

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

Minutes

February 27, 2013

9:00 a.m. - 10:00 a.m.

Attendees

Kevin Ceurvorst – Senior Portfolio Manager-Investment Grade Credit
Karen Chandler – Director of Enterprise Risk Management
Lisa Collins – Manager of Public Market Compliance
Bridget Dervish – Senior Risk & Control Analyst III
Belinda Dixon – Director of External Investment Manager Oversight
Tom Fernald – Senior Portfolio Manager-External Management
Cherie Jeffries – Director of Fixed Income Trading
Mykel Kenton – Manager of Public Market Compliance
Michael McCauley – Senior Officer-Investment Programs & Governance
Eric Nelson – Chief Risk & Compliance Officer
Sheilah Smith – Director of Public Market Compliance
Katy Wojciechowski – Senior Investment Officer-Fixed Income

Agenda Topics

1. Reviewed 4th Quarter Stress Test Results.

Conclusions:

A conference call was conducted with Florida PRIME portfolio manager, Paige Wilhelm, to review 4th Quarter 2012 Stress Test results. The portfolio was tested on the following events: a) a change in short-term interest rates, b) an increase in net shareholder redemptions, c) downgrades and defaults, and d) changes between a benchmark overnight interest rate and the interest rates on securities held in Florida PRIME. At the end of December, the Net Asset Value (NAV) of the fund was at par. With no redemptions, it would take an estimated 420 basis point change in interest rates or a 446 basis point change in spread rates to reduce the NAV to the minimum required \$.9950. Also, if the largest holding (Dreyfus Government Cash Management Fund) was downgraded or defaulted, an estimated recovery value of 94.10% would be necessary to maintain a NAV of \$.9950. If the lowest rated entity (Sumitomo Bank with short-term ratings of P-1/A-1/F1 and long-term ratings of Aa3/A+/A- by Moody's, S&P, and Fitch, respectively) was downgraded or defaulted, an estimated recovery value of 89.70% would be necessary to maintain a NAV of \$.9950. Other examples were also cited at redemption levels of 25%, 50% and 75%. Federated does not regard any of the reported stress test results as reasonably likely to occur during the next year and is not aware of any other events that the Adviser views as reasonably likely to occur in the next year that would cause the NAV of Florida PRIME to fall below \$.9950.

2. Follow-up items from 1/23/13:

- 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 Qualified Institutional Buyer (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.

Conclusion:

The current process to check for QIB restrictions on purchases was reviewed on 2/13/13 by the Risk and Compliance Committee, of which the Chief Risk & Compliance Officer, the Senior Officer-Investment Programs & Governance, and the Executive Director & CIO are members and were in attendance. The Committee determined that the current process is adequate and satisfies the audit recommendation. This item is closed.

- 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).

Conclusion:

The status of this item is ongoing. The Senior Officer-Investment Programs & Governance submitted a request to Federated Investors on 1/31/13 for an updated Eligible Securities procedure, reflecting the September 2012 implementation of additional controls governing the purchase of 144a securities in Florida PRIME.

- 3. Reviewed December 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, discrepancies were identified on Dollar Weighted Average Maturity (DWAM) and Weighted Average Life (WAL), which exceeded the tolerance limits of 6 and 12 days, respectively. The variance between the calculations generated by the internal Eagle system and those reported by Federated was 40 days for DWAM and 155 days for WAL. These discrepancies were 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 the St. Andrew and Mullenix demand notes; and for floaters/extendibles issued by Australia New Zealand Banking Group, Canadian Imperial Bank of Commerce, General Electric Capital Corporation, Royal Bank of Canada, State Street Bank and Trust Company, and Wells Fargo Bank NA. After recalculating in Excel, the DWAM matched the Federated result of 44 days, and WAL was within tolerance at 82 days versus 80 days reported by Federated.
- C. No extraordinary transactions or holdings were identified.
- D. No QIB restrictions were identified on Bloomberg for 144a securities purchased in December 2012.

Action Item

Carried forward from 1/23/13:

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).