rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933. Subsequent sales or other transfers of the Bonds may be made only to an Accredited Investor subject to an investor letter. Pursuant to the provisions of Section 215.84(3), Florida Statutes, the interest rate on the Bonds may not exceed the maximum interest rate computed by adding 300 basis points to The Bond Buyer "20 Bond Index" published immediately preceding the first day of the calendar month in which the Bonds will be sold. The Bond Buyer "20 Bond Index" as of Friday, September 30, 2011, was 3.93%, which, together with 300 basis points, results in a maximum interest rate per annum of 6.93% for bonds sold during October, 2011. The request for an interest rate exception proposes a per annum interest rate on the Bonds of not to exceed 9.50%. Accordingly, an interest rate exception is required.

Description of Project

The Palm Lake Apartment Project (the "Project") is an existing 300-unit, five-building, multifamily housing complex located in Miami-Dade County, Florida, serving low income senior citizens and the permanently disabled. The facility was originally built in 1967 and is fully occupied. The Borrower proposes to acquire and rehabilitate the Project using tax-exempt bond financing provided through the Authority, in combination with equity raised through the sale of low income housing tax credits as well as additional sources of funds described in the Plan of Finance below.

Additional Information Regarding the Borrower

The Borrower is a limited liability limited partnership consisting of Rainbow Housing Assistance Corporation, (the "General Partner"), owning 0.005% of the limited partnership; Gung Ho-Palm Lake, LLC, special limited partner which is controlled by The Reliant Group, LLC (the "Developer"), also owning 0.005% of the limited partnership; and an investor limited partner consisting of entities controlled by Hunt Capital Partners, LLC, owning the remaining 99.99%.

The General Partner is a national non-profit organization formed to create and preserve affordable multifamily housing for low-income families across the United States. The organization also works with residents to provide programs and support services.

The Developer has focused for the last ten years on the acquisition and operation of multifamily housing and has acquired over 10,000 units in that time, approximately two-thirds of them affordable units. The Developer has experience overseeing the occupied renovation of more than 20 acquisition/rehabilitation tax credit projects over the past 5 years, and the principals oversee all construction related activity. The anticipated general contractor is G.T. McDonald Enterprises, Inc., a south Florida based contractor with extensive experience in both public and private sector projects including mid-rise and high-rise multifamily developments.

Project Details

The costs of acquisition and rehabilitation of the Project are estimated to be $29,644,469, of which an estimated $6,483,934 will be required for rehabilitation. Costs associated with rehabilitation include upgrades in major systems of the property, upgrades of unit interiors and for the updating and expansion of common areas and amenities of the property.

Plan of Finance

The Bond proceeds, along with the proceeds of the sale of approximately $16,000,000 Senior Lien Bonds (Senior Bonds) will be loaned by the Authority to the Borrower for the acquisition and rehabilitation of the Project pursuant to the terms and provisions of the Subordinate Loan Agreement for the subordinate Bonds and Financing Agreement for the Senior bonds, which provide that the Borrower pay the amounts needed to satisfy the debt service requirements on the Bonds and Senior Bonds to the Authority's designated trustee (the "Trustee"), and abide by the other covenants of the agreements. The obligations of the Borrower under the Subordinate Loan Agreement will be secured by a Subordinate Note and Subordinate Mortgage which grants the Trustee a security interest in the Project.

The debt service on the subordinate Bonds is to be repaid from 75% of Net Operating Income available after satisfying all obligations related to the Senior Bonds as described in the Subordinate Trust Indenture.

Additional sources of funds for the Project include an equity investment from the Developer and well as anticipated Project cash flow during rehabilitation.

Review Procedure

In accordance with SBA Rule 19-5.002, the following documentation was considered in evaluating the Authority's request for approval of an interest rate exception:

- Letter of application for approval of interest rate exception received from the Housing Finance Authority of Miami-Dade County.
- The most recent draft of the Preliminary Limited Offering Memorandum relating to the sale of the Senior Bonds (the "PLOM").

- The Authorizing Resolution for the Bonds which indicates the Bonds were legally authorized by the Authority. This Authorizing Resolution was adopted by the Board of Directors at a meeting on September 26, 2011, as amended by Resolution adopted by the Board of Directors at a meeting on October 24, 2011.
- Copies of the most recent drafts of the Trust Indenture and Subordinate Trust indenture, Financing Agreement, Subordinate Loan Agreement and Land Use Restriction Agreement.
- Financial projections relating to anticipated revenue, debt service and coverage.
- Credit Underwriting Report prepared by AmeriNational Community Services, Inc.

Market Rate Analysis

An opinion from Public Financial Management, Inc. ("PFM"), an independent financial advisor hired by the State Board of Administration, was obtained which included an analysis of the results of sales of comparable debt since January 1, 2011 as well as current credit and liquidity spreads. PFM's report concludes that the maximum interest rate of 9.50% per annum requested by the District is reasonable based upon available market data.

Evidence that Objectives and Intent of Issuance will be Realized

Several factors discussed in the Credit Underwriting Report (the "CUR") were considered in determining whether there was evidence that the objectives and intent of the issuance of the Bonds would be realized. For this purpose, the likelihood of whether the Project would be acquired and renovated as described in the plan of finance was examined. The factors below provide evidence that the objectives and intent of the Issuance will be realized.
-A Construction Contract relating to the rehabilitation costs has been finalized, the terms of which indicate guaranteed maximum costs and a construction timeline. Such contract is subject to a third party review as to reasonableness of Guaranteed Maximum Price and timeline prior to issuance of the Bonds.
-The Contractor has substantial experience in this type of Project, a performance bond will be in place prior to Bond Issuance and it has been indicated that the Contractor qualifies for such performance bond.
-An appraisal has been prepared supporting the purchase price of the Project.
-The CUR indicates that the anticipated sources of funds appear to be sufficient to pay for the acquisition and rehabilitation costs of the Project.
-The market study prepared by Meridian Appraisal Group indicated that the area's affordable housing supply is currently undersupplied, which should continue to keep vacancy rates stable.
-The Developer does not anticipate any displacement of tenants during rehabilitation.
-The Project operates under a Moderate Rehabilitation Housing Assistance Payments contract ("HAP") with the Miami-Dade Public Housing Agency that will provide income to the Project throughout the renovation period.

Two countervailing items of note are (i) the HAP contract must be renewed annually and is subject to U.S. Congressional annual appropriation, and (ii) sufficient operating revenues depend on the attainment of a property tax abatement from local property tax assessment. However, according to the CUR, the Project has operated under the HAP program since 1994, and per HUD Notice PIH 2001-13(HA) the HAP contract would likely be renewed by the Miami-Dade Public Housing Agency as long as there are not any material adverse financial or managerial actions or omissions. Also, the CUR further indicates that as a condition precedent to closing on the Bonds and the Senior Lien Bonds, is for the receipt of the 2011 real estate tax notice that indicates no taxes are assessed and an opinion of counsel in form and substance acceptable to the Authority that the Development will qualify for the approval of the tax abatement.

Finally, in addition to the factors mentioned above, an opinion was obtained from PFM that noted the guaranteed maximum price construction contract, the project timeline and certain "flow-of-funds" protections in the bond trust indenture, all of which PFM took into account in assessing the likelihood that the acquisition and rehabilitation of the Project will be completed.

RECOMMENDATION: It is recommended that the Board approve an interest rate exception on the Bonds and authorize a per annum interest rate on the Bonds not to exceed 9.50%, which is projected to be in excess of the maximum average interest cost rate prescribed in Section 215.84(3), F.S. This interest rate exception, if granted, shall be effective for 180 days from the date of approval. The granting of an interest rate exception is not to be construed as an approval, endorsement or recommendation of the Bonds or the project to be financed by the Bonds by the State Board of Administration. In granting an interest rate exception, the State Board of Administration has relied upon information provided by the Authority and other professionals. The State Board of Administration has relied upon the accuracy and completeness of the information provided and on the professional qualifications of the professionals providing such information and has not independently verified the information furnished. The State Board of Administration does not assume any responsibility for, and makes no warranty (express or implied) with respect to the Bonds or the Project to be financed by the Bonds, or to the accuracy or completeness of the information provided in connection therewith.

The Bonds are limited obligations of the Authority and neither the State of Florida nor any other political subdivision of the State is liable for the payment of the Bonds. As mentioned above, the proposed Bonds will be sold only to Accredited Investors upon execution of an investor letter. As such, the buyers of the Bonds bear the sole responsibility in evaluating the suitability of these Bonds as investments, as evidenced by the buyers acknowledgement of such terms outlined in the investor letter.

cc: Janie Knight

MIAMI-DADE COUNTY
miamidade.gov

Housing Finance Authority
7300 NW 19th Street • Suite 501
Miami, Florida 33126
T 305-594-2518 F 305-392-2722

October 4, 2011

Mr. Ash Williams
Executive Director
State Board of Administration
1801 Hermitage Boulevard
Tallahassee, FL

RE: Interest Rate Waiver Request for $2,400,000 Housing Finance Authority of Miami-Dade County (Florida) Subordinate Multifamily Mortgage Revenue Refunding Bonds (Palm Lake Apartments Project)

Dear Mr. Williams:

Low income housing for senior and disabled residents is an important part of the mission of the Housing Finance Authority of Miami-Dade County. The Authority has approved the issuance of housing revenue bonds to finance the acquisition and renovation of an existing 300 unit apartment project in northern Miami-Dade County which provides affordable housing for senior and disabled persons. We believe that providing this financing will both maintain the facility as affordable housing and, through the renovations, improve and update the facility for the residents.

The proposed revenue bonds, which are payable solely from the project revenues and loan payments made by the project owner (no government funds are committed), will consist of approximately $16,000,000 of senior bonds and a subordinate bond in an amount up to $2,400,000. The senior bonds will be credit enhanced by Fannie Mae and will be highly rated. The subordinate bond will not be credit enhanced, will be unrated, and will be purchased by an investment fund with a history of similar investments made up of solely accredited investors.

In the current interest rate environment, the subordinate bond will not be able to be marketed at an interest rate that is within the statutory interest rate limitation under Florida Statutes Section 215.84 (approximately 7.47%). The Authority is requesting a waiver of the interest rate limitation for the subordinate bond to permit the subordinate bond to be sold at an interest rate up to 9.5%.

Attached to this letter are descriptions of the project and the financing, forms of the relevant bond documents, financial information, and other information required by the statute and the implementing rules are helpful to understand the financing structure.

Thank you for your consideration of this waiver request. Please call me or Peter Dame at Akerman Senterfitt (bond counsel) with any questions or requests for additional information.

Sincerely,

PBraynon

Patricia Braynon
Director, Housing Finance Authority of Miami-Dade County

MIAMI-DADE COUNTY
miamidade.gov

Housing Finance Authority
7300 NW 19th Street • Suite 501
Miami, Florida 33126
T 305-594-2518 F 305-392-2722

October 4. 2011

Mr. Ash Williams
Executive Director
State Board of Administration
1801 Hermitage Boulevard
Tallahassee, FL

RE: Interest Rate Waiver Request for $2,400,000 Housing Finance Authority of Miami-Dade County (Florida) Subordinate Multifamily Mortgage Revenue Refunding Bonds (Palm Lake Apartments Project)

Dear Mr. Williams:

Pursuant to Section 215.84(4), Florida Statutes, the Housing Finance Authority of Miami-Dade County (Florida) hereby requests a waiver of the interest rate limitations in Section 215.84(3), Florida Statues with respect to up to $2,400,000 Housing Finance Authority of Miami-Dade County (Florida) Subordinate Multifamily Mortgage Revenue Refunding Bonds (Palm Lake Apartments Project) (the "Subordinate Bonds"). This package contains the information requested under the procedures outlined in Chapter 19-5, Florida Administrative Code, Rules and Regulations Governing the Procedures for Issuance of Bonds at an Interest Rate in Excess of Legal Limitation.

Project Description

The Reliant Group ("Reliant") and Rainbow Housing Assistance Corporation ("Rainbow Housing") are sponsoring the renovation and long-term preservation of Palm Lake Apartments, an existing 300-unit Section 8 apartment community in Miami-Dade County, Florida that serves low income senior citizens and the permanently disabled. Reliant and Rainbow Housing are pursuing tax-exempt bond financing through the Housing Finance Authority of Miami-Dade County ("Miami Dade HFA") which, together with equity raised through the sale of low income housing tax credits, will allow for a substantial renovation of the property and its preservation as an affordable housing asset for its community.

Financing Structure and Bond Sale Information

The Project will be financed with two series of bonds. The Series 2011A bonds will be interest only for the first two years as the property undergoes rehabilitation; sinking fund contributions under a 35-year amortization schedule will begin in year three. The bonds will be publicly sold in the market with an anticipated rating of "AAA" or equivalent rating with credit enhancement coming from the Federal National Mortgage Association ("Fannie Mae) under a direct-pay structure. It is anticipated the 2011A bonds will consist of ten and sixteen year term bonds. Based on current market conditions the rate on the Series 2011A bonds is expected to be 4.56%.

The Series 2011B bonds will be privately placed to an Accredited Investor as such term is used in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended. The subordinate issue will be made up of a single bond and will bear interest only for five years with a 30-year amortization schedule beginning in year 6. The 2011B bond will be structured as a cash flow residual receipts note payable from 75% of available cash flow so the Borrower retains a reasonable equity interest in the property. The Series 2011B bond will be a single term bond with a maturity of 16 years and 2 months at a rate of 9.50%. The bond purchaser has reviewed the Form of Investor Letter prepared by the Issuer (included in Exhibit D – Document Drafts) which it will execute without modification.

The 2011A bonds constitute 87% of the debt structure with the 2011B bonds representing the remainder. When these series are considered on a combined basis, the weighted average bond interest rate for the project is projected at 5.20% or 73bps over the current Bond Buyer 20 of 4.47% (well within statutory limit of 300bps).

The Bonds will not be a debt of the Housing Finance Authority of Miami-Dade County, Miami-Dade County, the State of Florida nor any subdivision thereof.

The Interest Rate Waiver Request

It is anticipated the 2011B bonds will carry a rate greater than 300bps above The Bond Buyer "20 Bond Index" published the day immediately preceding the first day of the month in which the bonds are issued (expected to be October 2011). The 20 Bond Index is published each Thursday, and the index as of Thursday, July 28th was 4.47%. During the last 12 months, the index has ranged from a high of 5.41% on January 20, 2011 to a low of 3.82% on October 14, 2010 (See Exhibit A). As of the date of this memorandum, an interest rate waiver will be required if the rate on the Series B bonds exceeds 7.47%.

Interest Rate Requested

It is anticipated the Subordinate Bond will be sold in October, 2011. The current interest rate limitation is 7.47% (calculated as the Bond Buyer 20-GO Index for July 28th plus 3%); the interest rate limitation for bonds sold in October is not yet determinable. The Authority requests a waiver to allow the Subordinate Bonds to be sold at a fixed interest rate not exceeding 9.5%.

Comparable Sales

There has been limited market activity for non-rated or issues rated below A. We utilized the Bloomberg system to identify all transactions sold during the 2011 calendar year that would require an interest rate waiver in the current rate environment under Section 215.84 of the Florida Statute. Our filter was limited to bonds in or below the Baa3/BBB-/BBB- categories of Moody's, Standard & Poor's or Fitch. A listing of these transactions is included as Exhibit B. We found 12 transactions; four of these were multifamily mortgage revenue bonds. One multifamily deal was rated BB- with a 9.0% rate and the three other multifamily deals were rated BBB- at an 8% rate. We are aware of a non-rated deal that did not show up on Bloomberg. A May 3rd, 2011 $250,000 subordinate bond placed by Merchant Capital on a multifamily deal in Texas with a yield of 10%. Given the fact that the Series 2011B bonds will be unrated and can only be paid out of 75% of available cash flow a 9.5% rate is reasonable based on the market of comparable sales.

Objectives and Intent Will Be Realized

Section 215.84 states that the review of an interest rate waiver shall include consideration of "...evidence that the objectives and intent of the issuing of such bonds will be realized." The Borrower has entered into applications with a Fannie Mae DUS Lender and Low Income Housing Tax Credit Investor and has already spent several thousands of dollars on third party reports and legal fee retainers. Additionally the Borrower has been through and received approval of the HFA's Architectural Design and Review Advisory Committee ("ADRAC"). The general contractor, G.T. McDonald Enterprises, Inc. is a South Florida-based contractor with extensive experience in both public and private sector projects including mid-rise and high-rise multifamily developments. We have a very high level of confidence this financing will come to fruition if the proposed waiver is approved.

Additional Considerations

- The stated purpose of Section 215.84 is: "...to maintain the fiscal solvency of public bodies, agencies, and political subdivisions in public borrowing..." Since this is a conduit issuance the Issuer is not contractually liable for any costs or debt service related to this bond issuance. There will be no impact on the fiscal solvency of any public bodies, even in the event of over runs or revenue shortfalls.
- The project is an acquisition/rehabilitation preserving the quality of 300 units as opposed to adding new supply. The project's rehab budget is projected to be $5.5 million.
- The financing will preserve an existing 300 unit Section 8 apartment community that serves low income senior citizens and the permanently disabled. 100% of the units are rent and income restricted at 60% of AMI and serve persons of 62 years or older or the permanently disabled.
- The composite yield of the Senior Bonds and Subordinate bond is well below the interest rate limitations and would not require a waiver. However, taken alone, the 2011B bond exceeds the statutory limitation.
- The Housing Finance Authority of Miami-Dade County supports the financing, renovation, and preservation of this development as affordable housing for low income senior citizens and the permanently disabled.

Financial Projections

The projected first year net operating income for the development is $1,431,160. Based on a 2% growth in income and a 3.0% growth in expenses we show the following debt service ratios over the 16 year bond period.

Year	1	2	3	4	5	6	7	8	9	10
A Bonds	1.47	1.49	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.47

A&B Bonds	1.18	1.20	1.10	1.11	1.13	1.14	1.15	1.17	1.18	1.20

Year	11	12	13	14	15	16
A Bonds	1.49	1.51	1.53	1.55	1.57	1.60
A&B Bonds	1.22	1.23	1.25	1.27	1.29	1.30

As can be seen from the above chart there is a drop in the debt service coverage ratio ("DSCR") in year three as the Series A bonds begin to amortize. Payments are able to be made out of 75% of available cash flow on the Series 2011B bond so we do not expect interest to accrue and compound on the Series B bond. The combined DSCR on the transaction does not drop below a 1.10:1. Attached as Exhibit C is the 16 year cash flow analysis.

Document Drafts

Accompanying this request are forms of the relevant bond and Authority documents relating to the senior bonds and the subordinate bonds, including:

1. Authority Inducement Resolution
2. Authority TEFRA Resolution
3. County TEFRA Approval Resolution
4. Trust Indenture (senior bonds) and Subordinate Trust Indenture
5. Financing Agreement (senior bonds) and Subordinate Loan Agreement
6. Land Use Restriction Agreement
7. Official Statement for the Senior Bonds
8. Form of Investor Letter

Financial Statements

The financial statements for the Authority are not relevant to the proposed financing because no funds of the Authority are pledged or available for repayment of the bonds, which are solely payable from the loan repayments from the project owner. Nonetheless, as the statute and the rule require submission of the issuer financial statements as part of the interest rate waiver request, such financial statements are attached as Exhibit E.

List of Exhibits:

Exhibit A – 10 Year History of the 20 Bond Buyer GO Index
Exhibit B – Information on Comparable Bond Sales
Exhibit C – Project Financial Projections
Exhibit D – Document Drafts
Exhibit E – Financial Statement of HFA of Miami-Dade County

Thank you once again for your consideration of this waiver request. Please call me or Peter Dame at Akerman Senterfitt (bond counsel) with any questions or requests for additional information.

Sincerely,

Patricia Braynon

Director, Housing Finance Authority of Miami-Dade County

PFM
The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Lincoln Plaza
300 S. Orange Avenue
Suite 1170
Orlando, FL
32801-3470

407 648-2208
407-648-1323 fax
www.pfm.com

September 30, 2011

Mr. Ash Williams
Executive Director
State Board of Administration
1801 Hermitage Boulevard
Tallahassee, FL

RE: **Interest Rate Waiver Request**
$2,400,000 Housing Finance Authority of Miami Dade County (Florida)
Subordinate Multifamily Housing Revenue Refunding Bonds, Series 2011B
(Palm Lake Apartments Project)

Dear Mr. Williams:

Pursuant to your request, Public Financial Management, Inc. ("PFM") has conducted a review of the above referenced Interest Rate Waiver Request submitted to the State Board of Administration on August 3, 2011. Based on the criteria for Interest Rate Waivers as outlined in Section 215.84, Florida Statutes, it is our understanding that the primary objectives of PFM's review are: (i) to determine the need for an interest rate waiver, (ii) to determine the reasonableness of the maximum interest rate requested by the applicant, and (iii) to review evidence that the objectives and intent of the issuance of the subordinate Series 2011B Bonds will be realized.

In order to achieve the objectives as set forth above, we have: (i) reviewed certain provisions in recent drafts of the Preliminary Official Statement for the Senior Lien Series 2011A Bonds, the Trust Indenture, Subordinate Trust Indenture, the Subordinate Loan Agreement, and the form of Investment Letter, all relating to the sale of the proposed subordinate bonds, (ii) reviewed the financial data provided in the draft Credit Underwriting Report prepared by AmeriNational Community Services, Inc. dated September 21, 2011, (iii) assessed the current market environment for non rated housing bonds by obtaining primary and secondary market pricing data, various visible supply levels, and a current calendar of economic events that could impact the proposed pricing of the subordinate Series 2011B Bonds, and (iv) assessed the likelihood that the objectives of the issuance of the subordinate Series 2011B Bonds will be met.

Background

The following information on the Project, the Borrower & the Developer, and the Management Company is based on information provided in the Preliminary Official Statement for the Senior Lien Series 2011A Bonds and the Credit Underwriting Report.

The Project

The Project, known as Palm Lake Apartments, is located on an approximately 11.4 acre site approximately eight miles north of downtown Miami in unincorporated Miami-Dade County, Florida. The Project is an existing senior community of five residential buildings containing one- and two-bedroom units and 369 parking spaces. Landscaping and sidewalks will be provided consistent with local codes.

The Borrower expects to spend approximately $6.48 million renovating the Project. The Project was built in 1967 and consists of five substantially identical concrete buildings with elevators arranged around a central lake. The renovation will include roof replacement, extensive window replacements, new exterior doors, elevator repairs, new railings and interior renovations, including new kitchen cabinets and appliances, new interior lighting, and new bathroom fixtures. One of the goals of the renovation is to achieve significant energy and water use savings.

The unit mix of the Project is as follows:

Unit Type	# of units	Square Footage
1 BD/1 BA	220	648
2 BD/1 BA	40	892
2 BD/2 BA	40	928
TOTAL	300	215,360

The Borrower currently receives rental subsidy payments for all of the units in the Project under a project based Mod-Rehab Section 8 Housing Assistance Payments Contract (the "HAP Contract"). See "The HAP Contract" below.

The HAP Contract

Currently, the Borrower receives the benefit of a Section 8 Housing Assistance Payment Contract (the "HAP Contract") covering all of the units at the Project. The original HAP Contract for the Project terminated in 1999 and it has been renewed annually since then.

Funding under the HAP Contract is subject to annual Congressional appropriations, as more particularly described below. The Section 8 project-based housing assistance payment program (the "Section 8 Program") is authorized by Section 8 of the United States Housing Act of 1937, as amended, and in the case of Mod Rehab Section 8 contracts is administered by local public housing authorities. Renewals of Section 8 HAP contracts are governed by the Multifamily Housing Mortgage and Assistance Restructuring Act, as amended ("MAHRA"). The Section 8 Program authorizes housing assistance payments to owners of qualified housing for the benefit of low-income families (defined generally as families whose incomes do not exceed 80% of the area median income for the area as determined by HUD), and very low-income families (defined generally as families whose income do not exceed 50% of the AMI as determined by HUD). Section 8 housing assistance payments generally represent the difference between the "contract rent" for the unit approved by HUD and the eligible tenant's contribution, which is generally 30% of income, as adjusted for family size and certain expenses, subject to a minimum rent contribution. The rents approved by HUD for the Project, as they may be adjusted from time to time with procedures set forth in MAHRA and the HAP Contract, are the "contract rents" for the Project. The HAP Contract requires the Borrower to maintain the Project in decent, safe and sanitary condition and to comply with other statutory and regulatory requirements governing the operation of the Project, use of project funds, and other matters. If the Borrower fails to comply with the terms of the HAP Contract, HUD or the contract administrator could seek to abate or terminate the payments under the HAP Contract, or take other sanctions. MAHRA requires that upon the request of the Borrower, HUD shall renew the HAP Contract under the Section 8 Program. However, because the HAP Contract is subject to receipt of annual appropriations by Congress, there is no assurance that the HAP Contract will be renewed or replaced upon its expiration. Funding for HAP contracts is appropriated by Congress on an annual basis, and there is no assurance that adequate funding will be appropriated each year during the term of the HAP Contract. Since payments received under the HAP Contract constitute a primary source of revenues for the Project, the expiration of the HAP Contract, or the failure of Congress to appropriate funds sufficient to fund the HAP Contract during each year of its term, would have a material adverse effect on the ability of the Project to generate revenues sufficient to pay the principal of and interest of the Bond Mortgage Loan.

The Borrower & the Developer

The Borrower is TRG – Palm Lake, LP, a Florida limited partnership* formed for the sole purpose of acquiring, rehabilitating and operating the Project. The general partner of the Borrower is Rainbow Housing Assistance Corporation, LLC, a California nonprofit public benefit corporation (the "General Partner"), which owns a 0.005% ownership interest in the Borrower. Gung Ho-Palm Lake, LLC, a Florida limited liability company will be Special Limited Partner with a 0.005% interest in the Borrower. The Special Limited Partner is controlled by the Reliant Group, Inc., a California corporation (the "Developer") The remaining 99.99% interest in the Borrower will be limited partnership interests owned by entities sponsored by Hunt Capital Partners, LLC (the "Investor Limited Partner"). The Investor Limited Partner is providing an equity investment to the Borrower, in return for tax credits to be provided under Section 42 of the Code.

*On October 24, 2011, Palm Lake Renovation, LLLP, a Florida limited liability limited partnership replaced TRG - Palm Lake, LP as Borrower for the project.

The General Partner is a national non-profit organization formed to create and preserve affordable multifamily housing for low-income families across the United States. The organization also works with residents to provide programs and support services.

The Developer has focused for the last ten years on the acquisition and operation of multifamily housing and in that time has acquired over 10,000 units, approximately two-thirds of which are affordable units. Additional information about the Developer may be found at www.reliantgroup.com. Any previous experience of the General Partner, the Developer, their affiliates and their principals is no assurance that the Project will be successful.

The Borrower is a new entity, created to finance, rehabilitate, own and operate the Project, but it has no development experience. Furthermore, no representation is made that the Borrower will have substantial revenues available from the Project. Accordingly, neither the Borrower's financial statements nor those of the General Partner, the guarantors or their affiliates have been provided to potential investors.

The Management Company

Capstone Real Estate Services, Inc., a Texas corporation, will serve as the third-party property manager of the Project ("the "Management Company"). The Management Company receives customary management fees in connection with its activities related to the Project. A copy of the management agreement between the Borrower and the Management Company is available from the Borrower upon request.

The Management Company currently manages approximately 40,000 multifamily units for various institutional clients, partnerships, and individual owners. Founded in 1969, the Management Company has specialized in the professional management of affordable multifamily housing for more than 40 years.

The Proposed Bonds - $2,400,000 Housing Finance Authority of Miami Dade County (Florida) Subordinate Multifamily Housing Revenue Refunding Bonds, Series 2011B (Palm Lake Apartments Project)

The Applicant has indicated that the Project will be financed with two series of bonds. The Senior Lien Series 2011A bonds will be interest only for the first two years (during rehabilitation of project) and will amortize over a 35-year period beginning in year three. The Senior Lien Bonds will be issued via public offering with an anticipated credit rating of "Aaa" based on the backing of a credit facility provided by the Federal National Mortgage Association under a direct pay structure.

The Series 2011B Bonds will be privately placed to an Accredited Investor as such term is used in Rule 501(a) of Regulation D promulgated by the Securities Exchange Commission under the Securities Act of 1933, as amended (the "Act"). The Series 2011B Bonds will be structured as a cash flow residual receipts note payable from 75% of available cash flow and will be subordinate to the Series 2011A Bonds. The Series 2011B Bonds will be structured as interest only for the first five years with amortization beginning in year 6 based on a 30-year amortization and a balloon payment due approximately 16 years and 2 months from the date of closing. The purchaser of the Series 2011B Bonds will be required to provide a form of investor letter that will include certain representations including certification that the purchaser is a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Act.

The Series 2011A Bonds and the Series 2011B Bonds are both special, limited obligations of the Issuer payable solely from the Trust Estate and in the case of the Series 2011A Bonds, the Credit Facility. Neither the Series 2011A Bonds nor the Series 2011B Bonds are a debt of the State of Florida, the Issuer, or any other political subdivision of the State.

The Interest Waiver Request

The Applicant anticipates that the maximum interest rate on the subordinate Series 2011B Bonds will be more than 300 basis points above The Bond Buyer "20 Bond Index" published the day immediately preceding the first day of the month in which the Series 2011B Bonds are issued (expected to be October 2011). The 20 Bond Index as of Friday, September 30, 2011 was 3.93%. During the last twelve months, the index has ranged from a high of 5.16% to a low of 3.82%. As of the date of this memorandum, an interest rate waiver will be required if the rate of interest on the Series 2011B Bonds exceeds 6.93%.

The Need for an Interest Rate Waiver

Interest rates remain at historically low levels, but credit spreads (the difference in net yield for securities with different levels of credit risk) are at very high levels. To the extent that there have been new issuances of bonds with ratings in the "BBB" category or below, or non-rated, the yields have priced at wide spreads to the "AAA" Municipal Market Data Index ("MMD"), the industry benchmark for tax exempt securities of the highest credit quality. Investors are cautious about lower rated and non-rated financings, particularly those related to Florida real estate projects. The Series 2011B Bonds will not be rated, and RBC Capital Markets, the managing underwriter for the Senior Lien 2011A Bonds, expects that the interest rate for the Series 2011B bonds will exceed 6.93%.

Primary and Secondary Market Comparables

PFM searched primary market data and secondary market trade data since January 1st, 2011. Our search was limited to bonds rated triple-B or below for housing and healthcare issues and included over 300 trades for housing bonds that met the criteria. Yields for these bonds ranged from 5.4% to 9.0% for maturities ranging from 2025 to 2052. Isolating primary market data for housing bonds, interest rates ranged from 6% to 9% and averaged 7.20% for bonds issued between 6/1/2011 and 9/29/2011 (please see page 17 of Appendix A). In addition, PFM pulled the current MMD, BBB Revenue, and BBB Taxable curves from Bloomberg. The BBB Revenue curve shows a yield of 7.24% in year 16 and levels off to 7.33% in year 30. Since the 2011B bonds are non rated, the yield will exceed the BBB revenue curve. It is our estimate that the additional yield for non rated debt is minimum of 50 to 100 basis points. Therefore, based on the available market information, PFM believes that an interest rate of 7.5% to 8.5% would be appropriate for publicly offered, subordinate housing bonds with a minimum principal amount of $10 million.

Based on the information provided by the Applicant, repayment of the subordinate Series 2011B Bonds is limited to 75% of the available net operating income of the Project after payment of the Senior Lien Series 2011A Bonds and the Project's operating expenses (i.e. real estate taxes, insurance premiums, utilities, building painting and repairs, property management fees, payroll, administrative expenses, legal expenses, and asset management fees). The proposed credit structure is particularly "weak" -- even for subordinate debt structures -- given that 25% of the residual cash flow is not pledged to the payment of the Series 2011B Bonds and projected debt service coverage is as low as 1.107 on a combined basis. Therefore, PFM would expect that an investor would require an incremental credit spread as compensation for the weaker credit.

In addition to the relatively weak credit structure, the anticipated par amount of the Series 2010B Bonds is $2.4 million which is well below the $10 million threshold of many institutional investors. Lastly, as a privately placed issue, PFM would expect that investors would require a "liquidity premium" due to the inability to readily sell or trade the bonds in the secondary market. Based on the relatively weak credit structure, the relatively small size of the issue and the proposed private placement, PFM believes that investors may require spreads up to 100 basis points above larger, publicly offered, subordinate housing bonds. Thus, PFM believes that an interest rate of 7.5% to 9.5% is appropriate for the Series 2011B bonds based on available market information. Economic and financial conditions have created significant uncertainty in the financial markets, and a rate cushion is necessary in order to ensure that the Series 2011B Bonds can be sold.

Objectives and Intent Will Be Realized

Section 215.84 states that the review of an interest rate waiver shall include consideration of "...evidence that the objectives and intent of the issuing of such bonds will be realized." Based on the draft Subordinate Trust Indenture, the proceeds of the Series 2011B Bonds will be deposited with US Bank, as trustee. The funds shall only be disbursed to fund project costs upon the receipt of a completed requisition signed by authorized representatives of the Borrower and the Loan Servicer. We assume similar provisions are included in the Senior Lien Series 2011A Bonds and that the proceeds from the Series 2011A Bonds and other sources cited in the Credit Underwriting Report are made available and are sufficient for the acquisition and rehabilitation of the Project.

PFM has not reviewed the purchase contract or any other documents related to the purchase or rehabilitation of the Project. However, we note that the Credit Underwriting Report states that there is a construction agreement dated August 2, 2011 indicating a guaranteed maximum price of $6,085,399.37 and indicates construction completion by October 23, 2012. Given that the Project is an existing facility that is reportedly 100% leased to qualified tenants and assuming the necessary funding for the renovations is made available as described above, it is reasonable to assume that the Project will be completed and therefore, the objectives and intent of issuing the 2011B Bonds will be realized. In reaching this conclusion, PFM assumes that the proceeds of the bonds to be deposited into the Project Account under the trust indenture will be sufficient to complete the Project as provided in the documents provided by the Applicant. We have assumed that the Project costs will not exceed projections and there will be no increase in the amount to be paid for the successful renovation of the Project. In reaching this conclusion we are not opining on the likelihood that the financial projections in the AmeriNational Community Services, Inc. Credit Underwriting Report will be achieved, rather we are assessing the likelihood that the acquisition of the building and related rehabilitation will be completed.

Additional Considerations

The stated purpose of Section 215.84 is: "...to maintain the fiscal solvency of public bodies, agencies, and political subdivisions in public borrowing..." We assume that the necessary exculpatory language has been included in all legal documents being signed by the Issuer and that therefore, the issuer cannot be contractually liable for costs or debt service, to the extent of over runs or revenue shortfalls.

Conclusion

PFM believes that the requested interest rate waiver and the maximum interest rate of 9.50% is reasonable based on available market data. Pursuant to 215.84(3), Florida Statutes the waiver is required because the expected interest rate may exceed the statutory limitation of 6.93% (calculated based on the Bond Buyer 20 Bond Index of 3.93% in effect for September 30, 2011 plus 300 basis points). The maximum rate of 9.50% is reasonable based upon the uncertainty of market conditions at the proposed time of sale in October 2011 and the credit structure of the Series 2011B Bonds.

In making these conclusions, PFM has relied upon certain information provided by the Issuer, its Bond Counsel, and its Financial Advisor. PFM does not assume any responsibility for, and makes no expressed or implied warranty with respect to the accuracy or completeness of the data provided by these entities. If you have any questions or require additional information, please feel free to call Brent Wilder at 407.648.2208.

Sincerely,

Public Financial Management, Inc.

D. Brent Wilder
Senior Managing Consultant

Exhibit 1
Palm Lake Apartments
15 Year Pro forma

DESCRIPTION	YEAR 1	YEAR2	YEAR3	YEAR4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR9	YEAR 10	YEAR 11	YEAR 12	YEAR13	YEAR14	YEAR15
Income															
Gross Potential Rental Revenue	$2,658,240	$2,711,405	$2,765,633	$2,820,946	$2,877,364	$2,934,912	$2,993,610	$3,053,482	$3,114,552	$3,176,843	$3,240,380	$3,305,187	$3,371,291	$3,438,717	$3,507,491
Other Income															
Ancillary Income	$2,500	$2,550	$2,601	$2,653	$2,706	$2,760	$2,815	$2,872	$2,929	$2,988	$3,047	$3,108	$3,171	$3,234	$3,299
Laundry Income	$12,500	$12,750	$13,005	$13,265	$13,530	$13,801	$14,077	$14,359	$14,646	$14,939	$15,237	$15,542	$15,853	$16,170	$16,493
Gross Potential Income	$2,673,240	$2,726,705	$2,781,239	$2,836,864	$2,893,601	$2,951,473	$3,010,502	$3,070,712	$3,132,127	$3,194,769	$3,258,665	$3,323,838	$3,390,315	$3,458,121	$3,527,283
Less															
Vacancy & Collection Loss@4%	$106,930	$109,068	$111,250	$113,475	$115,744	$118,059	$120,420	$122,828	$125,285	$127,791	$130,347	$132,954	$135,613	$138,325	$141,091
Total Effective Gross Income	$2,566,310	$2,617,637	$2,669,989	$2,723,389	$2,777,857	$2,833,414	$2,890,052	$2,947,884	$3,006,842	$3,066,978	$3,128,318	$3,190,884	$3,254,702	$3,319,796	$3,386,192
Expenses															
Fixed:															
Real Estate Taxes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Insurance	$195,000	$200,850	$206,876	$213,082	$219,474	$226,058	$232,840	$239,825	$247,020	$254,431	$262,064	$269,926	$278,023	$286,364	$294,955
Variable															
Management Fee(4%)	$102,652	$104,705	$106,800	$108,936	$111,114	$113,337	$115,603	$117,915	$120,274	$122,679	$125,138	$127,635	$130,188	$132,792	$135,448
General and Administrative	$78,000	$80,340	$82,750	$85,233	$87,790	$90,423	$93,136	$95,930	$98,808	$101,772	$104,825	$107,970	$111,209	$114,546	$117,982
Payroll Expenses	$213,000	$219,390	$225,972	$232,751	$239,733	$246,925	$254,383	$261,963	$269,822	$277,917	$286,254	$294,842	$303,687	$312,798	$322,182
Utilities	$295,500	$304,365	$313,496	$322,901	$332,588	$342,565	$352,842	$363,428	$374,331	$385,560	$397,127	$409,041	$421,312	$433,952	$446,970
Marketing and Advertising	$3,000	$3,090	$3,183	$3,278	$3,377	$3,478	$3,582	$3,690	$3,800	$3,914	$4,032	$4,153	$4,277	$4,406	$4,538
Maintenance and Repairs	$90,000	$92,700	$95,481	$98,345	$101,296	$104,385	$107,465	$110,689	$114,009	$117,430	$120,952	$124,581	$128,318	$132,168	$136,133
Grounds Maintenance	$22,600	$23,278	$23,976	$24,696	$25,436	$26,200	$26,986	$27,795	$28,629	$29,488	$30,373	$31,284	$32,222	$33,189	$34,185
Reserve for Replacements	$90,000	$90,000	$90,000	$90,000	$90,000	$90,000	$92,700	$95,481	$98,345	$101,296	$104,336	$107,465	$110,689	$114,009	$117,430
Total Expenses	$1,089,752	$1,118,718	$1,148,533	$1,179,221	$1,210,808	$1,243,321	$1,279,488	$1,316,716	$1,355,039	$1,394,487	$1,436,095	$1,476,896	$1,519,927	$1,564,223	$1,609,822
Net Operating Income	$1,476,558	$1,498,918	$1,521,456	$1,544,168	$1,567,049	$1,590,093	$1,610,595	$1,631,168	$1,651,803	$1,672,492	$1,693,223	$1,713,988	$1,734,775	$1,755,573	$1,776,371
Debt Service Payments															
First Mortgage	$1,014,400	$1,014,400	$1,138,949	$1,138,949	$1,138,949	$1,138,949	$1,138,949	$1,138,949	$1,138,949	$1,138,949	$1,138,949	$1,138,949	$1,138,949	$1,138,949	$1,138,949
Second Mortgage	$234,960	$234,960	$234,960	$234,960	$234,960	$248,283	$248,283	$248,283	$248,283	$248,283	$248,283	$248,283	$248,283	$248,283	$248,283
Total Debt Service Payments	$1,249,360	$1,249,360	$1,373,909	$1,373,909	$1,373,909	$1,387,232	$1,387,232	$1,387,232	$1,387,232	$1,387,232	$1,387,232	$1,387,232	$1,387,232	$1,387,232	$1,387,232
Operating Income After Debt Service - Before Tax Cash Flow	$227,198	$249,558	$147,547	$170,259	$193,139	$202,860	$223,362	$243,935	$264,571	$285,259	$305,991	$326,756	$347,543	$368,341	$389,138
Debt Service Coverage Ratios															
Debt Service Coverage - Series A Bonds	1.456	1.478	1.336	1.356	1.376	1.396	1.414	1.432	1.450	1.468	1.487	1.505	1.523	1.541	1.560
Debt Service Coverage - Series B Bonds	1.182	1.200	1.107	1.124	1.141	1.146	1.161	1.176	1.191	1.206	1.221	1.236	1.251	1.266	1.281
Debt Service Coverage - All Mortgages	1.182	1.200	1.107	1.124	1.141	1.146	1.161	1.176	1.191	1.206	1.221	1.236	1.251	1.266	1.281
Financial Ratios															
Operating Expense Ratio	42%	43%	43%	43%	44%	44%	44%	45%	45%	45%	46%	46%	47%	47%	48%
Break-even Economic Occupancy Ratio	88%	87%	91%	90%	89%	89%	89%	88%	88%	87%	87%	86%	86%	85%	85%

Florida Hurricane
Catastrophe Fund

Memo

TO: Ashbel C. Williams, Executive Director & CIO

THRU: Jack E. Nicholson, Chief Operating Officer, FHCF

FROM: Tracy Allen, Senior Attorney, FHCF

DATE: October 21, 2011

SUBJECT: Cabinet Meeting for November 1, 2011
Florida Hurricane Catastrophe Fund Advisory Council Appointments

---

ITEM 7. Florida Hurricane Catastrophe Fund Advisory Council Appointment:

ACTION REQUESTED: Request approval of the appointment of Jeffrey D. Evans, as insurance agent representative, to the Advisory Council of the Florida Hurricane Catastrophe Fund.

Pursuant to Section 215.555(8), F.S., the State Board of Administration must appoint a nine-member advisory council. One of the appointees must be a representative of insurance agents. Members of the Advisory Council serve at the pleasure of the State Board of Administration.

ATTACHMENTS TO BE INCLUDED WITH THE SBA AGENDA ITEM 7:

- Mr. Evan's Biography (to follow)
- List of Current Advisory Council Members

ITEM 8. Florida Hurricane Catastrophe Fund Advisory Council Appointment:

ACTION REQUESTED: Request approval of the appointment of Donald D. Brown, as a representative of reinsurers, to the Advisory Council of the Florida Hurricane Catastrophe Fund.

Pursuant to Section 215.555(8), F.S., the State Board of Administration must appoint a nine-member advisory council. One of the appointees must be a representative of reinsurers. Members of the Advisory Council serve at the pleasure of the State Board of Administration.

ATTACHMENTS TO BE INCLUDED WITH THE SBA AGENDA ITEM 8:

- Mr. Brown's Biography (attached)

Jeff Evans

Street Address:
745 Dunlawton Avenue
Port Orange, FL 32127

Mailing Address:
PO Box 291230
Port Orange, FL 32129-1230

Phone: (386) 761-1860
Fax: (386) 760-4468
Toll Free: (800) 741-1611

Email: jeff.evans.bujx@statefarm.com
Web: www.jeffevansinsurance.com

My background and achievements

- Florida resident since 1968
- Bachelor of Science in Finance, Florida State University
- Florida State University Golden Chief
- State Farm Career
  - Started at State Farm in October 1971
  - State Farm agent since 1974
    - Selected as one of only ten Florida State Farm agents to open up a second State Farm agency beginning in 2012
    - State Farm Chairman's Circle, Qualifier
    - State Farm Crystal Excellence, Qualifier
    - State Farm President's Club, Auto Qualifier
    - State Farm President's Club, Health Qualifier
    - State Farm President's Club, Multi-Line Qualifier
    - State Farm President's Club, Lifetime Member
- National Association of Insurance and Financial Advisors, Member
  - National Sales Achievement Award, Recipient
  - National Quality Award, Recipient
- Florida Association of Insurance and Financial Advisors, Member
- National Association of Life Underwriters, Member
- Halifax Hospitals Advisory Committee, Member
- Port Orange Chamber of Commerce, Board Member
- Daytona/Halifax Chamber of Commerce, Legislative Committee Member
- Co-Founder of Five Political Action Committees
  - Agents for a Better Florida (ABF)
  - Committee Of Florida Agents (COFA)
  - Financial Reform Government Network (FRGN)
  - Florida Agents for Insurance Reform (FAIR)
  - Florida Organization of Agents (FOA)
- Million Dollar Round Table, Member
- Port Orange Rotary Club, Prior President
- Port Orange YMCA, Prior Board Member

Florida Hurricane Catastrophe Fund Advisory Council Members

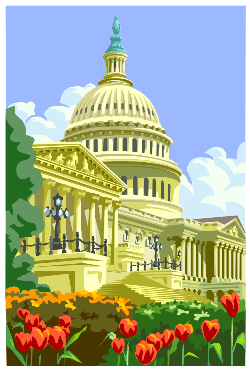
Name	Representing	Recommended By
John Auer, Vice Chair Appointed June, 2002	**Insurers**	**CFO**
M. Campbell Cawood Appointed November, 2008	**Consumers**	**Governor**
Judith Curry Appointed May, 2009	**Meteorologist**	**Governor**
Jim Henderson Appointed February, 2001	**Agents**	**CFO**
William Huffcut Appointed January, 1995	**Consumers**	**Attorney General**
Robert Peduto, Chair Appointed February, 1994	**Reinsurers**	**Governor**
Vacant	**Engineer**	**Attorney General**
David Walker Appointed September, 2007	**Consumers**	**CFO**
Floyd Yager Appointed September, 2009	**Actuary**	**Attorney General**

Updated 3/31/11

Biographical Information
For

Donald D. Brown

P. O. Box 866
DeFuniak Springs, FL 32435
(850) 892-7725 Home
(850) 892-5188 Office
(850) 865-9280 Cell
don@donbrownflorida.com
www.donbrownflorida.com

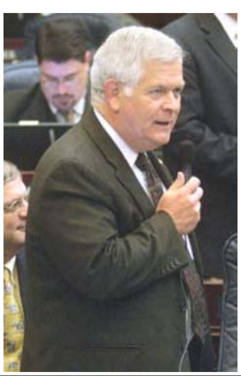


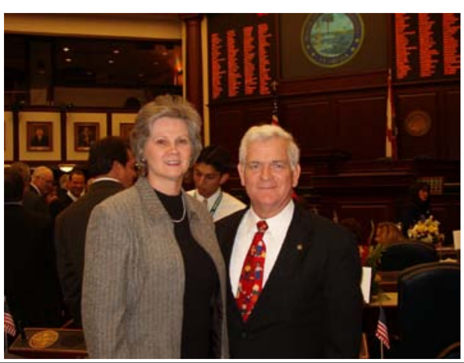
Biographical Information:

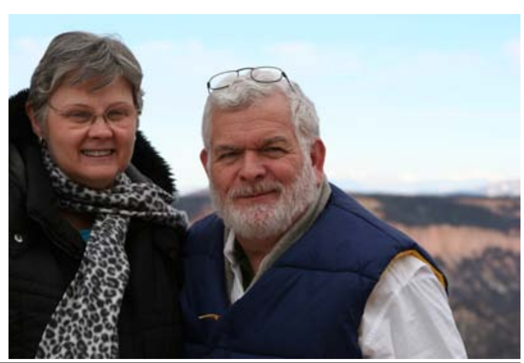
Born: December 28, 1951
City of Residence: DeFuniak Springs, FL
Occupation: Insurance Agent
Recreational Interest: fishing, wood working,
RC Airplanes and work

Spouse: Glenda Diane Brown of DeFuniak Springs
Children: Lori Callista, James C. (deceased)
Religious Affiliation: Protestant

Photos:







Professional Experience:

10/1984 – Present	First National Insurance Agency, Inc. – DeFuniak Springs, FL President and Owner
2010 – Present	Senior Fellow – The Heartland Institute
2010 – Present	Association of Bermuda Insurers and Reinsurers - Consultant
11/2000 – 11/2008	Florida House of Representatives – Tallahassee, FL Representative Served as Chair or Vice-Chair of many committees including: Insurance Committee State Administration Council Jobs and Entrepreneurship Council Select Committee on Workers' Compensation Select Committee on Florida's Economic Future Sub-Committee on Property & Casualty Insurance
2009 – 2011	Served as Chairman of the Walton County Economic Development Council
2010 – Present	Served on the Board of the Okaloosa/Walton Workforce Development Board
2010	Served on Florida Governor Rick Scott's Transition Team
1989 – 1992	Private Industry Council for Walton and Okaloosa County Board of Directors
12/1988 – 01/1991	Walton County Board of County Commissioners Commissioner ***(Was appointed by Gov. Martinez to fill a vacant seat on the Walton County Board of County Commissioners.)***
1989 – 1991	Walton County Airport Authority Chairman
1989 – 1990	Walton County Chamber of Commerce President
03/1983 – 10/1984	First National Insurance Agency of DeFuniak Springs, Inc. President and Manager ***(In 1983 the First National Bank was purchased by Sun Bank and the First National Insurance Agency of DeFuniak Springs, Inc. was moved out of the bank.)***
08/1973 – 03/1983	First National Bank of DeFuniak Springs, Inc. Insurance Agency Manager ***(Worked for the First National Bank of DeFuniak Springs with banking responsibility in addition to managing the First National Insurance Agency of DeFuniak Springs, Inc. which was located in the bank.)***

Education:

1973	University of West Florida B.S. – Industrial Technology	Pensacola, FL
1971	Okaloosa Walton Junior College A.S. – Industrial Technology	Niceville, FL
1969	Freeport High School High School Diploma	Freeport, FL

Other Licenses and Designations held:

- Florida Department of Business and Professional Regulation
  - Broker
  - Certified General Appraiser
- National Association of Master Appraisers
  - Master Farm and Land Appraiser
  - Master Residential Appraiser
  - Master Senior Appraiser
- Florida Department of Financial Services
  - Agent Licenses:

Life	0216
Life and Health	0218
Health	0240
General Lines Property & Casualty	0220
Legal Expense	0256

Major Legislative Awards/Accomplishments:

2008 Florida Association of Counties William "Doc" Myers Lifetime County Advocate Award
2008 Governor's Hurricane Conference Legislative Award
2008 Florida Chamber of Commerce Honor Roll
2007 National Association of Mutual Insurance Companies - Legislator of the Year
2007 Harry G. Landrum Outstanding Legislative Leadership and Distinguished Service Award
2007 Florida Chamber of Commerce Honor Roll
2007 Florida Chamber of Commerce Distinguished Advocate
2006 Passage of Property Insurance Reform (SB1980)
2006 Repeal of Joint and Several Liability (HB73)
2006 Florida Sheriffs Association Legislative Leadership Award
2006 Florida Chamber of Commerce Most Valuable Legislator
2006 Florida Chamber of Commerce Honor Roll
2006 Associated Industries of Florida Champion of Business
2005 Florida Chamber of Commerce Honor Roll
2005 Associated Industries of Florida Champion of Business
2005 Florida Retail Federation House Legislator of the Year
2005 Small County Coalition Chairman's Choice Award
2004 Florida Credit Union League Legislator of the Year
2004 Emerald Coast Association of Realtors Legislator of the Year
2004 Florida Funeral Directors Association Leadership Award
2004 Independent Funeral Directors Leadership Award
2004 Florida Pharmacy Association Most Outstanding Legislator Award
2004 Florida Monument Builders Legislator of the Year
2003 Passage of Workers' Compensation Reform (SB50A)
2003 Professional Insurance Agents Association Excellence in Government Award
2003 Florida Association of Insurance and Financial Advisors Legislator of the Year
2003 Florida Association of Insurance Agents Legislative Leadership Award
2002 Florida Association of Insurance and Financial Advisors Legislator of the Year
2002 Florida Association of Counties County Champion Award
2002 Florida Association of Technical Center Education Legislator of the Year
2002 North West Florida League of Cities Legislator of the Year
2002 Florida Association of Insurance Agents Legislative Leadership Award
2001 International Union of Police Associations Legislator of the Year
2001 Alliance of American Insurers Legislator of the Year

Narrative

Don Brown has served on the Walton County Board of County Commissioners, President of the Walton County Chamber of Commerce and Chairman of the Walton County Airport Authority. He has also served as Republican State Committeeman, Chairman of the Walton County Republican Executive Committee and as a State Representative in the Florida House of Representatives. Don has been an Independent insurance agent for over 35 years and together with his wife they currently own an insurance agency in DeFuniak Springs, FL.

Don Brown is a veteran of numerous campaigns and served as a County Chairman for Governor Jeb Bush and President George Bush.

Don Brown has debated foes nationally on Fox News and he has been a guest on numerous television and radio shows. Don was a guest columnist or quoted in newspapers, such as the Orlando Sentinel, Miami Herald, St. Petersburg Times, Jacksonville Times Union, Tampa Tribune and the Northwest Florida Daily News.

While serving in the Florida House of Representatives Don became known for his tireless work on such important issues as Medical Malpractice Reform, Elections Reform, Workers' Compensation Reform and Tort Reform. In 2004 he was recognized by the Emerald Coast Association of Realtors for his work on real estate issues. He was also recognized in 2004 by the Florida Pharmacy Association as their Most Outstanding Legislator. In 2005 the Florida Retail Federation named him the "House Legislator of the Year" and in 2006 the Florida Chamber of Commerce named him "Most Valuable Legislator" after the passage of his HB73 which repealed the doctrine of Joint and Several Liability.

Don Brown is best known for his work on insurance issues. In the back-to-back years of 2002 and 2003 he was recognized by both the Florida Association of Insurance Agents and the Florida Association of Insurance and Financial Advisors for his significant contribution to insurance reform. Most notably, in 2007 Don was one of only two legislators to vote "No" on HB1A which significantly expand the role of government into private homeowners insurance markets. Since 2007, many of his objections to HB1A have proven to be correct.

Don Brown was known for being well prepared and for standing his ground during his tenure in the Florida House of Representatives. He was most vocal when advocating for smaller government, less taxes, the Free Enterprise System and Market Based Solutions. He was widely regarded as one of the top orators in the House.