

T H E   C A B I N E T  
S T A T E   O F   F L O R I D A

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Representing:

FINANCIAL SERVICES COMMISSION, OFFICE OF  
FINANCIAL REGULATION

DEPARTMENT OF LAW ENFORCEMENT

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 Thursday,  
July 29, 2010, commencing at 9:05 a.m.

Reported by:  
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Attorney General

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Chief Financial Officer

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

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(Agenda items commenced at 9:10 a.m.)

GOVERNOR CRIST: Thank you for your prayer. In March we appointed a new Parole Qualifications Committee to provide us with three names to fill the current vacancy on that commission. I'd like to thank the committee members for all their time and their hard work.

After holding public hearings and interviewing applicants, the committee forwarded three names for our consideration. One of those individuals subsequently withdrew, leaving us with the following recommended candidates. Cassandra Jenkins and Tena Pate, who is seeking reappointment for another term. Please make your selection on the ballots that are in front of you, Cabinet members.

CFO SINK: Governor, before we vote, I'd like to make a few comments.

GOVERNOR CRIST: Please.

CFO SINK: We've been sitting here as the Parole Commission for three and a half years now, and we've had multiple opportunities to provide more diversity on the Parole Board. There has been no diversity on our Parole Board for more than eight

1 years.

2 And I strongly believe that we have to have  
3 boards and commissions all over state government  
4 that are reflective of the population of Florida and  
5 the people of Florida. And we know that we have  
6 many, many African American victims of crime. We  
7 have a large percentage of people coming before the  
8 Parole Board who are African Americans.

9 And yet for eight years we have not had a  
10 parole board that reflects the diversity of all of  
11 our population. And today I think we all have the  
12 opportunity to do what I think is really the right  
13 thing to correct this, because we have a very highly  
14 qualified candidate who would enable us to make a  
15 statement that we do care about diversity in our  
16 state and we do care about the perceptions of  
17 fairness when people come, victims as well as  
18 parolees come before the Parole Commission.

19 And there has been an effort over the past  
20 three years that we've been here to identify highly  
21 capable qualified African American candidates. And,  
22 in fact, it's my understanding that five of the  
23 eight candidates that were interviewed by the  
24 qualifications board were African American. And I  
25 just want the board to know why I'm going to be

1 supporting Cassandra Jenkins.

2 I had the opportunity to sit down with both  
3 Cassandra and Tena Pate, who has been serving very,  
4 very capably and well for the last seven years as a  
5 Parole Board member. And although I know all of us  
6 have been certainly lobbied or we've gotten phone  
7 calls about both candidates, I think that Cassandra  
8 Jenkins, with her 27 years of law enforcement  
9 experience -- and she's had 12 years at the FDLE,  
10 highly educated, two degrees from Florida State,  
11 been very active in leadership positions with the  
12 Florida State alumni. She's a certified criminal  
13 justice instructor. We could go on and on. You all  
14 have seen all of the qualifications, I know.

15 But she's equally as concerned about the  
16 thoughts and the beliefs and the opinions of victims  
17 as the people who are coming to apply for parole.  
18 And having that sense of balance is really, really  
19 important. And we know that Tena Pate has done a  
20 fantastic job. They're both in the audience today.

21 We will have -- somebody will have an  
22 opportunity, because Fred is retiring, to make  
23 another appointment after the first of the year. So  
24 I've heard comments like, well, you know, we should  
25 wait or we shouldn't wait. But the fact is that

1 it's quite -- it's a certainty that three of the  
2 four of us are not going to be here in January, and  
3 it's possible that none of the four of us will be  
4 here in January.

5 So we have an opportunity today to make  
6 something that in my opinion is not right and in the  
7 opinion of a lot of Floridians is not right, we have  
8 an opportunity to make it right. And I just wanted  
9 to express that that's why I'm supporting Cassandra  
10 Jenkins.

11 GOVERNOR CRIST: Thank you, CFO.

12 ATTORNEY GENERAL McCOLLUM: Governor.

13 GOVERNOR CRIST: General.

14 ATTORNEY GENERAL McCOLLUM: I'd just like to  
15 comment. I think both of these are highly qualified  
16 candidates. What concerns me is with Fred leaving,  
17 we need a strong chairman who has experience on the  
18 commission. And if we elect to put Tena back on the  
19 commission, which I believe we should do in this  
20 case, I would be making a motion after that to make  
21 her the chairman, and that's because of her  
22 experience.

23 And I do think, with all due respect, that we  
24 do have that opportunity that you just described,  
25 Alex, to be able to bring another appointment in

1 January, and that appointment obviously would be a  
2 good appointment to make in the diversity category.  
3 And I'm sure Cassandra would -- hopefully she would  
4 put herself back up at that point.

5 But my view right now is that we need -- with  
6 Fred leaving, we need strong leadership on the  
7 commission and some experience that would be in the  
8 position -- able to be the chairman. And that's why  
9 I'm going to vote for Tena.

10 GOVERNOR CRIST: CFO.

11 CFO SINK: I guess, General McCollum, would you  
12 just clarify? Are you saying that Monica David is  
13 not qualified?

14 ATTORNEY GENERAL MCCOLLUM: Well, Monica could  
15 be.

16 CFO SINK: Because she has served as the chair  
17 before.

18 ATTORNEY GENERAL MCCOLLUM: Monica has served  
19 as chairman, and if Tena is not reappointed, then I  
20 certainly would move for Monica to do it.

21 GOVERNOR CRIST: Commish?

22 COMMISSIONER BRONSON: Well, I certainly  
23 believe that Ms. Jenkins is fully qualified to be on  
24 this Parole Board. And I think that since the  
25 position that Mr. Dunphy holds has traditionally

1           been considered a law enforcement position on the  
2           board and with Ms. Jenkins' background in criminal  
3           justice, that certainly makes her qualified to fill  
4           that position that some people may not be qualified  
5           to fill because, if they hadn't had her experience,  
6           they wouldn't be running for that position.

7           I think I made -- and she had a wonderful  
8           meeting in my office. I got a chance to ask her  
9           some very pointed questions about the process, which  
10          I think she sailed through without any hesitation  
11          because of her background and knowledge. And I made  
12          mention to her then that if Tena Pate had not  
13          been -- you know, for some reason was not doing the  
14          function that I thought she would do, then certainly  
15          I would consider replacing Tena. But I think  
16          Ms. Pate has done a wonderful job and, as the  
17          Attorney General has said, I think would even be a  
18          good chairman. So -- and I made mention to that  
19          before.

20          And if we were to bring this up before the four  
21          of us go off the board as a strong recommendation  
22          for Ms. Jenkins to replace Mr. Dunphy, I think that  
23          would be a wonderful way for us to go out.

24          Now, the four people that may be sitting here,  
25          which could be one or none of us -- it certainly

1 won't be me.

2 GOVERNOR CRIST: It won't be me. Could be  
3 them.

4 COMMISSIONER BRONSON: They would hopefully  
5 take the recommendation in our meeting in December,  
6 the potential, and take that as a recommendation and  
7 fill that spot as a law enforcement spot. That's my  
8 little bit of opinion on this. I think Tena Pate  
9 has done a great job. I do think Ms. Jenkins is  
10 highly qualified for this position.

11 GOVERNOR CRIST: Very good. Any other  
12 comments? We are faced with a wonderful problem.  
13 We have two very qualified candidates. So if we'll  
14 go ahead and vote and take it from there.

15 I guess you could send them my way, and if you  
16 trust me, I'll count them.

17 ATTORNEY GENERAL McCOLLUM: We trust you.

18 CFO SINK: We can look over your shoulder.

19 GOVERNOR CRIST: You can certainly verify. Now  
20 you know what election day feels like. It is Tena  
21 Pate. Congratulations to you, Tena. And thank you  
22 both for offering yourself for service.

23 ATTORNEY GENERAL McCOLLUM: Governor?

24 GOVERNOR CRIST: Yes, sir.

25 ATTORNEY GENERAL McCOLLUM: I'd like to move

1           that Tena Pate be appointed chairman of the Florida  
2           Parole Commission and Monica David be vice-chairman  
3           and approval of former commissioners for temporary  
4           duty.

5           GOVERNOR CRIST: Is there a second?

6           COMMISSIONER BRONSON: Second.

7           GOVERNOR CRIST: Are there any objections?

8           Motion passes unanimously. Congratulations.  
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1           GOVERNOR CRIST: Financial Services Commission,  
2           Commissioner Tom Cardwell. How are you, sir?

3           MR. CARDWELL: Good morning, Governor Crist,  
4           members of the Cabinet and the Financial Services  
5           Commission. I'd first like to request approval of  
6           the minutes for the May 25th and the June 8th, 2010  
7           meetings.

8           GOVERNOR CRIST: Is there a motion on the  
9           minutes?

10          ATTORNEY GENERAL McCOLLUM: I move the minutes.

11          COMMISSIONER BRONSON: Second.

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

14          MR. CARDWELL: Thank you. Secondly, I would  
15          like to request approval for the final adoption of  
16          Rule 69W-600.001, relating to disqualifying periods  
17          for persons engaged in the securities business.  
18          This is similar to present rules and carries out  
19          some of our statutory requirements to have such  
20          rules.

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

22          COMMISSIONER BRONSON: So moved.

23          GOVERNOR CRIST: Is there a second?

24          ATTORNEY GENERAL McCOLLUM: Second.

25          GOVERNOR CRIST: Moved and seconded. Show it

1 approved without objection.

2 MR. CARDWELL: The third item, I would like to  
3 request approval for final adoption of Rule  
4 69U-100.045, which is a housekeeping matter,  
5 changing the current standards of rules, making them  
6 applicable to the current rules.

7 GOVERNOR CRIST: Is there a motion on Item 3?

8 COMMISSIONER BRONSON: Motion for approval.

9 GOVERNOR CRIST: Is there a second?

10 ATTORNEY GENERAL McCOLLUM: Second.

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

13 MR. CARDWELL: Finally, the fourth is request  
14 approval for Notice of Proposed Rules for Chapter  
15 69-W, Sections 301, 600, 700, 800, 900 and 1000,  
16 relating to securities regulations. And these rules  
17 would set forth a disciplinary matrix, which we are  
18 required to have so our citizens would know what to  
19 expect from us with respect to certain violations.

20 GOVERNOR CRIST: Is there a motion on Item 4?

21 ATTORNEY GENERAL McCOLLUM: I move.

22 COMMISSIONER BRONSON: Second.

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

25 MR. CARDWELL: Thank you very much. And now,

1 with your indulgence, I'd like to update the Cabinet  
2 on three matters. One of them is the effect of the  
3 oil spill on Florida banks and the OFR's response to  
4 that. The second is some recent developments in  
5 small business lending, and third is kind of a  
6 general overview of our state banking system  
7 generally in these economic times.

8 As to the oil spill, this past Friday Linda  
9 Charity, the director of the Division of Financial  
10 Institutions, and I met with bankers and with  
11 federal regulators in Pensacola. The meeting was a  
12 round table put together by the Florida Bankers  
13 Association, and there were about a dozen bankers  
14 there with offices located from Mobile to  
15 Carrabelle. The FDIC regional director from Atlanta  
16 was present, and they also had present the head of  
17 policy of the FDIC, Steve Fritts, from the  
18 Washington office.

19 And what we heard was the direct experience of  
20 those bankers on the ground that are directly  
21 affected by the situation. And here's the story  
22 that we heard. The banks in the Panhandle have been  
23 dealing with the recession for about three years.  
24 After some years of rapid growth and development,  
25 basically the economic music came to a stop, and the

1 two main drivers of their economy, which were  
2 construction and tourism, went into a deep swoon.

3 Around the first of this year, the bankers  
4 believe that they saw the start of what was a  
5 turnaround, or certainly at least the end of a  
6 decline. Customers were starting to do some  
7 transactions. Investment bankers were willing to  
8 take their calls and talk to them about capital  
9 raises. And buyers were starting to make acceptable  
10 offers on some of the bank-owned real estate that  
11 they need to move off of their books.

12 Then came the oil spill, and the transactions  
13 stopped. The investment bankers no longer took  
14 their calls, and the buyers of their assets just put  
15 off the closings. And this all occurred before the  
16 first tar ball hit the beach. What happened was  
17 that the uncertainty that the oil spill created  
18 essentially broke the confidence that had been  
19 slowly building up over some period of time.

20 And some of the bankers described it like  
21 having a hurricane hanging off your coast for a  
22 number of days and nobody really just knowing what  
23 to do or what the effect was ultimately going to be.

24 And, of course, the timing was particularly  
25 bad. According to them, 60 percent of the

1 tourism-related income in that area comes in the 90  
2 days between Memorial Day and Labor Day. Now, after  
3 we talked about what the situation was, we talked  
4 about where are we going forward, what's the  
5 situation now, what does it look like going forward.

6 The first point and a good point is that the  
7 leak seems to have been stopped. That is a  
8 tremendously positive development for the banks.  
9 Until it is stopped, there is just paralyzing  
10 uncertainty. Once the bankers and the businesses  
11 know that it is stopped, there remains uncertainty  
12 but it is no longer paralyzing. Decisions can be  
13 made, and they're starting to make them.

14 The second factor they talked about a lot is  
15 the matter of the BP payments. Claims are starting  
16 to be paid. And while there is by no means complete  
17 clarity, as you all well know, how this process is  
18 going to play out, I think it's clear and the belief  
19 is that significant amounts of money will be  
20 injected into the local economies, to the benefit of  
21 at least some of those that are affected.

22 And I think credit is due to all of you who  
23 have weighed in strongly urging BP to proceed  
24 rapidly and fairly with our citizens. It's  
25 important that we do it. And that is a point that

1 is noticed by the bankers, because the possibility  
2 of that claims money coming in has a big effect on  
3 how the bank is going to judge the stability of its  
4 borrowers.

5 And the third is that there has been positive  
6 government response, aside from the things that I've  
7 just talked about, by such things as some loans by  
8 the states and the federal Small Business  
9 Administration making particular loans available on  
10 particularly advantageous terms due to this oil  
11 spill.

12 Essentially, the oil spill is an unprecedented  
13 event that is embedded in, if you would, an  
14 unprecedented economic association. And we are  
15 still in the middle of it. It is still being played  
16 out. I tend to think of it as a phrase you may have  
17 heard, the fog of war. We're in the middle of a  
18 battle, the smoke and the noise and the guns going  
19 off and the confusion, and there's no clarity how  
20 things will turn out.

21 And I think that is true today. But I think  
22 things are becoming more clear, with the capping of  
23 the well, with getting the BP money to get more into  
24 focus. And so I think things are moving in a  
25 positive direction.

1           Now, let me talk about the role of the Office  
2 of Financial Regulation and what we've been doing.  
3 Our primary function, as I see it, is to protect the  
4 public and to see that we have safe and sound  
5 banking. And so to do this, we examine the banks to  
6 make sure that they are well managed and that they  
7 are financially strong. One of the important things  
8 we do is to determine the value of their assets to  
9 see if they're sound. That's primarily their loans.

10           And a tension occurs, as it always does, and  
11 it's exacerbated here, between what the regulator  
12 thinks about the asset value and what the bank may  
13 think about the asset value. We are responsible for  
14 the interests of the public and we want those values  
15 to be realistic, not hopes or wishes.

16           We do exert pressure on banks to maintain loan  
17 quality and to have accurate values on their balance  
18 sheets. We should do that. That's our job. I see  
19 it as our responsibility to be as realistic and as  
20 accurate as we can be. We need basically to make  
21 informed judgments. We shouldn't be too strict or  
22 too lenient.

23           So what we've been doing, as I say, we met with  
24 the bankers, which was very helpful, in Pensacola  
25 last Friday. We're going to continue to meet with

1           them publicly so we get direct input from the people  
2           who are directly affected. We're talking to the  
3           federal regulators. We have had extensive meetings  
4           with the FDIC about their treatment, because they  
5           also regulate the same banks that we do with respect  
6           to the FDIC insurance, and to make sure that we are  
7           having similar approaches and, where we disagree  
8           with their approaches, to let them know our views of  
9           things.

10           A number of weeks ago we instituted weekly  
11           conference calls among all the affected state and  
12           federal regulators to share information. We're  
13           still doing that and will continue. Just this past  
14           Monday I participated in a conference call with the  
15           heads of the state banking regulators in Louisiana,  
16           Alabama and Georgia, and we discussed the nuts and  
17           bolts of what we're talking about, how the BP claims  
18           process is playing out in those states and how each  
19           of us was dealing with the federal regulators.

20           We've been collecting the best information we  
21           can, many of it put out by the State in your own  
22           studies. For example, we're reviewing a July 20th  
23           study by the University of West Florida reflecting  
24           the oil spill and how it affects Northwest Florida.

25           Now, where this plays out with us is that

1           there's sometimes a disconnect between the policies  
2           at the top of any organization -- and ours is  
3           certainly no exception -- and what actually occurs  
4           in the field. I've heard, in my years in banking,  
5           the bankers complaining that, yeah, yeah, the people  
6           at the top of policy may tell us one thing, but what  
7           we're seeing with the examiners in the field are  
8           actually doing to us, it is an entirely different  
9           thing.

10           And so to combat that, we have instituted  
11           regular internal conference calls involving our  
12           field examiners, the ones who are doing the  
13           examining in that area and their supervisors and our  
14           top officers. And the goal is to make sure that we  
15           are consistent throughout the agency and that we're  
16           acting on the best available and the most recent  
17           information.

18           We're telling our examiners to look at this oil  
19           spill in the proper perspective. We don't want to  
20           get involved and overreacting. We don't want to  
21           have anything that looks like an oil spill penalty  
22           because you're a bank in an area where it's been  
23           there.

24           So, for example, we are making sure, we want  
25           them to take into account the value of any BP claim

1           they may have, either the bank itself or the  
2           individual borrowers. We want our examiners to  
3           separate what I hope will be a one-time effect on  
4           the economy here from some -- whatever may be going  
5           on in the general economic conditions.

6           So we want to make sure we're not caught up in  
7           some of the doomsday scenarios that you see the  
8           media putting out about what's happening to Florida.  
9           We don't think that's true, and we want to make sure  
10          our examiners don't either. And we certainly want  
11          to act on current information.

12          And finally, there is a joint interagency  
13          statement by the federal regulators and the state  
14          regulators that was put out July 14th, to which we  
15          subscribe, and which says regulators should work  
16          with their customers, including extending or  
17          restructuring borrower debt obligations in  
18          anticipation of claims settlements and easing credit  
19          terms or fees to certain borrowers with prudent  
20          banking practice. So that's what we are doing to  
21          try to address the oil spill issues as they impact  
22          the banks.

23          The second area I want to talk more briefly  
24          about --

25          CFO SINK: Tom. Excuse me, Governor. Is this

1 the time to ask follow-up?

2 MR. CARDWELL: Either way. I'm going to go  
3 through the other two points, or I'm happy to take  
4 questions now, Madam Sink.

5 CFO SINK: Are the other two agenda items  
6 different from this one?

7 MR. CARDWELL: They're related. I'm going to  
8 talk about small business lending and I'm going to  
9 talk about an overall picture of the banking system  
10 in Florida as a whole. They're fairly short.

11 CFO SINK: Okay. I'll pass my questions to the  
12 end.

13 MR. CARDWELL: Okay, thanks. Small business  
14 lending, the signals in that are mixed. Obviously,  
15 nobody doubts the importance of small business  
16 lending. It drives 60 percent of job creation and  
17 employs 50 percent of workers. And it's, frankly,  
18 very difficult to tease out how much of what we see  
19 going on is driven by weaker loan demand, how much  
20 of it is driven by deterioration in the balance  
21 sheets, financial condition of small businesses and  
22 how much of it is due to restricted credit  
23 availability.

24 You have to recognize that small business  
25 lending is a risky business. Two-thirds of all

1 small businesses only make it two years. And fewer  
2 than one-half make it to four years old. And  
3 one-third never make a profit. So lending in this  
4 environment is always difficult, and this is no  
5 exception. But there are things that can help.  
6 There is presently pending a bill in Congress which  
7 is designed to provide \$30 billion in capital to  
8 community banks. This will -- and also built into  
9 it are incentives to the banks to make small  
10 business loans.

11 I talked to my sources in Washington late  
12 yesterday, and it looks like there's a better than  
13 even chance that that will get passed either today  
14 or tomorrow. And that would certainly be a big help  
15 for the banks. I'm hoping that our congresspeople  
16 do not want to go back home for their vacation  
17 without having done something for the small business  
18 community.

19 We at OFR continue to encourage bankers to make  
20 small business loans. We make it clear they're  
21 going to be judged on their own merit, not because  
22 they fall in a category. We are sensitive to the  
23 comments that regulators are too tough on banks and  
24 that keeps them from making more loans. I will tell  
25 you that we are not going to lower our standards to

1 a point that the public is put to risk.

2 But having said that, banks want to make loans.  
3 They need to make loans. That's the only way they  
4 can -- that's where the revenue comes from. And as  
5 I say, those loans have to be responsible loans.  
6 And I think the chief economist at the National  
7 Federation of Independent Businesses, which  
8 represents the small business community, put it  
9 accurately. He said, we can create jobs making bad  
10 loans. We did that during the housing bubble.

11 At OFR we are really keenly aware of the need  
12 to strike the balance between the need for credit  
13 and the need to have sound financial institutions,  
14 and in fact it is something that we think about  
15 every day.

16 And finally and most briefly but perhaps most  
17 importantly, the state of banking in Florida, we've  
18 had 14 banks close in 2009. We've had 18 banks  
19 close in the state this year, and there will be  
20 more. Now, what does this say about the state of  
21 banking in Florida? Is the state economy and the  
22 banking industry threatened by these figures?  
23 Should we push the panic button? And the answer is  
24 a decisive no, if you look at the overall picture,  
25 which sometimes we lose sight of in the individual

1 problems.

2 First, Florida was very adequately banked. We  
3 have 235 banks in the state, which have 5,186  
4 branches. We have thousands, if not tens of  
5 thousands, of ATMs. And there are some who would  
6 say that there is no street corner or shopping  
7 center anywhere in the state that doesn't have a  
8 bank or credit union.

9 We have a highly competitive banking market.  
10 Our citizens, frankly, have plenty of choices in  
11 which to deposit their money and from which to  
12 borrow. The deposits of our citizens are safe. Of  
13 the 32 banks that have been closed in 2009 and 2010,  
14 not one single cent of a deposit has been lost. So  
15 there certainly is no danger there.

16 And, thirdly, and I think what we sometimes  
17 lose -- we fail to take sight of is that when a bank  
18 fails or is closed, its deposits and its loans do  
19 not go away. In every case in 2009 and 2010, the  
20 failed institution was sold to another bank or to  
21 investors who kept the offices and kept the branches  
22 and kept the loans and kept the deposits in a  
23 process that was almost seamless to the consumer.

24 What basically has happened is you've had an  
25 ownership change but not a diminution in banking

1 services to our citizens. Now, there are certainly  
2 very negative impacts. The investors in these banks  
3 that have been closed have lost their money. The  
4 people who ran them, the senior people have lost  
5 their jobs and if they invested their money in it.  
6 But the bank branches and the banks themselves  
7 remain open. They take deposits. They're making  
8 loans. They're serving customers as before and  
9 usually in the same places and with many of the same  
10 employees.

11 So notwithstanding the closures, Florida  
12 banking remains fully open for business, ready,  
13 willing and able to serve the citizens of our state.  
14 And, in fact, the bidding for closed banks in  
15 Florida has been quite active, which I think is a  
16 very positive statement about our state and where  
17 it's going. Florida is seen as a great market in  
18 the long-run.

19 For example, New Iberiabank bought the assets  
20 and liabilities of two of our larger banks that were  
21 closed, Orion Bank in Naples and Sterling Bank over  
22 on the east coast. Their CEO is quoted as saying,  
23 "The history of Florida is that it's gone through  
24 some cycles. We think we're getting into Florida at  
25 a great time. Florida is going to be attractive

1 again, and we've gotten here in we think an  
2 appropriate fashion."

3 So what I want to leave you with is that what  
4 we are seeing is not a process of destruction of the  
5 Florida banking system but rather a transition of  
6 players, which is bringing in new blood and bringing  
7 in new capital, and that this has happened in a  
8 relatively seamless way, which has not affected our  
9 customers, has not caused them loss. And that is, I  
10 think, a credit to the regulatory system that we  
11 have had in place that has allowed this to happen.

12 So, again, it's not to say that failures are  
13 good. They are not. They are reflective of  
14 difficult economic conditions. But they are not, in  
15 my judgment, a threat to the well-being of the  
16 state. And I appreciate this opportunity to kind of  
17 update you with what's going on with us on these  
18 issues and stand ready for any questions.

19 GOVERNOR CRIST: CFO.

20 CFO SINK: Thank you, Governor. I want to go  
21 back to the situation in the Panhandle. What are --  
22 what is your sense from the Washington regulators?  
23 I can feel fairly confident, Commissioner, that the  
24 OFR examiners of the state-chartered banks are  
25 sensitive to the changes and the fact that we've got

1 a highly usual situation going on over there. But  
2 can you give me any assurance that the FDIC and the  
3 OCC and all the -- and the other regulators from the  
4 Washington perspective are going to cut a break for  
5 these banks over there?

6 MR. CARDWELL: CFO Sink, I'm loathe to give  
7 assurances what anybody in the federal government  
8 will do. But I thought actually -- I thought  
9 actually one of the -- a very positive thing came  
10 out of the meeting that the Florida Bankers  
11 Association held, because they had the regional  
12 director from Atlanta, who is new up there, who is  
13 the one that really runs the field examination --

14 CFO SINK: Right.

15 MR. CARDWELL: -- staff there. And they also  
16 brought down Steve Fritts, who is in charge of all  
17 of their policy in Washington. And I thought, both  
18 from body language and from conversations, that they  
19 were visibly impressed by hearing out of the mouths  
20 of the bankers around a conference room square  
21 table, and essentially I asked that each of the  
22 bankers go around and tell us, the regulators,  
23 answer two questions for us; number one, what is the  
24 effect of this on your bank; and, number two, what  
25 is the effect of this on your customers. And in

1           that set, they told the stories that you need to  
2           hear.

3           And how to judge it? I judge that the federal  
4           regulators, these two guys who are important, were  
5           impressed by the degree of difficulty and were  
6           committed to trying to help in Florida.

7           CFO SINK: Well, I mean, I can see that if they  
8           were evaluating, oh, well, this customer has a file  
9           for a BP claim for \$100,000 and is just waiting to  
10          get it resolved. And yesterday, I know your chief  
11          of staff and we've all been talking to Ken Feinberg,  
12          and it appears that he's getting ready to expedite  
13          the decision-making process in the payment of  
14          claims. You can kind of see that.

15          The big elephant in the room, if you will, is  
16          the real estate values, because so much of lending  
17          of these community banks is based on the value of  
18          real estate. That's where they've seen the pressure  
19          over the course of the last two years. Then to come  
20          in and think that there may be a further diminution  
21          of values of real estate, I mean, pick a number, 25,  
22          50 percent, which may, we hope, might end up being  
23          just a temporary blip. But those examiners are in  
24          there looking at those real estate values at one  
25          given day and time.

1           So that's the area that I think that we have to  
2 be the most concerned about, is how are they going  
3 to evaluate declining real estate values that may in  
4 fact be a temporary thing over the course of the  
5 next 24 months. Did they address that at all?

6           MR. CARDWELL: We talked about that. That is a  
7 constant conversation among the regulators, is how  
8 do you do it. This is kind of back to my fog of war  
9 comment in here. It's hard to tell. I have a  
10 personal belief, just having been down there -- and  
11 this is just me personally -- is that this may be  
12 more of a one-time event, like a bad season, and  
13 that houses that were -- I'm hopeful that the oil  
14 spill itself will not be a depressant greater than  
15 the general problems.

16           That market has problems for a long -- will  
17 have problems for a long time. They essentially,  
18 frankly, overbuilt. And there are more houses and  
19 units down there that even if there had never been  
20 an oil spill, there would still be problems there.  
21 What we're trying to do is to make sure that we  
22 don't factor in that the oil spill has permanently  
23 made it worse and immediately worse. And I think  
24 that that was the message that they got.

25           And to the extent that all of us can talk about

1 that and tell it to them, that's important. We're  
2 carrying that message, and I think it's making some  
3 headway. But you're right on point.

4 CFO SINK: You're our banking commissioner, and  
5 we need your voice to be heard loud and clear in an  
6 official way in Washington.

7 MR. CARDWELL: It is being heard loud and clear  
8 and in an official way with them, more than they  
9 want to hear. But, yes, we're certainly doing that.

10 GOVERNOR CRIST: General and then Commissioner.

11 ATTORNEY GENERAL McCOLLUM: Thank you,  
12 Governor. All of us are disturbed by what's going  
13 on out there right now. Those small businesses that  
14 are related to the hospitality industry are the ones  
15 that have suffered immediately the impact of this  
16 devastation. Of course, the fishermen too. I know  
17 that property values are an issue, as the CFO has  
18 said. Housing may have been overbuilt in some of  
19 the areas and so forth.

20 But, you know, but for the oil spill, those  
21 hospitality-related industries, restaurants,  
22 et cetera, would not be suffering right now. And I  
23 think that it's absolutely crucial that the banking  
24 community have some way of recognizing the reality  
25 here. The oil is not going to be there and

1 discouraging people from coming this time next year.  
2 I don't think any of us here believe that, and I  
3 don't think even the bankers believe that.

4 So isn't the real question how, based on normal  
5 banking regulations, rules, fundamentals,  
6 et cetera, that we can see these folks tided over,  
7 especially since we all here know they're going to  
8 get their claims paid? I know I'm working real hard  
9 right now, our office is, to convince Mr. Feinberg  
10 and others that they should supply some resources to  
11 the Florida Bar and the legal services groups out  
12 there to help them make these claims, to get their  
13 documents together.

14 But they're going to get recovery. There's no  
15 question in my mind. So isn't that really the crux  
16 of the issue for that particular portion of the  
17 industry? Not that I diminish the concerns  
18 everybody has out there with their property values,  
19 but I am concerned about those industries  
20 specifically affected by the oil right now. What's  
21 your thought on that?

22 MR. CARDWELL: Well, I agree with you. Those  
23 are both issues, both the real property values and  
24 in particular the loss of the season. And the  
25 situation that they have is, in the Panhandle area

1 up there, the period -- 60 percent of revenue comes  
2 in the summer. And like the chipmunks and the  
3 squirrels, they put the nuts away, and then they use  
4 that money to pay off their loans and other  
5 obligations and keep their businesses going in  
6 January and February and March.

7 And so what we are trying to be cognizant of,  
8 this is why we're talking to our field examiners so  
9 they understand our view of it, that this is a  
10 one-time event, and the fact that they may have some  
11 problems maybe coming in January and February  
12 because -- it isn't going on forever. It is going  
13 to come back.

14 And I agree with you completely, it's important  
15 that we do that. And that's what we're trying to do  
16 internally, to make sure that we have our eye on  
17 that particular ball which you have raised. So  
18 between the real estate values and between the small  
19 businesses' capital reserves to do that, those are  
20 the two most pressing problems, and we're certainly  
21 paying attention to it.

22 ATTORNEY GENERAL McCOLLUM: Well, just let me  
23 assure you that as you look at this and individual  
24 banks talk to you and you see issues or problems, be  
25 sure to know that our office is ready, the Attorney

1 General's Office, if you give us a call, give me a  
2 call, Tom, we will do whatever we can to help a  
3 specific target with regard to any of these claims,  
4 because that's what we do every day, trying to make  
5 this claims process work better, whether it's from  
6 BP or whether it's the federal government.

7 I know that this is a very personal thing with  
8 each person, and you're dealing with overall  
9 regulations, but you're going to see it because it's  
10 the bankers that are out there every day that you're  
11 dealing with, the small bankers particularly, the  
12 state-chartered banks, that most of these loans I  
13 know are there that allow these businesses to keep  
14 going on a day-to-day basis to do their business.

15 So I feel the pain of the people, but I also  
16 want to be sure we keep open a good line of  
17 communication. If there's an individual thing we  
18 can do, hey, we've got to make a phone call today,  
19 by golly, we can't make that loan if there's not an  
20 assurance that that claim is being paid, that sort  
21 of thing would be really helpful.

22 MR. CARDWELL: I agree. Let me just conclude  
23 by saying, I want to say that I think that the  
24 actions by all of you-all in keeping the pressure up  
25 on Feinberg, on me, on the federal government

1 regulators and all of that is a very positive thing,  
2 because the biggest danger in the long-run is that  
3 people lose sight of it and it doesn't become  
4 important. And I think the work that this Cabinet  
5 has done, frankly, has been very good on that point.  
6 It's been helpful to them and certainly to us.  
7 Thank you very much.

8 ATTORNEY GENERAL McCOLLUM: Thank you.

9 GOVERNOR CRIST: Commissioner.

10 COMMISSIONER BRONSON: Thank you, Governor. I  
11 thought this would be the time to bring this up  
12 since it's concerning finances and the banking  
13 industry. The one thing I've been looking at, in  
14 concert with the fishing industry and the shellfish  
15 industry, which we have responsibility there to  
16 protect the public as well as to promote Florida  
17 seafood, Nick Wiley and I, of Fish & Wildlife, have  
18 been working very close with our two organizations.

19 Governor, members of the Cabinet, you probably  
20 have by now received a letter from me that I sent to  
21 the BP CEO. I sent that letter to the president of  
22 the United States and to all of our congressional  
23 members, as to what we believe is a legitimate  
24 response to food safety, on testing for the next ten  
25 years of the fish and shellfish of the Gulf waters

1 that we're going to be doing and the type of  
2 equipment and research that we're going to have to  
3 be dealing with, the researchers.

4 I will give you an example that turned out to  
5 be very positive. And that is, in the areas where  
6 the oil actually is and where they've been catching  
7 some of these catches of fish and shellfish and so  
8 forth, the fish species, which I thought was  
9 unusual, because I have a degree in animal science  
10 and I know that fat, whether it's in vertebrates or  
11 invertebrates, usually hold any outside influences  
12 on the normal growth of any of those animals. In  
13 other words, any chemical enhancement usually is  
14 held within the fat tissue. They're not finding  
15 that. So that's -- if there's a positive in all  
16 this, there's one positive there, that maybe they're  
17 not holding some of these chemicals that we thought  
18 they may be that's affecting them.

19 My point, based on your conversation about the  
20 banks, is this. The fishing industry of Florida is  
21 in a -- in some cases a near panic right now. We  
22 have made this disaster worse on television and  
23 everywhere else by indicating things are happening  
24 that are not happening. And the fishing industry is  
25 losing. Your banks are going to be able -- are

1 going to feel the pinch of these loans on these  
2 boats and the businesses and the restaurants and the  
3 homes that these people own, because they're losing  
4 about 23 percent of their business now, and if we  
5 don't get some of these organizations and the media  
6 to go down and actually go test -- I ate a whole  
7 plate-load of different types of seafood the other  
8 night that was fresh, came right off the water. It  
9 was perfectly fine. There's absolutely nothing  
10 wrong with it.

11 And then we have the unfortunate -- Wal-Mart  
12 has decided they're going to put only frozen food on  
13 their shelves. Now, according to Wal-Mart, this was  
14 a decision that was made that had nothing to do with  
15 the BP oil spill. But since Wal-Mart is selling  
16 product all over this country, the general public's  
17 perception of what's going on may be totally  
18 different.

19 And those are the types of things that are  
20 happening throughout business that are affecting  
21 other business and affecting the banking industry  
22 and having very negative impacts when they shouldn't  
23 be. As a matter of fact, this oil right now today  
24 is moving south and west. They're actually going to  
25 open up waters because the oil is going into deeper

1 water and going west. Now, if we have the right  
2 combination of hurricanes, that could change.

3 The other point I'd like to make is, that's the  
4 reason why you don't want to over -- you don't want  
5 to over-scare people on something until you have the  
6 facts. The breakdown of this oil is happening at a  
7 rate I think that's shocking a number of people.

8 And I wish we'd had more information on the  
9 Mexican oil spill in the eighties and how they  
10 handled that. It might have stemmed some of the  
11 sticker shock and the overreaction to the whole  
12 process if we had known that today you would never  
13 know there was a major oil spill, and it was as big  
14 if not bigger than what we have right now, and it  
15 was off the coast of Mexico, because Mother Nature,  
16 bless her heart, has a way of dealing with things.

17 And the point is this. We're not finding the  
18 compounds yet, but we do need to test these fish  
19 tissues and shellfish. And we did a ten-year  
20 projection. It was like 59 million some odd  
21 dollars. It's based on factual, actual science, not  
22 somebody's idea of what would be great to do, but  
23 factual information.

24 We're going to see how it's received, because  
25 quite frankly, until we get the confidence level of

1 the consumer of this country back, these poor people  
2 over there in the fishing industry and the shellfish  
3 industry are going to be looking at a serious  
4 problem for a number of years unless this turns  
5 around, and maybe even put a lot of these  
6 restaurants, hotels and the actual industry itself  
7 and everybody who is connected to the fishing and  
8 the shellfish industry out of business.

9 And so we've got to quit saying that things are  
10 worse than they are. We've got to quit  
11 overstipulating what's going on out there and deal  
12 with the facts. And if we do that, I think we can  
13 come out of this in a logical manner. But if we  
14 keep saying every night that this is day 101 and  
15 it's the biggest disaster that mankind has ever  
16 seen, we know it was very bad, but they're not  
17 saying, oh, and by the way, the fish and the  
18 shellfish are fine in Florida, there's not a problem  
19 there. They're not saying that.

20 And the confidence level of the consumers of  
21 this country is about an all-time low on Gulf fish  
22 and seafood. Some restaurants are actually going to  
23 take the word "Gulf" off of their menus.

24 So I just think, once again, we need to back  
25 off of the rhetoric, deal with the factual science,

1 let the science and the people in these research  
2 centers and people who are doing the food quality be  
3 the ones telling us what's really going on out there  
4 instead of people overspeculating.

5 And that will help your banks in the end,  
6 because then people won't be panicking. By the way,  
7 over in Cedar Key, there are quite a number of  
8 buildings over there and condos and all for sale and  
9 people are panicking with their condos and all as  
10 well as the seafood industry.

11 So this is -- we're already in a hard economic  
12 time. There's no need to kick and beat people when  
13 they're down here by making overexaggerated  
14 statements about what's really going on out there.

15 MR. CARDWELL: Well, thank you. That is  
16 very -- we're trying to do just that. We're trying  
17 to make sure that we fully and accurately understand  
18 it and that we're not making any judgments that are  
19 not based on the science and what's really going on.  
20 That's our commitment. Thank you.

21 GOVERNOR CRIST: Thank you, Tom. General.

22 ATTORNEY GENERAL McCOLLUM: Governor, I have  
23 something after he's finished.

24 GOVERNOR CRIST: Are you done?

25 MR. CARDWELL: Completed, yes.

1 GOVERNOR CRIST: Thanks.

2 ATTORNEY GENERAL McCOLLUM: If I could be  
3 recognized, I meant to do this before we got  
4 started. You know I sent a letter to yourself and  
5 to CFO Sink and Commissioner Bronson a few weeks ago  
6 about the E-Verify system, and I wanted to raise  
7 that this morning. I think you knew I was going to  
8 do that.

9 GOVERNOR CRIST: Yes.

10 ATTORNEY GENERAL McCOLLUM: And the reason I  
11 want to do that is because it's especially  
12 appropriate with Commissioner Bailey coming up in a  
13 minute. E-Verify is a free program that the federal  
14 government runs that allows employers to determine  
15 the eligibility of an employee at work in the United  
16 States.

17 When people fill out an eligibility  
18 verification form, an I-9, when they seek  
19 employment, that data can be checked in this system  
20 as to whether or not it's verified or not at the  
21 moment that you do that.

22 And so since I sent that letter, I've been  
23 pleased to learn that the Department of Management  
24 Services, as well as a number of our Cabinet  
25 agencies have decided to implement the E-Verify

1 system. My office does it. It's being done by the  
2 FDLE, the Department of Highway Safety and Motor  
3 Vehicles and the SBA, just to name a couple of them,  
4 and maybe others that have as well.

5 I think it's a great step in the right  
6 direction for Floridians. I think it's a system  
7 that we need to highlight in state government and  
8 encourage employers to do throughout the state of  
9 Florida. And I would encourage us to do that, at  
10 least with the Cabinet agencies that perhaps have  
11 not done that with respect to new hires.

12 And I'd like to make a motion that we direct  
13 all Cabinet agencies to use the E-Verify system to  
14 verify the eligibility of all new hires under those  
15 agencies in our jurisdiction.

16 GOVERNOR CRIST: Thank you. Is there a second?

17 CFO SINK: Second. And I'd like to --

18 GOVERNOR CRIST: Yes, go ahead.

19 CFO SINK: I'd just like to add that we've  
20 already implemented it in the Department of  
21 Financial Services, and it's easy to do, that we  
22 have to acknowledge that there's been wide reporting  
23 that there can be problems with it, and people who  
24 have similar names can get kind of caught up in --  
25 one John Smith is not another John Smith. So the

1 agencies do need to, if they get a hit or they  
2 believe that there's some sign that the applicant  
3 might not be legal, they have to go back and really  
4 check and verify with the applicant that there  
5 hasn't been any misidentification. But it is very  
6 easy to use, and I entirely support it and think  
7 it's a good idea. Second.

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

10 ATTORNEY GENERAL McCOLLUM: Thank you,  
11 Governor. Appreciate that.

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1 GOVERNOR CRIST: FDLE, Commissioner Bailey.

2 MR. BAILEY: Good morning.

3 GOVERNOR CRIST: Good morning, sir.

4 MR. BAILEY: We have two items for you this  
5 morning. First is the minutes of our April 27th  
6 Cabinet meeting.

7 GOVERNOR CRIST: Is there a motion on the  
8 minutes?

9 COMMISSIONER BRONSON: Motion for approval.

10 CFO SINK: Second.

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

13 MR. BAILEY: The second item is a Notice of  
14 Proposed Change to 11B-30. As you are aware, we,  
15 FDLE, serve as staff for and to the State Criminal  
16 Justice Training Commission. And they have enacted  
17 a fee for the State Officer Certification Test,  
18 raising that from \$100 for the test to \$150 for the  
19 test.

20 This action is scheduled to take effect on  
21 January 1st. Now, of note on this is it was a  
22 unanimous action by the Criminal Justice Standards  
23 and Training Commission. The action was actually  
24 authorized in Florida Statutes. It's the first  
25 increase since 2001. And the funds available now,

1           it was \$67 per officer per year. And I will tell  
2           you about two decades ago it was more than twice  
3           that much. So the fund, for a variety of reasons,  
4           really a perfect storm of reasons, is starting to  
5           shrink. And just to hold onto the \$67, this was --  
6           several actions were looked at, and this was the, I  
7           guess, the least egregious action to take to try to  
8           keep this fund stable.

9           ATTORNEY GENERAL McCOLLUM: I would move Item  
10          2.

11          CFO SINK: Second.

12          GOVERNOR CRIST: I have a question. How many  
13          people annually approximately would pay this?

14          MR. BAILEY: About 9,000 annually. This is a  
15          \$450,000 price tag, Governor. And I should point  
16          out, this is both law enforcement officers and  
17          correctional officers.

18          GOVERNOR CRIST: Okay. Commissioner.

19          COMMISSIONER BRONSON: Governor, I'm going to  
20          support this. I talked to Commissioner Bailey about  
21          this earlier this morning. I was a little bit  
22          reluctant and I can tell you I'm still reluctant for  
23          one reason and one reason only. There is no trust  
24          in the trust funds, of anybody's trust fund. I can  
25          tell you, I've got good experience in trust funds in

1 my office that would have helped us had we been able  
2 to fully go back and use out of that trust fund when  
3 we needed to.

4 And I do realize the problems that the  
5 legislature is having trying to make things work and  
6 having to move money. But to say -- by the way, the  
7 reason why this needs to happen is because -- how  
8 much money did you have taken from this trust fund  
9 that was already there to be used for these purposes  
10 but was swept?

11 MR. BAILEY: In 2009, between the shifts and  
12 the sweeps, which are really one and the same,  
13 \$2.7 million.

14 COMMISSIONER BRONSON: My point made exactly.  
15 There's no trust in the trust funds, and yet we're  
16 asking this extra \$50 basically take the place of  
17 replacing or replenishing the trust fund. But  
18 that's like saying, let's go throw our money down a  
19 rat hole and maybe this time it won't go all the way  
20 to the bottom.

21 I'm sorry. But I just -- I've talked to  
22 organizations and businesses all throughout that  
23 have had trust funds for the past 20, 15 to 20  
24 years. The money is not there. They need it now.  
25 It's not there to be used. I just -- I'm going to

1 have to talk to the House and Senate leadership  
2 about this, because you can't just keep asking  
3 people to put money in trust funds to be used for  
4 that purpose and then turn around and sweep all that  
5 money.

6 And even though they may need it to try to do a  
7 balanced budget, I guess that's one of the things  
8 that Florida, thank God, has a balanced budget and  
9 we're not like California. But it's hard for me to  
10 with a straight face go to people in my -- you know,  
11 that we deal with and say, hey, put your money in  
12 this trust fund, when I know it may not be there.  
13 Gee --

14 ATTORNEY GENERAL MCCOLLUM: It's not your wife  
15 calling, right, Charlie?

16 COMMISSIONER BRONSON: Anyway, sorry about  
17 that. But I will support it. But, Governor,  
18 members of the Cabinet, something has got to be done  
19 here. How can there be any trust by anybody in this  
20 state to put money in trust funds that they have no  
21 idea the money they're putting in there, for their  
22 own benefit, to help in regulation of their  
23 industries or however that money is supposed to be  
24 used, and then when it's time to use it, it's not  
25 there.

1           ATTORNEY GENERAL McCOLLUM: Governor, may I  
2 comment on that?

3           GOVERNOR CRIST: Of course.

4           ATTORNEY GENERAL McCOLLUM: You know, we're  
5 going to have reportedly a 6-, \$8 billion, maybe  
6 bigger, hole in the budget this next year. I think  
7 it was \$3 billion or something like that the  
8 legislature was trying to fill last year when they  
9 raided a lot of these trust funds.

10           And the priority picking is really tough for  
11 all of us, I know, but taking money from FDLE and  
12 the trust fund that you have and then having this  
13 net result is exactly what Commissioner Bronson  
14 says. I think -- I feel just as passionately about  
15 that as he does.

16           I know specifically, as I've traveled the  
17 state, I've heard not only about two or three trust  
18 funds related to you, and of course we have trust  
19 funds as well, so you're not the only agency  
20 feeling it personally, but the transportation trust  
21 fund, the highway money that goes in there is  
22 dedicated supposedly for growth and building roads  
23 and doing repairs and doing all those things, has  
24 been raided enormously for the last couple of times  
25 by the legislature. And that's hurt in producing

1 jobs even in our state and doing the infrastructure  
2 work we need.

3 So I share what you're saying, Commissioner  
4 Bronson. I feel just as passionate as you do. I  
5 have occasion to see one of those legislative  
6 leaders this evening, and because of this  
7 experience, I'm going to bring that up to his  
8 attention, one of the ones that's going to be  
9 leading us presumably in the next session. It is a  
10 very, very bad scene when we go out and raid these  
11 trust funds.

12 But today we have to do this. We just -- we  
13 need to be able to set this fee and have these folks  
14 get their licenses. I don't see any other way  
15 around it.

16 GOVERNOR CRIST: What would you do,  
17 Commissioner -- I'm sorry. If you were done,  
18 General.

19 ATTORNEY GENERAL McCOLLUM: Yes.

20 GOVERNOR CRIST: -- if the fee increase didn't  
21 go into effect?

22 MR. BAILEY: The primary feeder -- there are  
23 several small fees like this one that contribute to  
24 this fund. The primary feeder to this is the  
25 three-dollar charge on violations of various

1 statutes and ordinances, and the primary of that are  
2 traffic tickets. For whatever reason, Governor, the  
3 writing, issuing of those citations is down. Our  
4 deputies and our police officers and troopers are  
5 not issuing as many tickets and there are not as  
6 many things going before our courts.

7 If that were to continue to erode and we don't  
8 receive this \$450,000 for the fund, the \$67 per  
9 officer per year will be further downgraded. We  
10 will not be able to issue that in the next round. I  
11 cannot tell you now what the --

12 GOVERNOR CRIST: I don't know what you just  
13 said.

14 MR. BAILEY: I'm sorry?

15 GOVERNOR CRIST: Sixty-seven dollars will be  
16 downgraded? I don't know what that means.

17 MR. BAILEY: Today, to our -- somebody  
18 mentioned this was FDLE money. This is not really  
19 FDLE money. This is money that we take in and  
20 distribute to the 41 training centers around the  
21 state that train our law enforcement officers.  
22 Today, each of those training centers, for their  
23 areas, are allocated \$67 per officer in their region  
24 to train that officer this year. This action that  
25 the Commission is asking you to do today, if not

1 taken, that \$67 at some point will be adjusted  
2 downward, and at some point in the future they will  
3 have something less than \$67. I don't have the  
4 figure. But it may be \$55 per officer per year in  
5 the next cycle.

6 CFO SINK: So it results in less training  
7 opportunities for our law enforcement officers. I  
8 think that's why we're getting all the push-back, is  
9 because we've already had to reduce less training  
10 and -- I mean, how far do you go? They're our most  
11 important asset out there to protect citizens. We  
12 have to be sure that they get adequate training,  
13 state-of-the-art training and are up on the latest  
14 techniques to protect our citizens.

15 MR. BAILEY: That's exactly right. There would  
16 be less opportunities for these officers to remain  
17 certified and get their required training in a  
18 particular cycle.

19 COMMISSIONER BRONSON: If I could, too, coming  
20 from a law enforcement background, let me tell you  
21 that much of that training is mandated. There's not  
22 much -- there's not much wiggle room there. It's  
23 mandated. Every time something new comes out or one  
24 of the higher courts makes a decision, it puts it  
25 back on law enforcement. And the same thing is true

1 for our firefighters, by the way, on training as  
2 well.

3 When those things happen, it's not like, well,  
4 you can go get it and be a better officer if you  
5 want to. You have to go get this training or you  
6 lose your certification. And so it's critical that  
7 we maintain -- and it costs money for my agency, and  
8 I'm sure everybody else that has law enforcement, to  
9 send those people for their training. They're  
10 overnight, and sometimes it's maybe a two- or  
11 three-day training session to catch everything at  
12 once. That gets expensive.

13 And if they don't have that, I'm not sure how  
14 we're going to -- that's like selling -- that's like  
15 buying watermelons for a dollar and selling them for  
16 90 cents and actually thinking you're going to get  
17 something out of it. It doesn't work that way.

18 ATTORNEY GENERAL McCOLLUM: I'd like to make a  
19 legal point, too, if I could, Governor.

20 GOVERNOR CRIST: Of course.

21 ATTORNEY GENERAL McCOLLUM: This is something  
22 that the statute -- correct me if I'm wrong,  
23 Commissioner -- has permitted since 1995, to go up  
24 to this fee level. You just haven't had to do it  
25 because that trust fund has been there. In a way

1 the legislature is saying, we're now wanting you to  
2 move it up there, because they took money away from  
3 the trust fund that was another source of it. But  
4 the legislature has authorized this. They permitted  
5 this fee to go up. This is not a -- we're not  
6 enacting a new fee today when we do this. It's just  
7 letting happen -- letting the commissioner do what  
8 he's had the power to do. He's asking our  
9 permission to go forward.

10 GOVERNOR CRIST: All in favor, please say aye.

11 CFO SINK: Aye.

12 COMMISSIONER BRONSON: Aye.

13 ATTORNEY GENERAL McCOLLUM: Aye.

14 GOVERNOR CRIST: All opposed, please say no.

15 No.

16 MR. BAILEY: Thank you.

17 GOVERNOR CRIST: On behalf of the 9,000 people  
18 that will have to pay 50 bucks more. Thank you.

1           GOVERNOR CRIST: Board of Trustees, Secretary  
2 Mike Sole.

3           MR. SOLE: Good morning, Governor, Cabinet  
4 members.

5           GOVERNOR CRIST: Good morning, sir.

6           MR. SOLE: If I can have your indulgence, I'd  
7 like to make an introduction real quick.

8           GOVERNOR CRIST: Please, of course.

9           MR. SOLE: Donald, can you come up here and  
10 join me? I'd like to introduce to the Cabinet  
11 Mr. Donald Forgione, who is your state park  
12 director. We all know that Mike Bullock retired.  
13 And we did a very healthy search in finding a good  
14 member to lead the Florida State Park System, your  
15 award-winning state park system.

16           Donald has been a part of that system since  
17 1983, if I'm not mistaken, starting at the Paynes  
18 Creek Historic Site in Bowling Green, Florida. He  
19 has moved through the system, the park system,  
20 having numerous jobs from his beginning as a park  
21 ranger to assistant park manager, park manager.  
22 He's actually also been in the law enforcement world  
23 for the park service. So he really has a depth of  
24 experience.

25           He's also worked in four of the five districts

1 in our great state, so he also knows the people that  
2 he is now going to be leading. He's a tremendous  
3 asset to the people of Florida. And I just want to  
4 again take this opportunity to introduce Donald  
5 Forgione. Donald, if you can just say hello.

6 MR. FORGIONE: Thank you. Thank you,  
7 Secretary. Governor, Cabinet, thank you very much  
8 for this opportunity to continue to serve the people  
9 and the visitors of Florida and preserving and  
10 protecting and interpreting the natural and cultural  
11 resources. And I could not do it by myself. My  
12 beautiful wife of 30 years is with me, Rosy  
13 Forgione, and my three kids that have traveled all  
14 around this great state to so many state parks and  
15 serving. And I look forward to continuing to do  
16 that. Thank you.

17 GOVERNOR CRIST: Thank you, Don.  
18 Congratulations to you.

19 (Applause)

20 MR. SOLE: Thank you, Governor. Let me start.  
21 Item Number 1, submittal of the minutes from  
22 April 27 and May 11, 2010, Cabinet meetings.

23 ATTORNEY GENERAL McCOLLUM: So move.

24 COMMISSIONER BRONSON: Second.

25 GOVERNOR CRIST: Moved and seconded. Show them

1 approved without objection.

2 MR. SOLE: Thank you. Item Number 2, this is  
3 consideration of a proposed settlement agreement in  
4 the case of M.D. Moody & Sons versus the Board of  
5 Trustees. This is actually in relationship to  
6 ownership of upland and submerged property,  
7 basically a dispute. We've been at this for some  
8 two years. Unfortunately, this issue arose some 200  
9 years ago as a result of ownership of a property in  
10 Duval County that was subsequently part of the  
11 Intracoastal Waterway project. So there was a lot  
12 of difficulty in actually trying to firmly establish  
13 sovereign submerged lands versus upland ownership.

14 A lot of this property has been filled  
15 pre-1975. The settlement agreement basically  
16 establishes the Board of Trustees quitclaiming a  
17 deed to some 43 acres of property. The plaintiff  
18 will then also quitclaim some 46 acres of property  
19 back to the Board of Trustees. In order to ensure  
20 that there's no further potential for encroachment  
21 on sovereign submerged lands, there is a  
22 conservation easement along the majority of that now  
23 established property.

24 And there is an expectation that this property  
25 will -- it's currently a boatyard, a large boatyard.

1 But there is an expectation this property will move  
2 to a marina. So as part of the county requirement,  
3 the first hundred slips have to be publicly -- open  
4 for public use, which is a good thing.

5 Also, the board is asking to ensure that we  
6 also receive a percentage of the revenues if any of  
7 these slips are sold or maintain our lease rate at  
8 roughly half of the lease rate, because the estimate  
9 of the property being prior submerged lands. The  
10 Department does recommend approval of this item.

11 GOVERNOR CRIST: Any questions?

12 ATTORNEY GENERAL McCOLLUM: Move Item 2.

13 COMMISSIONER BRONSON: Second.

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

16 MR. SOLE: Thank you. Item Number 3 is  
17 consideration of an application from Magnolia Cove  
18 Development. This is for a five-year sovereignty  
19 submerged land lease for basically a 66-slip private  
20 residential multifamily facility. This is located  
21 in Clay County along the St. Johns River. The  
22 consideration is some \$29,703. It's going to be  
23 built in conjunction with a 66-unit townhome  
24 facility for vessels roughly 50 feet long and 4 feet  
25 in draft. It does meet the 40-to-one ratios, and

1 the Department recommends approval.

2 CFO SINK: Governor, I have a few questions  
3 about this.

4 GOVERNOR CRIST: CFO, of course.

5 CFO SINK: This is yet another example -- we've  
6 had many over the past three or four years -- where  
7 a private developer wants to be able to build these  
8 docks or these slips and then is going to sell them  
9 at enormous profit to himself for very little gain  
10 on the part of the people of the state of Florida.

11 And if you go by the market rates of these  
12 slips in this area, the developer stands to gain a  
13 profit of anywhere from two to four and a half  
14 million dollars, while the people of the state of  
15 Florida will receive between probably 1- and  
16 \$300,000 to give up, you know, the people's access  
17 to these sovereign submerged lands.

18 And I just think it's a very, very poor  
19 economic deal for the people of the state of  
20 Florida. It is my understanding that perhaps the  
21 developer might be interested in building, providing  
22 some public purpose and build a walkway around the  
23 property, which would link up a couple of parks that  
24 might make this transaction more palatable, to me at  
25 least.

1 MR. SOLE: Yes, ma'am.

2 CFO SINK: And I didn't know whether you or  
3 someone representing the developer might want to  
4 address whether or not that's a firm offer on the  
5 table or not or --

6 MR. SOLE: CFO, I'm happy you raised that. I  
7 talked with the developer about that this morning.  
8 There is a great park here that was part of the FCT  
9 program. I think it's Green Cove Spring Park. Do  
10 you want to --

11 MR. CAMPANILE: Yes.

12 MR. SOLE: -- introduce yourself?

13 MR. CAMPANILE: Good morning, everybody. My  
14 name is Lou Campanile. I'm a managing member of  
15 Magnolia Cove Development.

16 CFO SINK: Excuse me. Do you have a map that  
17 we could look at to show us what you're --

18 MR. SOLE: I do.

19 CFO SINK: I thought maybe you did.

20 MR. SOLE: Can you turn the magic overhead on?  
21 I always do that wrong. Thank you. This is -- go  
22 ahead, Lou. This is the Green Cove Springs Park  
23 facility. It's a nature preserve. This is the  
24 general location of the site here.

25 MR. CAMPANILE: Generally everything to the

1 south of us, all the way to State Road 16, which is  
2 that white line running right here, is owned by the  
3 City of Green Cove Springs, and all the waterfront  
4 on both sides of U.S. 17. And they have plans for a  
5 nature trail system to go and link all the way up to  
6 some 10,000-acre park that's on the other side of  
7 Reynolds Industrial that's owned by St. Johns River  
8 Water Management District. So they have a whole  
9 plan in place for a nature trail system through the  
10 City of Green Cove Springs.

11 And when we came to them with our project, we  
12 actually asked them if we could put the nature trail  
13 between our project, our townhomes, and the water.  
14 And we think it would enhance everything for the  
15 city. The city's -- Green Cove Springs, the actual  
16 spring, the Green Cove Spring is in a city park just  
17 north of our project. And it's a really nice area,  
18 and we thought it would be an enhancement to our  
19 project to do this. So we do plan on doing that.

20 CFO SINK: So you're committing to build this  
21 walkway?

22 MR. CAMPANILE: I am.

23 CFO SINK: All right.

24 GOVERNOR CRIST: Commissioner.

25 COMMISSIONER BRONSON: The other thing I'd want

1 to make sure, since the City owns that other  
2 property that butts up to the waterway as well, is  
3 there public access for boaters to use, access to  
4 the water there as well through the City or some  
5 other public access?

6 MR. CAMPANILE: Well, as far as on our project?

7 COMMISSIONER BRONSON: No, no. I'm just saying  
8 that one of the concerns was that the project will  
9 be built and submerged lands will be leased to  
10 enhance the project, but is there access by the  
11 public, either through the City-owned land or some  
12 public access that boaters actually have a chance to  
13 get on that water with access?

14 MR. CAMPANILE: Yes, sir. The city pier is  
15 about a thousand feet north of ours, and it goes  
16 about 900 feet out into the river, and there are  
17 slips and everything. We've also committed to the  
18 City to build a canoe launching ramp in the city  
19 park at the south end near our project --

20 COMMISSIONER BRONSON: Okay, I see it.

21 MR. CAMPANILE: -- for canoe access.

22 CFO SINK: The city pier I think we see, you  
23 just need to adjust it slightly down so we can --

24 MR. SOLE: Oh, I'm sorry.

25 CFO SINK: It's off the top of our -- yeah,

1           there it is, the city pier.

2           MR. CAMPANILE: Yeah. The city pier is on the  
3 north side of the Green Cove Springs Park.

4           CFO SINK: Well, on that basis I'm prepared to  
5 support it and move the motion.

6           GOVERNOR CRIST: Is there a second?

7           ATTORNEY GENERAL McCOLLUM: Second.

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

10          MR. SOLE: Thank you. Item Number 4 is  
11 consideration of an application from Pointe One,  
12 LLC, for a five-year sovereignty submerged land  
13 lease for a 51-slip private residential multi  
14 facility located just south of Norriego Point in  
15 Destin Harbor.

16          Consideration for this project will be \$70,260.  
17 It is going to be operated in conjunction with a  
18 planned 79-unit condominium complex, vessels ranging  
19 in 36-foot length to 145 feet in length.

20          In this case, the facility and the slips do not  
21 meet the 40-to-one ratio. As a result there was a  
22 requirement for the applicant to provide a net  
23 positive public benefit project. They have done so  
24 in cooperation with the City, and they have proposed  
25 to submit some \$1.8 million towards a project, which

1 actually provides public access.

2 And, in fact, it will provide ingress, egress,  
3 a road through the property, parking for that  
4 opportunity along Norriego Point, as well as a  
5 restroom facility for an area that actually does get  
6 quite a lot of weekend traffic.

7 In addition, there are water quality issues in  
8 Destin Harbor. As a result, there's been ongoing  
9 continued improvements to try to improve water  
10 quality. And that includes, believe it or not,  
11 actually pumping clean water in to improve flushing.  
12 The applicant is also planning to dredge to improve  
13 the hydraulic area of the harbor itself to improve  
14 the flushing. And they are proposing to -- or  
15 they're required to provide \$20,420 to continue  
16 maintenance on the City's pumping and monitoring  
17 system.

18 As a result of the net positive public  
19 benefits, the consideration, and the net positive  
20 environmental benefit, the Department is  
21 recommending approval.

22 GOVERNOR CRIST: General.

23 ATTORNEY GENERAL McCOLLUM: I have a question,  
24 if I could. It's my understanding that in order for  
25 this project to go forward and the current existing

1 owners' boat slips that are downstream or whatever  
2 from that, this shoal that's nearby has to be  
3 dredged. If that's done, first of all, can you  
4 explain that? And, secondly, is that going to be  
5 something that you're going to have to redredge  
6 every so often? Is it a natural buildup there? And  
7 who is going to pay for that, not just now, but in  
8 the future, that dredging?

9 MR. SOLE: And this black and white doesn't  
10 come out so well. General, you are correct. There  
11 is shoaling that occurs in Destin Harbor  
12 periodically. In fact, there is a federal  
13 navigational channel along where my pen is running.

14 But the desire is to actually reduce some of  
15 that shoaling because of the boat traffic in the  
16 area, ensuring for safe boat traffic, also to help,  
17 believe it or not, flushing. We get a mixed benefit  
18 by actually reducing that shoaling.

19 In this case the applicant is proposing to pay  
20 for that dredging. The City is the applicant or the  
21 co-applicant in this case. But there is no  
22 requirement for future maintenance dredging as part  
23 of this.

24 ATTORNEY GENERAL McCOLLUM: Is that likely to  
25 be needed, future maintenance dredging?

1 MR. SOLE: Yes, sir.

2 ATTORNEY GENERAL McCOLLUM: So that's going to  
3 be a cost to whom?

4 MR. SOLE: Currently it will be a cost to the  
5 City or whoever the proposed entity is that wishes  
6 to do that, the dredging -- and I want to be  
7 clear -- the dredging of the shoal area. The  
8 federal channel is something that would still be  
9 maintained by the federal government.

10 ATTORNEY GENERAL McCOLLUM: I understand that.

11 MR. SOLE: The shoaling area would be --

12 ATTORNEY GENERAL McCOLLUM: My concern is those  
13 already existing slips that are shown in that  
14 picture, those boat owners now, as I understand it,  
15 can go straight up, don't have to go around that big  
16 shoal. But in the future they're going to have to  
17 go to the right, if you will, in my way of looking  
18 at it, and then up around to do it, unless the  
19 dredging is done, in which case they will have a  
20 more straight way to go.

21 But that's -- anyway, I just am concerned about  
22 the additional cost in the future. But you say the  
23 City, somebody is prepared to pick that up, they're  
24 supportive of this. I'm just a little worried about  
25 that. That's all.

1           MR. SOLE: And, General, I want to also make  
2           sure my comment is clear, because your point is well  
3           taken. The City is a co-applicant for that  
4           dredging. I think there's a recognition that  
5           removing those shoals is a good thing to do for, as  
6           you point out, the navigational congestion.

7           However, without question, I agree with you, it  
8           is something that's going to be required in the  
9           future. General, I don't know what time frame, I  
10          apologize, what the shoaling rate is. By opening  
11          this up and by the continued pumping, it may  
12          actually be reduced compared to what they've seen  
13          occur. But while the City is the applicant or a  
14          co-applicant, whether they have looked to fund  
15          future dredging events, I'm unaware.

16          ATTORNEY GENERAL McCOLLUM: Thank you.

17          GOVERNOR CRIST: Any other questions?

18          CFO SINK: No, Governor. It's just that this  
19          is the -- the same economics are really bad for the  
20          people of the state of Florida. This developer it  
21          looks like could very well receive a windfall profit  
22          of between 8 and \$10 million, and we, the people of  
23          the state, are only charging them half a million  
24          dollars for this valuable use of state submerged  
25          lands. That's the only comment I'm going to make.

1 I'm not supporting it.

2 GOVERNOR CRIST: Is there a motion on Item 4?

3 (No response)

4 GOVERNOR CRIST: Evidently not. Item 5.

5 MR. SOLE: Item Number 5. Item Number 5 is  
6 consideration of an application from Tarpon Point  
7 Associates to reconfigure and expand an existing  
8 175-slip docking facility to create a 185-slip  
9 docking facility. This is located in Lee County.  
10 It is a clean marina facility, and it actually has  
11 an existing 25-year sovereign submerged land lease  
12 expiring in 2023. For this item the consideration  
13 is \$64,993. This is, again, an expansion of an  
14 existing facility.

15 They're looking to expand to be able to use  
16 larger boats in the facility. And the upland areas  
17 include mixed-use commercial development, including  
18 a restaurant, shops, hotels and office, as well as a  
19 210-unit residential condominium. And there have  
20 been no objections based upon noticing. The  
21 Department recommends approval.

22 GOVERNOR CRIST: Any questions on Item 5?

23 CFO SINK: Move it.

24 GOVERNOR CRIST: Is there a second?

25 ATTORNEY GENERAL McCOLLUM: Second.

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

3           MR. SOLE: Item Number 6 is consideration of an  
4 application from Jabo, LLC, to remove its existing  
5 41-slip commercial marina and construct a  
6 reconfigured 41-slip commercial marina. This is in  
7 conjunction with the historic Pink Shell Resort  
8 located in Lee County in Matanzas Pass. This will  
9 be a five-year sovereign submerged land lease. The  
10 consideration is \$19,573. This also intends to  
11 allow for larger vessels to use it, including  
12 vessels up to 100 feet in length, with a maximum  
13 draft of 12 feet.

14           There was one objection as a result of  
15 encroachment concerns. However, we did do a survey  
16 and offered the opportunity for the objector to  
17 provide another survey, and we didn't hear from  
18 them, and it looks like the encroachment is not an  
19 issue. And the Department also recommends approval  
20 of this item.

21           CFO SINK: Move it.

22           COMMISSIONER BRONSON: Second.

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

25           MR. SOLE: My last item, members, is to

1 actually go over, just give you a status update of  
2 Deepwater Horizon. And I actually very much  
3 appreciate the comments of the Commissioner, as  
4 we've gone through this effort, to make sure we keep  
5 to the science. I think we've done that here at  
6 this Cabinet meeting, and I just want another  
7 opportunity to catch you up on things that are  
8 happening.

9 One of the key issues is making sure that they  
10 permanently kill this well. As you know, they have  
11 drilled two relief wells. DD3 is the one that has  
12 gone the furthest, and it's roughly within its last  
13 run to actually intercept the Macondo well. The  
14 expectation is hopefully within the next two weeks  
15 they will actually be able to achieve that. Today  
16 they're actually grouting, basically casing that  
17 last segment that they need to case before they make  
18 the last run. So there's a lot of progress going on  
19 at the site, and everything is back online as a  
20 result, or subsequent to Tropical Storm Bonnie.

21 More importantly and more about to occur is the  
22 issue of static kill operation. I know we all know  
23 that the well has been shut in for the last two  
24 weeks, which has been great news to the Gulf of  
25 Mexico, because we don't see any more oil going into

1 the Gulf of Mexico. But that's a temporary fix.  
2 There's an opportunity that they expect to be,  
3 again, as early as this Sunday or Monday whereby  
4 they are going to initiate the static kill. This is  
5 very similar to the top kill, in which they are  
6 going to inject mud, drilling mud into the well and  
7 subsequently inject cement to finally kill this well  
8 from the top.

9 The way they will do it is the exact same way  
10 they propose top kill, and they will use the Q4000  
11 to go ahead and pump that mud into the well itself.  
12 The mud facility is all on station, and they're  
13 about prepared to go ahead and hopefully start that  
14 again as early as Sunday night. So I encourage you  
15 to keep your eyes on the news then. CFO.

16 CFO SINK: Yeah. Are they going to continue  
17 then to do the drilling of the relief wells as well?  
18 Kind of explain that.

19 MR. SOLE: They do want to actually look at  
20 doing both, yes, ma'am. In fact, one of the reasons  
21 why they are not going to do the static kill sooner  
22 is because they want to let the casing dry for the  
23 relief well that they've actually started today. So  
24 they're casing the last run of the relief well  
25 today. They want to let that dry, let that set

1           appropriately, and then initiate the static kill.

2           Even if static kill is successful, there is an  
3           anticipation that they also want to kill it from the  
4           bottom. So they're going to attack it from both  
5           ends.

6           ATTORNEY GENERAL McCOLLUM: So for  
7           clarification, the relief well isn't to pump oil out  
8           of there to harvest the oil. It's a relief well  
9           that ultimately is designed to close this well, to  
10          close it off?

11          MR. SOLE: General, it is. And one of the  
12          really intriguing things -- and I know we've talked  
13          about this before. At the very bottom of the  
14          Macondo well, it's basically a seven-inch-diameter  
15          well casing. It's pretty small. They will actually  
16          with the relief well, 18,000 feet down, intercept  
17          that well and grout the casing first and then drill  
18          through and then grout the well itself. And when I  
19          say grout, inject cement, drilling mud and then  
20          subsequently cement, to actually close it from the  
21          bottom.

22          My expectation and what I'm hearing is they  
23          still plan to do both. They will do static kill,  
24          try to kill it from the top. But just to be sure,  
25          probably roughly two weeks later they will actually

1 propose to also do the relief well effort to make  
2 sure the well is killed from the bottom as well.

3 ATTORNEY GENERAL McCOLLUM: Then presumably  
4 it's permanently going to close this well, right?

5 MR. SOLE: Yes, sir. And this is the industry  
6 standard for closing these types of wells.

7 ATTORNEY GENERAL McCOLLUM: I just want to make  
8 everybody clear on that, because you and I may  
9 understand that.

10 MR. SOLE: Yes, sir.

11 ATTORNEY GENERAL McCOLLUM: I'm not sure  
12 everybody watching or listening does. Okay. Thank  
13 you.

14 MR. SOLE: It's also worth noting that even  
15 though they're aggressively moving for these well  
16 kill issues, they're also making sure they're ready  
17 for containment just in case. So I do want to raise  
18 that. It's something that was talked about  
19 previously roughly a week ago, about them  
20 potentially going to a containment, meaning  
21 collecting the oil instead of just killing it.

22 All those resources are on station just in  
23 case, but the expectation is they will continue to  
24 move forward with static kill and then subsequently  
25 the relief well.

1           I put this slide up just because it's worth  
2           noting how things have changed. Previously we  
3           talked about the removal strategies on the surface,  
4           the use of fire, in situ burning, the use of  
5           dispersants and a lot of skimming. I will tell you,  
6           as a result of this well being shut in for the last  
7           14 days, there is no use of dispersants, they're not  
8           fire -- doing in situ burning. And the skimming  
9           amount that they're able to recover is actually  
10          quite small. They're actually having a difficult  
11          time finding skimmable volumes of product because of  
12          it being shut in for the last two weeks.

13           And that's great news for all of us, because it  
14          identifies that the amount of oil in the system is  
15          significantly reduced and it's also weathered to a  
16          point where its impacts are also reduced.

17           This is the latest what we call a composite  
18          product of all the satellite imagery, showing the  
19          location of the oil in the Gulf of Mexico. And as  
20          you can see, it's predominantly to our west, in  
21          Louisiana. I will show you the trajectories that as  
22          of late look significantly sparse compared to  
23          previous trajectories that I presented to the  
24          members. You can see most of the oil is again to  
25          our west.

1           And I do want to remind the members that the  
2           loop current issue is largely out of the picture.  
3           We still have the loop ring form, the Eddy Franklin,  
4           and you can see the loop current is significantly to  
5           our south and no expected impact to our friends in  
6           the south peninsula.

7           GOVERNOR CRIST: Secretary?

8           MR. SOLE: Governor.

9           GOVERNOR CRIST: I don't mean to interrupt --

10          MR. SOLE: Yes, sir.

11          GOVERNOR CRIST: -- but I've just been handed a  
12          note of some very sad news. Evidently Admiral LeRoy  
13          Collins was riding a bike this morning, and  
14          unfortunately he was hit and he was killed. Our  
15          thoughts and our prayers certainly go out to the  
16          entire Collins family. And I deeply regret having  
17          to announce this news to you. And I think it would  
18          be appropriate if we undertook a moment of silence  
19          for the admiral, please.

20          (Moment of silence)

21          GOVERNOR CRIST: Thank you.

22          MR. SOLE: Composure. One of the things that  
23          we continue to watch is the shoreline impact  
24          outlook. This was yesterday's shoreline impact.  
25          You can see that it potentially identified impacts

1 as east as Mobile Bay. I will tell you even that's  
2 beginning to dramatically change. As you look at  
3 the shoreline impact projected today, it's very  
4 significantly reduced to primarily the Louisiana  
5 area.

6 But I also want to point out that Florida has  
7 continued to get minor impacts. These are all  
8 pictures representative of impacts identified  
9 yesterday on our beaches. They range from small tar  
10 balls, just individuals occasionally in an area to  
11 slight tar ball fields that have come in and  
12 impacted some of our beaches, to larger tar balls.

13 I will tell you that these impacts are largely  
14 limited to the areas from Destin and through  
15 Escambia County. And, again, they are being handled  
16 by cleanup contractors quickly when they're  
17 reported. We continue to maintain a robust  
18 reconnaissance effort through people on the beach.  
19 Governor, I know you've been out there and have seen  
20 our team out there working. It's the Fish &  
21 Wildlife Conservation Commission, the National  
22 Guard, DEP, as well as even Highway Safety. In  
23 fact, we did a reconnaissance flight earlier this  
24 week along our entire coast and saw absolutely no  
25 oil at all, and it was as a result of using Highway

1 Safety's airplane.

2 I do want to point out that we continue to  
3 implement our efforts for cleanup through the branch  
4 operations. This is coordinated with the Coast  
5 Guard, BP as well as local governments and the state  
6 team. It's been a tremendous success, finally  
7 integrating that response with local, state and  
8 federal and private entities.

9 We continue to have skimmer presence in these  
10 bays. You can see here that in branch one we have  
11 15 skimmers, branch two, 15 skimmers. Branch three,  
12 we have 11 skimmers, and branch four, there are 15  
13 skimmers. So while the threat has significantly  
14 subsided for Florida, we still want to be prepared.

15 And it is worth noting that the threat of new  
16 oiling in Florida is very limited. We did have  
17 quite a bit of boom put in our waters, but we're in  
18 the process of actually removing finally some of  
19 that boom. And the reason is multifold. Boom  
20 actually prevents people accessing fishing areas,  
21 work areas, et cetera. Also, it actually has the  
22 potential to cause impacts. You can see anchor  
23 drags as a result of some of this boom. This is a  
24 picture in Louisiana, so it is not in Florida, but  
25 storms can actually move boom up into the wetland

1 and actually cause more damage than the oil is  
2 causing. So we've taken a very strong approach to  
3 go ahead and remove unnecessary boom.

4 And finally, also making sure Florida is  
5 protected, we continue to have a robust water  
6 quality sampling effort. And in that we continue to  
7 identify that for the most part, except for the  
8 heavy oiling events that we had roughly four weeks  
9 ago, our samples are non-detect. We do not have  
10 detectable quantities of petroleum hydrocarbons in  
11 our water quality.

12 The same holds true for our air monitoring. We  
13 have not and have yet to see any evidence of impacts  
14 associated with our air monitoring. There continues  
15 to always be questions of subsurface oil. And this  
16 is a very busy slide, and I apologize for presenting  
17 it, but I just wanted to point out that there also  
18 is quite a bit of monitoring for subsurface oil  
19 being done by NOAA.

20 And I will tell you this monitoring is  
21 identifying oil merely in concentration. It's a  
22 dissolve, so when you look at the water, it looks  
23 like water. It's dissolved levels of hydrocarbons.  
24 And it does seem to be fairly limited to the well  
25 site, within 40 to 50, 60 miles of the well site.

1 So we don't have large subsurface plumes ranging  
2 into Florida. And as a remainder, we're roughly  
3 120 miles from the well site.

4 We've had great partnerships with our Fish &  
5 Wildlife Conservation Commission. I know you're  
6 familiar with the fact that they've been moving  
7 turtle nests throughout this process and also  
8 coordinating with recovery. Nick Wiley and his team  
9 has been tremendous to work with.

10 Fishery closures, the Commissioner raised that  
11 issue. Nick has just told me this morning that the  
12 good news is the federal officials are aggressively  
13 sampling so that they can begin to open up a lot of  
14 our fisheries. And more importantly, they're  
15 prioritizing this eastern portion of it.

16 This map is an improvement over previous  
17 fishery closures. We used to have a closure that  
18 went all the way down the peninsula. And, again, we  
19 expect hopefully in the next week or two to see  
20 increased openings hopefully coming to Florida's  
21 waters.

22 I know funding has been a fairly significant  
23 issue. To date we continue to have roughly  
24 \$50 million for preparedness and preparation. We  
25 did get \$8 million supplemental for natural resource

1 damage assessment work, the \$25 million for tourism  
2 and, again, the \$10 million for our Florida  
3 Institution of Oceanography to continue doing  
4 research. And we hope there will be more especially  
5 in that area. And I'm just going to go ahead and  
6 close and offer any questions.

7 GOVERNOR CRIST: Any questions? General?

8 CFO SINK: Governor, I do want to bring up  
9 something. It has to do with kind of thinking  
10 through as we begin to prepare to get ready at some  
11 point in time, I'm sure, to file a claim on behalf  
12 of the State to BP. We've put together some legal  
13 expertise and legal teams, but I was just thinking  
14 through, if I were in a business, I'd have my  
15 lawyers and my accountants.

16 And because we have so many cross-agencies  
17 working here and we are in a -- will be in a  
18 transitional government, I'd just like to, in  
19 addition to the legal advice that you have and  
20 Mr. Butterworth and Mr. Smith have set up, that  
21 under your powers -- and you have broad emergency  
22 powers, so you can do this -- is to begin a process  
23 to appoint and identify a forensic accounting  
24 entity, firm.

25 I think it's going to have to be someone

1 outside of the resources within the government that  
2 we have, and it would be a firm that then it would  
3 be understood that this firm is going to carry us,  
4 you know, carry through with us and help us identify  
5 all the different pockets of government that have  
6 been impacted negatively in the preparation of our  
7 claim.

8 So I just wanted to lay that out as something  
9 that I think that this administration ought to put  
10 in place, we understand that those are the experts  
11 that are going to carry us through, across  
12 administrations, so that we're consistent, and they  
13 would have the ability to work with your agencies,  
14 my agency, the other agencies involved.

15 GOVERNOR CRIST: Very good. General.

16 ATTORNEY GENERAL McCOLLUM: If I could comment.  
17 I certainly think that having the assistance of  
18 expertise in accounting is appropriate. Oftentimes  
19 the term, CFO, "forensic accounting" goes to  
20 criminal behavior. And certainly there could be  
21 criminal behavior with BP and Transocean, which is  
22 something we're working with the federal government  
23 on right now. But I'm interested, I think as you  
24 are, and I think that's the implication of your  
25 statement, in making sure that our claims are

1 prepared for the State in whatever accounting group  
2 we have. I don't know if forensic accountants are  
3 necessary, but they're definitely --

4 CFO SINK: Well, let me just interrupt, because  
5 in this -- in the world of accounting, forensic  
6 accounting just means very detailed, specific. It  
7 doesn't have any implication for criminal activity  
8 at all.

9 ATTORNEY GENERAL McCOLLUM: I didn't think you  
10 meant that. I just wanted to be sure we're all  
11 clear.

12 CFO SINK: No, I didn't. I'm glad we're  
13 clarifying that. It doesn't have anything to do  
14 with criminal. It's all about getting into the  
15 nitty-gritty details.

16 ATTORNEY GENERAL McCOLLUM: Right. And  
17 Generals Butterworth and Smith and the team that are  
18 there working, that you and I are working with,  
19 Governor, want to have that kind of support. I  
20 know, I don't know -- this morning I can't report to  
21 you where they may be in regard to that or if  
22 they're needing any additional resources or  
23 whatever. But I can assure you that they are  
24 working diligently to help your team.

25 I know you have a whole team working within

1 your administration on the preparation of state  
2 claims, making sure that we know what the lost  
3 opportunity claims are, making sure that each agency  
4 has documented everything that might be a loss in  
5 this regard, whether it's Fish & Wildlife or DEP.

6 In fact, Mike, you might want to speak to that  
7 this morning a bit about DEP, before you walk away.  
8 My understanding is that you've got an extensive  
9 process going on to document those things that may  
10 be claims that your agency has as a part of this.  
11 Can you tell us about that?

12 MR. SOLE: General, yes, I can. One of the  
13 things that we have done is continue to evaluate  
14 primarily our cost to respond as it relates to this  
15 effort, and DEP, the Fish & Wildlife Conservation  
16 Commission and potential future costs as a result of  
17 any reduced revenues. For example, our state parks,  
18 a lot of our state parks have been used as staging  
19 areas. We've had reduction in revenues as a result  
20 of that. So we need to ensure that we recover those  
21 costs.

22 The great thing that Florida has through its  
23 Division of Emergency Management is the  
24 infrastructure of that team that does a tremendous  
25 job in documenting these costs, so that we can be

1 prepared to make claims directly to BP.

2 Finally, the other issue that we're looking at  
3 is part of the natural resource damage assessment.  
4 And the key issue there is to identify any loss in  
5 environmental resources associated with the spill  
6 and to quantify fiscally the impacts of those  
7 losses, so that a specific claim under that  
8 allocation can be done. And it is actually separate  
9 from some of the other claims that we will as the  
10 State need to look to to identify lost revenues of  
11 the State and lost opportunities at the State. So  
12 there has been quite a bit of effort to date  
13 already.

14 ATTORNEY GENERAL McCOLLUM: If I might add, I  
15 didn't know it was going to get brought up this  
16 morning, but I'm wearing a pin this morning a  
17 jeweler in Pensacola has made. And, Governor, I  
18 think you're going to get presented one. I'm sure  
19 the rest of the Cabinet is, too, to represent the  
20 loss of some of our birds and some of our turtles  
21 and fish and wildlife.

22 And obviously we've been fortunate that we  
23 haven't had more loss in our state, but we have had  
24 loss. And as I understand it, Director Sole, every  
25 one of the animals and birds that are lost has a

1 value that's already set forth.

2 MR. SOLE: Absolutely.

3 ATTORNEY GENERAL McCOLLUM: So you're working,  
4 or Fish & Wildlife is, to document every animal or  
5 every creature that has that value and has been  
6 lost. Now, that never can say we're replacing  
7 those, but certainly we know what the damages are  
8 for each one already. Am I correct?

9 MR. SOLE: Correct, General.

10 ATTORNEY GENERAL McCOLLUM: But I accept what  
11 the CFO suggests, Governor. I think it's a good  
12 suggestion. We ought to look into it.

13 GOVERNOR CRIST: Yes, sir.

14 CFO SINK: Governor, I just did want to comment  
15 that we passed out this -- this is reported in the  
16 news this week, that this Oxford Economics made a  
17 report -- it's prepared by the U.S. Travel  
18 Association -- about the potential impact upon the  
19 tourism industry in the Gulf. And some of the  
20 numbers were pretty stunning.

21 And, Commissioner, I hope that it's an  
22 overreaction. But that being said, I would like to  
23 ask that, Governor, you have one of the State's  
24 economists review this report, which was widely  
25 reported on, and determine -- make an evaluation of

1           whether or not we believe that the potential impact  
2           on the Florida tourism economy -- they were throwing  
3           out numbers as high as \$20 billion over three  
4           years -- is accurate, because if it could be, then I  
5           believe we're going to have to go back to BP and ask  
6           for a pretty significant marketing budget to  
7           overcome these potential impacts.

8           GOVERNOR CRIST: Absolutely. Thank you.

9           MR. SOLE: Thank you, Governor.

10          GOVERNOR CRIST: Anything else for us,  
11          Secretary?

12          MR. SOLE: No, sir.

13          GOVERNOR CRIST: Thank you very much.  
14          Appreciate it.

15          ATTORNEY GENERAL McCOLLUM: Governor?

16          GOVERNOR CRIST: Yes.

17          ATTORNEY GENERAL McCOLLUM: I know that when  
18          you go into SBA in a minute, Commissioner Bronson  
19          will depart us. And before we do that, we had a  
20          moment of silence for Admiral Collins a moment ago.  
21          I think all of us were shocked and stunned by it. I  
22          just can't walk away from here today, and I doubt  
23          any of us want to, without acknowledging our own  
24          personal loss in this, to his family, to everybody  
25          connected with the Department of Veterans' Affairs.

1           Admiral Collins in some ways was overshadowed  
2 by his dad, who was of course former governor of our  
3 state. But Admiral LeRoy Collins, Jr., was a  
4 tremendous military officer, had a terrific record  
5 in serving our country, our nation, and now he's  
6 come back and was serving our state so well.

7           I'm moved by it this morning because I know how  
8 deeply he felt about the veterans of the state that  
9 he served. And he was a gentleman in every perfect  
10 way. He would come here and present things to us in  
11 a way that was humorous often, but gentlemanly,  
12 gracious. And yet he had this determination about  
13 him that said, I'm going to get this job done for  
14 the veterans.

15           And I know the new nursing facility that he's  
16 worked so hard on that we have now coming up and  
17 being a reality is a great tribute. And I don't  
18 know what the plans were for naming it, but I'd say,  
19 you know, just off the top of my head that I hope  
20 that whoever has that responsibility, us or the  
21 legislature, they would consider naming that  
22 facility after him because he is -- he's left a  
23 great legacy, and he's going to really, really be  
24 missed.

25           And I know I share that feeling. I'm sure you

1 do, too. I just didn't want us to walk away without  
2 saying that we send our prayers. God has his own  
3 hand for each of us, but losing him today has been  
4 very significant to me and I think to everybody here  
5 on the Cabinet.

6 GOVERNOR CRIST: Well said, General. It's a  
7 significant loss to all of us that knew him, had the  
8 privilege to know him. And I think it goes without  
9 saying, but I'll say it anyway, that the Collins  
10 family in Florida is synonymous with public service.  
11 And the admiral was an outstanding public servant,  
12 did a tremendous job at the Department of Veterans'  
13 Affairs, as you noted. And as Governor, of course,  
14 one of the greatest governors in the history of our  
15 state, if not the greatest. And it's just a  
16 tremendous loss and a great sadness for all of  
17 Florida.

1 GOVERNOR CRIST: With that, SBA. Morning, Ash.

2 MR. WILLIAMS: Good morning Governor, Trustees.

3 GOVERNOR CRIST: Yes, sir.

4 MR. WILLIAMS: If I may, I'd like to give you  
5 four quick updates before we start into our agenda.

6 GOVERNOR CRIST: Of course.

7 MR. WILLIAMS: The first item is we are  
8 releasing this morning final numbers for the fiscal  
9 year ended June 30, 2010. And I think it's of note  
10 that the balance of the Florida Retirement System  
11 Trust Fund at that date was \$109.34 billion.

12 What's perhaps of greater note is that our  
13 total fund performance net of all costs for that  
14 period was 14.03 percent. That is 251 basis points  
15 ahead of our target. Seven of our eight asset  
16 classes outperformed their target. And that level  
17 of outperformance to our benchmark is the greatest  
18 margin of outperformance at the State Board of  
19 Administration in 25 years. So I think the fund is  
20 doing well.

21 GOVERNOR CRIST: Thank you, sir.

22 MR. WILLIAMS: Secondly, updating as of last  
23 night's close, year to date, the FRS Trust Fund  
24 balance is up to \$114.6 billion. It is up 2.98  
25 percent year to date, that's calendar year to date,

1 and 84 basis points -- I'm sorry. Yes, that is  
2 calendar year to date, yes. And that's 84 basis  
3 points ahead of target. So unless there are any  
4 questions on those two points, I'll move on.

5 ATTORNEY GENERAL McCOLLUM: One question, if I  
6 could, Governor. How close are we to being fully  
7 funded these days? I know people look at us this  
8 way and they say -- you know, one time, when I came  
9 aboard, we were 110, 115 percent, when I first  
10 became attorney general. And then, of course, we  
11 had this tremendous loss and recession and so forth,  
12 and we've been working our way back. Where are we  
13 now? Can you give us an idea, Ash?

14 MR. WILLIAMS: I can't give you any hard  
15 numbers on that, General. That data is a function  
16 not only of investment information and asset  
17 information, which we are intimately familiar with  
18 on a daily basis, but it's equally dependent upon  
19 the cost side of the equation. And we don't have  
20 control of that. And the rate at which analytical  
21 data is captured on that is basically an annual  
22 rate, when the revenue -- not revenue -- the  
23 actuarial estimating conference takes place in the  
24 fourth quarter of the year.

25 ATTORNEY GENERAL McCOLLUM: So we will know

1           that number before the end of the year or not?

2           MR. WILLIAMS: Yes, I think we will. And I  
3 think -- I would say this. I think there's every  
4 indication that our funding, certainly relative to  
5 all other states, will continue to be quite strong.  
6 And relative to the general threshold that's  
7 considered actuarial health, which is a funding  
8 ratio of at least 80 percent, we will significantly  
9 exceed that. There's no doubt in my mind about  
10 that.

11           The other thing I would offer up is that  
12 Standard & Poors, in the first week in July,  
13 released their current report on the funding status  
14 of state pension systems, using the most recent data  
15 that is comprehensively and uniformly available for  
16 all states. And that data showed Florida's funding  
17 level moving up in rank from fourth to second of all  
18 the 50 states.

19           ATTORNEY GENERAL McCOLLUM: I know you don't  
20 have a figure and you can't tell us, but just with  
21 this earning performance and all, would I be out of  
22 line to suspect that the funding level is 90 percent  
23 or so by now? Do you think it's gotten that high?

24           MR. WILLIAMS: It could be. I think it's  
25 probably slightly lower than that. And the reason

1 is the cost picture, because there were some changes  
2 there, and I think the legislature is in the  
3 process of --

4 ATTORNEY GENERAL McCOLLUM: But we're number  
5 two, according to the ranking.

6 MR. WILLIAMS: As of the latest data, yes.

7 ATTORNEY GENERAL McCOLLUM: Very good. Thank  
8 you.

9 MR. WILLIAMS: The third item I wanted to offer  
10 an update on is that in our continuing effort to  
11 improve our policies in all areas, we've asked the  
12 Groom law firm, which is our outside fiduciary  
13 counsel, to conduct a review of all of the  
14 safeguards and disclosure requirements we have  
15 surrounding the process of acquiring and disposing  
16 of assets and to give us an analysis of how our  
17 policies compare to our peers around the country and  
18 around the world, and to the extent there are areas  
19 where we can improve to achieve best practice,  
20 please identify those and we'll move forward.

21 So we've asked that that analysis take place.  
22 It's been underway now for several weeks. And they  
23 will be reporting to our audit committee when their  
24 report is ready. Likewise, we have as part --

25 CFO SINK: Excuse me, Ash. When do you think

1           that will be?

2           MR. WILLIAMS: The next audit committee meeting  
3           is on the 5th of August. I don't know that it will  
4           be ready by then. I don't think it will.

5           CFO SINK: But the law firm hasn't given you an  
6           indication yet of --

7           MR. WILLIAMS: No. We don't have a hard  
8           indication.

9           CFO SINK: Are we talking weeks or months or  
10          years?

11          MR. WILLIAMS: I think we're talking weeks.

12          CFO SINK: Okay, good.

13          MR. WILLIAMS: They're moving along nicely, and  
14          they've given some preliminary indications, but we  
15          haven't received anything in writing.

16          CFO SINK: And excuse me. I'm sorry to prolong  
17          this, but this is important. Will they be giving us  
18          an indication of what other states and large pension  
19          funds, what their practices are so that we can  
20          compare?

21          MR. WILLIAMS: I think what -- I don't know  
22          that they will catalog what the practices of all the  
23          other states are. But what they will do is give us  
24          an affirmative statement of their assessment of the  
25          quality and comprehensiveness of our provisions

1 relative to those of peers.

2 CFO SINK: Okay. Thanks.

3 MR. WILLIAMS: And my thinking on that would  
4 be, at the appropriate time, to have our general  
5 counsel report directly to you as trustees on that  
6 subject.

7 The other thing we've done is that as part of  
8 our annual audit work plan for our internal audit  
9 unit, which reports to the audit committee, we had  
10 had in the work plan for fiscal '10-'11 a review of  
11 personal investment activity compliance. And I've  
12 asked the audit committee to consider moving up the  
13 priority and time frame within which that audit is  
14 accomplished and also to do so using an external  
15 audit firm.

16 We've engaged Ernst & Young to do the external  
17 audit for the financials we're preparing for the  
18 Florida Retirement System and the Florida Investment  
19 Fund for this year, so we can have them do this as  
20 part of that engagement. That will be addressed by  
21 the audit committee on the 5th of August.

22 But, again, we want to make sure that we're  
23 sending the signal that we're -- we recognize, CFO,  
24 as you said, how important these areas are. We want  
25 to be best in breed and we want to be very

1 transparent about demonstrating that we're best in  
2 breed, so that's why we're taking these actions.

3 The fourth item I wanted to touch on is that we  
4 have -- you know one of the issues that I've spoken  
5 about repeatedly is human capital risk at the Board.  
6 We have -- one of our senior folks has retired,  
7 Bruce Meeks, our inspector general. And we have  
8 another senior officer, Gwenn Thomas, our chief  
9 operating officer, who has made known her intention  
10 to retire in the not too distant future.

11 These are both outstanding professionals, both  
12 of whom we would have been delighted to have for  
13 many more years. But sometimes, when people have  
14 large numbers of years in public service, they elect  
15 to go on and do new things with their lives and meet  
16 other priorities with their time. So we thank both  
17 of them for their service. We especially recognize  
18 Bruce, who has already retired, for the monumental  
19 effort he undertook to complete all the projects he  
20 was working on before he left. And he also helped  
21 us in developing the position description and  
22 requirements for successor candidates.

23 We advertised that position on the 18th of  
24 June. It closed on the 2nd of July. We're  
25 fortunate to have a number of highly qualified

1 applicants. I'm sorting through those now and  
2 determining who we should interview and who we  
3 should have involved in the interviewing process so  
4 that we make a good decision.

5 This is a very, very important role, and it's  
6 important that we get a tremendously strong person  
7 with absolutely unassailable ethics, reputation and  
8 capabilities in that job. So I want you to know  
9 we're paying close attention to that.

10 CFO SINK: Ash, you're right, it is a very  
11 important position because in many respects they  
12 report independently out of you, can report directly  
13 to the board members. And I'd like to have our  
14 staff involved, not maybe in the prescreening  
15 process but certainly when you get down to the  
16 finalists, I would like to have our staff have the  
17 opportunity, if not myself, to interview some of the  
18 people and make it clear that they do have a direct  
19 line into the -- directly into the board members.

20 MR. WILLIAMS: Agreed, agreed. I think that's  
21 one where the stronger the selection process is, the  
22 more credible the final selection is, and that  
23 serves everyone to the greatest degree.

24 The COO position, we're still working on that  
25 one and coming into the market with advertising.

1 That's going to be a tricky one from the standpoint  
2 that the individual, Gwenn Thomas, who has been in  
3 that role, is uniquely qualified in that she has  
4 been at the Board for so long and is a CPA and has  
5 expertise in so many areas. Whether or not we can  
6 find another person that has the remarkable Swiss  
7 Army knife, all-in-one capability that Gwenn offers,  
8 I don't know.

9 So we'll see what turns up on in the net. And  
10 if we have to split that position into a CFO/COO,  
11 we'll look at that option. But we'll do the best we  
12 can and come at it as thoroughly and efficiently as  
13 we can. So unless there are questions on those  
14 items, I'll go ahead and leap into the agenda.

15 Item 1, request approval of the minutes of our  
16 27 April and May 11, 2010 meetings.

17 ATTORNEY GENERAL McCOLLUM: So moved.

18 CFO SINK: Second.

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

21 MR. WILLIAMS: Item 2, request approval of a  
22 fiscal determination for the issuance of an amount  
23 not exceeding \$10 million Florida Housing Finance  
24 Corporation Multifamily Mortgage Revenue Bonds.

25 CFO SINK: Move it.

1           ATTORNEY GENERAL McCOLLUM:    Second.

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

4           MR. WILLIAMS:   Item 3, another fiscal  
5 determination, request approval for the issuance of  
6 an amount not exceeding 5.535 million Florida  
7 Housing Finance Corporation Multifamily Mortgage  
8 Revenue Bonds.

9           CFO SINK:   Move it.

10          ATTORNEY GENERAL McCOLLUM:    Second.

11          GOVERNOR CRIST:   Show it approved without  
12 objection.

13          MR. WILLIAMS:   Item 4, request approval of the  
14 SBA quarterly report required by the Protecting  
15 Florida's Investments Act.   Just in summary, if you  
16 take a look at the -- I guess it's Tab 4 on this  
17 one, essentially with regard to Sudan, there is some  
18 moving around of companies across the different  
19 classes of oversight.   There's nothing material  
20 there, no real change in exposure there.

21                 In Iran, however, I would draw your attention  
22 to the fact that we have added one company, GAIL  
23 Limited, to the scrutinized list for Iran this  
24 quarter.   That, I think, is of interest for the  
25 simple reason that we actually have a holding in

1 GAIL. It's not big. It's not material. But  
2 nonetheless we do have a holding.

3 So what we will do is if this item is approved  
4 today, we will contact GAIL, advise them that absent  
5 their ability to satisfy us that appropriate steps  
6 are taken for them to be moved out of this category  
7 of scrutiny, that we will divest that holding in no  
8 more than 12 months from today's date.

9 What has been the experience in the past is  
10 that when we advise companies that they have crossed  
11 the line here, we're usually not the only people  
12 doing that, management does tend to pay attention,  
13 take actions and remedy whatever the actions or  
14 exposures are that have landed them on this list in  
15 the first place.

16 So we will see how that goes. Mike McCauley,  
17 who manages this program on a daily basis, is here  
18 if you have further questions.

19 ATTORNEY GENERAL McCOLLUM: If I might,  
20 Governor.

21 GOVERNOR CRIST: Sure.

22 ATTORNEY GENERAL McCOLLUM: I just want to  
23 comment that this is an extremely effective program,  
24 apparently, and it's one that I know I supported  
25 back several years ago, and it's very, very crucial.

1 I realize that at the time, many of the  
2 professionals in the agency were concerned about it.  
3 But it sounds to me like it's working and it's not  
4 been terribly disruptive of our ability to have  
5 earnings.

6 Am I correct, the bottom line is fine, and  
7 we're doing this without any real difficulty to what  
8 we do and the way we invest?

9 MR. WILLIAMS: You are correct, General. And  
10 the ultimate distillation of that is not only have  
11 several companies responded to direction from the  
12 investment community to change their practices to  
13 get out of the scrutinized category that would in  
14 turn lead to divestiture of their assets, the net  
15 effect of this activity over time on the fund has  
16 been de minimis. So --

17 ATTORNEY GENERAL McCOLLUM: Good.

18 MR. WILLIAMS: The main concern that investment  
19 professionals have about any overlay of this nature  
20 is that you'll end up losing return as a  
21 consequence, and that has not been the case.

22 ATTORNEY GENERAL McCOLLUM: I guess all of  
23 us are and I certainly am glad to see my position  
24 justified or corroborated. I would move Item 4.

25 CFO SINK: Second.

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

3           MR. WILLIAMS: Thank you. Item 5, request  
4 approval of a draft letter to the Joint Legislative  
5 Auditing Committee affirming that the SBA Trustees  
6 have reviewed and approved the monthly LGIP  
7 management summary reports and taken actions, if  
8 any, to address material impacts. There are no  
9 material impacts. The reports are attached.

10          ATTORNEY GENERAL McCOLLUM: Move Item 5.

11          CFO SINK: Second.

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

14          MR. WILLIAMS: Thank you.

15          GOVERNOR CRIST: We stand adjourned. Thank  
16 you.

17          (Whereupon, the meeting was concluded at 11:05  
18 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 3 through 100,  
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 16th day of August 2010.

\_\_\_\_\_

JO LANGSTON  
Registered Professional Reporter