THE CABINET
STATE OF FLORIDA

Representing:

DEPARTMENT OF REVENUE

DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

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 28, 2009, commencing at 9:05 a.m.

Reported by:
JO LANGSTON
Registered Professional Reporter

ACCURATE STENOTYPE REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA  32308
APPEARANCES:

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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DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
(Presented by JIM KARELS)

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BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND
(Presented by MICHAEL SOLE)

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STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS)

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CERTIFICATE OF REPORTER | 28
GOVERNOR CRIST: And now we will hear from the Department of Revenue. Good morning, Lisa. How are you?

MS. ECHEVERRI: Good morning, I'm well. Hope you're well as well. Item Number 1 respectfully requests approval of the minutes from the March 10th, 2009 meeting.

COMMISSIONER BRONSON: Motion for approval of Item 1.

ATTORNEY GENERAL McCOLLUM: Second.

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

MS. ECHEVERRI: Item Number 2 requests permission to begin rule-making to amend Rule 12B-8.001. This is an insurance premium tax rule. We will be making technical changes, cleaning up obsolete language, implementing 2008 law changes to include not-for-profit public housing authorities as self-insurers, as a new class of insurers, provide that paid-up additions are not subject to additional tax, and provide guidance on the statute of limitations when amendments are made to corporate
income tax and workers' compensation. Recommend approval of Item Number 2.

CFO SINK:  Move it.

COMMISSIONER BRONSON:  Second.

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

MS. ECHEVERRI:  Item Number 3 requests approval for adoption of amendments to various general tax rule chapters. These amendments clarify the sales tax treatment of items for one-time use, update local sales surtax rates, implement legislation providing for the release of information related to secondhand recyclers, metal recyclers, to law enforcement, update fuel tax rules related to blended or fuel grade alcohol, provide updates for refunds on fuel used for aviation ground support, the issuance of temporary licenses, implement legislation related to electronic remittances and provide general technical updates to the general tax rules.

ATTORNEY GENERAL McCOLLUM:  Move Item 3.

COMMISSIONER BRONSON:  Second.

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

MS. ECHEVERRI:  Thank you very much.
GOVERNOR CRIST: Thank you, Lisa. Appreciate it.
ACCURATE STENOTYPE REPORTERS, INC.
GOVERNOR CRIST:  Department of Agriculture and Consumer Services, Jim Karels. Morning, Jim. One of your finest, Commissioner.

COMMISSIONER BRONSON:  Yes, he is, as a matter of fact.

MR. KARELS:  Good morning, Governor, Commissioner, Cabinet.

GOVERNOR CRIST:  Thanks for helping us plant the tree the other day, by the way.

MR. KARELS:  Yes. Item Number 1 on Agriculture's list is submittal of the minutes of the March 10th, 2009, Cabinet meeting for approval.

GOVERNOR CRIST:  Is there a motion on the minutes?

COMMISSIONER BRONSON:  Motion on Item 1.

CFO SINK:  Second.

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

MR. KARELS:  Item Number 2 is consideration of the recommended 2008/2009 Rural and Family Lands Protection Program Prioritized Acquisition List. A little background. The Rural and Family Lands Act was passed by the Florida Legislature in the 2001 legislative session. The program received funding in the 2008 and 2009 year in the amount of ten and a
half million as part of the Florida Forever annual funding. On September 6th of 2008, the Board of Trustees adopted the Rule 5I-7, establishing the process for the Rural and Family Lands project for consideration of approval of acquisition. The initial application cycle ended in December of this -- of 2008, with 35 applications received, 35 very good eligible projects.

Then the Commissioner put together or established technical review teams from Department of Ag, from the water management districts, DEP, FWC, DCA and FNAI, and they analyzed each project, provided written evaluations and considerations for the goals and objectives of the program.

On March 27th a selection committee appointed by the Commissioner of Ag held a very well attended public meeting, heard testimony from the landowners and produced this ranked list of projects for consideration by the Board of Trustees.

On April 3rd the recommended acquisition list was presented to the Acquisition and Restoration Council. This list is ranked in three tiers. Each committee member was asked to vote ten projects on tier one, the top tier, ten projects on tier two and the remaining projects on tier three.
The list before you is comprised of those results. All ties within the -- between the tiers were moved up to the next highest tier. The priority of acquisition is given to tier one. That's the highest list. All acquisitions are subject to Chapter 259 of Florida Statutes. This list is presented to you for review and approval today.

ATTORNEY GENERAL McCOLLUM: I move Item 2, Governor.

CFO SINK: Second.

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

COMMISSIONER BRONSON: Governor, if I might.

GOVERNOR CRIST: Commissioner, please.

COMMISSIONER BRONSON: I'd like to commend everyone that worked so hard in all the agencies that helped in this ranking of all of these lists that we have of the three tiers. Let me also say that this is one of the reasons why I have taken the stand that I have here in the Cabinet the last few meetings to support these types of programs where farms will continue to remain active as farms, producing food and fiber for our state. Taxes will be paid. The local taxes for schools and other
things will be paid.

And the accomplishment of what we're trying to do with some of our other programs, which is to keep the whole state from being developed across the state, you're going to achieve that by keeping those open green spaces, keep them in production, keep jobs available on those sites and all the taxes and the over $100 billion worth of economic engine that agriculture still brings to the State of Florida, keep it active.

We have lost over five million acres of production land in the last number of years to development of different types. And of course some of that land was also bought by the State, where it was being very productive in agriculture production, for natural resource reasons.

We can still maintain, I think, an economic, viable economic engine for the State not only growing food but growing fuel crops as well, which will be very important to the future of this state. That's why I think this Rural and Family Lands Protection Program, it's so vital for us to find a way to get the money to do these programs for that very reason.

And if you'll look at the tax structure of the
State right now, Governor, you were -- you may have heard me the other day say this. But just in state and federal land purchases alone for environmental reasons, we have over nine million acres of land off the tax rolls, virtually very few if any jobs there, and -- other than what DEP and others may be involved at some point in time and our forestry division, which they're going to be there anyway.

So it's very important that we take a look at, if we're taking all this land off the tax roll, out of the counties where this land is taken and it's affecting their bottom line and the State's bottom line, these are the kinds of programs that make sense. And I hope that we can get more support from the legislative standpoint and from the Cabinet in the future on this.

GOVERNOR CRIST: Yes, sir. Thank you, Commissioner. General, did you want to comment?

No?

MR. KARELS: Governor, I think we have one -- somebody in support from the audience.

MR. McLEOD: Andy McLeod with the Nature Conservancy. Thank you very much. I would echo Commissioner Bronson's sentiment. We have been at this for a long time. As you know, the statute was
passed in 2001. The Cattlemen, the Nature Conservancy, Audubon of Florida, many people have been at it. I applaud you for your support of this. And this is the reason that last year, in the ten-year reauthorization of Florida Forever, a portion was provided from the $300 million annually for land acquisition to fund the Rural Family Land Program, because it maintains our agricultural land base. It provides for economic generation in agriculture. It protects land for ecological purposes, keeps tax on -- land on the tax rolls, reduces management costs, while land is being preserved.

So we applaud heartily this next step in this long process in getting funding for this program. I would note that funding for Florida Forever next year is not yet done. Yesterday the Senate passed SB-2430, which contains debt service sufficient for $50 million, five O, $50 million of the traditional $300 million for acquisition next year.

In this economic climate, with your leadership, Governor, for which we thank you heartily, we would consider that a substantial victory, to continue the program through next year. But it's not yet done. The Senate acted yesterday. The House has yet to
You know where we are in the legislative calendar.

So we thank you for any sentiment like yours, Commissioner Bronson, that can be communicated to the floors above us. Thank you very much.

GOVERNOR CRIST: May much good happen between now and Friday. Yes, General.

ATTORNEY GENERAL McCOLLUM: I do have one thing for Jim and maybe Commissioner. To clarify, we're setting up these tiers and priorities in here, but the funding is only available or is there any funding right now available for any of these, as the Adams Ranch is first on the tier and so on? Can you tell us that?

MR. KARELS: Yes. For the current year there was ten and a half million in funding set aside. So three and a half percent of the 300 million of the Florida Forever Project was set aside for this program.

ATTORNEY GENERAL McCOLLUM: Will that enable us to then acquire the easements with the first ranch or what?

MR. KARELS: What we would do is we'd go through and negotiate in that first tier and acquire, and based on all the parameters, come up
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with that. That's the first priority, is that first
tier, yes. Whether we -- I wouldn't see us getting
through the entire first tier. But if for some
reason we did or some of them we couldn't negotiate
out, then you would slide into the second tier.

ATTORNEY GENERAL McCOLLUM: I just wanted to
clarify that. Thank you very much.

CFO SINK: Governor, can I --

GOVERNOR CRIST: CFO.

CFO SINK: I think my -- there are ten
properties listed in this tier one. It was my
understanding that these are not listed in the order
of priority within tier one. Is that correct or not
correct?

MR. KARELS: They're listed in priority order,
but they don't have to be negotiated in priority.
Tier one will be the negotiation process for that
entire 10 million.

CFO SINK: So you would start with the first
name on the list; is that correct?

MR. KARELS: The top one on the list -- no, not
priority order. Make sure I get it right.

CFO SINK: It's just in some random order.

MR. KARELS: Yes. Top tier --

CFO SINK: Among tier one.
MR. KARELS: Yes. And it gives us the ability to negotiate within all those ten best.

CFO SINK: All right. Do you have a -- some of these are small, like 658. Four hundred acres would be the smallest, all the way up to 8,900 acres. Do you have a sense of how you're -- you know, you could do one of the big parcels and use up all the money.

Do you have any sense yet of how you're going to kind of work through this negotiating process, given that there's such a wide range of acreage from the largest to the smallest?

MR. KARELS: And I think what you'll see is we're going to work through that whole process. We're going to look to try to get some small projects. And if there are some good projects that are large projects as well, we're going to do that. We're going to try to do as many for the ten and a half million and avoid doing one for ten and a half million.

CFO SINK: Right, okay. So you could take -- even though this says 8,900 acres, you might negotiate something less with that landowner.

MR. KARELS: Could possibly be.

CFO SINK: Okay. Thank you.
COMMISSIONER BRONSON: Governor, if I might.

GOVERNOR CRIST: Commissioner.

COMMISSIONER BRONSON: The other thing that this list really takes a look at are the lands that are available under this program that have the most pressure on them for development issues. As we all know, coastal or near coastal counties are going to have a lot more pressure because that's where people want to -- if they look at the insurance, they may not, but if they looked at the other issues, that's where people will want to go to develop.

And so some of those fragile ecosystems on those areas are some that we -- and we've done this even with our land buying program under Florida Forever. You're looking at the most pressured pieces of land first, so that we can get them out from underneath that pressure. And that's part of this developing of the list as well.

GOVERNOR CRIST: Thank you, Jim.

MR. KARELS: Thank you.
GOVERNOR CRIST: Board of Trustees, Secretary Sole. Good morning, Mike.

MR. SOLE: Good morning, Governor, Cabinet members. Item Number 1, submittal of the minutes for the March 10th, 2009, Cabinet meeting.

COMMISSIONER BRONSON: Motion on Item 1.

CFO SINK: Second.

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

MR. SOLE: Thank you. Item Number 2, this is a request by Premier of Walton, LLC. This is for a ten-year sovereignty submerged lands lease. This lease would support a 140-slip open-to-the-public marina. It's located in Okaloosa County, in Santa Rosa Sound. There will be a boat ramp, which will support a subsequent 176-unit dry storage facility. There's also a seawall proposed along the mean high water line. The consideration is for $26,068, and the Department recommends approval.

CFO SINK: Move it.

COMMISSIONER BRONSON: Second.

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

MR. SOLE: Thank you very much.

GOVERNOR CRIST: Thank you, Secretary.
GOVERNOR CRIST: State Board of Administration.

Good morning, Ash.

MR. WILLIAMS: Good morning, Governor, Trustees. How is everyone today? Item 1 requests approval of the minutes from our April 14 meeting.

ATTORNEY GENERAL McCOLLUM: Move it.

CFO SINK: Second.

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

MR. WILLIAMS: Item 2 requests approval of a draft letter to the Joint Legislative Auditing Committee, confirming that the Trustees have reviewed and approved the monthly --

CFO SINK: Ash, would you speak up, please?

I'm having a hard time hearing.

GOVERNOR CRIST: Yeah, me, too.

MR. WILLIAMS: Sorry. Item 2 requests approval of a draft letter to the Joint Legislative Auditing Committee, affirming that the Trustees have reviewed and approved the monthly LGIP reports and actions taken, if any. These are the reports we do routinely on the local government fund. You've seen them in realtime as they've been produced.

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.
GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. WILLIAMS: Item 3 requests approval for adoption of six rules for the Florida Retirement System investment plan. These rules have all been workshopped, hearings held, no objections found.

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.

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

MR. WILLIAMS: Thank you.

ATTORNEY GENERAL McCOLLUM: I would like to --

COMMISSIONER BRONSON: General, please.

ATTORNEY GENERAL McCOLLUM: -- ask Ash a question. Last week my staff contacted you, and I sent a letter over, Ash, I know you're aware of it, expressing concern as to our situation in Florida in light of what we're reading in the newspapers about the New York State pension fund and some of the corruption allegations that are there involving placement agents, where intermediaries are used in order to do pension fund transactions.

And there are a number of variations on that, apparently, but I was curious if you could enlighten us as to whether the State of Florida uses placement
agents, because now New York State and some other
pension funds are saying they're going to quit using
them altogether. There must have been some
kickbacks or something going on there.

Could you bring us up to date with, A, what you
know about that and, B, does Florida have
placement -- use placement agents, and do we have
any potential problems with respect, in your view,
to placement agents if we do have them?

MR. WILLIAMS: Sure. Let me first answer the
question how -- what we do about placement agents
and then speak a little more broadly about the
nature of placement agents and a role they play in
the investment industry.

We generally do not use placement agents.
First of all, we have two different layers of
disclosure requirements. We have what are called
investor protection principles that we use for
consultants and for public market managers.

These require disclosure of any conflicts and,
in the case of consultants, goes specifically to any
monetary transactions that might take place in
furtherance of the interest of some particular
investment manager. So it would have to be
disclosed. And as a practical matter and
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publicly -- public market strategy, we've never had a placement agent come to us.

In the non-marketable strategies, these would include private equity and real estate, we use side letters to require disclosure of involvement with any placement agents, number one, and, number two, to make clear that to the extent a manager is paying a placement agent, we will not pay those fees. They have to eat those, and they are deducted from our management fees.

So I think we are generally ahead of the game here. We've had investor protection principles in place for six years. I saw on the news this morning that one of the big California funds is now working toward doing something like this in the placement agent area.

I think what we can do is make our investor protection principles even more explicit with regard to placement agents, just to make sure there's absolutely no ambiguity. I do not perceive that we have a problem there currently.

The other thing we are doing is we are -- our internal counsel is making our side letters consistent between our real estate asset class and our private equity asset class. The reason for that
is that our real estate investment activity has evolved.

In years past we focused primarily on buying properties and owning them directly. In those situations, we would commonly hire an investment adviser reporting to us, whose explicit job was to go find pieces of property that met our criteria. We would pay them a fee for that service and move on, close transactions.

More recently we've focused on investing in closed-end real estate funds. And you would be more likely to encounter a placement agent in that sort of an investment vehicle. That is why we're adjusting our side letters for real estate to make them parallel to those in private equity, which as I said earlier, require, number one, disclosure of the use of any placement agents, number two, clear affirmation that we're not paying any fees as a consequence of their use.

ATTORNEY GENERAL McCOLLUM: We have in the past, though, paid some finder's fees for some of the placements of certain types of property or certain types of assets?

MR. WILLIAMS: We have hired investment advisers to find us specific types of investment
properties, but they work for us on our terms, which I think is very distinct from what you saw in New York, where in that matter, and we've seen similar situations in the states of Connecticut and Ohio in years gone by, the situation was that there was money changing hands on an undisclosed basis. It was finding its way back to actually decision-makers on the staff of pension funds or potentially to principals thereof, trustees.

That's quite a different situation from us hiring a real estate adviser in the sunshine, through a competitive process and paying them a fee to find a specific type of project.

ATTORNEY GENERAL McCOLLUM: So you feel comfortable assuring us that there have been no kickbacks in any of the placements or any of the ways in which we have dealt with asset acquisitions in our pension fund.

MR. WILLIAMS: I do.

ATTORNEY GENERAL McCOLLUM: And I've got one last question in that area. Has the SBA or any of its fund managers, to your knowledge, ever had any dealings with the Quadrangle Group or with Steven Rattner?

MR. WILLIAMS: The Quadrangle Group does not
manage assets for the State Board. I don't know that we've had any contact with them. It's possible that at some point they contacted us to be considered, something of that nature. Quadrangle is a well-known organization.

ATTORNEY GENERAL McCOLLUM: The reason I ask that is they seem to be at the heart of that controversy in New York, and I just was curious if we had.

Now, while I've got you talking about things, on a lighter note, I hope a lighter note on what's a very heavy subject, could you give us any further information on the bond market as it relates to the Cat Fund? Could you tell us anything concerning how it's going, how it's doing?

MR. WILLIAMS: I spoke with our financial adviser, John Forney, last week, while he and Commissioner McCarty and I were in New York. I mean in Washington, sorry. And his sense was things have continued to be somewhat improved. The State of California issued additional debt last week. That would be the same State of California that's 50 out of the 50 states in terms of low credit rating. So I think there is some encouraging news there.

And I think beyond that, we continue to have a
tremendous amount of stimulus in the pipeline from
the Federal Reserve and the Treasury. One would
think that would continue to take hold over time and
benefit the credit markets.

That said, you can always have an exogenous
event. The cause de jour, of course, is the swine
flu that can scare people and make things go the
other way. We saw some softness in U.S. markets
yesterday that was largely in reaction to the
concern of the potential impact of a pandemic, which
is the last thing we need at this point.

ATTORNEY GENERAL McCOLLUM: I can concur in
that. But at least in the normal market, if you
want to call it that, we're seeing a little bit of
improvement, barring some craziness like the swine
flu. I appreciate that. And I appreciate your
explaining the placement agent issue for us because
I think it's very important.

What's going on in those other states is just
horrible to look at, and we certainly don't want to
ever get in that position. And I'm really pleased
you're able to report to us that the set of rules
and guidelines we have in place are quite different
than the other states and that as far as you can
determine, we have no type of finder's fee kickback
type of scheme that might exist here that has
existed at least in New York, or appears to. Thank
you very much.

MR. WILLIAMS: If I might, one point I would
like to close with on the subject of placement
agents. Placement agents are, in fact, a legitimate
part of the business. The existence of a placement
agent does not connote impropriety. It is a very
legitimate decision that is sometimes taken by
investment managers, when they set up their funds,
that they want to focus on portfolio management, not
marketing, not investor relations.

And there are a number of very legitimate, well
established, well regarded firms that are in the
business of raising capital and handling investor
relations on an outsourced basis for investment
managers.

That is very distinct from the practices that
have been reported in the press recently that would
appear to have a strong overlay of corruption.

ATTORNEY GENERAL McCOLLUM: So you think New
York and maybe California and some of these other
state pension funds are overreacting by saying
they're going to eliminate placement agents from
their system altogether?
MR. WILLIAMS: I just think it's like a lot of things. You have to understand the facts and use some judgment and not have sort of a sweeping reaction.

ATTORNEY GENERAL McCOLLUM: But as a general rule, what you're telling us is we don't use placement agents, we have something somewhat similar in some respects, but we don't have --

MR. WILLIAMS: Correct.

ATTORNEY GENERAL McCOLLUM: -- the same type of system they have, and you wouldn't call the people we use normally placement agents?

MR. WILLIAMS: No, no, I would not.

ATTORNEY GENERAL McCOLLUM: Thank you.

MR. WILLIAMS: Thank you.

ATTORNEY GENERAL McCOLLUM: Thank you, Governor.

GOVERNOR CRIST: Thank you, General. I think we're done.

MR. WILLIAMS: Thank you.

GOVERNOR CRIST: We're adjourned. Thanks.

(Whereupon, the meeting was concluded at 9:50 a.m.)
CERTIFICATE OF REPORTER

STATE OF FLORIDA   
COUNTY OF LEON     

I, Jo Langston, Registered Professional Reporter,

do hereby certify that the foregoing pages 4 through 27, both inclusive, comprise a true and correct transcript of 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 or counsel, nor am I interested in this proceeding or its outcome.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of May 2009.

____________________________
JO LANGSTON
Registered Professional Reporter