

**Florida PRIME  
Fixed Income Investment Oversight Group Meeting**

Minutes

January 23, 2013

1:00 p.m. - 2:00 p.m.

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**Attendees**

Kevin Ceurvorst – Senior Portfolio Manager-Investment Grade Credit  
Lisa Collins – Manager of Public Market Compliance  
Tom Fernald – Senior Portfolio Manager-External Management  
Cherie Jeffries – Director of Fixed Income Trading  
Eric Nelson – Chief Risk & Compliance Officer  
Richard Smith – Senior Portfolio Manager-Short Term  
Sheilah Smith – Director of Public Market Compliance  
Katy Wojciechowski – Senior Investment Officer-Fixed Income

**Agenda Topics**

1. Follow-up items:

None.

2. Reviewed November 2012 monthly compliance, transaction, and holdings reports.

**Conclusions:**

- A. No compliance violations were reported on the Federated checklist.
  - B. In the verification of high risk parameters, a discrepancy was identified on Weighted Average Life (WAL), which exceeded the tolerance limit of 12 days. The variance between the calculation generated by the internal Eagle system and that reported by Federated was 198 days. This discrepancy was due to incorrect reset and/or maturity dates in the Eagle system for the municipals Massachusetts Development Finance Agency, Michigan State Hospital Finance Authority and Reno Nevada Capital Improvement Revenue; for two extendible floaters issued by Australia New Zealand Banking Group and Royal Bank of Canada; and for two variable rate securities issued by Canadian Imperial Bank of Commerce and Wells Fargo Bank N.A. After recalculating in Excel, WAL was within tolerance at 77 days versus 75 days reported by Federated.
  - C. No extraordinary transactions or holdings were identified.
  - D. No Qualified Institutional Buyer (QIB) restrictions were identified on Bloomberg for 144a securities purchased in November.
3. On 1/17/13, the Office of the Florida Auditor General issued a preliminary audit finding and recommendation that the SBA add verification of SEC Rule 144a security eligibility to the risk-based compliance program for Florida PRIME (Financial Statement Audit for fiscal year ended

6/30/12). The adequacy of the current compliance process to screen for QIB restrictions on 144a purchases was discussed relative to the recommendation.

Conclusions:

- A. In response to the preliminary audit finding and recommendation to add verification of SEC Rule 144a security eligibility to the risk-based compliance program for Florida PRIME, the current process to check for QIB restrictions on the Bloomberg Descriptions for 144a purchases will be further evaluated by the Chief Risk & Compliance Officer, the Senior Officer-Investment Programs & Governance, and the Executive Director & CIO.
- B. The Senior Officer-Investment Programs & Governance will request an updated Eligible Securities procedure from Federated Investors to reflect the September 2012 implementation of additional controls governing the purchase of 144a securities in Florida PRIME. (9/27/12 FI-IOG).

Action Items

- 1. In response to the preliminary audit finding and recommendation to add verification of SEC Rule 144a security eligibility to the risk-based compliance program for Florida PRIME, the current process to check for QIB restrictions on the Bloomberg Descriptions for 144a purchases will be further evaluated by the Chief Risk & Compliance Officer, the Senior Officer-Investment Programs & Governance, and the Executive Director & CIO.
- 2. The Senior Officer-Investment Programs & Governance will request an updated Eligible Securities procedure from Federated Investors to reflect the September 2012 implementation of additional controls governing the purchase of 144a securities in Florida PRIME (9/27/12 FI-IOG).