Florida PRIME
Fixed Income Investment Oversight Group Meeting
Minutes
April 29, 2013 2:00 p.m. - 3:00 p.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
Richard Smith – Senior Portfolio Manager–Short-Term
Sheilah Smith – Director of Public Market Compliance
Katy Wojciechowski – Senior Investment Officer-Fixed Income

Agenda Topics

1. Reviewed 1st Quarter 2013 Stress Test results.

   Conclusions:

   A conference call was conducted with Florida PRIME portfolio manager, Paige Wilhelm, to review 1st Quarter 2013 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. The results for the 1st Quarter were consistent with those reported in the prior three quarters, due to a stable yield curve and no stresses in credit. At the end of March, the Net Asset Value (NAV) of the fund was at par. With no redemptions, it would take an estimated 449 basis point increase in interest rates from overnight to 397 days in maturity or a 337 basis point change in spread rates to reduce the NAV to the minimum required $.9950. Also, if the largest holding (Royal Bank of Canada at approximately 5% of the fund) was downgraded or defaulted, an estimated recovery rate of 90.10% would be necessary to maintain a NAV of $.9950. If the lowest rated entity (Credit Suisse with short-term ratings of P-1/A-1/F1 and long-term ratings of A1/A+/A by Moody's, S&P, and Fitch, respectively) was downgraded or defaulted, an estimated recovery value of 89.30% 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 Advisor 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 item 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).

   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. On 3/14/13, Federated sent an updated, draft procedure for review by the SBA. On 4/3/13, the Senior Officer-Investment Programs & Governance and the Director of Public Market Compliance provided comments to Federated on the proposed changes. To date, the revised Federated Eligible Securities procedure has not been finalized.

3. Reviewed February 2013 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 15 days for DWAM and 27 days for WAL. These discrepancies were due to incorrect reset and/or maturity dates in the Eagle system for the St. Andrew and Mullenix demand notes; for two fixed rate corporates issued by General Electric Capital Corporation; and for floaters/extendibles issued by Australia New Zealand Banking Group, Canadian Imperial Bank of Commerce, Royal Bank of Canada, State Street Bank and Trust Company, and Wells Fargo Bank. After recalculating in Excel, the DWAM was within tolerance at 33 days versus 31 days reported by Federated, and WAL matched the Federated result of 76 days.

   C. No extraordinary transactions or holdings were identified.

   D. No QIB restrictions were identified on Bloomberg for 144A securities purchased in February 2013.

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).