

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

Minutes

July 29, 2013

1:30 p.m. - 2:30 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
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
Mike McCauley – Senior Officer-Investment Programs & Governance
Eric Nelson – Chief Risk & Compliance Officer
Sheilah Smith – Director of Public Market Compliance
Lamar Taylor – Deputy Executive Director
Katy Wojciechowski – Senior Investment Officer-Fixed Income

Agenda Topics

1. Reviewed 2nd Quarter 2013 Stress Test Results.

Conclusions:

A conference call was conducted with Florida PRIME portfolio manager, Paige Wilhelm, to review 2nd Quarter 2013 Stress Test results. The portfolio was tested on 6/28/13 for 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 June, the Net Asset Value (NAV) of the fund was at par. With no redemptions, it would take an estimated 435 basis point change in short-term interest rates or a 342 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 rate of 93.0% would be necessary to maintain a NAV of \$.9950. If the lowest rated entity (Sumitomo Mitsui Banking Corp. 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 90.6% 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. Reviewed May 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 variances between the calculations generated by the internal Eagle system and those reported by Federated were 62 days for DWAM and 229 days for WAL. These discrepancies were due to incorrect reset and/or maturity dates in the Eagle system for the Mullenix and St. Andrew demand notes; for the municipals California Statewide Communities Development Authority, Gibson County Indiana, Illinois Finance Authority, Long Island Power Authority, Massachusetts State Health & Education, Murray City Utah Hospital Revenue, Oklahoma State Turnpike Authority, Putnam County West Virginia County Commission, and State of Texas; and for floaters/extendibles issued by Australia New Zealand Banking Group, J.P. Morgan Chase Bank N.A., Royal Bank of Canada, State Street Bank and Trust Company, and Wells Fargo Bank N.A. After recalculating in Excel, both measures matched the Federated results of 38 days for DWAM and 80 days for WAL.
- C. No extraordinary transactions or holdings were identified.
- D. No QIB restrictions were identified on Bloomberg for 144A securities purchased in May 2013.

Action Items

None.