STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR AND CABINET

CABINET MEMBERS: GOVERNOR RON DESANTIS
ATTORNEY GENERAL ASHLEY MOODY
CHIEF FINANCIAL OFFICER JIMMY PATRONIS
COMMISSIONER OF AGRICULTURE NIKKI FRIED

DATE: APRIL 2, 2019

LOCATION: CABINET MEETING ROOM
LOWER LEVEL, THE CAPITOL
TALLAHASSEE, FLORIDA

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PROCEDINGS

GOVERNOR DESANTIS: Good morning. Good morning and welcome to the April 2nd meeting of the Governor and Cabinet. Before we get started, I'd like to welcome Chaplain Rick Spence to lead our invocation. Please remain standing after the invocation for the Pledge of Allegiance to be led by the Joint Fire Honor Guard.


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HURRICANE MICHAEL UPDATE

GOVERNOR DESANTIS: Do you want to give -- are you going to give an update about --

DIRECTOR KARELS: Yes, Governor, General Moody, CFO Patronis.

A real quick update on the fire yesterday -- over the weekend. The 2297 Allen Road Fire is what it was called, Bay County. Relatively dry but not, not dry; so normally this would not be an issue. This fire ended up being, as the Commissioner said, almost 700 acres.

We had to move in tractors from most -- around the Panhandle of Florida, heavy tractors. We had over 20 dozers in there. We had a helicopter we pulled in from Pensacola; we had fixed wing. The Bay County Fire Rescue was critical with us, and they had 25 engines as well.

It turned into a fire that was evacuations, significant threats, and a big deal that last year -- if I'd say one year ago I'd step back in time and the same conditions, same spot, this fire would have been a two-tractor, as we call it, a two-tractor fire that maybe took one or two hours, and we would have contained it put it out.
And this is the blow-down -- this is Hurricane Michael in a time when it's not bad yet. The next three months in Florida has the potential -- the forecast isn't for significant dry weather, but every year during this time, we go into our dry spells. And a normal fire season in the Panhandle of Florida will not be normal.

The catastrophic events that could occur are huge. We can't access these fuels, a hundred tons per acre on the ground. And we're really limited to pulling back to structures and homes and trying to do the best we can. It is -- it will be a big deal, and it will be this year, and it will be in the future.

We're preparing. We're working with your emergency management; we're working with our federal and state counterparts. And we're notifying our other states as we look at what we may have to do. But this is kind of a precursor to what I'm worried will come in the next three to four months in the Panhandle.

GOVERNOR DESANTIS: Is there anything that the Federal Government can do that they're not doing?

DIRECTOR KARELS: They can pass a hurricane
disaster supplemental, which would be huge as we --
we need to be able to break these fuels up -- there
are three million acres almost of contiguous fuels
like that -- and start to break them up, start to
get them cleaned up. The salvage is about done,
that's helped some; but that maybe is 10, 15
percent, somewhere in there, of the total volume
that's down.

The area that this fire was in was not
salvaged, and it was hot. And it was a bad fire
when you think about it wasn't that dry.

Yes, they can, and we're looking at options.
We're talking to your emergency management. We're
looking at different options. We need the state;
we need FEMA; and we need the Federal Government to
help on this.

GOVERNOR DESANTIS: All right. Well, if
they're -- I mean, obviously, the Congress, you
know, is -- you know, should move that bill.

And actually the Panhandle -- I mean even with
that money is not a lot compared to what other
storms, you know, have gotten. I mean it's -- and
this was, you know, our biggest storm since Andrew,
so I hope they do that quickly.

But on the administrative and the executive
branch side, if there's anything that they can be
doing more or if there's any other button that we
need to push, you know, let us know because we'll
work -- we'll work to get that done. And I think
that's a priority because, you know, this is a
really, really serious threat.

DIRECTOR KARELS: Working with the
Commissioner, we'll work closely with you. And we
may need to push a button or two as we advance with
FEMA and within the USDA and the U.S. Forest
Service from the federal end, and then working very
closely together with our local partners will be a
key.

It's just -- it's a situation where a lot of
what you need the state doesn't normally have for
this type of firefighting effort.

GOVERNOR DESANTIS: Does anyone have any other
questions?

COMMISSIONER FRIED: No.

CFO PATRONIS: Just to add, Jim, thank you for
your team's leadership.

Commissioner, thank you for your support.

Everybody knows Bay County is my hometown, but
this is exactly why we wanted to get an update a
couple of Cabinet meetings ago from Jim. I told
Jim yesterday his report of that 1.8 million acres of downed timber, it just got me nauseous. And this is just a precursor of what I fear we're going to see.

I pray for your team. It's going to be a long summer.

DIRECTOR KARELS: And I hope this will be the last time that I make you nauseous when I give a presentation.

CFO PATRONIS: Me too, me too.

Thank you, Governor.

GOVERNOR DESANTIS: Great. So has there been a motion to adopt the resolution?

CFO PATRONIS: So move.

GOVERNOR DESANTIS: Okay. Second?

ATTORNEY GENERAL MOODY: Second.

GOVERNOR DESANTIS: All right. Show the resolution adopted without objection.

COMMISSIONER FRIED: And, Governor, can we actually present the resolution?

GOVERNOR DESANTIS: Sure.

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ADMINISTRATION COMMISSION

GOVERNOR DESANTIS: All right. Next I'd like to welcome Mark Kruse with the Administration Commission. And you're going to give us an update on the application process?

EXECUTIVE DIRECTOR KRUSE: Yes, sir. Good morning.

We have one item on the agenda, which is a report and discussion on the process for filling the position of Chief Judge/Executive Director of the Division of Administrative Hearings.

The Commission has received two resumes as of this date from John MacIver, who is Deputy General Counsel in the Executive Office of the Governor; and Kristin Bigham, who is Assistant Deputy General Counsel at DEP.

As discussed at the last meeting, the two options which were authorized were to: One, extend the application process to allow filing of additional applications; or close the application phase now and discuss the plan for public interview.

And those are the two options before the Administration Commission this morning.
GOVERNOR DESANTIS: Does anyone have any comments?

COMMISSIONER FRIED: Governor, I’ve got a question. How were these -- how was this position advertised? Was it -- did it go out? Was it on our website? Was it on People’s First?

EXECUTIVE DIRECTOR KRUSE: Governor.

Yes, ma’am, it was on the Cabinet website. It was reported in the media, and so it’s been available for folks to make application for.

COMMISSIONER FRIED: It was -- from my understanding, that when they actually went onto the People First website and saw the opening and they clicked on it, it actually went to a page that said there was no openings for this position; that there seemed to have been a technical glitch of some sort.

EXECUTIVE DIRECTOR KRUSE: I think what you may be referring to is the DOAH website would not necessarily indicate an opening there because it’s done through the Administration Commission. So it was advertised on the Administration Commission’s website as this is where you would file your resume and cover letter.

CFO PATRONIS: I'm happy to make a motion to
close the application process if you'd like, sir.

GOVERNOR DESANTIS: Whatever you guys want.

CFO PATRONIS: I'll move we close the
application process with these two candidates.

GOVERNOR DESANTIS: Is there a second?

ATTORNEY GENERAL MOODY: Was there -- was
there a place on the -- if I may Governor, I'm
sorry. I should have inquired previously.

GOVERNOR DESANTIS: Go ahead.

ATTORNEY GENERAL MOODY: You said in one
particular website where the people may have
expected it to be advertised, did it indicate it
was listed somewhere else?

EXECUTIVE DIRECTOR KRUSE: I would have to
look into that. I'm not sure about what that site
said. I know that the Administration Commission
website clearly indicated that this was an opening.
It was discussed here and was reported. So that
was the process that was in place.

ATTORNEY GENERAL MOODY: And were there other
places where it would be clear where an applicant
would go to apply?

EXECUTIVE DIRECTOR KRUSE: I believe it was
advertised as it should be on the Administration
Commission website.
ATTORNEY GENERAL MOODY: And that's how it's normally done and has been done historically?
EXECUTIVE DIRECTOR KRUSE: Yes, ma'am.
ATTORNEY GENERAL MOODY: So there was nothing out of the ordinary with this application process as it has been done historically?
EXECUTIVE DIRECTOR KRUSE: That is correct.
ATTORNEY GENERAL MOODY: Okay. I would second the motion.
GOVERNOR DESANTIS: Okay. Show the motion is adopted. So we will consider that.
I think the members -- Cabinet members can interview both of the candidates, and we'll probably go forward at the next Cabinet meeting and try to select somebody.
CFO PATRONIS: Sounds good.
GOVERNOR DESANTIS: Okay?
EXECUTIVE DIRECTOR KRUSE: Thank you. That concludes the agenda.
GOVERNOR DESANTIS: Sure.

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GOVERNOR DESANTIS: All right. Next I'd like to welcome our DEP Secretary, Noah Valenstein, to present the Board of Trustees' agenda items.

SECRETARY VALENSTEIN: Good morning, Governor DeSantis, General Moody, CFO Patronis, and Commissioner Fried.

For today's meeting, we have four items on the Board of Trustees agenda.

Item 1 is consideration of a conveyance of a 6.64-acre parcel of filled, formerly submerged sovereignty land in Palm Beach County.

GOVERNOR DESANTIS: Is there a motion on the item?

CFO PATRONIS: So move.

GOVERNOR DESANTIS: Second?

ATTORNEY GENERAL MOODY: Second.

GOVERNOR DESANTIS: Any comments or objections?

(NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion carries.

SECRETARY VALENSTEIN: Thank you.

Item 2 is consideration of an option agreement
to acquire 160 acres within the Itchetucknee Trace
Florida Forever Project in Columbia County from
Bar D Ranch Partnership for $518,400.

The parcel will preserve and protect the
quality and quantity of water flowing into the
Itchetucknee Springs. It actually is over an
historic trace that is now a dry run but with a
water connection underneath the land and in a key
area designated for protection.

And the Department recommends approval.

GOVERNOR DESANTIS: Is there a motion?

CFO PATRONIS: So move.

GOVERNOR DESANTIS: Second?

ATTORNEY GENERAL MOODY: Second.

GOVERNOR DESANTIS: Any comments or
objections?

(NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion
carries.

SECRETARY VALENSTEIN: Item 3 is consideration
of an option agreement to acquire approximately
5,534 acres within Devil's Garden Florida Forever
project from Alico, Incorporated for $14,775,000.

The acquisition of the parcel will provide
connectivity of a large-scale conservation
landscape adjacent to a wildlife management area
and a state forest, protect biodiversity and
critical wildlife habitat for the Florida panther.
It is also in a key area where we're working on
water quality protection both flowing north to the
Caloosahatchee and south to the Fakahatchee Strand
State Park and Big Cypress.

The Fish and Wildlife Management -- or sorry,
the Florida Fish and Wildlife Conservation
Commission will manage the property as part of
their OK Slough Wildlife Management Area. And FWCC
will coordinate and partner those management
activities with the Florida Forest Service.

And the Department recommends approval.

GOVERNOR DESANTIS: Jimmy.

CFO PATRONIS: Thank you, Governor.

Secretary, I'm curious. On -- this is the
site that's got the hunting camp on it; is that
right?

SECRETARY VALENSTEIN: Yes, there are a few
older structures on the --

CFO PATRONIS: So is there any plans of trying
to utilize those for educational opportunities or
anything? What's going to be done with the assets
on the site?
SECRETARY VALENSTEIN: Sure. If we move forward with acquisition of the property, both appraisals of the property that we got when analyzing those structures said that they were in poor condition and were of no value.

We would always go and take a look and, again, make our assessment, especially as we work on development plans for public access for the property; such that if there's a structure there that we thought, well, you know what, the appraiser may have been thinking, you know, this was going to be a three-bedroom house as opposed to here we could add a little more money to it and make it part of a visitor parking center or an education center or something like that. We will always look at that, but the information we have right now suggests that all three structures are not of any value.

CFO PATRONIS: Okay. All right. Thank you. Thank you, Governor.

GOVERNOR DESANTIS: I noticed the price that was agreed upon was, I think, about 92 percent of the appraised value; and it's been a number of years, I think, since, you know, we've paid more than 90 percent. And so is that -- is this a good
deal for the State of Florida, and why do 92 when most of these other acquisitions were 90 or below?

SECRETARY VALENSTEIN: Sure, and great question, Governor.

So if you'll look, we have two appraisals. Anytime we're looking at a million dollars or more, we'll always have two appraisals: One at 16,050,000; and then the second one by Williams as the appraiser at 15,500,000. And so our internal review of both appraisers' appraisal reports, we felt like they were very good reports, went through them in detail. And that report issued to us saying that -- approving the higher appraisal as the valid price and approved value of the property. Our purchase price is $14,775,000, so lower than even the lowest appraisal we have, as you reference, that 92 percent of that low appraised value.

We as an agency always look to get the absolute best deal for the Board of Trustees possible. Our hope is that we'll bring you items at 78 percent, 76 percent.

Certainly we look to stretch the dollars as far as we can go, but at the same time, we also only focus on those properties that we believe are
going to be of strategic value to the state and add upon the resources we already have here.

GOVERNOR DESANTIS: Right.

SECRETARY VALENSTEIN: And so when we see a property that's of credible value, we do our best to negotiate it down as far as possible.

You're right, it's rare that you'll see anything from us above 90 percent. This is one of those instances where as tough as our negotiators are and as good as Callie is, she got to what I think is a great price, again, lower than the lowest appraised. Because of the value of the property, we thought it was worth bringing to you; and certainly I would recommend acquisition and believe it is a very good price on the property.

GOVERNOR DESANTIS: And so this will serve Florida's interest? I mean you touched on it a little bit. But why would this be a good deal for Florida?

SECRETARY VALENSTEIN: Sure.

So when you look in this section of Florida and you have a wildlife management area next to a state forest, next to lands bought by the water management district, next to -- and there will be lands that this individual, I'm sure, will continue
to hold for generations that have a wetland program on it. And so you start seeing this mosaic of strategic acquisitions and partnerships which are providing a broad area of protection, both for ensuring that we've got that natural wetland function -- it's much, much easier for us to protect water quality going south into Big Cypress, in Fakahatchee, down to Ten Thousand Islands; and also up, going to the Caloosahatchee, when we have this green infrastructure in place.

And so the thing that I always focus on is: Is an acquisition adding to what we already have, right? Have we not just bought a good piece of property, but does it have a cumulative impact when compared with our current asset?

So in this instance, we're acquiring right next to the water management -- sorry, the wildlife management area and the state forest, and we're helping to create this string of properties that both provide habitat connectivity for the panther, but also this swath now of large green infrastructure that guarantees that we'll have that wetland function in place.

We're privileged now to have some really large landowners within Florida, many matriarchs and
patriarchs that still have cherished and preserved these significant tracts, tens of thousands of acres. Fifty years in the future, it is unlikely that we will still have those large tracts locked up or large sort of families that still have 10,000, 50,000, 80,000 acres at a time that we can work with to protect that green infrastructure.

So for all of those reasons, we thought that this was a strategic acquisition. But we're always open for questions of: How does that fit in contextually? You know, so I think it's perfectly valid and appreciate the comment of: Hey, Noah, take a big picture. We would actually like to see all of southwest Florida and, you know, show us more clearly how this is building upon prior investments.

CFO PATRONIS: One quick question, sir.

Noah, and this dialogue now stimulated an experience I had. I was driving through southwest Florida. The water management district had acquired some real estate, and I was driving with a local fire chief; and one of the points that we're bringing up is as the property then goes from private hands into public hands, into the water management district in this particular case, the
maintenance and upkeep is overhead that, when somebody owns it, they take care of it. Now the water management, the state has got to take care of it.

So the two questions I've got -- I mean there's -- Hendry County is a poor county. We're going to take 5,500 acres off the tax rolls, so I don't know what fiscal impact that has to the county that we're going to ultimately have to kind of supplement, but then what type of overhead does your agency have to deal with when it comes to acquiring five thousand plus acres for just the safety and -- fire safety needs and all that?

SECRETARY VALENSTEIN: Sure, absolutely an important question.

First I would say, anytime any member of the Cabinet, any individual in Florida sees property maintained by the state that they don't believe is up to standard, please call me directly. Nothing chaps me more than seeing property that we've brought in for state stewardship and see it decreasing in value as opposed to improving in value, right? Because I a hundred percent agree.

Management of our state properties is one of the best ways to improve the overall value of what
we hold as a state, just as strategic acquisitions creating linkages for wildlife to move through so, too, can you improve the value of what we hold by good management.

So I'm committed to that; and, please, those are one of the calls that -- I understand you may be angry at the time when you call and you have the property in sight, but I want to hear that and make sure we fix it, because the managers we have take great pride.

And so what we did in this instance was, and what we normally do, is contact the state agency that is in conjunction, you know, he's either the neighbor, to say: Are you interested in helping with management? And so that's what we did in this instance.

As we were working through the negotiations, we said: We think we've got a good piece of property, it's been managed well; we have high expectations of how it's being managed. We had a wildlife management area next door, along with a state forest; and so FWCC was willing to take on the management and said they had the resources, said that because of the effort they're already putting in immediately adjacent to the property,
that they would be able to provide the same level of service, along with the State Forest Service being willing to provide assistance, too.

And so because of that and because of having those managers right next door and already with a large tract that they have the resources for, we felt comfortable with it. But you're right, that was a question that we asked. We have letters in the file from it, because it is something that we want to make sure we have a reporting and that it was taken seriously when we ask are you willing to be good stewards for this property.

COMMISSIONER FRIED: Noah, just -- since this is a new Board of Trustees on these issues, can you explain kind of the history and where the project is? Is this part of the bigger project of the Devil's Garden? If you can kind of say -- give a little bit of a history, historical background and why this particularly is part of, you know, some critical areas of our natural preserves.

SECRETARY VALENSTEIN: Sure.

So if you, you know, look in your backup materials, you'll have maps of the property. Probably the last map gives you the broadest view of it.
And so the properties adjacent to it -- so if you look at the last two maps in your packet, the second to last shows you the location of what I'll refer to as the OK Slough, a wildlife management area adjacent to it, along with the OK Slough State Forest.

And those were purchased recognizing that, again, this is one of the areas of Florida where you've had land in one hand or in just a few hands in large tracts, and so you actually get to see property that's been both managed well but is in close to an historic state as possible. It's a really rare opportunity in Florida in this area.

It also -- that western side protects the Slough moving south down into Picayune Strand -- sorry, Fakahatchee Strand State Park and Big Cypress, and so critical areas for water quality going into the tip of Florida. The protection of Fakahatchee Strand and Big Cypress alone we believe was a valid and very important reason to move forward with that.

To the east of the property in consideration, you see the Western Everglades Restoration Project, which is that large green crosshatched area, as
well as property of the Big Cypress Seminole Indian Reservation. And the remainder of the Alico property that's outlined in red, you have wetland projects on; you have water management district looking at a possible dispersed project on the eastern side.

And so as a whole, you can start seeing that this area is where we're locking up, either through easement, through outright purchase, or through -- just for storage projects to ensure, again, a hundred years down the road, as we look to future generations, will they be able to enjoy in their effort to ensure that they're making our resources in Florida sustainable for their next generation. What assets will they have to do that? What tools will they have to do that?

Certainly we believe one good goal down in this area is that they've got some substantial green infrastructure preserved to do that with working landscapes intertwined with it. Is that --

COMMISSIONER FRIED: Thank you.

GOVERNOR DESANTIS: Anybody else?

(NO RESPONSE).

GOVERNOR DESANTIS: Okay. Well, I think that you did a good job explaining why you think it's in
Florida's interest. So at this point, is there a motion on the item?

ATTORNEY GENERAL MOODY: I would move to approve the Devil's Garden Florida Forever project listed in Item 3.

GOVERNOR DESANTIS: Second?
COMMISSIONER FRIED: Second.
GOVERNOR DESANTIS: Okay. Any comments or objections?
(NO RESPONSE).
GOVERNOR DESANTIS: Hearing none, the motion carries.

Item 4.
SECRETARY VALENSTEIN: Thank you.
And for the last item for the Board of Trustees, we'd hand over to the Division of Aquaculture.

GOVERNOR DESANTIS: Is there a motion on the item?
COMMISSIONER FRIED: So moved.
GOVERNOR DESANTIS: Second?
CFO PATRONIS: Second.
(NO RESPONSE).
GOVERNOR DESANTIS: Any comments or objections?
(NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion carries.

Thank you, Secretary.

SECRETARY VALENSTEIN: Thank you.
GOVERNOR DESANTIS: All right. Ben Watkins, you're up.

EXECUTIVE DIRECTOR WATKINS: Good morning, Governor, Cabinet members.

Item 1 are minutes of the March 12th meeting.

GOVERNOR DESANTIS: All right. I move to approve.

Is there a second?

ATTORNEY GENERAL MOODY: Second.

GOVERNOR DESANTIS: Any comments or objections?

(NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion carries.

EXECUTIVE DIRECTOR WATKINS: Item Number 2A and B are reports of award.

2A is slightly different from what you will normally see from us, Governor. It is a -- it was a refinancing and new-money issue for FAMU for a dormitory project, and we utilized a program through the U.S. Department of Education for historically black colleges and universities, so we restructured the debt.
This transaction has been in the works for 18 months, two years from now; and it does two things: It restructures the debt that they currently have outstanding to give them cash flow sufficient to do significant deferred maintenance on their housing system out there because it was in deplorable condition, and they have -- they're closing three dorms. And then a $70 million new-money piece for 700 beds.

So this was a transaction that we worked -- so it developed a comprehensive solution for their housing issues at FAMU by both providing new beds as well as creating financial flexibility to deal with their deferred maintenance needs.

On the refunding piece, we were able to reduce the interest rate from 4.66 to 3.303 percent. And on the new-money issue, it's a drawdown loan; so the money is drawn down as they need money to pay bills for construction of the new 700-bed dormitory.

So it's a little bit unusual. Normally we sell by competitive sale, which is accessing the public markets through a competitive sale. This was very different, and I just wanted to bring that to your attention.
2B is per normal. It was a competitive sale of $438.9 million in PECO Refunding Bonds. The bonds were sold at competitive sale and awarded to the low bidder at a true interest cost of 1.65 percent because it was a very short loan, only went out five years. So we were able to reduce the interest rate on outstanding bonds from 4.98 percent, call it five percent, to 1.65 percent. Generating gross debt service savings of 36.4 million; present value savings of 34.9 million, or 7.4 percent of the principal amount of the bonds being refunded.

Item 3 is an action item for the Board. It is adoption of a resolution authorizing the issuance and competitive sale of 25.7 million for parking refunding bonds for Florida International University for debt service savings.

GOVERNOR DESANTIS: Is there a motion on the item?

CFO PATRONIS: So move.

GOVERNOR DESANTIS: Second?

ATTORNEY GENERAL MOODY: Second.

GOVERNOR DESANTIS: All right. Hearing no objections, the motion carries. It's approved.

EXECUTIVE DIRECTOR WATKINS: And Item Number 4
are resolutions authorizing the issuance and competitive sale of $640 million of PECO Refunding Bonds for debt service savings.

GOVERNOR DESANTIS: Is there a motion?

CFO PATRONIS: So move.

GOVERNOR DESANTIS: Second?

ATTORNEY GENERAL MOODY: Second.

COMMISSIONER FRIED: Second.

GOVERNOR DESANTIS: Any comments or objections?

(NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion carries.

Thank you.

EXECUTIVE DIRECTOR WATKINS: Thank you, sir.

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GOVERNOR DESANTIS: Ash Williams, good morning.

EXECUTIVE DIRECTOR WILLIAMS: Good morning Governor, Trustees, Cabinet members.

A couple of things for you this morning, let's open with an update on investment performance. As of the close on April Fools' Day, the Florida Retirement System Trust Fund is up 3.55 percent for the fiscal year. That's 45 basis points ahead of target. Fund balance is 160.6 billion. That's 200 million above where we started the year net of five to five and a half billion dollars in distributions.

So unless there are any questions about investment performance, I'll go ahead and move into today's agenda.

GOVERNOR DESANTIS: Go ahead.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 1, approval of the February 26 meeting minutes.

Request approval.

GOVERNOR DESANTIS: Move to approve.

Is there second?
CFO PATRONIS: Second.

GOVERNOR DESANTIS: Any comments or objection?
(NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion carries.

Item 2.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 2 is a resolution of the State Board of Administration. It's a fiscal sufficiency approving a bond amount not to exceed 25,700,000, State of Florida, Board of Governors, Florida International University parking facility revenue refunding bonds.

Request approval.

GOVERNOR DESANTIS: Move to approve.

Is there a second?

ATTORNEY GENERAL MOODY: Second.

GOVERNOR DESANTIS: Any comments or objection?
(NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion carries.

Item 3.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 3 is another fiscal sufficiency. This for an amount of bonds not to exceed 640 million
State of Florida full faith and credit, Board of
Education, public education capital outlay
refunding bonds.

Request approval.

GOVERNOR DESANTIS: Is there a motion on the
item?

CFO PATRONIS: So move.

GOVERNOR DESANTIS: Second?

ATTORNEY GENERAL MOODY: Second.

GOVERNOR DESANTIS: Any comments or objection?
(NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion
carries.

Item 4.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 4 is another resolution, this one a
fiscal determination that the State Board would be
making for the Florida Housing Finance Corporation.
This is to authorize an amount -- an issuance
amount not exceeding $450,000,000, Florida Housing
Finance Corporation homeowner mortgage revenue
bonds.

This -- the proceeds of this issue would be
used to finance low, moderate, and middle income
mortgage loans, or possibly to refi prior issues
for that purpose by the Florida Housing Finance Corporation.

GOVERNOR DESANTIS: Is there a motion on the item?

CFO PATRONIS: So move.

GOVERNOR DESANTIS: Second?

ATTORNEY GENERAL MOODY: Second.

GOVERNOR DESANTIS: Any comments or objection?

(NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion carries.

Item 5.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 5 is the annual Florida Hurricane Catastrophe Fund Reimbursement Premium Formula that we need to approve.

Let me give you a little background on this since this is the first time for two of you on this item.

The law requires that the Premium Formula be adopted annually, unanimously by the three trustees of the State Board of Administration. And that action is taken after several requirements of the Reimbursement Formula's construction are met.

The first of those is that it be actuarially
sound. The second is that the rate be certified as actuarially sound by an independent actuary. That actuary is with us this morning, and this is the same firm we've been working with since the very beginning of the Cat Fund. And the Cat Fund has had a very, very strong and positive experience over its years.

This will be the 26th hurricane season for which we have gone through this exercise. And given the standard of approving something as sensitive as a reimbursement formula -- this is essentially the contract between the Hurricane Catastrophe Fund and all the primary insurers who are our clients. We are a wholesale organization, not retail, so we don't deal with individual insureds.

One might think that might be a pretty sensitive exercise, and the bar of reaching unanimous consent on that formula every year would appear to be a very high bar. Yet in no year, in all the years we've been doing this -- and I've done this myself for, gosh, 16 of those years -- we've never had anything less than a unanimous vote. We've never even had what I would call a hard discussion.
Why is that? The reason is that the processes that precede our meeting today provide an extraordinary level of input, transparency, and validation of the recommendation that's before you this morning. So for example, on 19 March, we had two public events: One, a meeting of the Florida Hurricane Catastrophe Advisory Council, a body populated and required by statute to include representatives of virtually all the major constituencies of the Hurricane Catastrophe Fund. They meet in public regularly. They considered the formula and recommended it.

We also had a rule making workshop which, again, is open to the public, noticed, and an opportunity for anyone to raise any issues they may have about the rule. Both of those proceedings went very well, and both of them bring us to the point this morning with the rule before you.

In terms of the impact of the rule and what has changed since the prior -- well, I'll come back to the rule; this is just the formula. The subsequent item is approval to move forward with rulemaking on the formula which, again, provides yet another opportunity -- if any member of the public or any stakeholder in this process has
concerns, there's a rulemaking process there. And we all know the administrative process offers multiple points of attachment for people to be heard.

So what has changed this year? A couple of things: First of all, for the second consecutive year, the actual premium that the Cat Fund -- the underwritten premium the Cat Fund would charge is decreasing a little bit. So the cost of the product per unit is going down a bit, a little north of seven percent; and at the same time, we're seeing insurance companies elect to use more coverage. Insurance companies have a choice. This is not one size fits all.

Companies can buy 45 percent of their reinsurance through the Cat Fund, 75 percent, or 90 percent. It's totally up to them what they do. And what we've seen since last year is a slight increase in what insurance companies are choosing to buy from the Cat Fund. So even though our rate has gone down, there's more product being sold. So the total amount goes up a little bit of what's being spent on the Cat Fund, and that's reflected in the formula.

And I think that illustrates something else
that's really important. The purpose that the Cat Fund was created to fulfill is to be a stabilizing mechanism in Florida's insurance market. Private reinsurance comes and goes, based on where global capital chooses to be.

And the reason the Cat Fund was created was Florida found out the hard way, in the wake of Hurricane Andrew, that when insurers have huge losses in a concentrated geography, and the State of Florida is the biggest wind-risk territory in the world and always has been, then the reinsurance markets may simply say: Wow, we just lost a whole lot of money there; we're done with that game for a while. We're gone. And that's exactly what happened after Hurricane Andrew.

And in an economy like this where we depend still in large measure on real estate development and on our big commercial economy that requires insurance to be functional, that's not an acceptable variance risk for our economy. So the Legislature in its wisdom created this very forward-looking and unique mechanism in our country called the Florida Hurricane Catastrophe Fund.

In these 26 years later, guess what? We've had lots of storms. We went through a 500-year
storm event in '04/'05. The Cat Fund paid out over $9 billion in claims, not a dollar short or a day late on any one of them, and no audit issues on all that funding distributed, and our market has continued. And we've been through recently some pretty serious storms and some near brushes that could have been worse economic blows to our state, and the Cat Fund has been there and functioned as envisioned.

So our market is stable, it is working well. And part of the reason is the processes we have, as I described earlier, are open; they're transparent; they're logic based; and they've just served the purpose really well.

So I'm happy to answer any questions you may have about the Formula; and otherwise, would request approval.

GOVERNOR DESANTIS: Well, just what is your sense of how reinsurance has reacted since Irma and Michael?

EXECUTIVE DIRECTOR WILLIAMS: Great question. So here's the single most unusual thing that relates to Irma and Michael, and it's actually the storm that preceded Irma; and here's the issue:
The storm that preceded Irma created terrific
flooding in Texas, and flooding is a persistent problem. Wind blows, it stops, and then the sun comes back out again. And there can be an awful, awful trail of the destruction that takes a long time to fix, but wind stops faster than floods abate. Flood waters take a long time to go away.

So the insurance adjustment industry was heavily concentrated in Texas, particularly in Houston, responding to Hurricane Harvey. And then Irma came along here a couple of weeks later and caused damage in Florida and other markets, and most insurance companies don't have enough adjusters on their own payroll to meet the need; so they have contracts with independent adjustment firms that require a certain number of man hours or person hours of adjusters to be available. You know, and they pre pay for that option, so to speak, a call on the adjustment resource.

Well, the adjusters were all still in Houston, and so the primary insurers were in the odd spot in the wake of Irma of having -- needing a lot of adjusters and being told by the adjustment firms: We don't have any; they're all in Texas. And by the way, we're not bringing them back. Some of those firms said, but Mr. Primary Insurance
Company, if you'd like to pay us some more money we'll consider it.

Well, that caused a real problem; it drove up a lot of costs for insurance companies, et cetera. And then along comes Hurricane Michael and absolutely devastates the Florida Panhandle and causes damage right on up into Georgia.

The aggregate impact of Irma and Michael, as severe as those storms were in Florida, has not in any way crimped the ability of the Cat Fund to meet the state's needs. Going into the current hurricane season with the resources we have on hand, our view is that if we have to go to the capital markets -- because the way this mechanism works is we first use up the cash and any pre-event borrowings we have on hand; and then after that, we can go into the insurance -- into the bond market, and we can borrow for a period of up to 30 years, and this would all be subject to your approval, and borrow the money that we need to meet whatever demand we have, up to our statutory limit of liability, which is $17 billion, and repay those bonds by using assessments on all lines of insurance sold in Florida with a handful of exceptions: Like medical malpractice, federal
flood insurance, federal crop insurance. There may be one other one in that mix.

But at any rate, back when we created the Cat Fund in '93 after Hurricane Andrew, the reason we have that mechanism was in order to get tax-exempt status from the Internal Revenue Service -- and I'm the one who did that negotiation, I remember it pretty well -- we had to have a mechanism that effectively was a taxing authority with broad state impact so we look like an arm of government with taxing authority, not like a private reinsurance company. If we look like a private reinsurance company providing services to primary reinsurance -- or primary insurance companies who are for-profit businesses, we would not have a tax-exempt status now.

And when you look at the kind of revenue that we have, and even though we invest that revenue in a very safe and liquid form, just because of the size of the principal, even with very modest returns as percentages, you're talking about significant amounts of earnings per year. And our revenues are north of a billion dollars a year for the Cat Fund. So being tax exempt is one of the powerful ways we have of efficiently stabilizing
the market: Being tax exempt; being nonprofit; and also not having a cost of capital, because we don't have to pay investors for our capital, we're a public entity.

So we serve that public need very, very efficiently. And where I'm going with all of this is even net of Michael and Irma, if we had to access the capital markets because we were hit in the coming hurricane season to the maximum extent of our liability, we'd be going into the capital markets for around $5 billion.

Florida is a Triple A credit. The Hurricane Catastrophe Fund itself is a Double A credit. And we are well known in the capital markets. And one of the reasons we've been so successful there and we have been able to borrow money very, very efficiently, both on a pre-event basis and a post-event basis, is that we've been very stable over the years. Our rules, our statutes have not changed a great deal, very, very predictable, and that's what we want.

Every year in the Legislature there are various interest groups that have various things they want to bring forward and promote that reflect their company's economic position and will benefit
them. We take a much more holistic view, play the long ball, and seek the most stable environment we can for Florida's insurance situation broadly.

GOVERNOR DESANTIS: Great.

So are we ready to -- is there a motion on the item for Item 5?

ATTORNEY GENERAL MOODY: I move Item 5.

GOVERNOR DESANTIS: Is there a second?

CFO PATRONIS: Second.

GOVERNOR DESANTIS: Hearing no objections, the motion carries.

Item 6.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 6 is the related and corresponding authority to go forward with a proposed rule to implement the formula that you just approved.

GOVERNOR DESANTIS: Is there a motion?

ATTORNEY GENERAL MOODY: So moved.

GOVERNOR DESANTIS: Second?

CFO PATRONIS: Second.

GOVERNOR DESANTIS: Any comments or objection? (NO RESPONSE).

GOVERNOR DESANTIS: Hearing none, the motion carries.

Item 7.
EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 7, request approval of the State Board's 2019 Corporate Governance Principles and Voting Standards.

Now, again, for the benefit of those who have not been through this before, we own securities all over the world, equity securities that in most cases carry with them proxy voting rights. And the history legally on fiduciary responsibility is that owners of shares who own them in a fiduciary capacity for the benefit of others have a responsibility to protect the value of those shares through a prudent exercise of their proxy authority.

That's a simple concept, but as recently as probably 25 years ago, most fiduciaries really didn't vote their proxies. The number of people who voted was limited to a handful of active investors.

That began to change back in the 1980s, when a lot of big public pension funds and other entities, corporate pension funds, labor funds, et cetera, started getting into this whole area of corporate governance. Florida was a leader in that area. We were one of the seven founding members of a group
called the Council of Institutional Investors, which is the largest shareholder organization in the world today.

We have a long history of involvement there. I'm currently Chairman of the Board of the Council, and we've had -- I've been in that role when I was in this job back in the '90s; and we've had other people in this job in similar roles.

We vote probably -- well, definitely thousands and thousands of different share issues in dozens of different countries around the world. And what we do to guide those votes is set up a set of policies that demonstrably further the economic value of the shares relating to the proxies we are voting and to have clarity and transparency about what we're doing and why we're doing what we're doing on our proxy votes. We have proxy voting guidelines which are written documents that are approved in a public meeting every year by the trustees.

Important to note, before they come to you, they're reviewed and approved by the Investment Advisory Council of the State Board of Administration in a public meeting. The IAC met a few weeks ago. We did a detailed deep dive on the
proxy guidelines, and they were voted to come forward to you.

The changes this year are primarily to reflect the changes we've had relating to Venezuela and a few technical updates. There are no major changes in the guidelines, but that's basically what this is.

GOVERNOR DESANTIS: Great.

I move to approve the item.

Is there a second?

CFO PATRONIS: Second.

GOVERNOR DESANTIS: No comments or objections?

(NO RESPONSE).

GOVERNOR DESANTIS: The motion carries.

Item 8.

EXECUTIVE DIRECTOR WILLIAMS: Thank you.

Item 8 is the quarterly reports required by Chapter 215 Florida Statutes.

These -- and I believe we've been through these with you before. But basically what these reports do is cover all of the information that you need to fulfill your fiduciary responsibility. And your staff have reviewed these; I'm sure you've looked at these as well.

These are all of the reports that came forward
to the Investment Advisory Council in our meeting a week or ten days ago. And so we've been over all of these in public, but here are the key takeaways I would offer: Number 1, the control environment is sound; Number 2, there are no indications of any departure from investment policy or any execution issues that you should be aware of; Number 3, performance across all of our portfolios is very sound and ahead of benchmark for all meaningful periods, on an asset class specific basis and also on a total fund basis; and our long-term numbers continue to be among the best in the industry, and at the same time our costs continue to be very, very low.

So those are the high-level things; and the detail that's in here, on the control side, you'll see a report from our independent audit committee. We're the only entity in state government that has an independent audit committee. It's a best practice from corporate America.

You'll have a report from our Inspector General, which is a more state-government-like aspect of our control structure, belt and suspenders, if you will.

You'll also see a report from our internal
auditor as part of the Chief Audit Executive issues note; part of the audit committee report; and likewise, a general counsel's report. In addition to all of those, you will see detail reports on our performance for all the various funds we manage; and it's all, again, very transparent and a matter of public record.

GOVERNOR DESANTIS: Great.
Is there a motion on the item?
ATTORNEY GENERAL MOODY: So moved.
CFO PATRONIS: So moved.
GOVERNOR DESANTIS: Second?
ATTORNEY GENERAL MOODY: Second.
GOVERNOR DESANTIS: Any comments or objection?
(NO RESPONSE).
GOVERNOR DESANTIS: Hearing none, the motion carries.

The CFO has a question for you.
CFO PATRONIS: Thank you, Governor.
Ash, thank you for your presentation.

It's ten years since one of the toughest times in Florida's history. Give us a snapshot of what we looked like then compared to now, briefly. I know it's -- our credit rating right now is pretty impressive. It didn't come overnight, but I'd like
to just give you a little time to reflect on where we were.

EXECUTIVE DIRECTOR WILLIAMS: Well, I remember that time like it was yesterday.

I came back here in the fourth quarter of 2008, and there was no liquidity in the markets, I mean literally none. You could not have done a bond issue in those days short of paying a fortune for it and paying an arm and a leg for fees to save your life. And the question of who you'd pitch it to was even an open question simply because firms were disappearing.

Bear Stearns went away; they've been a major player in the capital markets. Lehman Brothers went away, a major player in the capital markets. Merrill Lynch was so handicapped they had to be acquired by another entity; Bank of America. And it just went on and on and on. Banks, financial institutions of every stripe were having huge problems all over the world, I mean life-threatening problems. That bled through to consumers. People were over levered. It was just one bad thing after another.

The stock market had, of course, collapsed by then and was still collapsing. I came down in late
October of 2008 from New York, and everybody said
to me at the time: Good Lord, that's pretty
intense to be taking over a big public pension fund
in this environment. What do you think of this?

And I said, this is one of the best
opportunities in the world; and here's why: This
is a great institution. It's got a long-term view.
It's got a terrific foundation of well --
well-reasoned investment policy that is adopted by
the trustees in a public forum. You adopt our
investment policy every year after the IAC has
vetted it in a public meeting.

And that investment policy over 40 years of
experience is honed to a level of wisdom, for lack
of a better term, over the long-term. As long as
we execute it properly and keep it current, we're
going to be fine. We'll have some short-term blips
up and down with the market, but long-term we're
going to be rock solid.

And the reason is, and the reason I was so
comfortable coming back here in late '08 is that if
you can be liquid, meaning you have money when
others don't -- and we do; we're a big pot of
money. And back then we were a heck of a lot
smaller pot than we are now. We were a little over
$80 billion in those days all in.

But if you have money to buy things when
others don't -- remember Warren Buffett's rule? Be
greedy when others are fearful, and be fearful when
others are greedy. And when the world is in a
state of utter meltdown and terror and panic and
dislocation and you can be calm and deliberative
and take a long-term view and, by the way, have a
great big checkbook, boy, can you put money to work
in a good way.

And that's exactly what we did. So we
rebalanced into the equity market conveniently in
hindsight within two or three months of the bottom,
so we basically got the full bounce of the rebound
in the equity markets, and then we did all kinds of
other things on the private -- in the private
markets: We bought real estate; we bought shares
in various entities; we launched the Florida Growth
Fund in June of 2009. That's now created thousands
of jobs in Florida at roughly double the average
wage and produced a kind of low-teens return for us
net of cost, so it's worked pretty well.

But maybe the best summation is something
we've put together internally, where we actually
took the intra-month numbers from the 9th of March,
2009, which was the bottom of the market, and the balance in the Florida Retirement System Trust Fund then was 83,706,000,000 and change.

If you look at where it was at the 8th of March, ten years later, this year, it was 157,652,000,000 and change, so that sounds like a pretty good bump. That's a change in value of roughly $74 billion. But as they say on late night TV, wait, there's more.

At the same time, we had paid out benefits over that decade of just under $60 billion. So that net change you see of 73 nine isn't the total investment gain. The total investment gain, you've got to add back the benefits you paid out. So that gets you in a number of 133,671,000,000. And I don't care who you are, that's real money.

So if you look at 10 years, a whole lot of money has been earned in the investment portfolio. What that comes down to is the annualized return over that 10-year period that we actually accomplished net of cost was 11 percent annualized over a decade. And if you look at what our benchmark suggests we should have gotten, if we just captured what the markets did given the way we allocated our capital, that was a 10.2 percent
annualized return.

So you have 70 basis points of value added annualized over a decade. If you roll that up into a cumulative number, it's a total of 18 percent because of the way the compounding works. So the value added net over that decade of the investment policies that you approve and the execution, the way we carried it out, was $11.8 billion. So it's a pretty good story.

And if you look at the three legs of any pension system, they are: Number 1, reasonable benefits. One of the things that was done during the prior Board's period in 2000 -- I guess it was in '11 -- Governor Scott took the lead on doing pension reforms that reduced long-term liability costs. Those included increased vesting periods, making the plan contributory to beneficiaries, and eliminating the cost-of-living adjustment for retiree benefits after July 1 of that subsequent year.

The second thing -- so I think our benefits are pretty reasonable, if you look at a lot of states and local governments that have gotten in trouble; and our benefits have been reasonable since the '70s. We never had the gold-plated
benefits that a lot of places had that have put them in a bad place today.

The second thing is responsible funding, and that's up to the Legislature. And the Florida Legislature has done a darn good job of that.

If you look at the states and localities that have had chronically failing pension plans, very, very consistently the Number 1 problem is funding. It's not investment failure; it's not excessive benefits. It's making promises and then not paying for them. And if you look at places like New Jersey, Connecticut, et cetera, that's what's gotten them into the ditches that they're in.

Florida's Legislature, on the other hand, has been very responsible in funding both what's called normal costs; and to the extent there's ever an unfunded liability, paying an actuarially indicated part of that. And the only time they did anything less than full funding of either or both of those, as applicable, was the three years immediately after the great financial crisis; and the reason was the state was broke.

The fund had actually been overfunded for a number of years, and then the balance had been deliberately drawn down over a period of a decade.
by providing member employers some relief on their contributions. And then when the collapse in equity markets came in the crisis, suddenly we went from being overfunded to being a little bit underfunded. And the Legislature, even in that crisis environment, funded full normal cost and still made a contribution to the actuarially indicated amount for unfunded liability.

So the one area that we're responsible for is the State Board and you, as trustees, is the investments. And we've just talked about how those have done. I think by any standard the State Board, under your leadership and your predecessors, has crafted prudent policy and carried it out in a way that's prudent and allowed us to have the same kind of consistency in policy and leadership and market presence in the SBA broadly that we just talked about in the Cat Fund. And being predictable and known in the markets gives you credibility, and that gives you access to deal flow and better everything. It's what I call a virtuous cycle of merit.

GOVERNOR DESANTIS: Great. Well, thank you so much.

That concludes today's meeting, if anyone has
anything else, otherwise we stand adjourned.

ATTORNEY GENERAL MOODY: Thank you, Governor.

(WHEREUPON, THE MEETING WAS CONCLUDED).

* * *

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CERTIFICATE

STATE OF FLORIDA     
COUNTY OF LEON       

I, NANCY S. METZKE, RPR, FPR, certify that I was authorized to and did stenographically report the foregoing proceedings and that the transcript is a true and complete record of my stenographic notes.

DATED this 10th day of April, 2018.

[Signature]

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Court Reporter
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