

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:

DIVISION OF BOND FINANCE

FINANCIAL SERVICES COMMISSION, OFFICE OF
FINANCIAL REGULATION

FINANCIAL SERVICES COMMISSION, OFFICE OF
INSURANCE REGULATION

DEPARTMENT OF REVENUE

BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND

STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before
THE FLORIDA CABINET, Honorable Governor Crist
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Tuesday, April 17,
2007, commencing at 9:00 a.m.

Reported by:
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Registered Professional Reporter
Notary Public

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APPEARANCES:

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Representing the Florida Cabinet:

CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commissioner of Agriculture

BILL McCOLLUM
Attorney General

ALEX SINK
Chief Financial Officer

* * *

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1 P R O C E E D I N G S

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3 (Agenda Items Commenced at 9:55 a.m.)

4 GOVERNOR CRIST: We will now have Division of Bond
5 Finance with Ben Watkins. Good morning, Ben.

6 MR. WATKINS: Good morning, Governor, Cabinet
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7 members. Item Number 1 is approval of the minutes of
8 the April 3rd meeting.

9 CFO SINK: Move it.

10 ATTORNEY GENERAL McCOLLUM: Second.

11 GOVERNOR CRIST: Moved and seconded. Show it
12 approved without objection.

13 MR. WATKINS: Item Number 2 is a resolution
14 authorizing the issuance and negotiated sale of up to
15 \$70 million for the State Infrastructure Bank, which is
16 a program administered by the Department of
17 Transportation to provide funding for loans to local
18 governments to accelerate transportation projects.

19 COMMISSIONER BRONSON: Motion on Item 2.

20 ATTORNEY GENERAL McCOLLUM: Second.

21 GOVERNOR CRIST: Moved and seconded. Show it
22 approved without objection, Item 2. Item 3.

23 MR. WATKINS: Item 3 is a report of award on the
24 competitive sale of \$93,745,000 of Florida Facilities
25 Pool Revenue Bonds. The bonds were awarded to the low

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1 bidder at a true interest cost of approximately 4.45
2 percent, and the proceeds of these bonds are being used
3 to finance construction of office buildings for the
4 Department of Revenue to consolidate their operations
5 out at the Southwood state office complex.

6 ATTORNEY GENERAL McCOLLUM: I move it.

7 COMMISSIONER BRONSON: Second.

8 GOVERNOR CRIST: Motion and second on Item 3.
9 Show it approved without objection.
10 CFO SINK: Governor, let me just ask --
11 GOVERNOR CRIST: CFO.
12 CFO SINK: Ben, back to the State Infrastructure
13 Bank, it seems like a pretty innovative thing. Is this
14 common practice in other states?
15 MR. WATKINS: I wouldn't say that it's an unusual
16 credit. It's a revolving loan fund that had previously
17 been funded through cash-only contributions that the
18 Legislature made to a revolving loan fund to facilitate
19 or accelerate transportation projects. And we have
20 added leverage to that.
21 So as a financing structure it is not unique. But
22 being used in this way for transportation projects, it
23 is fairly unique. And I'm not aware of any other
24 programs that other states are administering involving
25 a revolving loan fund for transportation projects. So

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1 it is pretty unique.
2 CFO SINK: But in effect it enables us to expedite
3 and move ahead these really important transportation
4 projects, mainly in local communities, by using state
5 funds that are available and the credit --
6 MR. WATKINS: That's correct, yes, ma'am.
7 GOVERNOR CRIST: Sounds like a very good idea.
8 CFO SINK: It's a very good thing.
9 GOVERNOR CRIST: Indeed. Thank you very much. Is

10 that it, Ben, for you?

11 MR. WATKINS: Yes, sir.

12 GOVERNOR CRIST: Thank you. Appreciate it.

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1 GOVERNOR CRIST: Financial Services Commission,
2 Don Saxon. And I think, CFO, you wanted to discuss an
3 issue as Don is coming up.

4 CFO SINK: Yes, I do, Governor. And this is
5 really addressed to you and my fellow Cabinet members.
6 The last meeting we had we addressed the performance
7 contract of Judge Cohen. And it caused me to ask my
8 staff whether or not -- we are in a unique position of
9 having these 12 or 13 Cabinet agencies that report
10 directly to us.

11 And it seems that since we're the four overseers,
12 that we ought to have performance standards and
13 accountability from the executives of our Cabinet
14 agencies. And what I wanted to recommend this
15 morning -- and I don't know how the rest of you would
16 want to go about this -- is that we have -- my staff
17 came back and said that the FDLE, Highway Safety,
18 Revenue and DOAH do have these performance contracts in
19 place because of other legislation.

20 But we have OIR -- excuse me -- Office of
21 Insurance Regulation, Office of Financial Regulation,
22 Bond Finance, State Board of Administration, Veterans'
23 Affairs, and Mike Sole in his role with the Board of
24 Trustees of the Internal Improvement Trust Fund, don't
25 have performance standards or measures.

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1 And I think it would be -- it would certainly be
2 helpful to me if we asked our executive directors over
3 the -- before the start of the next fiscal year to come
4 back to us as the Cabinet and work along with our
5 staffs in developing some performance measures that we
6 could then use to discuss what their -- not only their
7 personal performance but the performance of their
8 agency would be.

9 So I just offer that suggestion and hope maybe the
10 rest of you would go along with it.

11 GOVERNOR CRIST: I think it's a great idea. I
12 don't know if it needs a motion, but why don't you make

13 one and see if there's a second and then we can discuss
14 it.

15 CFO SINK: Well, I move that we ask our Cabinet --
16 the directors of our Cabinet agencies to develop
17 performance measures --

18 GOVERNOR CRIST: I think they'll do it.

19 CFO SINK: -- for accountability to be submitted
20 to the Cabinet by the next -- beginning of the next
21 fiscal year.

22 ATTORNEY GENERAL McCOLLUM: Second.

23 GOVERNOR CRIST: Sounds like a great suggestion.
24 Moved and seconded. Show it approved without
25 objection, even if we didn't need a motion. That's

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1 very good, CFO. Thank you very much. Appreciate that.

2 CFO SINK: Thank you.

3 GOVERNOR CRIST: Don, good morning.

4 MR. SAXON: Mr. Governor, members of the Cabinet,
5 good morning to you. I have three items today. Item
6 1, the Office is requesting approval to file for a
7 final adoption amendments to Rule Chapter 69T-8 Florida
8 Administrative Code.

9 GOVERNOR CRIST: And that would -- what would it
10 do?

11 MR. SAXON: Excuse me?

12 GOVERNOR CRIST: What would it do?

13 MR. SAXON: Essentially it codifies our compliance

14 with the Department of State and how we index numbers
15 for final orders being filed.

16 GOVERNOR CRIST: Great.

17 COMMISSIONER BRONSON: Motion on Item 1.

18 CFO SINK: Second.

19 GOVERNOR CRIST: Moved and seconded. Without
20 objection, Item 1 is approved.

21 MR. SAXON: Item 2, the Office is requesting
22 approval to file for final adoption amendments to Rule
23 Chapter 69W-200, 300, 301, 400, 600 and 700 Florida
24 Administrative Code. This relates to security
25 regulations. We're amending our rules to complement

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1 changes that were made to the statutes last year in the
2 general legislative session.

3 ATTORNEY GENERAL McCOLLUM: I move adoption of
4 Item 2.

5 GOVERNOR CRIST: Thank you, General.

6 COMMISSIONER BRONSON: Second.

7 GOVERNOR CRIST: Moved and seconded. Show it
8 adopted without objection. Did you have a question,
9 CFO?

10 CFO SINK: No.

11 GOVERNOR CRIST: Okay. Item 3.

12 MR. SAXON: Item 3, the Office is requesting
13 approval to file for final adoption amendments to Rule
14 69W-500.04, Florida Administrative Code, relating to
15 the computation of the number of purchasers for

16 purposes of Section 517.061(11), Florida Statutes.

17 Essentially, we are -- we had a conflict between
18 what our rule said and our statute, so we're fixing the
19 rule to complement what's stated in the statute.

20 GOVERNOR CRIST: Brings it into compliance?

21 MR. SAXON: Brings it into compliance, yes, sir.

22 GOVERNOR CRIST: We like to comply. Is there a
23 motion?

24 COMMISSIONER BRONSON: Motion on Item 3.

25 ATTORNEY GENERAL McCOLLUM: Second.

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1 GOVERNOR CRIST: Moved and seconded. Show it
2 approved without objection. Thank you very much, Don.

3 MR. SAXON: Thank you.

4 GOVERNOR CRIST: Thank you, sir.

5 CFO SINK: Governor.

6 GOVERNOR CRIST: Yes, ma'am.

7 CFO SINK: Could we just ask Don to give us just a
8 brief commentary about the state of the subprime
9 lending market and payday lending market in the state?
10 It's a matter that's been in the news a lot, and
11 foreclosures are up. I'd just like to hear his
12 commentary about what's going on in the financial
13 markets here in Florida.

14 GOVERNOR CRIST: That's a great idea.

15 MR. SAXON: Well, obviously, in the subprime area
16 it's a concern not only to the State of Florida but to

17 the country. If there's any good news, the amount of
18 delinquencies and foreclosures in the state of Florida
19 are less than the national average. I've been asked a
20 number times --

21 GOVERNOR CRIST: Don, could you say that again?

22 MR. SAXON: The number of foreclosures and
23 delinquencies in the state of Florida are below the
24 national average.

25 GOVERNOR CRIST: Thank you.

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1 MR. SAXON: I've been asked a number of times for
2 the reason for this, suggesting that it's primarily
3 driven by predatory lending. And I don't think that's
4 necessarily the case.

5 Subprime lending serves a very good purpose,
6 particularly for those who don't have any financial
7 credit or those who have bad credit and allowing them
8 an opportunity to buy their first home perhaps.

9 Unfortunately, in some situations, what we're
10 seeing is in many cases some people overextended
11 themselves. In some situations expectations were not
12 realized for what they were hoping to do. And a lot of
13 these people were getting involved in what we call
14 creative financing or adjustable rate mortgages.

15 Once those reset, your rates go up. And obviously
16 with that additional payment, it has been a difficult
17 time for some people to meet those obligations.

18 More unique to Florida, the fact that our taxes

19 have gone up significantly, then you compound that with
20 insurance rates going up significantly, we are seeing a
21 tremendous surge, if you will, in people getting into
22 financial despair to the point that they can't make
23 their payments.

24 On average right now in Florida, it's about one
25 out of 60 households are possibly going to be facing

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1 delinquency or foreclosures in the next year.
2 Nationally, they expect somewhere in the amount of one
3 million loans to households to be going into
4 foreclosures in the next year. And the following year
5 they expect it to be somewhere around 800,000.

6 We do have a bill out this year. It's being
7 sponsored by Senator Fasano in the Senate and
8 Representative Richter in the House. This bill was
9 designed to provide additional disclosure to consumers
10 so that when they sign those documents, they have some
11 expectation of what that loan does and their
12 responsibilities to meet their obligations,
13 particularly if you have a situation involving
14 adjustable rate mortgages, so they know, when they sit
15 down, what their payment is going to be and they have
16 some idea of what it's going to be going down the road,
17 if you will, when it resets in two years, three years,
18 five years, whatever it may be.

19 We're also working to make sure that in the

20 mortgage industry that people are put on notice, in
21 fact, before they go to their closing. One of the
22 problems we were seeing just in the financing itself is
23 when people went in for the final closing, the numbers
24 had changed, and so the payments were going to be a lot
25 higher than what they had expected.

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1 We're changing the law so that now there will be a
2 notice to borrowers before they go into the closing to
3 make sure that they know exactly what the number is
4 going to be before they go to that closing.

5 We're also making an amendment to the bill that
6 was made this last week that's going to put additional
7 criminal authority, if you will, into the subprime
8 lending area, so that when we have predatory lending,
9 we've got additional teeth in the laws, if you will, to
10 prosecute against those people.

11 GOVERNOR CRIST: Thank you, Don. Thank you very
12 much.

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1 GOVERNOR CRIST: Office of Insurance Regulation,
2 Kevin McCarty. Good morning, Kevin.

3 MR. McCARTY: Good morning, Governor, members of
4 the Commission. Agenda Item 1 is minutes for April
5 3rd, 2007.

6 GOVERNOR CRIST: Is there a motion on the minutes?

7 COMMISSIONER BRONSON: Motion on the minutes.

8 CFO SINK: Second.

9 GOVERNOR CRIST: Moved and seconded. Show it
10 adopted without objection.

11 MR. McCARTY: Item Number 2 is request for
12 adoption of amendment to Rule 690-149.005. This
13 proposed amendment establishes the guidelines necessary
14 for an insurance company to issue multi-year contracts.
15 This allows for rate stability and a more competitive
16 marketplace.

17 ATTORNEY GENERAL McCOLLUM: I move the adoption of
18 Item 2.

19 COMMISSIONER BRONSON: Second.

20 GOVERNOR CRIST: Moved and seconded. Show it
21 approved without objection.

22 MR. McCARTY: Item Number 3 is seeking final

23 approval for adoption of Rule 690-191.054. This is the
24 same as Agenda Item Number 2 except this relates to
25 health maintenance organizations.

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1 COMMISSIONER BRONSON: Motion on Item 3.

2 ATTORNEY GENERAL McCOLLUM: Second.

3 GOVERNOR CRIST: Moved and seconded. Show it
4 adopted without objection.

5 MR. McCARTY: Item Number 4, Governor, members, is
6 a request for a published rule on military sales
7 practices. On September 26, 2006, President Bush
8 signed into law Senate Bill 418, Military Personnel
9 Financial Services Protection Act, which is intended to
10 protect American military personnel from unscrupulous
11 sales practices for insurance and financial investment
12 products.

13 By September each state must report to the
14 Secretary of Defense its compliance with that law. Our
15 office, in cooperation with the Department of Financial
16 Services, has prepared this rule that establishes
17 guidelines for insurance companies as well as insurance
18 agents on prohibited practices with regard to sales to
19 American military forces both here and abroad.

20 ATTORNEY GENERAL McCOLLUM: I move Item 4.

21 COMMISSIONER BRONSON: Second.

22 GOVERNOR CRIST: Moved and seconded. Show it
23 adopted without objection.

24 MR. McCARTY: I'd like to personally thank General
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25 Milligan for his assistance in drafting this and also

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1 would like to thank CFO Sink for working to get an
2 amendment to Senate Bill 2702.

3 GOVERNOR CRIST: Thank you very much. Thank you,
4 Kevin.

5 ATTORNEY GENERAL McCOLLUM: May I ask Kevin a
6 question related to this?

7 GOVERNOR CRIST: Sure, General.

8 ATTORNEY GENERAL McCOLLUM: Kevin, this past week
9 USAA issued notices -- I happen to be a USAA member --
10 that they're no longer going to write new homeowner's
11 policies in our state, citing losses.

12 They're one of the most conservative of our
13 insurers, by the nature, you know, of their membership.
14 What does that tell us and are you disturbed by that
15 fact?

16 MR. McCARTY: Deeply disturbed any time any of the
17 insurance companies, particularly one of the size of
18 USAA -- USAA has been a good corporate citizen. As you
19 know, it is a reciprocal, which means they are set up
20 for the benefit of their membership. USAA was set up
21 to provide coverage for United States military forces
22 and their families and has expanded over time. They're
23 a fine company with a fine reputation.

24 I did have discussions in the latter part of last
25 year with Mr. Davis about their company plans and their

1 concerns. And they did express their concern of their
2 exposure in Florida and what their Florida exposure
3 would mean to the rest of their company.

4 One of the options that they were looking at was
5 reducing their future writings in Florida, as well as
6 other ways to limit their exposure in Florida. They
7 have been some of the cutting edge on innovation with
8 regard to alternative risk transfer mechanisms, one of
9 the first in the marketplace to use bond financing and
10 catastrophe bonds and the like.

11 So they're going to continue, I hope, to look for
12 alternative risk transfers and hopefully will be
13 looking to open up the marketplace in Florida in the
14 future.

15 ATTORNEY GENERAL McCOLLUM: They did indicate an
16 interest in returning at some point, but they were very
17 critical of the climate and perhaps what this Cabinet
18 did recently, as well as the Legislature. Have you had
19 discussions with them about their specific complaints?

20 MR. McCARTY: I have not had discussions with
21 regard to that. Candidly that came quite as a surprise
22 to me. I know that they're critical of a regulatory
23 framework. USAA is in favor of a national federal
24 regulator, which most states and most insurance
25 commissioners believe that the best regulation is state

1 regulation.

2 They prefer an unregulated rate marketplace, which
3 is probably something you're not going to see in
4 Florida in the near future. But I think they also are
5 concerned, I think, with the capacity of the
6 marketplace.

7 And I was hoping that the \$12 billion expansion of
8 the Florida Cat Fund would provide them with a catalyst
9 to encourage them to write new business in Florida.
10 But I look forward to engaging in a dialogue with their
11 representatives to see what we can do to make the
12 marketplace a more business-friendly marketplace.

13 ATTORNEY GENERAL McCOLLUM: I would hope you would
14 report back to us on that because, again, I think they
15 are one of the more conservative insurance companies.
16 And, Governor, I think it does not bode well that they
17 have made that decision. So thank you.

18 GOVERNOR CRIST: I couldn't agree with you more,
19 but thank God we have competition. Thank you, Kevin.

20 MR. McCARTY: Thank you.

21 CFO SINK: Governor, could I ask Kevin a question?

22 GOVERNOR CRIST: Yes, of course.

23 CFO SINK: I happened to meet with some citizens
24 groups last week, as I know the rest of you have as
25 well. The question keeps coming up, why are we not

1 seeing rates come down to the magnitude that we were
2 all --

3 GOVERNOR CRIST: That the press told them they'd
4 be?

5 CFO SINK: Well, you know, when Bob Hunter, our
6 consultant hired by the Office of Insurance Regulation,
7 went and calculated the presumed factor, he said we
8 should expect double digit rate increases. And I just
9 want to get your early read, Kevin, on why we're not
10 seeing -- I mean, where are we in the process? Have
11 all the companies come in to file? Have we seen
12 everything we're going to see? And why are the rates
13 not -- the rate reductions not coming in as we -- as
14 Mr. Hunter led us to believe?

15 MR. McCARTY: Well, like your consumer groups, I
16 share your frustration, as I know all members of the
17 Financial Services Commission hearing from their
18 constituents about the pressures that it is for the
19 high cost of homeowner's insurance and what effect it's
20 having on their families.

21 We have had 323 filings come in. Of those, 229
22 are the short form. And as you may recall from the
23 report, companies have the option of filing the short
24 form, which is using our presumed factor, or filing the
25 long form, which they get to offer into evidence why

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1 they shouldn't use the presumed factor.

2 Of those we have reviewed, virtually all of those
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3 short forms, except for eight -- we identified some
4 companies that did not give the necessary savings. We
5 wrote them, and they have modified their rate filings
6 to show that.

7 We're seeing now, if you look at the ones that, on
8 average -- again, on average is a fairly meaningless
9 number when you drill down to the individual homeowner
10 and policyholder -- it's about 18 percent. The
11 presumed factor estimate when we did our work with Bob
12 Hunter was 24 percent.

13 But, again, as you may recall, this is a
14 two-tiered process. We're having a true-up filing
15 which will come in after the June 1st renewal date of
16 the Florida Hurricane Catastrophe Fund. By September
17 companies are going to have to do a true-up filing so
18 we can see what cost realizations there are from House
19 Bill 1A.

20 And I can assure you, CFO, that our office will be
21 diligent to ensure that the savings of House Bill 1A
22 are realized.

23 CFO SINK: So when you say average of 18 percent,
24 is that taking every individual insurance company's
25 reduction no matter -- without regard to the size of

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1 that company?

2 MR. McCARTY: That's a weighted average.

3 CFO SINK: It's a weighted average according to

4 the number of policies they have.

5 MR. McCARTY: That's correct.

6 CFO SINK: It seems to me, Governor, that maybe
7 that should be the message in the press, because
8 everything we're hearing is people are thinking they're
9 getting four and six percent rate decreases rather than
10 18 percent. So there's something missing in the
11 message here.

12 GOVERNOR CRIST: Yeah, I couldn't agree more.

13 CFO SINK: And maybe the Office of Insurance
14 Regulation could be more aggressive about getting this
15 word out.

16 GOVERNOR CRIST: Well, I agree with you. And I
17 think -- I had a follow-up, Kevin, if I might, too.
18 You said, if the average is an 18 percent drop thus
19 far, do you know offhand -- and if you don't, that's
20 okay, I just would like the data when you can get it --
21 what the highest rate drop was and what the smallest
22 rate drop was?

23 MR. McCARTY: I don't have that available at the
24 moment, Governor. I will certainly make that
25 information available. Like I said, we have gone

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1 through over 200 filings in the last two weeks. We
2 have several more to get through. And we will, you
3 know, marshal the resources necessary and assure you
4 that we are fully vetting those companies that do not
5 do the presumed factor, that we are going to be looking

6 at those and be looking at the reinsurance contracts,
7 and we're going to be demanding the reinsurance
8 contracts for 2007 and to be looking at those.

9 We anticipate those contracts to be somewhat lower
10 than 2006 because of the additional capacity in the
11 marketplace because of the additional expansion of the
12 Florida Cat Fund. So we're cautiously optimistic that
13 those rate increases are down.

14 Up until January we were seeing rate increases in
15 the 40 and 50 percent range. And now we have 323
16 filings of rate reductions. That's a positive message.
17 The trends and conditions are in the right direction.
18 Are they as far as you would like to go? I don't
19 believe so. But we're going to continue to march and
20 push forward.

21 And I'd also like to commend your testimony,
22 Governor, last week in Washington. I think that's a
23 very important part of this whole matrix, is for us to
24 have a national catastrophe plan to back up our Florida
25 Cat Fund. And I commend you for your leadership.

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1 GOVERNOR CRIST: Thank you. I appreciate that. I
2 want to commend both Senator Martinez and Senator
3 Nelson for their assistance in that regard and, again,
4 publicly thank Senator and Chairman Christopher Dodd
5 and Chairman Frank. And, frankly, General McCollum
6 gave me some good advice on how to work with Congress,

7 and it proved to bear some fruit, at least thus far.

8 COMMISSIONER BRONSON: Governor, if I could. One
9 of the things, when our state group came by and they
10 were trying to probe as much information out of all of
11 us, I guess, as they could as to how we felt about some
12 of the issues that the State was going to look at as
13 well as the national cat fund from our congressional
14 delegation, one of the things that I had hoped would be
15 picked up and used but for some reason, I don't know
16 why, it doesn't seem to be. The state can't do much
17 about it, but in the national cat fund, one of the big
18 issues that I talked to people about is deductibles.

19 The only way they can afford some of the insurance
20 today is to take a huge deductible, which they really
21 can't afford either, to be able to afford the rest of
22 the insurance.

23 Now, if Congress is serious about a national cat
24 fund and doing something to get people to be -- you
25 know, so the state and federal government is not the

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1 only amount of money sitting out there to offset this,
2 why they can't come up with a plan so that people who
3 will set aside part of their salaries every month into
4 an interest-bearing account with a bank or institution
5 that can draw interest but as long as that amount of
6 money stays in that account to be used for insurance
7 emergencies and not have to pay taxes on that interest
8 that's drawn, to me that's getting the general public

9 to set aside some money on their own, and it's taking
10 some of the burden off of the federal level and I would
11 think even off of the state level because people know
12 they're able to set aside so much money a month.

13 Let it stay in that account. Let it draw
14 interest. Don't charge an income tax on that interest
15 as long as that money stays in there for emergency
16 purposes. And if they're serious about doing a cat
17 fund, to get people to go along with it, that's the
18 kind of thing that I think people would want to get
19 involved with, when they know they don't have to pay
20 taxes on the interest off of that money.

21 GOVERNOR CRIST: It's a great idea. And there's a
22 lot of good, innovative ideas. You know, necessity is
23 the mother of invention, they say, and we have a
24 necessity, and we're being inventive. And thanks to
25 you very much, Kevin, for your hard work in this

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1 regard. And I appreciate the fact that you were in
2 Washington to make sure what I said was correct.

3 MR. McCARTY: Thank you again.

4 GOVERNOR CRIST: Thank you.

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1 GOVERNOR CRIST: Department of Revenue. Jim
2 Zingale. Good morning, Jim.
3 DR. ZINGALE: Item Number 1 requests the approval
4 of minutes.
5 GOVERNOR CRIST: Is there a motion on the minutes?
6 COMMISSIONER BRONSON: Motion.
7 GOVERNOR CRIST: Is there a second?
8 ATTORNEY GENERAL McCOLLUM: Second.
9 GOVERNOR CRIST: Moved and seconded. Without
10 objection, the minutes are approved. Item 2.
11 DR. ZINGALE: Item Number 2 is a rule stemming
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12 from 2005 legislation, our comprehensive child support
13 enforcement bill. The rule is putting in place an
14 electronic filing process for income deduction orders
15 like we do on the tax side. Any questions on that?

16 GOVERNOR CRIST: Motion on Item 2?

17 COMMISSIONER BRONSON: Motion on Item 2.

18 ATTORNEY GENERAL McCOLLUM: Second.

19 GOVERNOR CRIST: Moved and seconded. Show it
20 approved without objection. Thank you very much, Jim.

21 ATTORNEY GENERAL McCOLLUM: I have a question, if
22 I could, Governor.

23 GOVERNOR CRIST: General.

24 ATTORNEY GENERAL McCOLLUM: Jim, why did it take
25 two years to develop this? This is a long time in

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1 coming. And I thought you might be able to at least
2 explain to us the reason why this was so difficult to
3 do.

4 DR. ZINGALE: Well, not so difficult on this rule.
5 It's a pretty easy rule. It was more the essence of
6 the 2005 legislation, truly remarkable for us in that
7 it took about two years to develop the legislation. It
8 was comprehensive.

9 The law itself had things phased in over a
10 four-year period. It synchronized the major changes in
11 administrative support, with the two new computer
12 systems, Phase I CAMS, which wound down in January, and

13 then Phase II of CAMS coming up.

14 This provision actually didn't go into effect
15 until October of 2006, and we're a little late because
16 of CAMS I coming up a couple of months late. So this
17 is really timed for when we are ready to receive the
18 data, not when they are ready to send it.

19 So it's a little longer, maybe a month or two,
20 because of the synchronizing of the computer systems,
21 but mostly it's because the effective date of this
22 provision didn't start until October of 2006.

23 ATTORNEY GENERAL McCOLLUM: I appreciate your
24 clarifying that. Thank you. Thank you, Governor.

25 DR. ZINGALE: Appreciate it.

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1 GOVERNOR CRIST: Thank you, General.

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1 GOVERNOR CRIST: Board of Trustees. Secretary
2 Sole.
3 MR. SOLE: Good morning, Governor, Cabinet
4 members. Item Number 1 is submittal of the Board of
5 Trustees minutes from the January and February 13,
6 2007, Cabinet meetings as well as South Florida Water
7 Management District's for January 30th.
8 GOVERNOR CRIST: Is there a motion?
9 COMMISSIONER BRONSON: Motion.
10 GOVERNOR CRIST: Is there a second?
11 ATTORNEY GENERAL McCOLLUM: Second.
12 GOVERNOR CRIST: Moved and seconded. The minutes
13 are approved.
14 MR. SOLE: Thank you. Item Number 2 is also
15 notice of proposed rulemaking. The Department is

16 moving forward with a consent to publish the proposed
17 revisions to two rule chapters. 18-2 is our uplands
18 management rule, and 18-24 is our sovereign submerged
19 lands management rule.

20 These rules are being amended to reflect the
21 changes and the creation of the Acquisition and
22 Restoration Council, which occurred several years ago
23 and, sadly, should have been done several years ago.

24 They also update references to conservation lands
25 and non-conservation lands, look at addressing

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1 procedures for boundary amendments, when we move
2 forward with the restoration -- or excuse me --
3 Acquisition and Restoration Council, and revise some
4 statutory provisions.

5 ATTORNEY GENERAL McCOLLUM: I move Item 2,
6 Governor.

7 COMMISSIONER BRONSON: Second.

8 GOVERNOR CRIST: Moved and seconded. Show it
9 approved without objection.

10 MR. SOLE: Thank you. Item Number 3 is entitled
11 Antioch Baptist Church. There's three considerations
12 that the Department is requesting at this time. One is
13 a determination that the .38-acre parcel of state-owned
14 lands is no longer needed for conservation purposes.

15 The second determination is that the property is
16 surplus. And finally the Department is requesting
17 approval of the sales contract to convey .3 acres of

18 the parcel to Antioch Baptist Church. The BOT sales
19 price is \$2,900. If we have an overlay that we can
20 show that --

21 GOVERNOR CRIST: Which do you recommend, Mr.
22 Secretary?

23 MR. SOLE: We recommend approval of this item.
24 Good point, Governor. Thank you. This is a very small
25 piece of parcel that was recently identified. The

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1 Antioch Baptist Church was unaware that it was upland
2 managed State-owned lands, and it actually bifurcates
3 property that they have acquired.

4 The Department no longer considers this parcel as
5 conservation lands. And the Division of Forestry,
6 which actually manages the Lake Talquin State Forest,
7 has not been managing this for conservation purposes
8 either, and they're also in favor of this item.

9 GOVERNOR CRIST: Is there a motion?

10 COMMISSIONER BRONSON: Motion on Item 3.

11 GOVERNOR CRIST: Is there a second?

12 ATTORNEY GENERAL McCOLLUM: Second.

13 GOVERNOR CRIST: Moved and second. Any questions?
14 Show it approved without objection.

15 MR. SOLE: Thank you, Governor.

16 GOVERNOR CRIST: Item 4. This is withdrawal?

17 MR. SOLE: Item Number 4, request withdrawal.

18 GOVERNOR CRIST: Show it withdrawn. Item 5.

19 MR. SOLE: Item Number 5, Fisherman's Marina.

20 This is an application for a modification of a ten-year
21 sovereignty submerged lands lease to increase the
22 preempted area from a little over 10,000 square feet to
23 over 54,000 square feet.

24 This item actually takes an existing 16-slip
25 commercial marina and improves it and constructs a

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1 68-slip commercial docking facility. It's important to
2 note that the facility will be 90 percent open to the
3 public and on a first come first serve basis.

4 There are no resources within the proposed area of
5 the dock and the applicant has modified the alignment
6 to ensure riparian line considerations have been taken
7 into account.

8 ATTORNEY GENERAL McCOLLUM: I move Item 5.

9 CFO SINK: Second.

10 GOVERNOR CRIST: Motion and second. Show it
11 approved without objection. Item 6.

12 MR. SOLE: Thank you, Governor. Item Number 6 is
13 Island Pointe Marina. This is an application to modify
14 an existing ten-year sovereignty submerged lands lease,
15 which actually combines two existing leases for what
16 was two facilities, turns it into one, changes the use
17 from open to the public to a private residential
18 multifamily docking facility.

19 As a result, the lease term will also be modified
20 from what was previously a ten-year lease term to a

21 five-year lease term. And, finally, it is important to
22 note that this application exceeds the preempted area
23 to shoreline ratio, which is a 40-to-1 ratio.

24 But the applicant has made proposals to improve
25 and provide a public positive benefit through the

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1 following activities. One is he has reconfigured the
2 actual slip layout to avoid nearshore submerged aquatic
3 vegetation.

4 And normally you would consider that potentially
5 to be a regulatory issue, Governor. But the reality in
6 this case is this facility or these two facilities were
7 destroyed by the hurricanes. And they would have a
8 legitimate right to rebuild in place. Instead, they've
9 gone ahead and looked at avoiding some of the
10 resources, which we find to be a public benefit.

11 Also 32 slips in this facility will be available
12 on a first come first serve basis. There is some part
13 of the parcel which is a little less than, I think, a
14 quarter of an acre that are under question for a Butler
15 Act claim. In this case the applicant is quitclaiming
16 those to the Board of Trustees.

17 Finally, the applicant is providing a warranty
18 deed for the Board of Trustees for property, sovereign
19 submerged lands, of two acres, which are in the nearby
20 vicinity.

21 And, finally, the applicant has also proposed

22 completing a \$25,000 navigational improvement project
23 within the Sebastian Inlet State Park area. The
24 Department recommends approval of this item.

25 COMMISSIONER BRONSON: Motion on Item 6.

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1 CFO SINK: Second.

2 GOVERNOR CRIST: Moved and seconded. Show it
3 approved without objection.

4 MR. SOLE: Thank you, Governor. Item Number 7 is
5 Sebastian River Boat Tours. This is a consideration of
6 an application for a five-year sovereignty submerged
7 lands lease containing about 2,700 square feet for a
8 two-slip commercial marina in Indian River County.

9 This item is for Sebastian River Boat Tours. It
10 provides -- the Sebastian River Boat Tours provides
11 sightseeing tours and private charters along the Indian
12 River Lagoon and St. Sebastian River. This is part of
13 the Indian River Lagoon Aquatic Preserve and,
14 therefore, subject to the Aquatic Preserve rules.

15 When this application came in -- and the
16 Department has been working with the applicant for a
17 little over a year now, trying to reduce the impact of
18 this project, primarily because we do have seagrasses
19 in the vicinity, and we are in the Aquatic Preserve
20 area, Indian River Lagoon.

21 The challenge that we had originally is when it
22 was proposed, there was -- the terminal end of the
23 platform actually terminated in seagrass areas. And in

24 accordance with our Aquatic Preserve rules, we would
25 have to reject that.

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1 Well, over the last year, we have worked well with
2 Captain Pinson, who is the charter owner, to minimize,
3 to the maximum extent practicable, this project.
4 Fortunately, when we went out and surveyed the area, we
5 found a muck hole that would allow for potentially
6 placing this terminal platform so he could moor his
7 vessels.

8 What we did also find though, unfortunately, due
9 to the size of the vessels, we could not completely
10 eliminate the impacts. And about a quarter of the
11 mooring area was considered to be over seagrass
12 resources.

13 It's also worth noting that in our review of this
14 project, we identified that the ingress and egress
15 areas to the platform went over seagrasses. Originally
16 the foot of the engine had the potential to almost get
17 right at the edge of the grasses.

18 Captain Pinson agreed and has actually modified
19 his vessels to put his engines on a jack plate so he
20 can assure that he has at least a foot clearance above
21 those seagrasses. So it's important to note that they
22 have minimized impacts to the resources to the maximum
23 extent practicable.

24 Also, in reviewing this application, we did

25 consider it to be within the public interest in the

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1 fact that Captain Pinson is implementing a free
2 educational tour for a minimum of 250 school children
3 within the area on an annual basis. He proposes to
4 plant Spartina along the entire shoreline of this
5 facility, and he is also donating .2 acres of submerged
6 lands that he owns at the edge of his bulkhead.

7 The Department struggled with this recommendation
8 and this issue, Governor and Cabinet, because in the
9 literal reading of the rule, the terminal platform does
10 go over seagrasses in what we would call a Resource
11 Protection Area 2.

12 However, based upon the public interest, there is
13 a real consideration whether or not Captain Pinson is
14 in substantial compliance with the rule, and it should
15 be considered in front of this board, and that's why we
16 have brought this item forward while, with a
17 recommendation of a denial, an acknowledgment that
18 there has been significant resource impact minimization
19 by Captain Pinson and this is in the public interest.

20 I do have one speaker who has proposed or asked to
21 speak. We have Pat Rose of Save the Manatee Club. And
22 I can answer any questions that the Governor or Cabinet
23 may have.

24 GOVERNOR CRIST: Why don't we hear from Pat, and
25 then I think we have some discussion among our members.

1 MR. SOLE: Thank you, Governor.

2 GOVERNOR CRIST: Thank you, sir. Good morning,
3 Pat.

4 MR. ROSE: Good morning, Governor and members of
5 the Board. You might ask yourself why am I here
6 speaking on this issue and not on the two prior
7 marinas. I want you to know we didn't object to those,
8 and I certainly don't object to the idea of the tours
9 and conducting the educational experiences and all
10 that. I think it's a wonderful thing that the captain
11 is doing.

12 It's unfortunate that this site was chosen for
13 that operation instead of one of the existing marinas,
14 but that's where we are. And so I'll try to go through
15 quickly.

16 The most critical issue for us is that with Save
17 the Manatee Club, I'm an aquatic biologist. I've spent
18 many years both studying manatees and seagrasses and
19 other issues in Florida. The Resource Protection Area
20 and the need to protect, especially under the present
21 rule, the Resource Protection Area Ones and Twos is
22 really critical to Florida and the seagrasses in the
23 entire aquatic ecosystem and its function.

24 What I'm most concerned about is any potential
25 precedent that this might establish if you make an

1 exception to the rule. And first of all, I believe it
2 would need to be an exception. I don't believe under
3 any circumstance that this application, as much work as
4 has been done, as much minimization as has been done to
5 the impacts, would be consistent with the rule.

6 However, I recognize that you have the authority
7 to make an exception. And I also recognize probably
8 that exception may be granted. But I would ask you to
9 consider very carefully how you do that and to not open
10 the door for others that might be wanting to come in
11 and to also ask for exceptions to these very important
12 rules that will protect these seagrasses and their
13 functions.

14 Having said that, I think -- I believe it will be
15 important to not grant, if you do grant an exception,
16 for more than a year, and make sure that the resource
17 has been preserved and protected. I can tell you, I
18 have a lot of boating experience. I understand the
19 resource. But I'm not sure that I could operate these
20 48-foot vessels and where they're going to be moored
21 and a year from now take every effort that I could in
22 not causing damage, that there wouldn't be damage that
23 would result.

24 And so I'd ask you, as a condition of that, if you
25 move forward, only grant a year and require an

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1 inspection of the resource. If the resources have been
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2 preserved, wonderful, because then that's what's
3 important here.

4 If it's not, I think you have to take a hard
5 consideration to whether or not you would extend that
6 and under what circumstances. And I would hope you
7 would encourage not the extension of the lease but
8 rather encourage that the operations would go out of an
9 existing marina, where I think they would be better
10 served for everyone in Florida.

11 And with that, I'll end. I don't want to take a
12 lot of your valuable time. I think those are really
13 important issues. And please don't, in the way that
14 you may act on this, open the door to other precedent
15 issues or exceptions that may be made that don't have
16 similar circumstances. Thank you very much.

17 GOVERNOR CRIST: Thank you, Pat. I think that the
18 Commissioner may have a motion, and then we can -- it
19 can put us in a good posture.

20 COMMISSIONER BRONSON: Thank you, Governor.
21 Members of the Cabinet, I'd like to move that we
22 approve this lease for the applicant for a term of one
23 year. It seems to me that the applicant, by changing
24 the structure of his boat, has made himself in
25 compliance substantially with the rule, that he's above

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1 the seagrasses with his motors.

2 And, of course, I would assume that there are some

3 wake regulations that are going to be in this area
4 anyway, so that they're not coming in too fast with the
5 motors. And while I recognize and appreciate DEP's
6 caution, Mr. Pinson has met all the requirements and is
7 in compliance with the rule, based on what I can see.

8 And I would like for us to take into consideration
9 the number of children that he carries out on these
10 boats for aquatic education purposes, for the wildlife
11 that's in this area. He takes out quite a few hundred
12 students every year, and he's willing to do that at no
13 cost to the students, to help in aquatic education of
14 the river areas.

15 And I think we ought to give him one year. Let's
16 let DEP take a look at the substantial use during that
17 one year to see if there's any damage whatsoever that
18 may have to be mitigated or any changes to his
19 structure on his boat, but give him a year to do this
20 and then take a look at it next year.

21 GOVERNOR CRIST: Okay. The Commissioner has made
22 a motion. Is there a second?

23 CFO SINK: I'll second it, with a question, Mike.

24 GOVERNOR CRIST: CFO Sink and then General
25 McCollum.

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1 CFO SINK: How would you go about the -- after the
2 year's operating lease? Would you describe what you
3 would be looking for and what the process would be?
4 Because I am very concerned about the impact on the

5 seagrasses. And I've seen and been involved in lots of
6 scarring of seagrasses myself when I got somewhere I
7 wasn't supposed to be, and I know what the damage can
8 be.

9 MR. SOLE: CFO, what we would -- and actually in
10 this item we had recommended and put as part of the
11 lease a provision that requires monitoring of the
12 seagrasses by Captain Pinson.

13 He would have to hire an aquatic biologist that
14 goes through and monitors the grasses, identifies if
15 there's been -- and I think the area that we're
16 concerned about is the ingress, egresses, as the
17 Commissioner noted -- whether or not there is observed
18 impacts as a result of the operation. And you would
19 see that through either -- hopefully you would never
20 see scarring, especially in light of the fact that the
21 project has got at least a foot of -- or the boat has
22 at least a foot of clearance over the top of the
23 resource.

24 But you would be looking for other impacts,
25 whether or not because of the frequent ingress and

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1 egress and motor use, whether there is a loss of
2 grasses in a certain alignment or path.

3 So the seagrass surveys would be the way that we
4 would actually identify whether or not there's a
5 resource implication, and those grass surveys would

6 also be verified by Department staff to ensure its
7 validity.

8 GOVERNOR CRIST: General.

9 ATTORNEY GENERAL McCOLLUM: Mike, does the owner
10 or proponent of this do other business than take these
11 kids out, or is that the sole purpose of this marina or
12 this platform?

13 MR. SOLE: General McCollum, my understanding,
14 Captain Pinson has an ecotourism business as well as
15 provides sightseeing in the general area, which is more
16 than just the children. He is actually operating a
17 commercial activity. I want to be very clear.

18 ATTORNEY GENERAL McCOLLUM: So there would be
19 substantial traffic over this grass. That's the real
20 issue, not just a few kids that go out once in a while.

21 MR. SOLE: Yes, sir.

22 ATTORNEY GENERAL McCOLLUM: Secondly, when we look
23 at this picture that you've got here, this photograph,
24 we see the other marina that's next door. And it looks
25 to me like what is green and outlined on here is the

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1 seagrass and then what's sort of blue is there's no
2 seagrass there. Am I reading that correctly?

3 MR. SOLE: That's a good read of that, General,
4 yes, sir.

5 ATTORNEY GENERAL McCOLLUM: And does that mean
6 that the no seagrass there next door is because the
7 traffic is going out back and forth, or do you have any

8 knowledge as to that?

9 MR. SOLE: Not necessarily. I mean, I looked at
10 the graphic the same way that you did. And I wondered,
11 I wonder if this is as a result of boat traffic within
12 the area. I think it can be reasonably assumed in the
13 terminal platform of these -- and I apologize. This
14 would be considered the terminal platform -- that there
15 is a probability that there are some resource
16 implications, either from prior dredging of that area,
17 which many of these areas were dredged well before our
18 understanding of the resource ramifications -- or as a
19 result of boat traffic.

20 In this case, the expectation would be not to
21 have -- see that type of seagrass loss because there is
22 not dredging authorized in this item. The Department
23 would not recommend dredging in this area. It would be
24 significantly inconsistent with our rules in the
25 Aquatic Preserve.

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1 ATTORNEY GENERAL McCOLLUM: So the traffic that,
2 even if the platform change -- or not the platform, but
3 the boat alterations the captain has done weren't
4 adequate, you would not expect to see this dramatic a
5 difference when you go out and look at it a year from
6 now.

7 MR. SOLE: At this stage the Department does not
8 anticipate to see a dramatic difference, correct.

9 Without question -- especially in light of the changes
10 that Captain Pinson has made to his two vessels.
11 Without question, that is the one thing that we would
12 need to monitor, to see whether that potential is real
13 or is not real.

14 ATTORNEY GENERAL McCOLLUM: Well, with that
15 understanding, I won't object, but I did -- this does
16 look pretty dramatic in the picture, and I wouldn't
17 want to disrupt that seagrass there that much.

18 GOVERNOR CRIST: Thank you, General. Any other
19 discussion? Any other speakers, Mr. Secretary?

20 MR. SOLE: No, sir.

21 GOVERNOR CRIST: We have a motion and a second.
22 All in favor say aye. Aye.

23 CFO SINK: Aye.

24 ATTORNEY GENERAL McCOLLUM: Aye.

25 COMMISSIONER BRONSON: Aye.

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1 GOVERNOR CRIST: Opposed? It carries. Thank you,
2 Secretary.

3 MR. SOLE: Governor, thank you. That concludes
4 the Board of Trustees.

5 CFO SINK: Governor, before Commissioner Bronson
6 gets out of here, because I know he scoots out in a
7 hurry.

8 GOVERNOR CRIST: He's an efficient government kind
9 of guy.

10 COMMISSIONER BRONSON: I was in my takeoff

11 position.

12 GOVERNOR CRIST: He was ready to launch.

13 CFO SINK: I just have a personal request of you,
14 very unusual. Would you please promise us that you are
15 always going to wear your seat belt when you travel
16 around the state of Florida?

17 GOVERNOR CRIST: Yes, ma'am, I will. It was
18 amazing to see what happened.

19 CFO SINK: It's very important.

20 GOVERNOR CRIST: Well, if you will all
21 counter-promise to do the same thing. I always do
22 anyway. But I really feel for the governor of New
23 Jersey and wish that he'd had his seat belt on. But,
24 yes, I will make that promise.

25 CFO SINK: And when the Highway Patrol asks you to

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1 do something, follow their orders.

2 GOVERNOR CRIST: I always do. They have a gun. I
3 don't. I follow their orders. Thank you very much,
4 CFO.

5 CFO SINK: Thank you.

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1 GOVERNOR CRIST: Coleman.
2 MR. STIPANOVICH: Good morning, Governor. Good
3 morning, members.
4 GOVERNOR CRIST: State Board of Administration.
5 MR. STIPANOVICH: The first item is request for
6 approval of the minutes of the April 3rd, '07 meeting.
7 GOVERNOR CRIST: Say that again. I'm sorry, sir.
8 MR. STIPANOVICH: The first agenda item, Governor,
9 is request for approval of the minutes of the April
10 3rd, '07 meeting.
11 ATTORNEY GENERAL McCOLLUM: So move.
12 GOVERNOR CRIST: Is there a second?
13 CFO SINK: Second.

14 GOVERNOR CRIST: Moved and seconded. Show the
15 minutes approved without objection.

16 MR. STIPANOVICH: The second item is request
17 approval for fiscal sufficiency of amount not exceeding
18 70 million State of Florida, Department of
19 Transportation, State Infrastructure Bank Revenue
20 Bonds.

21 GOVERNOR CRIST: Is there a motion on Item 2?

22 CFO SINK: Move.

23 ATTORNEY GENERAL McCOLLUM: Move.

24 GOVERNOR CRIST: And a second?

25 CFO SINK: Second.

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1 GOVERNOR CRIST: I think you did both.

2 ATTORNEY GENERAL McCOLLUM: You were moving it.

3 CFO SINK: Move it.

4 ATTORNEY GENERAL McCOLLUM: I'll second.

5 GOVERNOR CRIST: Show it approved without
6 objection. Thank you.

7 MR. STIPANOVICH: The third item is request for
8 approval of fiscal determination in connection with the
9 issuance of amount not exceeding \$9,700,000 Tax-Exempt
10 Florida Housing Finance Corporation Multifamily
11 Mortgage Revenue Bonds.

12 ATTORNEY GENERAL McCOLLUM: I move Item 3.

13 CFO SINK: Second.

14 GOVERNOR CRIST: Motion and second. Show it

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approved without objection.

MR. STIPANOVICH: The fourth agenda item is request for approval of fiscal determination in connection with the issuance of amount not exceeding 5,930,000 Tax-Exempt Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds.

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection. Item 5.

MR. STIPANOVICH: The fifth agenda item is request

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for approval of fiscal determination in connection with the issuance of amount not exceeding 4,520,000 Tax-Exempt Florida Housing Finance Corporation Multifamily Mortgage Revenue Bonds.

ATTORNEY GENERAL McCOLLUM: I move Item 5.

CFO SINK: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection. Item 6.

MR. STIPANOVICH: The final agenda item, Number 6, is request for approval of the revised Florida Retirement System's Defined Benefit Investment Policy Statement.

Governor, for a little bit of background, this is something that the State Board of Administration does typically in about a three- to five-year cycle. A major revision goes back many years, but in more

17 contemporary times, in 1999 there was a revision, and
18 we moved to an asset allocation policy of 73 percent
19 public and private equities, 27 percent fixed income.

20 And then in March of '03, Governor, when you were
21 actually on the Board, we moved to a 78 percent public
22 equities and private equities, 22 percent fixed income.
23 And in this proposal we're actually recommending a
24 reduction in the asset allocation to 69 percent public
25 equity and private equity and 31 percent fixed income.

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1 The way this occurs in terms of procedural is we
2 asked in the summer our general consultant, Ennis &
3 Knupp, to begin to work with us on an asset/liability
4 study, and their actuary. And so that's the first
5 thing that we do, is an asset/liability study.

6 And then based on that, we work with our other
7 five consultants, the asset class consultants, the
8 specialty consultants over the asset classes, and get
9 input from them as well.

10 And then finally we take it before the Investment
11 Advisory Council, as is required under statute, for
12 their review and recommendation. And we had a meeting
13 on, I believe it was March 29th, a two and a half hour
14 review with the Investment Advisory Council, at which
15 time they unanimously approved our recommendation that
16 we're bringing before you today.

17 I will just mention a couple of items of

18 discussion that took place at the Investment Advisory
19 Council meeting, just for informational purposes,
20 because this is their opportunity to be heard, is there
21 was some discussion about the cash target allocation of
22 one percent.

23 They thought that maybe we ought to be thinking
24 about raising that target. And at the end of the
25 discussion, they were perfectly fine with the one

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1 percent target, but there was some discussion of maybe
2 a tactical asset allocation decision affecting cash,
3 and we said we would study it and go from there.

4 The only other substantive discussion had to do
5 with the alternative investment asset class, which will
6 now be called the private equity asset class in terms
7 of its benchmark. The current benchmark is 450 basis
8 points over the Russel 3000 Domestic Equity Index. In
9 working with our consultants, it was unanimous in the
10 range probably from 200 to 300 or so basis points over
11 the Russel 3000.

12 Funds are trending to a lower premium over the
13 domestic index. We had recommended 300. They really
14 thought that we should stay with the 450, and we agreed
15 to do that because we struggled with that as well,
16 trying to figure out what that premium should be for
17 such things as illiquidity and the extra risk that you
18 have in that asset class.

19 And so that was the discussion that took place.

20 Other than that, of course there was other discussion,
21 but it was very supportive and, like I said, a
22 unanimous endorsement.

23 The three fundamental changes that we're
24 recommending today is to reduce the level of risk in
25 the overall portfolio -- and that's the primary thing

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1 that we want to focus on -- and enhance the
2 transparency and efficiency of the asset class
3 benchmarks, and adding a new asset class called
4 strategic investments.

5 Then there are a number of other -- if you look at
6 your strike-through policy, you can kind of see some
7 other more insignificant proposed changes, such as just
8 changing the name of alternative investment asset class
9 to private equity asset class.

10 We're actually going to carve out high yield,
11 which has always been a part of our fixed income
12 benchmark, carve it out and make it more transparent,
13 have it stand alone as an asset class, still be managed
14 by the same fixed income folks, but we'll have it as a
15 separate benchmark, which makes it more transparent and
16 measurable and manageable. And then rolling the global
17 equity investment asset class into the strategic
18 investment asset class. And then, finally, raising the
19 investment objective from four percent real to five
20 percent real.

21 The second proposed change has to do with
22 benchmarks. And what we attempt to do there is make
23 sure that -- our reason for doing that is to make sure
24 that there is broad coverage of the global opportunity
25 set that these benchmarks represent, make sure that we

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1 have the best benchmarks to achieve that purpose, make
2 sure they're unbiased in their exposure to the global
3 markets, and make sure they're investable in a passive
4 means and then that they're transparent and, of course,
5 recognizable.

6 And then finally the third fundamental change is
7 that new asset class I mentioned and the other kind of
8 insignificant changes. But this is a significant
9 change, where we'd be adding the strategic investment
10 asset class. I'd be happy to answer any questions.

11 CFO SINK: Governor.

12 GOVERNOR CRIST: CFO.

13 CFO SINK: I think it's important for us to
14 recognize that this is a significant change, to drop
15 from an equity exposure from 78 to 69 percent. It
16 means that we're getting much more conservative in the
17 way we manage a fund that's been incredibly successful
18 and at the top of -- the very top of the rankings of
19 public pension funds.

20 And just to assure ourselves, I'm a little
21 surprised there wasn't any more conversation at the
22 Investment Advisory Council about taking such a

23 significant and much, much more conservative action
24 when the reason we've done so well is because we've
25 been somewhat overweighted in equities.

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1 MR. STIPANOVICH: That's an excellent observation,
2 CFO, and so let me speak to that. And there was --
3 actually, right out of the box, there was significant
4 discussion about that with the IAC. And their first
5 comment, before they even heard our presentation, is
6 why don't we take some risk off the table, that we feel
7 like we're taking too much risk.

8 So hopefully what we're going to hear today is
9 removing risk. And the way you do that is through
10 asset allocation changes.

11 To kind of put things into perspective, when I
12 talk about removing the risk, keep in mind we --
13 because of the capital market assumptions that have
14 been made -- and, again, these are our best, you know,
15 in terms of working with the blue chip economists,
16 working with our consultants in trying to come up with,
17 you know, some variables that have to be input -- and
18 the capital market assumptions are important in terms
19 of getting that right.

20 We are actually raising, as a result of this asset
21 allocation change, raising our investment objective.
22 So it's going from four percent over the cost of
23 living, it's going from four to five percent. So we

24 actually have raised the investment objective that we
25 look to achieve. And that primarily has to do with the

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1 increased capital market assumptions that have been
2 made by everyone.

3 Having said that, our projections are that the
4 annual compounded rate of return will only slightly be
5 reduced, with the significant asset allocation
6 reduction of 22 basis points. And that would -- but on
7 the other hand, it would decrease risk in that it would
8 reduce standard deviation, the volatility of the fund,
9 where you could be off in terms of what your expected
10 returns are, by 119 basis points.

11 And so when we do the analysis and we look at what
12 would be the cost-effectiveness in terms of present
13 value of contribution rates to employers, because if
14 we're not making the money, then the contributions have
15 to be made, is we found in the 500 scenarios that we
16 ran, that there was essentially no additive -- that the
17 cost savings was basically flat. But in the 20 percent
18 worst case scenarios that we saw, it could cost
19 \$5.2 billion.

20 So those are the kinds of things that we're
21 looking at in terms of trying to remove the risk.
22 Another thing we look at is compared to our peers.
23 Now, again, that's not always a good benchmark because
24 the demographics and our needs in terms of funding
25 future liabilities may be different than another state.

1 Our surplus status is another factor, a very
2 important factor, the funded ratio, the fact that we
3 have this surplus. We have the luxury, unlike many of
4 our peers, that we have this surplus. So do we need to
5 continue to press the pedal to the metal?

6 If you compare to our peers, in our current
7 situation -- there's two good data sources for
8 comparing our peers, NASIO, the National Association of
9 State Investment Officers, and the TUCS universe, which
10 is Trust Universe Comparison Services, I think, by
11 Mellon Bank.

12 If you look at both of those universes, for
13 example, which has pretty much all the states, NASIO,
14 we're two percent above the 90th percentile. In other
15 words, 98 percent -- 92 percent of the funds in this
16 universe have a lower domestic equity, public equity
17 exposure than we do. So we are an outlier. We are
18 very aggressive in our current position. And the
19 question is, do we need to be.

20 Well, if the average funded ratio for all these
21 other funds is 83 percent and we're 105, 107 actually,
22 then do we need to continue to have that aggressive
23 posture? We got it right so far and it's paid, but do
24 we want to continue to press the risk measure?

25 TUCS is the same thing. We're nine percentage

1 points above the median of the TUCS universe. By
2 reducing our exposure, we're going to still 70 percent,
3 69 percent of domestic equities and private equity
4 exposure. That's still a slightly aggressive exposure.
5 And it's above the average of these two universes. So
6 we're somewhere between aggressive and moderate. And I
7 would say we're still slightly aggressive. But we're
8 protecting our down side, and that's the
9 recommendation.

10 CFO SINK: I move it, Governor.

11 GOVERNOR CRIST: Is there a second?

12 ATTORNEY GENERAL McCOLLUM: I'll second, but I do
13 want to discuss.

14 GOVERNOR CRIST: Of course, yeah. What is it that
15 you will do that will be less risky?

16 MR. STIPANOVICH: Well, the main thing, Governor,
17 is the asset allocation change. Asset allocation is so
18 important.

19 GOVERNOR CRIST: What does that mean? I don't
20 know what that means.

21 MR. STIPANOVICH: That means how much money you
22 have in these asset classes. So if you consider, for
23 example, if you lump -- and when you do the modeling,
24 the two kind of anchors for the modeling is public
25 equities. So if you take international, you take

1 domestic equities, you take private equity, you take
2 real estate and you roll all that up together, that's
3 where we come up with the 69 percent.

4 GOVERNOR CRIST: Sixty-nine percent of what?

5 CFO SINK: Coleman, can I help here a little bit?
6 I think the Governor is asking a good question. Would
7 you describe -- we're going to be required to sell off
8 X billion dollars of equity and reinvest that money
9 into bonds. And what's the number?

10 MR. STIPANOVICH: 11.9 billion.

11 CFO SINK: So we'll be selling \$12 billion of what
12 we have in stock investments today and putting them in
13 more conservative bonds.

14 GOVERNOR CRIST: That pay a guaranteed percentage?

15 CFO SINK: Uh-huh.

16 GOVERNOR CRIST: I got you.

17 MR. STIPANOVICH: And the bonds, Governor, is the
18 less risky investment. So by putting more into less
19 risky --

20 CFO SINK: But there's a cost associated with
21 that, too. I mean, there is a cost associated with
22 moving out of \$12 billion worth of stock. I mean, I
23 can't relate to that number.

24 GOVERNOR CRIST: Somebody gets a fee from it.

25 CFO SINK: Oh, yes.

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1 MR. STIPANOVICH: Well, because we're 72 percent

2 passive, we will be able to do a lot of crossing. So
3 what would normally be the cost of selling an outright
4 round-trip trade will be significantly reduced by being
5 able to cross securities as we trade out of these
6 positions.

7 So again -- but you're right, there is a cost of
8 doing this. But, again, we think that the long-term
9 trade-off is worth it.

10 Now, again, there are three options here. Even
11 though we're presenting one recommendation, it's
12 ultimately your decision, Trustees. We can do nothing
13 and remain in the current asset allocation, under the
14 current asset allocation policy and then make the other
15 minor changes, or we can do something in between or we
16 could do what we've proposed.

17 This is our recommendation and it was supported by
18 the Investment Advisory Council, but certainly it is
19 your ultimate decision.

20 GOVERNOR CRIST: General.

21 ATTORNEY GENERAL McCOLLUM: Thank you, Governor.
22 I certainly respect the Investment Advisory Council.
23 The members are people who have far more expertise than
24 I pretend to have. But usually, in my experience in
25 these matters, the decisions are made differently. The

1 basis for reducing the asset allocation to less risk,
2 as you say, to move from stocks to bonds, is because
3 you expect the stock market not to do well, inflation

4 to rise, the economy to change.

5 I served, as you know, on the Banking Committee,
6 now the Financial Service Committee in the House. We
7 had lots of those kinds of discussions. Does the
8 Investment Advisory Council see a change coming in the
9 world of -- of the growth pattern we've gotten
10 recently? Are they worried about that? Was that
11 discussed? Or is this strictly a basis of saying, hey,
12 we've got a big buildup already in our funds, a surplus
13 if you will, and we don't need to be growing this
14 rapidly anymore?

15 MR. STIPANOVICH: General, that's an excellent
16 question. There wasn't a great deal of discussion
17 about GDP, because that's the main measurement in terms
18 of how the economy is doing and the growth of the
19 economy and --

20 GOVERNOR CRIST: Gross domestic product?

21 MR. STIPANOVICH: Gross domestic product, yes,
22 sir. I'm sorry, Governor. It's been about 3.3. I
23 think it's projected to be 3.0. As you know, that's
24 healthy. So the economy in terms of growth looks
25 promising, which is your point you're making. It looks

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1 good.

2 Inflation, even though there are some concerns and
3 Bernanke is kind of taking a -- and that's the Fed
4 chairman -- is taking kind of a wait-and-see attitude

5 in terms of what's happening with inflation, but
6 inflation has remained stable, ex-food and energy, at
7 2.5 percent, which is what we projected four years ago.
8 I think it came in at 2.6. And all our other
9 projections, what they actually did were lower --

10 ATTORNEY GENERAL McCOLLUM: Well, let me ask you
11 this then, Coleman. You've got time to unwind this.
12 If you've got \$12 billion in stocks you're going to
13 sell at some point, I assume you're going to do that
14 over a period of time. You wouldn't dump that tomorrow
15 morning. That wouldn't be too smart. I assume you've
16 got a plan for that.

17 But let's go back to the point and say we didn't
18 do this. What kind of problem do we face if six months
19 from now, a year from now, you know, the signs, the
20 winds start blowing that we might be headed to a
21 recession, the market is not going to do well, and you
22 would, under a business plan more normal than what
23 we're dealing with here, be making a decision to reduce
24 your exposure.

25 Does that present more problems, getting closer to

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1 that potential event? Do you need to have this change
2 well in advance now in order to unwind these stocks and
3 get the asset allocation done or -- you know, otherwise
4 it would seem to me that if you could do this on fairly
5 short order, a month or something or two months, that
6 you would be able to keep earning more by keeping the

7 asset allocation in stocks while it looks like they're
8 going to do better than bonds, and it certainly looks
9 that way to me right now, and then unwind and make this
10 change when the events occur that tell you that you
11 would do that in the normal investment practice.
12 That's what I don't understand.

13 MR. STIPANOVICH: Let me just first of all speak
14 to the implementation part of it, which is in the
15 policy, or at least -- actually, not in the policy, but
16 what we'd be doing is June 1 we would start the
17 implementation of it, with the expectation to complete
18 the transition 12 months later. So we're talking about
19 15 or so months from now. So that's the
20 implementation.

21 Yeah, of course, I mean, if we -- it's kind of the
22 crystal ball thing. This is a 15-year horizon. So
23 when we're looking at this, we're not thinking this
24 year or next year. We're really modeling, looking out
25 15 years.

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1 And, you know, the actuary for the Florida
2 Retirement System looks out 30 years and arguably even
3 100 years, when they come up with their actuarial
4 assumptions, which is seven and three-quarters. Our
5 investment objective ends up being seven and a half.

6 And you know how the market works as well as I do,
7 that it's a discount mechanism. So let's say we try to

8 figure out when the economy is slowing or when
9 inflation is going to be a problem and higher interest
10 rates, and with higher interest rates you've got poor
11 stock prices because inflation is not good for equities
12 in probably the long-run.

13 So you start having these economic kind of signals
14 coming, and the Fed is trying to figure this out and
15 they send signals and start making changes and
16 loosening or tightening.

17 The market discounts that. And so I've always
18 said follow the smart money. It's so amazing how smart
19 the market is. But the market may be down six months,
20 nine months before we ever get any of that fundamental
21 economic --

22 ATTORNEY GENERAL McCOLLUM: But, Coleman, if I can
23 interrupt you, and I don't want to be too argumentative
24 here, but you know as well as I do that that's how
25 investment houses make their decisions. They look out

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1 and they do in advance analyze that, and that's why the
2 market anticipates that.

3 MR. STIPANOVICH: Right.

4 ATTORNEY GENERAL McCOLLUM: Well, we're -- if you
5 dump \$12 billion worth of stocks, you're helping the
6 market -- normally people would say you were
7 anticipating that happening. Obviously, you're telling
8 us that's not the reason here. But that's a lot of
9 money. That could help move us in that direction.

10 I'm not saying we'd move the market all by
11 ourselves with our pension fund, but if we're the
12 fourth largest in the country, I think that's a
13 significant responsibility, to realize if we're going
14 to make this kind of asset reallocation, there will be
15 some impact on the market. And I don't know -- I'm not
16 an expert to know how much, but there's going to be
17 some. So anyway that concerns me.

18 The second thing I want to ask you about is, does
19 this move -- and I don't know what all the strategic
20 investments are, et cetera, here. Does it enhance or
21 decrease the activity that you expect the pension fund
22 to be engaging in in venture capital investments that
23 you sent us a report on the other day, or does it have
24 any impact on that?

25 MR. STIPANOVICH: As far as venture capital, it

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1 would have no impact. In terms of our target for
2 venture capital as a sub-asset class type within
3 private equity, it would have no impact.

4 But there is a recommendation here to reduce the
5 private equity exposure from five percent to four
6 percent. Keep in mind we're only about 3.2 percent
7 invested in terms of -- I think the commitment is about
8 3.2 percent. The invested parts may be 3 percent, 3.1.
9 So venture capital, no. But private equity, we have
10 made a recommendation to go from a five percent target

11 to a four percent target, even though right now our
12 projection to even get to four percent is early 2009.

13 So putting the capital to work has been very
14 difficult because you know what's happening in terms of
15 money chasing these type of investments. And there was
16 just an article the other day about how it's sort of
17 scary what's happening out there with some of these
18 private investments.

19 So to answer your question, General, venture
20 capital, no, because our target is kind of the 500
21 million, half a billion target, and we can adjust that
22 later or whatever. But currently speaking, the answer
23 is no.

24 ATTORNEY GENERAL McCOLLUM: The reason I raise
25 that, Governor and CFO Sink, is that the policy change

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1 a few years ago before you and I came on the Cabinet
2 was not to invest in these kind of things. And yet for
3 Florida I think it's very important for us to grow our
4 homegrown industries.

5 And I know in your report -- we haven't had a
6 Cabinet discussion on that. Perhaps we should at some
7 point. It appears that you've had trouble, or from
8 your standards or the standards of whoever has adopted
9 it in the SBA, finding those -- apparently those
10 investments in Florida as much as you'd like.

11 But it looks to me like that we need to do more of
12 that, to grow more industry around our universities,

13 our biotech, our high tech, for future jobs in our
14 state as a policy matter. So I just hate to see us
15 unnecessarily retrench in any way from that. So that's
16 why that question.

17 I'm not too comfortable with this, even though I
18 respect the Advisory Council a lot. I guess I should
19 yield to you on this. But it troubles me, I must
20 admit, that we're making this big a change when we
21 don't have the economic basis necessary to do that in
22 terms of any signs the economy is changing.

23 CFO SINK: Governor?

24 GOVERNOR CRIST: Yes.

25 CFO SINK: This is not something that has to be

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1 done today. And I think it might behoove us, as the
2 SBA trustees, maybe to do a little workshop or take the
3 opportunity, whatever the right forum would be, to
4 maybe speak to some of the -- which I didn't have an
5 opportunity to do myself -- speak to some of the
6 members of the Investment Advisory Committee. This is
7 a big deal.

8 GOVERNOR CRIST: It is.

9 CFO SINK: And it's not to say that it's wrong or
10 right, but certainly General McCollum and I are brand
11 new to the scene here, and we may like to have -- I
12 personally would like to see what the implementation
13 plan would be.

14 I think we need to know who is going to get rich
15 off of this deal, because somebody will, and what the
16 motivations are. And I'm not saying that it's not wise
17 at all. An 80 percent equity weight is pretty high for
18 anybody's portfolio, even for a big pension fund like
19 ours.

20 But it also begs the question of how did we get
21 this high in the first place if we think it's a little
22 risky. So could I move that we defer the consideration
23 for --

24 GOVERNOR CRIST: I think we have a current motion
25 with a second before us so --

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1 ATTORNEY GENERAL McCOLLUM: Well, if she was to
2 withdraw it, I'll certainly withdraw my second.

3 CFO SINK: I'll withdraw my motion.

4 GOVERNOR CRIST: Withdrawal is seconded. Without
5 objection, it's done.

6 ATTORNEY GENERAL McCOLLUM: And I would encourage
7 a workshop here with the Advisory Council, Governor. I
8 think that would be helpful. I realize we need to get
9 some material that CFO Sink could probably get for us.
10 But I'd love to have -- I know some of those folks. I
11 know you do.

12 CFO SINK: Sure.

13 ATTORNEY GENERAL McCOLLUM: And it would be great
14 to have them tell us their thinking on this, and then I
15 think we'd all be more comfortable with it.

16 GOVERNOR CRIST: I think that's prudent. As an
17 old football player, we used to have a theory that if
18 the play you were running was working, you kept calling
19 it. And it's working, much to your good credit,
20 Coleman, and your team. You've done extraordinary
21 work, and we appreciate that. So I guess before we
22 call a new play, we'd like to have an opportunity to
23 review it. So we'll do that.

24 ATTORNEY GENERAL McCOLLUM: Could I ask Coleman a
25 question unrelated but somewhat related?

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1 GOVERNOR CRIST: So long as it's efficient. I
2 have to --

3 ATTORNEY GENERAL McCOLLUM: I'll be very quick and
4 let you out of here, Governor.

5 GOVERNOR CRIST: Thank you.

6 ATTORNEY GENERAL McCOLLUM: Regarding the --
7 Coleman, regarding the post-event debt of approximately
8 \$1.3 billion issued by the Cat Fund to date, the SBA, I
9 understand, competitively put in place an underwriting
10 team after the Cat Fund was created.

11 And I know you probably can't name all the people
12 on the team. But in terms of our workshop or when we
13 come back to discuss other things with you, I'd like to
14 know who is on the team, are they still active
15 underwriters, and whether or not the SBA should be
16 reviewing that team.

17 I think it's been some time since that team was
18 revised. Maybe you already have plans to do that. We
19 haven't talked privately, so it's probably unfair of me
20 to bring it up, except that I'm reminded of that with
21 this discussion today of investments and the fact that
22 it seems to me that we ought to be looking at that.
23 Maybe, again, you ought to be looking at that, and
24 perhaps you can give us some thoughts on it in the
25 future, not today.

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1 MR. STIPANOVICH: General, you're correct.
2 Following Andrew, in '94, I believe -- and I could be
3 wrong about this because I am doing this off the cuff.
4 There was a team selected in 1997. And that team
5 consists of three -- I believe three senior investment
6 managers or investment banking firms, senior managers,
7 we call them, and then a syndicate probably of, I don't
8 know, 17, 18 other firms that make up the syndicate.

9 So that was selected in 1997. It certainly
10 predates me. And then they sat around for seven years
11 kind of advising us, doing meetings and stuff, but
12 nothing was happening. It wasn't until '04, '05
13 that -- and I obviously went to work and then we did
14 the issue last year.

15 So that was their first issue. But certainly over
16 the past now ten years, a lot of changes in the capital
17 markets. And if that's what the trustees would like to
18 do, is go out and view the team, certainly after ten

19 years, it may make sense. But that's kind of the
20 history.

21 ATTORNEY GENERAL McCOLLUM: That was my point,
22 because CFO Sink is saying who is making money on this.
23 I think we ought to be sure it's fair.

24 GOVERNOR CRIST: Who would be making money on
25 this?

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1 MR. STIPANOVICH: Well, in terms of the team,
2 you've got your investment group, and so the bankers
3 that make up the investment group make money through
4 taking down bonds and selling bonds.

5 GOVERNOR CRIST: You don't know who it is?

6 MR. STIPANOVICH: I believe the senior management
7 group is Goldman Sachs -- for the post-event financing
8 is Goldman Sachs. I believe Bear Stearns and Lehman
9 Brothers.

10 GOVERNOR CRIST: Don't guess, if you're not sure.

11 MR. STIPANOVICH: Lehman Brothers. And then
12 there's a different group which we went out and did.
13 There was a team established, a selection team, and
14 went through a selection process for the pre-event. So
15 that was just done for the pre-event financings and all
16 the possible things that could be done. And then we
17 settled on extendable notes. And the team was selected
18 for that. So that's a fairly recent, within the last
19 year type.

20 But the other, the post-event team was done in
21 '97. And so, again, the other 17 or 15 or so managers
22 on the syndicate, they make money by taking down bonds.
23 The senior group makes money through various means, and
24 they make money so --

25 GOVERNOR CRIST: And maybe just a word of caution

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1 to my fellow members. Florida is set up in a very
2 strict ethical fashion in that -- you know, under
3 Governor Bush's leadership as my predecessor, there was
4 never any input as to who would or would not handle
5 these things, but it was always up to and independently
6 determined, as I understand it, by Coleman and his
7 team.

8 So that's the first time I've ever heard who would
9 be benefiting in terms of handling any of these
10 transactions. We're, I think, leading the country in
11 being that independent as elected officials from the
12 process of who would actually handle the investments.
13 That's always been separate. And there's been a
14 significant wall, firewall, between us in that
15 decision.

16 MR. STIPANOVICH: That's a good point, Governor.
17 The selection process is very structured. It's very
18 transparent. There's a team that actually scores and
19 evaluates and ranks. And it's a good team. It
20 consists of our financial adviser; Ben Watkins, head of
21 Division of Bond Finance; the senior investment officer

22 over fixed income, who is one of the smartest and most
23 capable people I'm aware of in active management, fixed
24 income, in understanding those markets; I think Ben
25 Watkins' number two person, Tim Tinsley; and then Jack

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1 Nicholson.

2 And then there's -- it's all on the Web site. And
3 when it goes out, it tells everybody exactly what the
4 criteria is. They respond. It's reviewed. It's
5 scored. It's ranked. And they're doing it
6 independently. And then they come together in the
7 sunshine. So it's very transparent.

8 ATTORNEY GENERAL McCOLLUM: Governor, it's not my
9 intent to try to tell him or anyone else who to put on
10 the team. I just thought this was pretty old and that
11 they needed to be looking at it and we need to be aware
12 that that's how a lot of this is done.

13 And I'm not aware of all the details, but I know
14 that it's old. And I think Coleman has concurred, he
15 needs to look at that.

16 GOVERNOR CRIST: Reassurance is always good.

17 MR. STIPANOVICH: Just to mention, and I think all
18 of you are aware of this -- and by the way, a list of
19 those folks has been dropped off at your offices. It's
20 probably been several weeks ago. But I gave CFO Sink a
21 list of pretty much everybody that we do business with,
22 in the Cat Fund as well as at the State Board of

23 Administration. And I dropped the same list off at
24 your office. Kent Perez would have it in your office,
25 General.

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1 So you have those lists, when you go back to your
2 office, of who the investment banking team is and so on
3 and so forth. And we just are in the process of
4 finishing -- and I probably shouldn't say more than
5 that, because I think we're still in a quiet period
6 until the decision is made. But we are reviewing the
7 financial adviser relationship. And so we just went
8 through a competitive process on that. And so we're
9 now to the negotiation process.

10 GOVERNOR CRIST: Thank you, Coleman.

11 MR. STIPANOVICH: But we haven't done anything
12 with bond counsel or the investment banking group.

13 ATTORNEY GENERAL McCOLLUM: Thank you, sir.

14 GOVERNOR CRIST: Thank you very much.

15 CFO SINK: Governor.

16 GOVERNOR CRIST: Yes. I'm sorry.

17 CFO SINK: I know you and I are headed to separate
18 places right after this.

19 GOVERNOR CRIST: We're good. We're good.

20 CFO SINK: But I did want to mention and I'm
21 announcing that there -- we have uncovered an
22 organization called the Investor Network on Climate
23 Risk. It's voluntary. I'm joining as the Florida
24 state treasurer because we manage about \$10 billion.

25 And it's an organization of other state treasurers

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1 and pension fund managers who are learning and
2 educating themselves and thinking about the risk and
3 also opportunities that are being posed by climate
4 change, investment opportunities and risk management.

5 And I did want to share that with you, as a result
6 of our climate change. And I am going to encourage
7 Coleman, as the director of the State Board of
8 Administration, to be involved in it and also for him
9 to be making decisions.

10 GOVERNOR CRIST: Thank you very much. Thank you,
11 General. Coleman, thanks so much.

12 MR. STIPANOVICH: Thank you.

13 (Whereupon, the proceeding was concluded at 11:05
14 a.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, Jo Langston, Registered Professional Reporter,
do hereby certify that the foregoing pages 5 through 77,
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the proceeding; that said proceeding was taken by me
stenographically and transcribed by me as it now appears;
that I am not a relative or employee or attorney or counsel
of the parties, or a relative or employee of such attorney
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IN WITNESS WHEREOF, I have hereunto set my hand
this 25th day of April, 2007.

JO LANGSTON
Registered Professional Reporter