

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:

DIVISION OF BOND FINANCE  
FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION  
BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND  
STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before  
THE FLORIDA CABINET, Honorable Governor Crist presiding,  
in the Cabinet Meeting Room, LL-03, The Capitol,  
Tallahassee, Florida, on Tuesday, April 15, 2008,  
commencing at approximately 9:14 a.m.

Reported by:

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Notary Public

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## APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST  
Governor

CHARLES H. BRONSON  
Commissioner of Agriculture

BILL McCOLLUM  
Attorney General

ALEX SINK  
Chief Financial Officer

\* \* \*

## I N D E X

DIVISION OF BOND FINANCE  
(Presented by BEN WATKINS)

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FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION  
(Presented by KEVIN McCARTY)

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BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND  
(Presented by MIKE SOLE)

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STATE BOARD OF ADMINISTRATION  
(Presented by BOB MILLIGAN)

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

(The agenda items commenced at 9:59 a.m.)

GOVERNOR CRIST: Now we have the Division of Bond Finance, Ben Watkins. Good morning, Ben.

MR. WATKINS: Good morning, Governor and Cabinet members. Item Number 1 is approval of the minutes of the March 11th meeting.

GOVERNOR CRIST: Is there a motion to approve?

COMMISSIONER BRONSON: Motion on Item 1.

ATTORNEY GENERAL McCOLLUM: Second.

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

MR. WATKINS: Item Number 2 is a resolution authorizing the competitive sale of up to \$150 million of Florida Forever revenue bonds for the continued implementation of that program.

GOVERNOR CRIST: Is there a motion on Item 2?

COMMISSIONER BRONSON: Motion on Item 2.

CFO SINK: Second.

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

MR. WATKINS: Item Number 3 is adoption of resolutions authorizing the issuance and competitive sale of up to \$55.3 million in dormitory revenue bonds for a new student apartment

1 facility for Florida Atlantic University.

2 ATTORNEY GENERAL McCOLLUM: I move Item 3.

3 COMMISSIONER BRONSON: Second.

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

6 MR. WATKINS: And lastly, Item 4 is a report  
7 of award on the competitive sale of \$200 million in  
8 PECO bonds. The bonds were awarded to the low  
9 bidder at a true interest cost of approximately  
10 4.885 percent.

11 COMMISSIONER BRONSON: Motion on Item 4.

12 ATTORNEY GENERAL McCOLLUM: Second.

13 GOVERNOR CRIST: Moved and seconded. Show  
14 Item 4 approved without objection.

15 MR. WATKINS: Thank you.

16 GOVERNOR CRIST: Thank you, sir.

17 CFO SINK: Governor.

18 GOVERNOR CRIST: Yes, CFO.

19 CFO SINK: Just update the Board a little bit  
20 on the status of the Everglades bonds and the  
21 recent downgrade and the reasoning behind it and  
22 what we can expect going forward.

23 MR. WATKINS: Okay. In connection with a  
24 fixing of the rate of the Everglades bonds, we, of  
25 course, send the information to the rating agencies

1 for their review of that particular credit. All of  
2 our environmental programs, the Preservation 2000,  
3 Florida Forever, and the Everglades bonds, are all  
4 secured solely by revenues from documentary stamp  
5 taxes.

6 Documentary stamp taxes have declined  
7 dramatically over the last two years, actually  
8 dropped by about half, from 4 billion during the  
9 days of the real estate boom to approximately  
10 \$2 billion in the current year. And the rating  
11 agencies, Fitch in particular, made note of that  
12 and actually downgraded those bonds from a AA- to  
13 an A+, which is still a strong credit rating, but  
14 nevertheless moving in the wrong direction.

15 Moody's and Fitch both affirmed -- Moody's and S&P  
16 both affirmed their ratings, with S&P at a AA- and  
17 Moody's at an A+.

18 So we have had negative rating actions not  
19 only on the Everglades bonds, but also on all of  
20 the environmental bonds, and it's because of the  
21 precipitous decline in the revenues from  
22 documentary stamp taxes.

23 ATTORNEY GENERAL McCOLLUM: If I might, what  
24 does that mean in practical terms? Does it cost us  
25 more to raise money with this, or what does the

1           downgrade actually mean in practical terms?

2           MR. WATKINS: Well, there are two elements of  
3           it. One are the economics. As your rating goes  
4           down, the interest rate that the bonds are required  
5           to bear in order to sell them goes up. And my  
6           estimate would be in a normal market, a one notch  
7           downgrade, which is what this was, would be 5 to 10  
8           basis points. It's about one-tenth of 1 percent,  
9           which doesn't sound like a lot, but it's  
10          significant in terms of dollars when you do the  
11          bond math. It ends up being a relatively  
12          significant additional cost to the State.

13          ATTORNEY GENERAL McCOLLUM: Thank you.

14          GOVERNOR CRIST: Ben, could you tell us, when  
15          was the new adjustment made?

16          MR. WATKINS: Last week.

17          GOVERNOR CRIST: Last week.

18          MR. WATKINS: Yes, sir.

19          GOVERNOR CRIST: And how current was the data  
20          utilized to arrive at that ranking?

21          MR. WATKINS: The most current data, the March  
22          Revenue Estimating Conference as well as actual  
23          collections relative to the estimates through  
24          March.

25          GOVERNOR CRIST: Well, I'm confused, because

1           according to the Florida Realtors, we've had a  
2           23 percent increase in home sales in February  
3           alone. That doesn't jibe. Don't we get doc stamps  
4           from homes sales also?

5           MR. WATKINS: Yes, sir, any kind of real  
6           estate transfer or mortgage recording. And while  
7           there may have been -- I just look at historical  
8           data, and so -- and that's what they're looking at,  
9           is the money we're collecting now versus what we  
10          collected two years ago is significantly less. So  
11          while there may be some up-tick or increase in home  
12          sales, relative to the money that we're getting in,  
13          it's still significantly less than it was two years  
14          ago.

15          GOVERNOR CRIST: Maybe we'll get more current  
16          soon.

17          MR. WATKINS: Right.

18          GOVERNOR CRIST: Thank you, Ben.

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

4 MR. McCARTY: Good morning, Governor.

5 GOVERNOR CRIST: How are you?

6 MR. McCARTY: Doing well, sir.

7 GOVERNOR CRIST: Good.

8 MR. McCARTY: Agenda Item Number 1 is approval  
9 of the minutes from the January 31st meeting.

10 ATTORNEY GENERAL McCOLLUM: So move.

11 COMMISSIONER BRONSON: Second.

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

14 MR. McCARTY: Item Number 2 is a request for  
15 approval of adoption of viatical settlements.  
16 We're asking that this item be withdrawn.

17 GOVERNOR CRIST: Is there a motion to  
18 withdraw?

19 CFO SINK: Move it.

20 COMMISSIONER BRONSON: Second.

21 GOVERNOR CRIST: Moved and seconded. Show  
22 Item 2 withdraw without objection.

23 MR. McCARTY: Agenda Item Number 3 is approval  
24 for publication of amendments to the Medicare rate  
25 collection system. In 2007, the Legislature

1           appropriated funds for the Office to establish  
2           Medicare supplement rates. It would be like shop  
3           and compare rates for property. We're now going to  
4           have shop and compare rates for senior citizens  
5           purchasing Medicare sup policies.

6           GOVERNOR CRIST: That's great. Is there a  
7           motion on Item 3?

8           CFO SINK: Move it.

9           COMMISSIONER BRONSON: Second.

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

12          Commissioner, thank you.

13          MR. McCARTY: My pleasure.

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

3 MR. SOLE: Good morning, Governor and Cabinet.

4 GOVERNOR CRIST: Good morning, sir.

5 MR. SOLE: Item Number 1 is a request for  
6 approval of the minutes from the February 26, 2008  
7 Cabinet meeting.

8 COMMISSIONER BRONSON: Motion on Item 1.

9 ATTORNEY GENERAL McCOLLUM: Second.

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

12 MR. SOLE: Item Number 2 is a request for  
13 approval of an option agreement to acquire from the  
14 City of Key West Utility Board a little over 54  
15 acres on Cudjoe Key in Monroe County. This is part  
16 of the Florida Keys Ecosystem Florida Forever  
17 project. The purchase price is \$1,938,000. It is  
18 85 percent of the approved value. And the property  
19 will be managed by the U.S. Fish and Wildlife  
20 Service.

21 ATTORNEY GENERAL McCOLLUM: I move Item 2.

22 COMMISSIONER BRONSON: Second.

23 GOVERNOR CRIST: Moved and seconded. Show  
24 Item 2 approved without objection.

25 ATTORNEY GENERAL McCOLLUM: May I ask a

1 question of the Secretary?

2 GOVERNOR CRIST: General, please.

3 ATTORNEY GENERAL McCOLLUM: Thank you. How  
4 far along are we in consuming whatever money and  
5 resources we have for the Key West acquisitions, or  
6 I should say the Florida Keys acquisitions?

7 MR. SOLE: I understand. We've expended some  
8 \$76 million in the Florida Keys acquisition effort.  
9 We still have projected expenditures of about  
10 21 million, almost \$22 million. We are winding  
11 down most of those acquisitions based upon what has  
12 already been approved by the Cabinet and those  
13 projects that are already set for closing. So  
14 we're almost through our efforts on the Florida  
15 Keys acquisitions.

16 ATTORNEY GENERAL McCOLLUM: When we get done  
17 spending the money and winding down, are there  
18 still going to be properties on the list we have  
19 not acquired? I assume there will be.

20 MR. SOLE: Absolutely. There is approximately  
21 -- and I'm trying to remember that exact value. I  
22 want to say we're about 65 percent through. And  
23 you can correct me. It was around 65 percent  
24 through the properties that we've identified that  
25 we wanted to acquire. So in all probability, we

1 will not be able to acquire 100 percent of the  
2 properties that were on the Florida Forever list.

3 ATTORNEY GENERAL McCOLLUM: Do you anticipate  
4 when we get better economic times coming back and  
5 requesting resources for that?

6 MR. SOLE: Yes, sir.

7 ATTORNEY GENERAL McCOLLUM: Thank you.

8 CFO SINK: Governor.

9 GOVERNOR CRIST: CFO.

10 CFO SINK: Secretary Sole, that reminds me.  
11 Does Monroe County have any kind of local land  
12 buying program similar to what some of the other  
13 counties in the state do?

14 MR. SOLE: I believe they do. The veracity of  
15 it, CFO, I wouldn't be able to give you right now.  
16 I can get you more information on that, the extent  
17 of their land acquisition program.

18 CFO SINK: I would just be interested in that  
19 when you get a chance.

20 MR. SOLE: Yes, ma'am.

21 GOVERNOR CRIST: All right. You want to talk  
22 about the Babcock Ranch?

23 THE COURT: Yes, sir. Item Number 3,  
24 Governor, is a discussion item for the Cabinet that  
25 was requested by Commissioner Bronson, so there's

1 no vote required on this. There's going to be --  
2 the Commissioner is going to present a video. I'm  
3 going to briefly -- we've got several speakers  
4 after that. I'm going to briefly go over the  
5 framework of the Babcock agreement. And then we'll  
6 hear from the Fish and Wildlife Conservation  
7 Commission, the Division of Forestry, and finally,  
8 from the Babcock manager, Arnie Sarlo.

9 So, Commissioner, I think you've got the video  
10 teed up.

11 COMMISSIONER BRONSON: Yes. If we could, for  
12 the Cabinet and the Governor, I wanted to do this  
13 so that you could get an actual view of what  
14 Babcock has looked like from the traditional buy to  
15 today so that you can see. I've heard a lot of  
16 people talk about they're clear-cutting, and the  
17 basal area issue, and some other things. But I  
18 think it would be helpful if the Board of Trustees  
19 gets to see this as to what's really there, and  
20 then we can talk about some of the management  
21 issues as we get ready for the September meeting,  
22 which will finish -- or will get us more into an  
23 area of voting on management issues for Babcock.

24 CFO SINK: Commissioner, can you clarify kind  
25 of the process for the -- we'll be voting on

1 something, and kind of what the order of action  
2 will be going forward?

3 COMMISSIONER BRONSON: Well, of course, I  
4 think it was put in the original plan that the  
5 management plan would be voted on two years after  
6 acquisition, which would be July of this year. And  
7 since there has been some question as to whether  
8 proper management may be going on or there needs to  
9 be some changes or those types of things, I felt  
10 like we need to take a look at the overall process  
11 today and hear from the actual property managers on  
12 those questions that have come up.

13 As you know, there's a voluntary board that is  
14 serving and will be in the future the oversight  
15 board for the property. And I think if I remember,  
16 there were some things put into the current  
17 management plan at the very last minute when all of  
18 this was signed, the day of the signing or the  
19 night before or something like that, and it was --  
20 I thought it was kind of a rush to throw that much  
21 in there at the last minute without it being  
22 thoroughly discussed. And I think that we ought to  
23 take a look at things that could be considered a  
24 problem and see if it's a problem or not, such as  
25 the farming of the property, which is raising some

1 money for the ranch, and how that farming is being  
2 used as rotational farming between the actual  
3 farming and cattle production, which is a standard  
4 practice for most agricultural production areas, to  
5 do rotational crops, and how important that may be  
6 to the money coming into Babcock Ranch.

7 And follow me here. Part of this is because  
8 for them to take on the non-native invasive species  
9 problem that 73-plus-thousand acres is going to  
10 create and has already created, they're going to  
11 have to have money, because we're asking them to  
12 take care of this property, the managers to take  
13 care of this property as if it was still their own,  
14 except for fact that the State now owns the  
15 property. And that's going to be a tough order,  
16 because with some of the new invasive species that  
17 are very aggressive, they're going to have to spend  
18 a lot of money trying to fight those things off, or  
19 they're going to end up gaining ground on the  
20 property and cause environmental damage, not just  
21 damage to the operation of the property, but  
22 environmental damage to the properties that are  
23 there.

24 And I think this full discussion will get us  
25 more in line to be thinking about it and questions

1 to be asked before we come back in July with what  
2 the Board feels should be a proper management plan.

3 CFO SINK: So we'll be voting in July on a  
4 management plan?

5 MR. SOLE: Yes, ma'am.

6 COMMISSIONER BRONSON: That's my  
7 understanding. The vote will take place --

8 MR. SOLE: Yes, ma'am.

9 COMMISSIONER BRONSON: Or at least the start  
10 of the vote for July will be started.

11 (Video played.)

12 GOVERNOR CRIST: Okay. Commissioner.

13 COMMISSIONER BRONSON: Thank you, Governor. I  
14 appreciate the work of our marketing division.  
15 That's the same people we use to do public service  
16 announcements for fire, also issues of consumer  
17 safety issues, that do our in-house work, and they  
18 also are the ones who film our agricultural  
19 environmental awards every year that we do at the  
20 Farm Bureau state meeting. So I appreciate them.  
21 I told them I wanted a good cross-section of what's  
22 actually on the ranch so people, and especially the  
23 Board, can see that they're not clear-cutting. I  
24 went down. I've heard so many different things  
25 about what's going on at the ranch, I finally

1           decided I've got to go see for myself. And I  
2           wanted them to film what I saw so that the whole  
3           Board can see what's going on.

4           And actually, what I did see was a pretty good  
5           cross-section of management of a very big operation  
6           with cattle farming, their timber operation where  
7           they're select cutting and not clear-cutting.  
8           About the only time anybody clear-cuts anymore is  
9           if you're in the forestry business and you're going  
10          to start and plant over. Or in the type of  
11          operation that they're running, if you've got  
12          diseased or insect-infested trees that have to be  
13          taken down, you know, for the other trees to  
14          survive, then you would do that. But otherwise, I  
15          think you can see that even in the areas where they  
16          were cutting timber, there were about four  
17          different age groups of pine timber growing there.  
18          So even though they were cutting some, there were  
19          four different age groups of timber growing back.

20          In the cypress ponds -- and that was a big,  
21          big, big discussion when all this was going on.  
22          There are people who are in the cattle industry and  
23          farming industry that will cut cypress to some  
24          level. But we have found that where mat harvesting  
25          is done, it actually comes back faster. It's

1 renewable. Otherwise, you have a problem when  
2 you're doing the old type of logging where you're  
3 using skidders to go in and so forth.

4 Now, whether that's ever approved going  
5 forward, that's something that the Board would have  
6 to take a look at. But I just wanted to make sure  
7 that people understood there are, and you saw, a  
8 number of new cypress trees coming where the cut  
9 two years ago was. And I've seen that on our own  
10 property that we had in Central Florida and others  
11 that are regrowing their cypress trees. So it's  
12 something that the Board will end up talking about.

13 They're also moving out stumpage, which is  
14 lightard stumpage that -- I think Hercules, I  
15 believe, is the company that bid on the stumpage.  
16 And we did that on our property. That was one of  
17 the first things we did, because the stumpage is a  
18 real problem if you're going to have a working  
19 ranch. And, of course, they make a little money on  
20 it. I don't think stumps bring that much. They  
21 never did then. I don't know how much they're  
22 bringing now, but it does bring some money back to  
23 the operation. I wanted to make sure that you knew  
24 that that was going on.

25 And I heard the indigo snake may be a problem

1 with stumpage, but we stumped our place, and we had  
2 plenty of indigo snakes on our property. So they  
3 have other places they go to when the pine lightard  
4 stumps are gone.

5 So I just felt like there was so much being  
6 said, I wanted to make sure we had a chance to see  
7 it, to talk about it, and then as this gets  
8 prepared for July, everybody gets a chance to think  
9 about where we may want to go in the management  
10 plan in July whenever we get a chance to hear more  
11 of the details. And I think the management team  
12 for Babcock is here, and they can talk about their  
13 issues. And I believe some of the board members of  
14 the voluntary board are here as well. I know --  
15 there's Sandy right there.

16 CFO SINK: Manley is here.

17 GOVERNOR CRIST: Commissioner, thank you very  
18 much. And, Secretary, if I might, we have two  
19 members of the Legislature that have joined us,  
20 maybe more, two that I have seen, Representative  
21 Grant and Representative Kreegel. I didn't know if  
22 you gentlemen would like to say anything about  
23 this, or maybe --

24 MR. SOLE: And Representative Williams as  
25 well.

1           GOVERNOR CRIST: -- a lot. If you would like  
2 to speak, please feel free.

3           REPRESENTATIVE KREEGEL: Good morning,  
4 Governor and Cabinet. Thank you.

5           GOVERNOR CRIST: Good morning. How's the  
6 session going for you?

7           REPRESENTATIVE KREEGEL: Slow.

8           GOVERNOR CRIST: They're in the fourth quarter  
9 now.

10          REPRESENTATIVE KREEGEL: It's always a  
11 pleasure to be here. My perspective on Babcock  
12 Ranch is probably a little bit unique and different  
13 from others. I've been going out there for about  
14 25 years. I had the pleasure, as it were, of being  
15 Old Man Babcock's doctor for about 10 years, so  
16 I've been in that ranch inside and out for about 25  
17 years.

18          I need to remind people that --

19          GOVERNOR CRIST: Representative, for the  
20 record, give your full name so that in future  
21 times, people will know that you were here and  
22 she'll spell your name right.

23          REPRESENTATIVE KREEGEL: Thank you. I'm  
24 Representative Paige Kreegel, District 72.

25          Over the years, Fred Babcock used -- he kept

1           it as a working ranch. He did whatever he could to  
2           keep the ranch going. That certainly included, of  
3           course, cattle, but selective timber harvesting was  
4           a big part of that. Also, hunting in the form of,  
5           in those days, hunting leases was a very big  
6           portion. In some years, that's what kept the ranch  
7           going through. In his later years before he passed  
8           away, he tried to interest the super collider  
9           project in being located underneath Babcock Ranch.  
10          They also did a certain amount of gravel and  
11          aggregate mining. So I think his idea of what a  
12          working ranch constituted was anything that worked.

13                 I believe that to keep it going as a viable  
14          structure, we need to at least continue the  
15          traditional renewable resource harvesting that  
16          we've done in years gone by. And one would be  
17          selective cypress harvesting, which has been going  
18          on over a hundred years now on Babcock Ranch. It  
19          really hasn't changed anything about the looks, at  
20          least in the quarter of a century that I've been  
21          able to see it.

22                 And finally, the hunting, which has not been  
23          allowed, has been -- the wildlife population has  
24          exploded and has been kept under control by  
25          Mr. Sarlo's employees out there. I talked to his

1 men about bringing in professional hunters for pay.  
2 But fortunately, we have about 140,000 people in  
3 Charlotte and DeSoto County who are licensed  
4 hunters, and they'll pay us.

5 So I urge you to consider all the options  
6 here. Thank you.

7 GOVERNOR CRIST: Pro bono hunters. Good  
8 morning.

9 REPRESENTATIVE WILLIAMS: Good morning,  
10 Governor and Cabinet members. Thank you so much  
11 allowing me to be here today. I was the maker of  
12 the bill. I worked on that even when I was on the  
13 Water Management Board for six years, and then it  
14 became a passion of mine. I live in South Florida.  
15 And it's just such a beautiful, pristine area. And  
16 I think what made it so interesting and appealing  
17 as a bill was that we were going to purchase a  
18 beautiful piece of land, a beautiful, pristine  
19 piece of land that had been managed for over a  
20 hundred years in some fashion, and the night before  
21 the bill was -- the last day of session, all the  
22 sustainability was stripped out of there.

23 And I've been there several times since we  
24 acquired the land, and it's very heartbreaking to  
25 see that it's not being kept as well as it used to

1 be for the last hundred years. It's overrun with  
2 feral hogs. There's no more tenant farming, which  
3 kept the lands gorgeous. Cypress harvesting was  
4 done in a sustainable way.

5 To me, it's very sad to see that we went forth  
6 as a body and said, "We love the land. We're going  
7 to purchase it. We want you to be sustainable just  
8 as you have been for the last hundred years," and  
9 then we take all their tools and tell them, "Go  
10 forth and prosper, but we won't let you do farming  
11 anymore. We will not let you do cypress harvesting  
12 anymore. We won't let you have hunting leases  
13 anymore." So I would really appreciate it if the  
14 Governor and the Cabinet would during the  
15 management plan look-back look forward at putting  
16 it back the way and the reason we purchased it for.

17 Thank you, sir. Appreciate your time.

18 GOVERNOR CRIST: Thank you, Representative.

19 REPRESENTATIVE GRANT: Representative Michael  
20 Grant, District 71, Port Charlotte and part of  
21 Charlotte County, obviously. Governor and members  
22 of the Cabinet, thank you for letting us speak on  
23 this issue.

24 I'm a city boy. I don't know much about  
25 ranching and don't know much about farming, but I

1 do know this: I know about sustainability, and I  
2 know that if we had bought the Babcock Ranch and  
3 they were doing corn harvesting or if they were  
4 growing tomatoes, we would have allowed them to  
5 continue to do that as a way of making sure that  
6 the ranch was financially stable and that that  
7 asset could be maintained. I don't see the  
8 dissimilarity between using cypress harvesting or  
9 harvesting corn. They are both renewable  
10 resources, and I think that we need to keep that in  
11 mind as we're going forward.

12 I think Babcock Ranch was probably one of the  
13 highlights of my legislative career. I think it's  
14 one of the best things that the State of Florida  
15 has ever done. But we are doing ourselves a  
16 disservice if we don't allow the management firm,  
17 the management company to have the resources they  
18 need to continue to make it a working ranch and  
19 something that we can all be proud of in the  
20 future.

21 So thank you for your time.

22 GOVERNOR CRIST: Thank you, Representative.  
23 Secretary.

24 MR. SOLE: Governor and Cabinet, what I would  
25 like to do is briefly go through an overview of the

1 framework of what the agreement was and how it was  
2 structured.

3 Again, this was a significant purchase. This  
4 was the largest purchase that the State has made in  
5 acreage, 73,000, over 73,000 acres. \$350 million,  
6 taxpayer dollars, was put toward this acquisition.  
7 310 million was from the State of Florida. And I  
8 think it's worth pointing out that Lee County  
9 contributed some \$40 million on the acreage that is  
10 located in Lee County, and they do retain ownership  
11 in that area.

12 Again, this acquisition was approved by the  
13 Board of Trustees in November of 2005. And we  
14 closed on July 31, 2006, and that will become an  
15 important date.

16 As required by the Board of Trustees, at  
17 closing, a management agreement was signed between  
18 the State of Florida and Babcock Ranch, LLC.  
19 Babcock Ranch, LLC is a company created by Syd  
20 Kitson. It is a for-profit limited liability  
21 corporation. And in that agreement, it identified  
22 that Babcock Ranch, LLC would be the preserve  
23 manager on-site for a term not to exceed 10 years.  
24 So as pointed out -- and Mr. Sarlo will begin to  
25 discuss what they've been doing on the ranch --

1           they are the preserve manager. Also, it's a  
2           requirement in that management agreement that set  
3           forth specific management requirements on the  
4           property. And there are some things that were  
5           mentioned earlier today. I think it's worth just a  
6           brief clarification.

7           Number one, cypress harvesting I believe was  
8           occurring on Babcock Ranch. I think it began in  
9           2001, and it was terminated as part of that  
10          management agreement that was executed by the State  
11          and Babcock Ranch, LLC.

12          Tenant farming was allowed to continue on  
13          Babcock Ranch, LLC, but it did identify under the  
14          management agreement that they phase it out over a  
15          period of five years. So the tenant farming was  
16          still allowed to continue.

17          One of the things that was also pointed out  
18          was, because we're acquiring and creating public  
19          lands, having private hunt leases was something  
20          that was going to be contrary to the public purpose  
21          of those lands. So there was a requirement to stop  
22          the private hunt leases, but a provision for  
23          continuing hunting was put into that management  
24          agreement under the direction of the Fish and  
25          Wildlife Conservation Commission. So I just wanted

1 to go through that briefly.

2 I think it's also worthwhile noting that, as  
3 Commissioner Bronson pointed that, that as part of  
4 our responsibility, a management plan was to be  
5 developed by the land managers, which is the Fish  
6 and Wildlife Conservation Commission and also the  
7 Division of Forestry. And that land management  
8 plan needs to be brought to the Board of Trustees  
9 for approval within two years of acquisition. That  
10 was again July 31, 2006. So that does need to come  
11 before the Board of Trustees in July, as the  
12 Commissioner pointed out.

13 The management agreement also requires Babcock  
14 Ranch, LLC to develop a business plan and an  
15 operation plan that sets forth how they are going  
16 to manage this facility. We also were required to  
17 get an operation plan from them. We're still  
18 waiting for the first operational plan to be  
19 provided, and we hope to have that by May. In that  
20 operational plan, it will set forth some of the  
21 details of the fiscal scenarios that are occurring  
22 on Babcock Ranch so that we can get a better  
23 understanding of some of the challenges that they  
24 have asserted.

25 Finally, it's worth noting that when we

1 approved the acquisition, the Fish and Wildlife  
2 Conservation Commission and the Division of  
3 Forestry were designated as the land managers. And  
4 while Babcock Ranch, LLC manages the preserve, they  
5 act as technical advisors to Babcock Ranch, LLC.  
6 And the case is true also for Lee County. They are  
7 a technical advisor to Babcock Ranch, LLC as they  
8 manage, since they own quite a bit of acreage in  
9 the southern part of the project.

10 Finally, as Chair Williams, Representative  
11 Williams noted, in 2006 the Legislature created  
12 Babcock Ranch, Inc. This is the entity that is  
13 again created by a board that will assume  
14 management upon the termination of the management  
15 agreement, which is expected to occur in some 10  
16 years. They have been assembled now. They're  
17 providing technical advice to Babcock Ranch, LLC,  
18 but I also look at it as they're also gaining great  
19 knowledge from the work that is occurring at  
20 Babcock Ranch, LLC and learning from folks like  
21 Arnie and others on the management of the property.

22 Finally, again, on the management plan, the  
23 conceptual management plan went to the Acquisition  
24 and Restoration Council just this last week. It  
25 was approved on April 11, 2008, a seven to nothing

1           vote. And we expect to see Babcock Ranch  
2           Management, LLC's operational plan and business  
3           plan at the June ARC meeting, and we will  
4           subsequently bring that to the Board of Trustees.

5           With that, I can take any questions.  
6           Otherwise, I plan to turn it over to Jim Karels  
7           with the Division of Forestry and Gary Cochran to  
8           discuss their roles as the land managers.

9           GOVERNOR CRIST: General.

10          ATTORNEY GENERAL McCOLLUM: I just have one  
11          request. I could make it of them as well. But  
12          when see this presentation for the management plan  
13          in July, or whenever we're going to see it, I would  
14          hope that included in that would be some charting  
15          that would show us the price of beef and cattle  
16          over a period of time, maybe the last 50 years in  
17          its cycles, and maybe over the last 10 years in  
18          reality, so we can get an idea of what variations  
19          cattlemen go through. I know we used to ranch, so  
20          I'm sure it will show that.

21          And in addition, it would be great to see the  
22          overhead. Has the overhead changed since the  
23          management of the ranch has been there, in the last  
24          10 years or so, either in public or private hands?

25          All of that would be very helpful, because I

1 think this really for us this will wind up being  
2 largely a business decision, and we want to be  
3 sure, at least I do, that it's a viable, ongoing  
4 operation. At the same time, I recognize there are  
5 preservation issues there.

6 So thank you, Mr. Secretary.

7 MR. SOLE: And I appreciate the point,  
8 General, and I guess that has been one of the  
9 challenges that we've had to date, is getting good,  
10 trued-up fiscal information. The good news is that  
11 they're performing that actual audit of their  
12 fiscal information, and we should have that by May.  
13 So I think it will be good, trued-up information  
14 that we can present subsequent to this meeting, but  
15 it will probably be in the July meeting.

16 COMMISSIONER BRONSON: Governor, to set up  
17 what's the testimony or the conversation as to the  
18 management issues, one of the things that I kept  
19 finding was a little bit the reason why I couldn't  
20 figure out what was happening or what was going on.  
21 There seemed to be some back-and-forth discussion  
22 about, in the forestry side, basal area, trees and  
23 growth.

24 And as anybody knows who has lived in Central  
25 and South Florida, the deer are smaller there and

1 the trees are smaller there. The amount of  
2 nutrition for just about anything down south is not  
3 going to be the same as those trees and deer that  
4 live up here in the north end, where you've got a  
5 lot of clay loam soils with a lot of mineral  
6 content. So the basal area issue -- and I had  
7 enough in forestry when I was in school to probably  
8 be dangerous in this. But the point is, things are  
9 different in Central and South Florida than they  
10 are up here.

11 And I asked directly to Mike Long, "What is  
12 the big deal here? Why is there such a difference  
13 in what they had been doing traditionally there to  
14 run the ranch, and everybody seemed to be happy  
15 with the fact that there was plenty of natural  
16 resources, and what's going on today?" And he told  
17 me the basal area was one of the big issues.

18 I think the basal area for North Florida  
19 basically was adapted for South Florida, and it  
20 doesn't work that way, number one. And number two,  
21 I think what I found out was that maybe everybody  
22 who's a part of this at the government level was  
23 looking at the management as if it was a state  
24 forest.

25 It's not a state forest. It is a working

1 ranch property, as everybody has asked them to do  
2 to keep everything going. And it's not necessarily  
3 going to be managed exactly the same as Fish and  
4 Wildlife would manage a hunting preserve that they  
5 manage separately from what Babcock is going to be  
6 or any of the other government agencies that manage  
7 for state parks or any other division that manages  
8 state lands. This is a working ranch in farmland  
9 as well as natural preservation land that is joined  
10 together, and this is totally different than  
11 anything we've ever done, and that's why I think  
12 there's some confusion on how we go forward.

13 And that's why I wanted this discussion, so  
14 everybody would be thinking, working ranch, natural  
15 resources, as most ranchers that I know operate  
16 their ranches as well, and the standard practice of  
17 either state forest land, state hunting  
18 preservation, and parks and recreation areas are  
19 managed differently.

20 GOVERNOR CRIST: CFO.

21 CFO SINK: Commissioner, I had an opportunity  
22 to visit the ranch last week, and I hope each of  
23 you will take that opportunity before we vote on  
24 the management plan in July. It was very  
25 informative.

1           But not having a forestry background, and not  
2           to get into too much detail, but I didn't  
3           understand what basal area meant. I got a very  
4           quick definition, because it will play a very -- I  
5           think a very critical role in our looking at how we  
6           decide to do the timber management going forward.  
7           So I don't --

8           MR. SOLE: Governor, can I --

9           CFO SINK: Can somebody else explain the 35?

10          MR. SOLE: Hopefully, don't ask me.

11          CFO SINK: And also, I think it was  
12          instructional for me once it was explained to me.  
13          As we were driving around, I would go around and  
14          ask our forestry expert that Commissioner Bronson  
15          provided. I said, "What's the number on that  
16          piece, and what's the number on this piece?" And  
17          maybe we could look at this slide that's in front  
18          of us, Mike, and say --

19          MR. SOLE: And try to explain the basal area?

20          CFO SINK: The approximate basal area of this  
21          piece of land that we're looking at.

22          MR. SOLE: Arnie?

23          CFO SINK: It will put it in -- it helped me  
24          tremendously.

25          MR. SOLE: I think that's a good discussion,

1 but I want to take a step back, because one of the  
2 challenges that we have is, as part of looking to  
3 change the management plan -- and in fact, the  
4 management plan that was approved in ARC did not  
5 include a change in management of the forestry  
6 area, because we're still waiting on the Division  
7 of Forestry management plan, and that needs to be  
8 part of that developed decision. So we're somewhat  
9 premature in having a good discussion on should we  
10 change the basal area, because I'm still waiting on  
11 the forestry management plan from the Division of  
12 Forestry to be able to present that full-fledged  
13 discussion and have all the information in front of  
14 us.

15 So without question, it's a key issue, and I  
16 think it's a very important issue to Babcock Ranch,  
17 LLC and to us to make sure that Babcock is managed  
18 in a sustainable way. And I'll use the word  
19 "sustainable" in two ways, sustainable  
20 economically, because that's important to us, as  
21 well as sustainable for the resources that the  
22 State has invested. These are going to be issues,  
23 and it's unfortunate that some of the information  
24 has not come to bear to be able to present a full  
25 discussion on them. And again, we're still waiting

1 on some economic details, and we're still waiting  
2 on the Division of Forestry management plan to be  
3 able to present those issues, to have that healthy  
4 and robust discussion.

5 CFO SINK: Governor, let me ask Mike. Would  
6 it be -- just for the first grade version, basal  
7 area would kind of refer to the amount of density  
8 of the wood product on an acre of land.

9 MR. SOLE: Correct.

10 CFO SINK: So whether it's -- 35 basal square  
11 footage would be a much thicker stand of pine than  
12 10 to 15 would be. So the question is, at what  
13 point in time are the ranchers permitted to go in  
14 there and start cutting?

15 MR. SOLE: I can explain what I think is a  
16 very simple explanation of the basal area.

17 CFO SINK: Thank you.

18 MR. SOLE: If you had a bunch of square trees  
19 and they were all one square foot and you had 30 of  
20 them in an acre parcel, that would be 30 square  
21 feet basal area. And that's currently what's  
22 required in the management agreement, that they  
23 thin to that level of density. If you had a bunch  
24 of -- if you went to 15 or 10, which is some of the  
25 recommendations that have been presented, you would

1           only have 15 of those square trees, square foot  
2           trees in an acre parcel. That's the Mike Sole math  
3           or Marines way of explaining it. Arnie knows the  
4           right way of explaining it, but that's the way I  
5           come to terms with it.

6           GOVERNOR CRIST: Thank you.

7           MR. SOLE: Thank you. Governor, if I can, I  
8           would like to have Jim Karels with the Division of  
9           Forestry come up and explain their role, and he'll  
10          be followed by Gary Cochran with the Fish and  
11          Wildlife Conservation Commission, and then we'll  
12          turn it over to Arnie, who is the vice president  
13          and general manager of Babcock Ranch, LLC.

14          GOVERNOR CRIST: Good morning.

15          MR. KARELS: Good morning. Good morning,  
16          Governor, Commissioner, and members of the Cabinet.

17          Actually, Secretary Sole probably couldn't  
18          have described that basal area any better. Coming  
19          from a forester's standpoint, I'm going to hand --  
20          I'll let you pass this around, and what that is --  
21          and then I'll go away from the basal area. But  
22          that is kind of a picture of what a basal area is,  
23          number of trees per acre. It's based on the size  
24          of the trees and the density of the trees on a per  
25          acre basis.

1           The slide you're looking at there is -- most  
2           of it is mature timber, probably in the range of,  
3           just a guess, 20 basal area, depending on the size  
4           of the tree, again. And the picture takes a little  
5           bit away from it.

6           I want to talk just briefly about the  
7           agencies, Division of Forestry. Babcock was really  
8           a new -- and I refer to a ranch, the ranch, very  
9           new to us, very new to the Division of Forestry and  
10          how you dealt with land management. We come in  
11          there thinking we've got to manage it like a state  
12          forest. That's how we manage, and the FWC like a  
13          wildlife management area. And we had to step back  
14          and say, "This is completely different. This was  
15          designed by the Legislature, by the Cabinet to be a  
16          working ranch."

17          Our primary goal is to cooperate, to come  
18          together to provide that technical assistance to  
19          the ranch from the two agencies. And we've worked  
20          that process over the last two years. We got a  
21          company that helped us put a very comprehensive  
22          management plan together that you will see in the  
23          very near future.

24          From the Division of Forestry's end, we've  
25          worked closely with the ranch on prescribed

1 burning. We issue the authorizations for them. We  
2 work with them, we advise, and then we help them  
3 any way we can on the ranch. We've worked on  
4 development, as the presentation showed, the trail,  
5 Bermont Trail. And Gary will talk a little bit  
6 more about the development of that trail and  
7 working with the ranch on providing public access.

8 We had a very active wildfire season on  
9 Babcock last year. "The middle of nowhere fire" it  
10 was called. 7,100 acres burned May of last year  
11 and burned very intense in the swamp, in Telegraph  
12 Swamp, which hasn't happened in a long time down  
13 there, so you knew the dry conditions came out on  
14 the uplands where we were able to put it out.  
15 Babcock Ranch worked very closely with the Division  
16 on suppressing that fire, and then we rehabbed the  
17 fire lines afterwards.

18 So things like that being we're working  
19 closely with the ranch on. And it's really a --  
20 it's a new thing. We're trying to figure out what  
21 our role is and how we can assist the ranch and how  
22 we can ensure that it continues to be a sufficient,  
23 self-sustaining, working ranch that preserves the  
24 nature of the beauty. And the reason we bought the  
25 Babcock Ranch was its pristine value. So we're

1 working closely with them. We hope to be very  
2 successful. And I'll open it up to any questions  
3 from the Division's end.

4 GOVERNOR CRIST: Commissioner.

5 COMMISSIONER BRONSON: Well, Governor, if I  
6 could --

7 GOVERNOR CRIST: Of course.

8 COMMISSIONER BRONSON: One of the things that  
9 was stated was that they're still waiting for a  
10 plan from Forestry. And I know our discussion, and  
11 just so everybody here knows, was how are you going  
12 to put a plan in if you're basing it on a state  
13 forest when it's really not supposed to be  
14 necessarily run as a state forest, but as a working  
15 ranch.

16 And that kind of got everybody to thinking,  
17 well, maybe they're going to have to go back and  
18 look at other ranch type properties to see how  
19 those are done and what the historic operation of  
20 Babcock has been on the use of leaving the seed  
21 trees to make sure that the, quote, basal area is  
22 commensurate with the type of soils in South  
23 Florida instead of basing it on what North Florida  
24 would be, which is a totally different thing. And  
25 so I guess now they're all looking at that from

1           that angle rather than strictly as what we would do  
2           up here for a state forest. And I would assume  
3           that plan is being developed as we speak.

4           MR. KARELS: We're working on that. Ed  
5           Flowers, the person on the slide show from the  
6           Division of Forestry on-site down there, he's  
7           working, and we're looking at exactly that. We're  
8           looking at the South Florida soils and conditions.

9           The forest resources is much more sparse in  
10          South Florida. That's just the nature of South  
11          Florida, more savanna type. So you're looking at a  
12          little bit less density than you do up here. We're  
13          going to incorporate that with the ranch  
14          operations. We're going to work with FWC and  
15          incorporate into the red-cockaded woodpecker plan  
16          and put those together and come to an agreement  
17          between the three entities of how we make this a  
18          very successful operation. I think there's a great  
19          opportunity to do that.

20          GOVERNOR CRIST: CFO.

21          CFO SINK: Governor and Commissioner, I think  
22          having spent some time down there and coming back  
23          and thinking a lot about some of the issues here,  
24          it occurred to me that, thankfully, we have  
25          73,000 acres there. It's an enormous amount. I

1 mean, it's more enormous than anything else that  
2 we've owned or had to manage in a sustainable way.

3 And what strikes me is that we don't -- just  
4 to give my personal guidance, we don't have to have  
5 an all-or-nothing approach here. We have so much  
6 land to deal with that perhaps we ought to be  
7 thinking about setting aside some stands that we  
8 stay these are for protection of red-cockaded  
9 woodpecker habitat, which may demand thicker  
10 stands, but then we carve out other pieces or parts  
11 of the land to look at continuing to do timbering  
12 at the lower sustainable for a timber operation.

13 And likewise, things like -- you know, to me,  
14 tenant farming, we ought to maximize our  
15 opportunities for tenant farming, because that's  
16 part of what we want to protect here in Florida, is  
17 for people to come and be able to see active  
18 rotation of row crops and farm crops as well.

19 And my sense was that we truly have other  
20 opportunities to maximize our revenue through  
21 hunting leases and tenant farming, and maybe not  
22 get into some of the other more controversial  
23 revenue-producing activities. The important thing  
24 to me for agriculture is that you can't put all  
25 your eggs in one basket in agriculture, because

1           that's a recipe for disaster. You've got to be  
2           able to have a mix of cattle and timbering and  
3           hunting, because in any given year, one of those  
4           activities is not going to be successful, because  
5           that's the nature of being in agriculture. But I  
6           do want them as you develop the management plan to  
7           be thinking about it's not an all-or-nothing with  
8           73,000 acres and think about carving up certain  
9           pieces for certain activities.

10           MR. KARELS: We'll very much take that into  
11           consideration. And I think that's essentially --  
12           with the RCW plan, with the woodpecker plan and  
13           with some of those things, that's exactly what  
14           we'll have to do, is look at that, you know, on a  
15           global basis of that whole 70,000-plus acres.

16           Thank you.

17           MR. COCHRAN: Good morning, Governor and  
18           members of the Cabinet. Gary Cochran, Florida Fish  
19           and Wildlife Conservation Commission.

20           As stipulated in the Babcock Ranch Preserve  
21           Act and in the management agreement, FWC and the  
22           Division of Forestry have been designated as the  
23           co-lead designated agencies for managing the ranch.  
24           However, this is not a typical designation of  
25           either of the agencies, and I don't think either

1 one of us treated it as such to begin with.

2 It was very clear that our role was to serve  
3 in a technical advisory capacity for the ranch, and  
4 we have worked closely in collaboration with the  
5 rest of the management team partnership in the  
6 Babcock Ranch Preserve framework. That includes  
7 Lee County, it includes Babcock Ranch, Inc., the  
8 nonprofit board of trustees that was created by the  
9 Legislature to assume management of the ranch once  
10 the current management arrangement is terminated  
11 under the management agreement, and it also  
12 includes FWC and DOF. So we had a collective  
13 collaboration of five management team partners  
14 throughout this entire process from the beginning  
15 of the management process.

16 We in close cooperation with DOF developed a  
17 request for proposal and contracted for the  
18 development of a conceptual management plan, which  
19 both DOF and FWC have been paying for. Under that  
20 arrangement, we had also contracted for the  
21 development of ongoing analysis of the ranch.

22 The money that we were provided initially by  
23 the Legislature, the interim management funds that  
24 each agency received, we committed early on that we  
25 were going to provide all of those funds, commit

1           them all to developing all the background analysis  
2           and resource analysis that we would on any other  
3           state-acquired area. So we have contracted for the  
4           development of the natural communities mapping, the  
5           species surveys, and the development of the RCW  
6           management plan. And the Division of Forestry, of  
7           course, has been contracting for work as well, and  
8           we conjunctively contracted for the conceptual  
9           management plan, as I indicated.

10           We've also worked very closely with the  
11           management team partnership to develop interim  
12           access on the ranch, and that included development  
13           of the Bermont Crossing hiking trail, which both  
14           DOF, FWC, and Babcock Ranch, LLC is working on.  
15           We're very hopeful that that will be open in the  
16           very near future. There was an ecotour trail that  
17           all of the management team partners worked on as  
18           well that, as I understand it, is open now.

19           And we also closely worked with them to  
20           continue to provide -- FWC has law enforcement  
21           oversight and has technical advisory oversight on  
22           any ongoing wildlife issues on the ranch. We have  
23           also closely worked with them on establishing and  
24           maintaining a law enforcement presence there as  
25           well.

1           So that has essentially been the role that we  
2           have worked under, which was the framework that was  
3           established under the Babcock Ranch Preserve Act  
4           and under the management agreement. We have  
5           diligently pursued that role under that framework  
6           that was presented to us.

7           GOVERNOR CRIST: Thank you.

8           MR. SOLE: Governor and Cabinet, now I have  
9           the pleasure of introducing Mr. Arnie Sarlo, who is  
10          the vice president and general manager. He's the  
11          one with the real boots on the ground here at  
12          Babcock Ranch and has been managing this on your  
13          behalf as owners of the facility. I think Arnie  
14          does have a PowerPoint. Let me see if we can get  
15          that teed up.

16          MR. SARLO: Governor and Cabinet, thank you  
17          for having me here today. My name is Arnie Sarlo,  
18          as he said, and I'm the general manager and vice  
19          president for Babcock Ranch Management, LLC. And  
20          I've worked there for 10 years. Prior to that, I  
21          worked for another big ranch just south of there, a  
22          100,000-acre ranch. So out of the 16 years of my  
23          adult life since I've been out of school, I've  
24          worked on a big place, helped manage a big place.  
25          And with this being in the public eye, I want you

1 to know I take this responsibility very serious.  
2 It's a honor to do it, but it's something that we  
3 want to get right.

4 As everybody discussed -- most everything I  
5 had here today has been covered, so I'm going to  
6 click through here pretty quick. I just wanted to  
7 come here today and tell you about the Babcock  
8 family and how they did things and then give you a  
9 quick operational report, a very brief operation  
10 report on what has happened since July 2006 when  
11 the purchase occurred.

12 But prior to that, the Babcock family -- well,  
13 when the purchase happened in July of 2006, there  
14 was everything from, we want it to be full  
15 production, just what it was -- that's what the  
16 legislators had said -- to just hiking and bird  
17 watching, everything taken out. And it landed  
18 somewhere in the middle, and that's where we are  
19 today. But the unique goal there that's not set on  
20 any other piece of land is that it has to pay its  
21 own way. It's mandated by law. So that's what  
22 we're all here today to discuss.

23 Prior to that, the Babcocks ran seven  
24 businesses out there, and they were the cattle,  
25 timber, farming, the ecotour, the hunting leases,

1 the sod operations, and the rock mine. And people  
2 saw a lot of money in it to be sustainable. Well,  
3 the sod and the rock mine are on the private  
4 property, and those were two of the more lucrative  
5 businesses. And so I just wanted to bring that to  
6 everybody's attention, that those two are down  
7 there too, which was another challenge that we  
8 faced.

9 But the Babcocks, as Representative Paige  
10 mentioned earlier, they -- Fred Babcock used to  
11 take a lot of money and put it back into the land.  
12 And what they did is -- talking about cypress  
13 harvesting, timber harvesting, and everything else,  
14 well, that was under our forestry division, and one  
15 line item in there was exotic control. So we used  
16 to take the money from the profits -- if we made a  
17 million dollars, we would put 10 to 15 percent,  
18 100- to \$150,000 of a line item right back into  
19 taking care of the land. And that's some of the  
20 challenges we've been facing today. I think we're  
21 going to be able to overcome them.

22 But there's also the pipes on the ranch, you  
23 know, the price of fuel, the roads, all the stuff  
24 that's not so glorious. Everybody talks about the  
25 ranch and the cowboys that are out there, and

1           that's the good part that everybody likes to see.  
2           But the down and dirty, boots on the ground part of  
3           it, you know, the cost of pipe is \$1,000 now to  
4           replace one under the road so that the public will  
5           be able to drive across there, and there's  
6           thousands on them on the ranch. So just that could  
7           be a million-dollar charge. And that's some of the  
8           things that we're working with.

9           The main thing -- you know, we talk about the  
10          cowboys and all the balance. We want to talk --  
11          what differentiated Babcock, the wildlife balance,  
12          I think this is the key on everything. If we cut  
13          cypress, it was sustainable. We went in there --  
14          and we're not here today to promote it. We're not  
15          here to say, "Don't do it." I'm just here to tell  
16          everybody what happened. If we cut it and there  
17          was 10,000 acres out there, we would cut 200 acres  
18          a year, and it would be able to sustain itself.  
19          And the same thing with the pine. It was  
20          sustainable. We never clear-cut any pine on the  
21          ranch. The farming we did, we did it under best  
22          management practices.

23          So I think as you talk, what differentiates  
24          that, some ranches were only run for a cattle ranch  
25          like you see in that circle there, and that's where

1           they clear-cut, take the pine out, stump every  
2           stump on the place, and put it in pasture, and that  
3           was maximizing cattle output. And I could probably  
4           put 7- or 8,000 head of cattle if we didn't farm,  
5           if we didn't have pine, if we didn't have the  
6           other. We run about 4,000 head today. So it's  
7           that balance. It's not overrun with cattle, but it  
8           fits with the wildlife, and that leaves enough food  
9           for the wildlife, the turkey, the quail.

10                  When we hunted, a lot of them were Fred  
11                  Babcock's friends that came out. That's how it  
12                  started. And then after he passed away in '98, it  
13                  turned into a business. But when we hunted quail,  
14                  if there was 14 in a covey, we never took more --  
15                  we would leave 50 percent or more. So if there was  
16                  14 in a covey, we would leave seven or eight of  
17                  those birds for the next generation, and the same  
18                  thing with the turkeys.

19                  And I think that's why everybody got excited  
20                  about this place. They went out there and saw  
21                  plenty of wildlife. But that balance was there.  
22                  The timber is in there. Like we said, we never  
23                  clear-cut and planted a bed of pines, which is done  
24                  quite a bit. And every one of that could have been  
25                  done. Mr. Babcock could have cut the pine. He

1           coul have clear-cut the cypress before it was sold.  
2           None of that was done, and that money wasn't put  
3           back into his pocket. He kept enough to keep the  
4           ranch going.

5           So that balance is in the center. It doesn't  
6           satisfy everybody. But that's one of the things  
7           I've found out: I've never been able to please  
8           everybody out there anyhow.

9           Let me click through here real quick.

10          Some of the interim challenges that came up,  
11          the cypress harvesting and the eliminating of  
12          hunting leases, that was a total revenue of  
13          \$1.2 million. That's net dollars, and that's not  
14          in there now. So that's a challenge. How do we  
15          manage without that money? How do we manage  
16          without the rock mine money?

17          Going to the time line, what I want everyone  
18          to see from this slide, if you look at that slide,  
19          the yellow line right there is from July 31st of  
20          the purchase to July 31st of 2008. And we've been  
21          running the ranch just like it is. The new  
22          challenges coming up -- like I said, we've got a  
23          chance to learn, see how the ranch was operated, so  
24          in 2016 when they take over, then it can continue  
25          to flow without any steps. So these hard steps

1 right now, we're going through them, but in 2016,  
2 it should be smooth.

3 The cypress harvesting has stopped. There has  
4 been rumors that we cut some more. I just want to  
5 clarify that. There has not been any cypress cut  
6 since July of 2006. We ended June of 2006. The  
7 private hunting leases were terminated. There's no  
8 hunting going on other than hog eradication, which  
9 is a problem. We're doing what we've been doing,  
10 and we're working with the lead man, the lead  
11 agencies. They mentioned Ed Flowers and Jeff  
12 McGrady. On the ground level, I think we've got a  
13 real good working relationship, communication back  
14 and forth, keeping everybody -- letting everybody  
15 know what's been going on.

16 Interim public access plan, we've been working  
17 with the agencies on that. They mentioned there is  
18 one trail open right now. We've resolved other  
19 issues that surfaced, and that's the hogs, the fire  
20 that broke out, getting more public access,  
21 complying with the management agreement,  
22 participating in the conceptual management plan.  
23 We've been there just like all the other agencies.

24 The prescribed burning, we did perform 16,000  
25 acres of burning. And our goal was to hit 25,000

1           acres each year, and that was when it was a  
2           92,000-acre ranch. If you take out the cypress  
3           swamp, the roads, everything else, that gets us  
4           there every third year.

5           That goes back to that balance. A lot of  
6           people say, "Well, why do you burn like that?"  
7           That might not be ideal quail. The ideal quail  
8           might be to burn every year. The ideal timber  
9           might not be to burn for seven or eight years. But  
10          it's functional in every aspect of every production  
11          of the seven businesses that we've seen. It works  
12          for the cattle, it works for the pine, and it works  
13          for the wildlife. And it's a chore to get that  
14          done every year, to be able to burn. A lot of  
15          times we get shut down due to regulatory -- it gets  
16          too dry, drought conditions, everything else, but  
17          the crew really hustles to get that done.

18          Going back to that too, exotic vegetation  
19          management, you saw on that movie quite a bit of  
20          Old World climbing fern. The exotics, we've got  
21          Melaleuca, Brazilian peppers, just everything, all  
22          the above on the ranch. And we canvassed 19,000  
23          acres this year, and that's where we go out in the  
24          areas we're going to burn. So we don't spread the  
25          Melaleuca seed, we cut those trees down, spray the

1 stumps. We get the Brazilian peppers in the area.

2 And the chemical was supplied. It's what we  
3 all envisioned, the synergies coming from all three  
4 agencies. We provided the labor this year, and the  
5 FWCC actually provided the chemical. And so if we  
6 can continue to do things like that and work  
7 together -- we did not spend as much money as we  
8 have in the past on exotic control, and that's one  
9 of the goals we want to get back to.

10 We posted all the boundary signs, and going  
11 around 72,000 acres, that was quite a chore. We  
12 cleaned up all the abandoned hunting camps. They  
13 did not leave in a friendly fashion when they found  
14 out they weren't going to be able to keep the  
15 hunting camps. We cleaned up all those, maintained  
16 the roads and culverts as needed.

17 And then we harvested 18,000 tons of pine.  
18 And the pulpwood market is not real good in South  
19 Florida, so that has been going to energy wood,  
20 being used over in the Okeelanta plants. About 80  
21 percent of that has been used for that, and the  
22 other 20 percent has been split up between chip and  
23 saw and veneer wood.

24 Game plots were planted, and that's 275 acres  
25 of food plots. Until hunting is in, that will keep

1 everything sustainable, be able to provide food for  
2 the wildlife, and that's also mandated by the  
3 agreement.

4 Animal control, we mentioned that with the  
5 hogs.

6 The cattle, very consistent with historical  
7 practices. We are facing tough times, a cyclical  
8 market. It's been 10 years, and the cattle prices  
9 don't look good right now. That's one of the  
10 things we're going to have to overcome.

11 Pasture, that's the balance again. We harvest  
12 the bahia, real quickly, put a farmer in there and  
13 get the lease from them, and then we plant it back,  
14 and the cattle division has it for five years. And  
15 that's one of the sustainable rotations. That's  
16 very unique to that area. It gives us a strategic  
17 advantage over other ranches in that area that  
18 we're able to do all three, because the watermelon  
19 farmers want to be there on Highway 31. So when we  
20 do that, we plant back bahia. And on the state  
21 land, you see we harvested 260 acres. That's  
22 market driven. We seeded back 400 acres. And we  
23 like to take pride in that. We always try to put  
24 back more than we take. That has been one of the  
25 goals out there.

1           The tenant farming, which has brought up a lot  
2 of controversy, because that's due to sunset.  
3 They're just real good farmers. The South Florida  
4 Water Management agency really likes them. They've  
5 followed all the rules. They've found ways to be  
6 innovative and use less water. They've been real  
7 good farmers for us. And there's 1,840 acres  
8 paying over \$200 an acre, and that price is going  
9 up because land is getting more scarce. That's a  
10 very viable operation, and that's basically net  
11 money back to the company too.

12           And then the sod field license, part of our  
13 turf grass fields, the Floratam and the 419, was on  
14 the state land, and we finalized the lease  
15 agreement between that.

16           The ecotour, we haven't talked a lot about  
17 that today. That has always been basically a  
18 break-even when the Babcock family owned it. It's  
19 made up around \$150,000 a year. There's room to  
20 improve. Of course, we're trying to get the public  
21 in there, trying different ways of advertising,  
22 advertising expenses. Tourism as a whole is down  
23 17 percent. But right there at the ecotour trail,  
24 we did open up the public access that they can go  
25 into there. That's not the best site yet, but it

1 was a quick fix to get the public in there. The  
2 parking facilities were in there. And the Division  
3 of Forestry has been working real hard up on the  
4 north end right now to get the parking lot in a  
5 much more beautiful site that's more  
6 representative, that has a mosaic. It's got the  
7 cypress, it's got the pine flatwoods, and it's got  
8 the open pastures up there. So that's going to be  
9 better spot to put it in. It just won't have the  
10 restaurant, the gift shop, the facilities that are  
11 there if people need them.

12 The wildfire got brought up. I want to hit  
13 that real quick. With our controlled burn, that  
14 fire struck by lightning blew out of it. It was the  
15 perfect conditions for a storm. It cost everybody  
16 a lot of money to fight it, and they were out there  
17 for 17 days, I believe, 24/7, a lot of sweat equity  
18 put in that fire. And that's with the burn program  
19 that we put on the ranch, that 25,000 acres we try  
20 to burn. If that ever slacks due to funding, any  
21 kind of red tape, anything like that, a fire like  
22 that would kill every tree on the ranch.

23 I would like to thank you again for having me  
24 up here today. I appreciate it.

25 GOVERNOR CRIST: Thank you very much.

1 MR. SARLO: Are there any questions?

2 MR. SOLE: Governor, that concludes, I think,  
3 any presentation. I know there may be questions.  
4 Again, I think the most critical thing to remember  
5 is that the management plan will come back to the  
6 Board of Trustees. A lot of the issues that have  
7 been discussed will be discussed again as part of  
8 that management plan. Unfortunately, some of them  
9 will have to wait on some additional study prior to  
10 us addressing it. Others I think have actually  
11 already been addressed in the management plan.

12 The issue of tenant farming, I think there's a  
13 provision in the proposed conceptual management  
14 plan that was approved by ARC to allow that to  
15 continue beyond the 2011 date, and I think there's  
16 validity to that.

17 So I look forward to the discussion in July.  
18 Unless there's any questions, I want to thank you  
19 for your time today.

20 GOVERNOR CRIST: Thank you. CFO.

21 CFO SINK: Yes. Mike, remind us, who is  
22 responsible for putting together the management  
23 plan? What are the inputs, and then who decides  
24 that this is the management plan to present, before  
25 it gets presented to us?

1           MR. SOLE: Yes, ma'am. The management plan  
2 was put together by the Division of Forestry as  
3 lead manager, the Fish and Wildlife Conservation  
4 Commission, and I want to say Babcock Ranch, Inc.,  
5 actually, who is the 10-year-out manager. Input  
6 was from everybody, obviously. That management  
7 plan, again, last week went to the Acquisition and  
8 Restoration Council for their review and approval  
9 and was approved with a 7 and 0 vote.

10           CFO SINK: So it's already done?

11           MR. SOLE: It has gone through and been  
12 approved by the Acquisition and Restoration  
13 Council, but it is required to come to the Board of  
14 Trustees for their consideration.

15           CFO SINK: So the management plan that will be  
16 presented in July is available now for to us  
17 review --

18           MR. SOLE: Yes, ma'am.

19           CFO SINK: -- and look at and individually  
20 make comments on, but back to --

21           MR. SOLE: I would suggest the comments can  
22 come back to me and Bob Ballard as chair of the  
23 Acquisition and Restoration Council.

24           CFO SINK: Okay.

25           MR. SOLE: And actually, you should have

1 copies already.

2 CFO SINK: So there won't be any changes to  
3 the management plan from the point it stands today  
4 until July?

5 MR. SOLE: Correct. But I think that's going  
6 to be a healthy discussion come July.

7 GOVERNOR CRIST: Commissioner.

8 CFO SINK: Robert is just telling me there's  
9 still an issue with the timber harvesting, and the  
10 red-cockaded woodpecker plan is missing.

11 MR. SOLE: Again, basically, the best answer  
12 is, yes, it's missing. The management plan does  
13 not address those issues because we're still  
14 waiting on, again, the forestry management plan and  
15 the red-cockaded woodpecker management plan, so  
16 there couldn't be an informed recommendation to the  
17 Board of Trustees. So what will transpire is, once  
18 that information is garnered, and I expect it to  
19 hopefully be in June, when I know the red-cockaded  
20 woodpecker study is anticipated to be done --

21 CFO SINK: Right.

22 MR. SOLE: Commissioner, I don't know exactly  
23 when the forestry management plan is going to be  
24 completed, but I'm sure that may be part of the  
25 discussion in July if both those documents are

1 completed.

2 CFO SINK: So there will be two more pieces  
3 coming in addition?

4 MR. SOLE: Yes, ma'am.

5 CFO SINK: Okay. I just wanted to --

6 GOVERNOR CRIST: Commissioner.

7 COMMISSIONER BRONSON: Thank you, Governor.

8 This is why I wanted to have this discussion today,  
9 simply because we need as the Board of Trustees to  
10 know -- lay all the cards on the table, what's out  
11 there, what's really being done.

12 One of the things -- I went down there because  
13 I was disturbed that I heard that trees were taken  
14 down in the red-cockaded woodpecker area that were  
15 not supposed to be taken down, and I said, "Uh-oh,  
16 this is going to be a real problem if this is the  
17 case." Well, I went down, and the area in question  
18 was about -- between three-quarters of a mile and a  
19 mile away from where the closest red-cockaded  
20 woodpecker tree was. And so I don't know who made  
21 the determination --

22 GOVERNOR CRIST: You mean somebody in  
23 Tallahassee give you bad information?

24 COMMISSIONER BRONSON: Yes, I guess.

25 GOVERNOR CRIST: I can't imagine that.

1           COMMISSIONER BRONSON: But anyway, I'm very  
2 concerned that we balance this. Now, you heard --  
3 just for the Board to understand, you've heard a  
4 lot of the potential hunted issue or hunting issue  
5 of game species. I can assure you there is a lot  
6 of non-game species that are thriving very well on  
7 that property as well, herons --

8           MR. SOLE: Agreed.

9           COMMISSIONER BRONSON: -- wood storks. There  
10 are rookeries down there. There's a lot of  
11 non-game species doing very well on that same piece  
12 of property. It's not all the game species.

13           And as somebody who was basically born and  
14 raised in the saddle of Florida and riding all over  
15 the country on horseback, I've seen just about  
16 everything they've got down there somewhere else in  
17 the state. So I know what should be there from a  
18 visual standpoint because I've seen it before. And  
19 when I hear things about, you know, the basal area  
20 and forestry in South Florida compared to North  
21 Florida, I know there is a big difference. And  
22 those issues need to be managed to the point of  
23 making sure that we're not overharvesting or that  
24 we're actually doing what is a standard practice,  
25 sustainable standard practice of operation.

1           And that's where this group who have been  
2           meeting, unpaid, who are going to take over this  
3           whole aspect of how the ranch will be managed in 10  
4           years at the end of the 10-year cycle, so that  
5           they're actively involved. And Sandy Safley, I  
6           think, Sandy, you're the chairman of that group; is  
7           that not correct?

8           MR. SAFLEY: Yes.

9           COMMISSIONER BRONSON: So knowing that there's  
10          some oversight from people who have some background  
11          knowledge of the game species, non-game species,  
12          timber, cattle operation -- there's some of  
13          everybody, as you know, Governor, on that oversight  
14          group -- so as ARC is looking at some of these  
15          issues, that we don't get hung up on how a state  
16          forest is run and how a game preserve is run and  
17          how a state park is run, but how are we going to  
18          join all of that with a working ranch that has sod,  
19          farming, timber, and other stuff, so that it can be  
20          done properly.

21          And I think if we can accomplish that by the  
22          time that plan gets back to this Board to vote on,  
23          we'll have a better opportunity to either finish  
24          the discussion, ask what the results are going to  
25          be if certain things are not done, and then that

1 plan will finally get to be a very well crafted  
2 plan where hopefully the ranch will be able to  
3 continue to operate and money goes back into the  
4 ranch to do species control.

5 And quite frankly, I was concerned when I saw  
6 the Old World climbing fern in -- and I don't know  
7 whether the CFO was able to see some of the old --  
8 this was in some of the older stands of cypress,  
9 not in some of the smaller areas that have been  
10 harvested. This was in some of the oldest stands  
11 in that swamp that they have. And I can tell you  
12 from what I've seen from the Old World climbing  
13 fern, whether you cut a cypress tree or don't cut  
14 it, if you don't control that Old World climbing  
15 fern, it will kill the whole cypress dome in time.  
16 Now, we may all be gone by then, but it will  
17 happen, because it's a very aggressive, invasive  
18 species that should not be here. As you know,  
19 species control of non-native species is a big  
20 issue with me.

21 And I think the only way we're going to be  
22 able to make sure there's money available for  
23 Babcock to do that is to make sure that resources  
24 are put continually back in that ranch for that  
25 purpose. We can't afford it. We can't even afford

1 to do everything we need to do on the almost -- I  
2 think the State, counting the water management, is  
3 five-and-a-half million acres now that we have  
4 available to us as open upland and water management  
5 areas. Five-and-a-half million acres, it takes a  
6 lot of money to do that. And if you add the  
7 Federal Government to that number, that's up to  
8 about eight-and-a-half million with all the Federal  
9 Government-owned lands. That's a lot of open  
10 territory to control these things.

11 And I was concerned because we haven't been  
12 able to get the kinds of money specifically in for  
13 management that we really need for Florida, and I  
14 didn't want to lose what we've already got going  
15 because of their management process at Babcock at  
16 the same time we're wondering about how we're going  
17 to do this other. And that's why I wanted this  
18 discussion to at least start today and be finished  
19 at some point, hopefully in July. And thank you  
20 for your indulgence. I appreciate it.

21 GOVERNOR CRIST: Sure. Commissioner, thank  
22 you.

23 You know, to have this kind of a comprehensive  
24 conversation about such an important piece of  
25 property and what really I think is historic for

1 Florida to have the foresight to preserve this  
2 significant amount of land -- I think I even  
3 mentioned at the time when we made this purchase  
4 that it would have made Teddy Roosevelt proud that  
5 we were taking this kind of action in the Sunshine  
6 State. So thank you very much, Commissioner and  
7 Secretary. We appreciate it.

8 MR. SOLE: Thank you, Governor.  
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1 GOVERNOR CRIST: State Board of  
2 Administration, General Milligan.

3 GENERAL MILLIGAN: Good morning.

4 GOVERNOR CRIST: Good morning, General.

5 GENERAL MILLIGAN: I want to wait a second  
6 until things quiet down. We can do request  
7 approval of the minutes of March 25, 2008.

8 ATTORNEY GENERAL McCOLLUM: I move the  
9 minutes.

10 GOVERNOR CRIST: Is there a second?

11 CFO SINK: I'm sorry. Second.

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

14 GENERAL MILLIGAN: Item 2, request approval of  
15 a fiscal sufficiency of an amount not exceeding  
16 \$150 million, State of Florida, Department of  
17 Environmental Protection Florida Forever bonds.

18 ATTORNEY GENERAL McCOLLUM: I move Item 2.

19 GOVERNOR CRIST: Motion on 2. Is there a  
20 second?

21 CFO SINK: Second. I'm sorry.

22 GOVERNOR CRIST: Moved and seconded. Show  
23 Item 2 approved without objection.

24 GENERAL MILLIGAN: Item 3 is request approval  
25 of a fiscal sufficiency of an amount not exceeding

1           \$55,300,000 State of Florida, Board of Governors  
2           Florida Atlantic University dormitory bonds.

3           CFO SINK: Move it.

4           ATTORNEY GENERAL McCOLLUM: Second.

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

7           I would also like at this time, General, with  
8           your indulgence, to recognize some members of the  
9           PBA, correctional officers specifically. We  
10          appreciate you taking the time to exercise your  
11          right to be heard in democracy, and thank you for  
12          your great public service.

13          ATTORNEY GENERAL McCOLLUM: Governor, you  
14          don't need my indulgence for that. Anytime they're  
15          in here, we're proud to recognize them. Thank you.

16          GOVERNOR CRIST: Thank you so much. Thank  
17          you, General.

18          GENERAL MILLIGAN: Item 4, request approval of  
19          a fiscal determination of an amount not exceeding  
20          \$8,580,000 tax-exempt Florida Housing Finance  
21          Corporation multifamily mortgage revenue bonds.

22          CFO SINK: Move it.

23          ATTORNEY GENERAL McCOLLUM: Second.

24          GOVERNOR CRIST: Moved and seconded. Show  
25          Item 4 approved without objection.

1                   GENERAL MILLIGAN:  Items 5 through 8 pertain  
2                   to the Cat Fund, and I would ask Dr. Jack Nicholson  
3                   to come up and address those four items.

4                   GOVERNOR CRIST:  Good morning, Jack.

5                   DR. NICHOLSON:  Good morning.  Item 5 is a  
6                   request to file our insurer responsibilities rule  
7                   for adoption.

8                   GOVERNOR CRIST:  All right.

9                   DR. NICHOLSON:  I'll be glad to answer any  
10                  specific questions.

11                  ATTORNEY GENERAL McCOLLUM:  I move Item 5.

12                  GOVERNOR CRIST:  It has been moved.  Is there  
13                  a second?

14                  CFO SINK:  Second.

15                  GOVERNOR CRIST:  Moved and seconded.  Before  
16                  we approve it, could you elaborate as to what it  
17                  is?

18                  DR. NICHOLSON:  Okay.  Item 5 is a rule we  
19                  call our insurer responsibilities rule.  The  
20                  changes that we've incorporated this year have to  
21                  do with when companies select the optional coverage  
22                  for the Cat Fund, that they must make that  
23                  selection by June 1 of each year.  That's when they  
24                  sign the contract.  Or if they're a new company,  
25                  you have the shorter of two periods, one until a

1 hurricane occurs or 30 days, to select the  
2 coverage.

3 And then there's another part in there that  
4 kind of bleeds over into our contract, and this has  
5 to do with the topic that was discussed when we  
6 filed the rule for notice. It has to do with  
7 resubmission fees. If a company is required to  
8 resubmit its exposure data after an examination has  
9 been closed -- issued, excuse me, the fee for  
10 resubmission is \$2,000, so it's an increase in that  
11 fee.

12 GOVERNOR CRIST: Increase to who?

13 DR. NICHOLSON: Increase to the company.

14 GOVERNOR CRIST: And how do they pay for it?

15 DR. NICHOLSON: We invoice them to pay for it  
16 to cover our extra cost of having to process that.  
17 As I mentioned last time, I think it also serves as  
18 kind of a deterrent, so we expect probably a whole  
19 lot less resubmissions and them to do it right the  
20 first time.

21 GOVERNOR CRIST: You're charging them more as  
22 a punitive action so that they don't apply more?

23 DR. NICHOLSON: Well, I think it works as a  
24 punitive action, but I think -- you know, one of  
25 our motivations was to cover our additional cost so

1           our people can do more than just have to review  
2           resubmissions over and over again, so they can  
3           actually do more --

4           GOVERNOR CRIST: Are you going to hire more  
5           people so that you can process them with the  
6           additional thousand dollars?

7           DR. NICHOLSON: No. We need our people to do  
8           things more than just rework. There's a lot of --  
9           we audit roughly 99 percent of our exposure every  
10          year, and then that's our examination program for  
11          exposure. For our loss exposure -- excuse me, our  
12          loss examination program, that's kind of an ongoing  
13          thing with the '04 and '05 events, but it's very  
14          labor intensive, and this is something that we feel  
15          like would be beneficial.

16          GOVERNOR CRIST: So this is a 100 percent  
17          increase, from 1,000 to \$2,000?

18          DR. NICHOLSON: Right.

19          GOVERNOR CRIST: Okay. Are you going to hire  
20          more people with that additional funding?

21          DR. NICHOLSON: No.

22          GOVERNOR CRIST: Are you going to pay these  
23          people more with those additional dollars?

24          DR. NICHOLSON: No.

25          GOVERNOR CRIST: What are you going to do with

1 the additional --

2 DR. NICHOLSON: Well, we're not going to get  
3 as many resubmissions.

4 GOVERNOR CRIST: Excuse me?

5 DR. NICHOLSON: We're not going to get as many  
6 resubmissions, is what we think.

7 GOVERNOR CRIST: Because they don't want to  
8 pay the additional money?

9 DR. NICHOLSON: No, because they'll do it  
10 right the first time. You're required to submit  
11 data to us, and there's a certain format you have  
12 to do that in, so you do that. You --

13 GOVERNOR CRIST: So the theory is, if it's  
14 more expensive, they'll do it right instead of  
15 paying a thousand dollars multiple times?

16 DR. NICHOLSON: Right, because we've had  
17 people that do that multiple times, and we have to  
18 debug all that stuff, and it's much better for them  
19 to submit it right the first time. Of course, my  
20 staff, when they recommended this, they wanted  
21 \$5,000, and I felt like that was a little too  
22 aggressive. But I do think this sends the right  
23 message and will increase the quality of what we  
24 get as well as reduce the cost overall to the  
25 companies, because if they take it more seriously,

1 our data quality goes up, and we're able to do our  
2 job a lot better.

3 GOVERNOR CRIST: Okay. There has been a  
4 motion and a second. All in favor say aye.

5 ATTORNEY GENERAL McCOLLUM: Aye.

6 CFO SINK: Aye.

7 GOVERNOR CRIST: Opposed, say no. No. I  
8 guess the motion carries. Item 6.

9 DR. NICHOLSON: Six is the reimbursement  
10 contract. We adopt a reimbursement contract every  
11 year to accommodate changes in legislation as well  
12 as any administrative changes that come about  
13 through the year. There have been a number of  
14 technical changes made to the reimbursement  
15 contract. I'll be glad to highlight a few of those  
16 for you. We did incur a few issues that we were  
17 able to resolve working through a workshop and  
18 through the rulemaking process.

19 ATTORNEY GENERAL McCOLLUM: I move Item 6.

20 CFO SINK: Second.

21 GOVERNOR CRIST: Moved and seconded. I want  
22 to make sure I understand what this one does. You  
23 said it's a reimbursement contract?

24 DR. NICHOLSON: Yes. The contract that we  
25 have with insurance companies, we're required by

1 law to adopt a reimbursement contract. We send  
2 that out to them like the first week or so in May,  
3 and they have to sign it and return it back to us  
4 in June. They select certain coverages, certain  
5 options, and that sort of thing.

6 I'm sorry. I want to add, there are four  
7 rules in this particular item. The second rule has  
8 to do with the procedures for requesting  
9 ineligibility from the Cat Fund as well as an  
10 exemption if you have a minimum exposure. There's  
11 a process that we have so that you don't have to  
12 participate if you don't write enough coverage.  
13 That rule is part of it.

14 And then the next rule is the revenue bonds  
15 rule, and that has to do with just a few technical  
16 changes on how the limit of coverage is stated. We  
17 actually referred to the statute and removed some  
18 other language, and then there was some language we  
19 put in for federal crop that we know is excluded  
20 from coverage, but the Joint Administrative  
21 Procedures Committee said since that's not in the  
22 statute, we shouldn't even mention it, so we  
23 removed that.

24 And then the fourth rule is the insurer  
25 reporting requirements rule. There's really no

1 substantial changes here. It's more of a  
2 conforming rule, but it's that form that they  
3 report their exposure data on that may have to be  
4 submitted. But it's that form that we're  
5 requesting the data on.

6 So that is the four rules. What we're  
7 requesting is that we approve -- to follow these  
8 rules for a notice of change, and if there's no  
9 hearing requested, that we file them for adoption.

10 GOVERNOR CRIST: It has been moved and  
11 seconded. Show Item 6 approved without objection.

12 DR. NICHOLSON: Okay. Item 7 is the Florida  
13 Hurricane Catastrophe Fund premium formula for  
14 2008. And what I would like to do is to kind of  
15 give you just a little bit of background and  
16 explanation, and then get into some general  
17 information with regard to the impact, and then get  
18 into the specifics, because I'm sure you have some  
19 questions related to that.

20 Each year the Florida Hurricane Catastrophe  
21 Fund provides coverage to insurance companies, and  
22 we refer to it as a layer of coverage. That's kind  
23 of a fancy name for insurance, I guess. But what  
24 happens each year is that coverage changes. It  
25 moves up a little bit with the exposure expanding

1 in the state, so actually the deductible is higher,  
2 and then the coverage is greater if there's growth.

3 So this year, what we're looking at is a  
4 growth in the state in terms of exposure of -- I  
5 think it went from 2.1 trillion last year to we're  
6 looking at 2.24 trillion this year. So there has  
7 been growth and more reporting in exposure and  
8 coverage.

9 The limit of the Cat Fund in terms of the  
10 mandatory layer of coverage was 15.845 billion last  
11 year. This year it's 16.52 billion, so it has  
12 actually increased by 690 million more coverage.  
13 The deductible, on the other hand, went up slightly  
14 -- well, 790 million to 6.878 billion. So when you  
15 talk about the Cat Fund, it takes, generally  
16 speaking, a loss to the industry of about  
17 \$6.8 billion to trigger the Cat Fund, and then we  
18 will provide coverage in that mandatory layer of  
19 16.53 billion.

20 Now, on top of that, we have the optional  
21 coverages which you're all familiar with that was  
22 passed with House Bill 1A, and that's \$12 billion  
23 that sits on top of that. So that accounts for the  
24 overall Cat Fund that we're talking about here in  
25 terms of the premium formula and how that's priced

1 and everything.

2 The premium this year, due to the exposure  
3 growth and everything, will be about \$1.068 billion  
4 for the mandatory layer. For the \$12 billion  
5 optional layer on top, the premium will be  
6 \$245.7 million. So we're expecting about a  
7 \$1.3 billion premium for this contract year. Now,  
8 in --

9 GOVERNOR CRIST: You mean premium increase?

10 DR. NICHOLSON: Overall premium. It is a  
11 premium increase, but exposure increase and all  
12 that.

13 Let's talk about rates, how are rates  
14 impacted. The bottom line is, rates are going down  
15 by about .8 percent, almost 1 percent. That's  
16 broken down into two parts, what's happening in the  
17 mandatory layer and what's happening up here at the  
18 top. The mandatory layer is actually going up 1.29  
19 percent. The \$12 billion upper layer is resulting  
20 in a decrease of about 11.8 percent. So the  
21 overall impact is negative 1 percent or just about  
22 negative 1 percent.

23 There are a few things this year that we've  
24 done a little different. And every year we are  
25 required by statute to use models that have been

1 found acceptable by the Florida Commission on  
2 Hurricane Loss Projection Methodology. This year  
3 we added a model. We added a fifth model, the  
4 Florida Public Model, so that was added to the mix.  
5 We can talk more about the impact of that in a  
6 moment, but that was one change.

7 Another change is, you recall that we've  
8 issued pre-event debt in the last couple of years.  
9 In June, July of 2006, we issued \$2.8 billion of  
10 extendable rate notes.

11 Now, those notes at the time were issued at a  
12 very cheap price. They were -- over a five-year  
13 period of time, they started off at one basis point  
14 above LIBOR. They were variable rates, so we paid  
15 one point above LIBOR the first year, two the  
16 second year, three the third, four the fourth, and  
17 four the fifth. That was the game plan.

18 Now, when we came into '07, we found that  
19 since the term "extendable" is an option for  
20 somebody else, not us, we found that those notes  
21 started to non-extend or get canceled, basically,  
22 so we had one year to mature them after that point.  
23 That started to happen, so we renegotiated that  
24 cost.

25 Originally, we didn't think we would have any

1 carry cost. We didn't build any carry cost in our  
2 rates in 2006. In 2007, the same thing. You know,  
3 we didn't know there would be any carry cost. But  
4 in the summer of 2007, August specifically, we were  
5 authorized to go out and get another \$3.5 billion.  
6 Or excuse me. I think it was up to \$7 billion, but  
7 we were only able to get 3.5 billion, not in  
8 August, but in October. And during that time, we  
9 had to renegotiate the price of the earlier  
10 extendables, the 2.8, to -- I believe it was 20 --  
11 Ben Watkins is here, and maybe he can correct me if  
12 I'm wrong, but I think it was 23, 24, 25, and 25  
13 over the next four years. So it was a good  
14 20-something basis point increase over what we had  
15 earlier thought the cost was going to be.

16 We had to renegotiate to keep the notes -- to  
17 allow them to extend, or the investors would not  
18 have extended, so that increased our cost. And  
19 then when we issued the 3.5 billion, of course, the  
20 markets were really tight, and when we went back  
21 in, you know, October of '07 to do that, we paid 78  
22 basis points. These were five-year notes, a little  
23 longer, a little more reliable type notes.

24 But that finance cost was not built into the  
25 '06 or '07 rates. Like I said, in '06, we didn't

1 anticipate having any carrying costs. In '07, we  
2 certainly did after we issued the 3.5 billion.

3 But the impact of that is that we've had to  
4 pay for those notes, and we will continue to have  
5 to pay the carry cost on this debt. So that  
6 financing cost has been added to the rates here as  
7 a cost of administering the Cat Fund. So the  
8 Public Model and the financing cost were two  
9 changes that are new for this time. And --

10 ATTORNEY GENERAL McCOLLUM: Jack, I have a  
11 question for you. What is the rate compared to the  
12 rate that would now be available if you went out to  
13 buy this reinsurance in the private marketplace?

14 DR. NICHOLSON: Well, I think -- I haven't  
15 done any recent market studies, but I would say  
16 that we're probably still talking about the Cat  
17 Fund rate being about a third or less of the  
18 private market at this point. I think I can safely  
19 say that.

20 ATTORNEY GENERAL McCOLLUM: All right. It  
21 would just be helpful down the road, Governor, if  
22 we could maybe have another study done to see where  
23 that is, sometime this summer perhaps.

24 GOVERNOR CRIST: Sure.

25 DR. NICHOLSON: And, sir, it's not that

1           difficult if we start -- I could ask brokers, you  
2           know, what do people pay for the amount outside the  
3           Cat Fund, because they generally purchase 90  
4           percent out of the Cat Fund, and what do they pay  
5           for that 10 percent. And we know what our rate  
6           on-line is. It's 6.47 percent. What do they pay  
7           over here? And that's a pretty good head-to-head  
8           comparison, and we can get you a good idea of that.

9           ATTORNEY GENERAL McCOLLUM: I move Item 7.

10          CFO SINK: Second.

11          GOVERNOR CRIST: Moved and seconded. Please  
12          continue, Jack.

13          DR. NICHOLSON: Excuse me?

14          GOVERNOR CRIST: Please continue.

15          DR. NICHOLSON: Okay. Item 8 is the --

16          GOVERNOR CRIST: No. Wait, wait. I didn't  
17          know if you were done explaining. I have a couple  
18          of questions before we vote.

19          DR. NICHOLSON: Okay.

20          GOVERNOR CRIST: You said that the rate would  
21          be up under this Item 7?

22          DR. NICHOLSON: The rate would be down.

23          GOVERNOR CRIST: Down?

24          DR. NICHOLSON: Right. I think it was --  
25          there was kind of a misconception, because the way

1 we do rates, we do it based on the mandatory layer,  
2 and it is --

3 GOVERNOR CRIST: If I might, if I might, I  
4 want to save you some time. How much down would it  
5 be if we adopt this rule?

6 DR. NICHOLSON: Negative .8 percent, negative  
7 .84 percent.

8 CFO SINK: It's .08.

9 DR. NICHOLSON: I'm sorry. My memo was  
10 incorrect. It is negative .84. I apologize for  
11 that.

12 GOVERNOR CRIST: Are you sure we have it right  
13 now?

14 DR. NICHOLSON: I'm sure we have it right.

15 GOVERNOR CRIST: Okay. So if we pass Item 7,  
16 it will reduce rates?

17 DR. NICHOLSON: Well, you're asking me a  
18 question -- I don't know what the rest of the  
19 economy is doing. I don't know what the rest of  
20 private reinsurance is doing, so when people make  
21 rate filings, I'm not sure how that's going to play  
22 in. But in terms of the Cat Fund, the overall  
23 impact is down, not up.

24 GOVERNOR CRIST: So if we pass Item 7, rates  
25 go down? I'm trying to be as simple as I can.

1 DR. NICHOLSON: I'm hoping that that will  
2 happen.

3 GOVERNOR CRIST: You're hoping.

4 CFO SINK: Governor, let me just jump in here,  
5 because I've been studying on this.

6 GOVERNOR CRIST: Please do.

7 CFO SINK: I think what -- I don't want to put  
8 words in your mouth, Jack, but we don't know -- an  
9 insurance company, as you're aware, they have to  
10 buy this one layer of the mandatory coverage from  
11 us, which is much cheaper than what they can get in  
12 the private market, and then they have the option,  
13 which most of them did, of buying the other layer.  
14 But then they are also out there buying other  
15 private reinsurance to cover their co-payments and  
16 all the other exposures they have.

17 And I think what Jack is trying to say is that  
18 for purposes of what we're selling out of the  
19 Florida Hurricane Cat Fund, the average, because  
20 you can't -- there are so many different  
21 combinations, but the average they calculated out  
22 is down .84 percent. But we don't know what the  
23 private insurers are going to buy out in the  
24 private reinsurance market, so it's always possible  
25 that if the market turns around in reinsurance that

1 an individual insurance company would have an  
2 increase and that they may try to come back through  
3 the OIR and justify an increase in their particular  
4 company rates.

5 So maybe that's a little bit helpful. He  
6 can't make some blanket comment that rates are  
7 going to decrease.

8 GOVERNOR CRIST: Maybe I didn't phrase my  
9 question very articulately. I guess what I'm  
10 asking is, you're going to recommend -- this rule  
11 would do what? Let me just ask that first, if I  
12 may.

13 DR. NICHOLSON: Well, the rule is Item 8, and  
14 it would just adopt --

15 GOVERNOR CRIST: I meant Number 7, the one  
16 we're about to vote on --

17 DR. NICHOLSON: Number 7 is --

18 GOVERNOR CRIST: -- that you need a unanimous  
19 vote.

20 DR. NICHOLSON: What it would do --

21 GOVERNOR CRIST: We haven't voted on it yet.

22 DR. NICHOLSON: It would approve the premium  
23 formula. And the law allows to you change the  
24 premium formula at any time, but it requires that  
25 you vote on that unanimously.

1           GOVERNOR CRIST: I understand that. And so --  
2           thank you. What I'm asking is, in Item 7, in the  
3           premium formula that you are recommending to us to  
4           adopt now with this vote, what would the formula do  
5           as it relates to the Cat Fund only? Forget the  
6           private market. I'm just trying to find out what  
7           this would do that we're about to vote on.

8           DR. NICHOLSON: On average, a negative  
9           .84 percent reduction. It's hard to talk about  
10          averages. You know, I could say what's the average  
11          weight of the people in this room, and how  
12          meaningful is that? You know, some people weigh  
13          more than me or less than me. But --

14          ATTORNEY GENERAL McCOLLUM: Could I ask a  
15          clarifying question?

16          GOVERNOR CRIST: Of course.

17          ATTORNEY GENERAL McCOLLUM: You gave us in the  
18          beginning of this presentation, if I recall, the  
19          fact that the mandatory premiums that they have to  
20          -- you know, they have to buy that portion of their  
21          reinsurance from the Cat Fund. That actually goes  
22          up a little bit; right?

23          DR. NICHOLSON: Right.

24          ATTORNEY GENERAL McCOLLUM: It's the optional  
25          part that's going down by quite a bit.

1 DR. NICHOLSON: Right.

2 ATTORNEY GENERAL McCOLLUM: And that's why the  
3 net effect is a reduction in premium.

4 DR. NICHOLSON: That's right.

5 ATTORNEY GENERAL McCOLLUM: Is that correct?

6 DR. NICHOLSON: That's right.

7 ATTORNEY GENERAL McCOLLUM: And the optional  
8 part in large measure is going down because the  
9 rates overall of reinsurance is going down in the  
10 general marketplace? Is that what --

11 DR. NICHOLSON: Well, I mean, I can answer  
12 that. I've got an actuary here, and he can answer  
13 that better, but I'll give you my shot at it. And  
14 I don't want to be too complicated, but when the  
15 coverage moves up a little bit, losses in those  
16 higher layers are less.

17 ATTORNEY GENERAL McCOLLUM: Okay. But the  
18 point is -- and I just wanted to clarify it for the  
19 Governor and me and the CFO, and that is that the  
20 mandatory part of this actually is a rate increase,  
21 Governor, but this optional part that they don't  
22 have to buy is where the big decrease is. That's  
23 why he's got the negative.

24 GOVERNOR CRIST: Thank you. That's very  
25 helpful, General. Thank you.

1           So how much does the mandatory part go up  
2 according to the formula you want us to adopt now?

3           DR. NICHOLSON: 1.29 percent.

4           GOVERNOR CRIST: Okay. And how much would the  
5 optional part go down?

6           DR. NICHOLSON: 11.8 percent.

7           GOVERNOR CRIST: And who determines that  
8 percentage reduction? They don't even have to buy  
9 it.

10          DR. NICHOLSON: That's what this premium  
11 formula does. The premium formula determines it  
12 based on the modeling and the process that we use.

13          GOVERNOR CRIST: Well, then why is there an  
14 increase at all in the mandatory part?

15          DR. NICHOLSON: Well, when I started off my  
16 introduction, I talked about five models being  
17 used.

18          GOVERNOR CRIST: Yes, sir.

19          DR. NICHOLSON: Those models change each year.  
20 They generate the losses that this is based on, so  
21 the layer of coverage moves up. We have a  
22 different Cat Fund than we had last year, different  
23 coverage, more coverage, like I said, like \$690  
24 million, a different deductible, different expenses  
25 that are factored in. All of those things are what

1 causes the rates to change.

2 GOVERNOR CRIST: And the model is a  
3 projection?

4 DR. NICHOLSON: The five models that we use,  
5 yes, they're all hurricane loss projection models.  
6 That's the definition of --

7 GOVERNOR CRIST: And who produces the models?

8 DR. NICHOLSON: The modeling firms, AIR, RMS,  
9 EQECAT, ARA, and the Florida Public Model.

10 GOVERNOR CRIST: And how are they funded?

11 DR. NICHOLSON: The Florida Public Model is  
12 funded by the State of Florida.

13 GOVERNOR CRIST: The others?

14 DR. NICHOLSON: The others are proprietary.

15 GOVERNOR CRIST: Proprietary meaning what?

16 DR. NICHOLSON: Meaning they're individual  
17 businesses.

18 GOVERNOR CRIST: How do they make money?

19 DR. NICHOLSON: Selling their model.

20 GOVERNOR CRIST: To who?

21 DR. NICHOLSON: To I guess whoever would use  
22 it. But they do sell to the insurance industry.

23 GOVERNOR CRIST: Thank you.

24 DR. NICHOLSON: They sell to the reinsurance  
25 industry, they sell to government, they sell to

1 rating agencies, and they sell to probably  
2 individual firms.

3 GOVERNOR CRIST: The reason I ask the  
4 question, Doctor, is that these models presented  
5 and these rating firms and these agencies, a lot of  
6 them, it's sort of an incestuous deal where the  
7 insurance industry pays these people to come up  
8 with models or to come up with ratings, like --  
9 we've heard about Best in the past. And some of  
10 these apparently are paid by the insurance industry  
11 to present a picture to people as to what they  
12 ought to buy or not buy, you know, so I'm not -- I  
13 don't have a high degree of confidence necessarily  
14 in some of the models.

15 All I'm trying to get a handle on now is, on  
16 this vote that I have to take, you need a unanimous  
17 approval in order for Item 7 to pass. And for some  
18 reason, there is in the mandatory portion only, if  
19 I'm hearing you right, for this formula an increase  
20 in what would have to be paid for it. Is that an  
21 accurate statement?

22 DR. NICHOLSON: Yes.

23 GOVERNOR CRIST: It is. Why are you  
24 recommending an increase?

25 CFO SINK: Governor, can I step in here a

1 minute?

2 GOVERNOR CRIST: If you are. Maybe you're  
3 not.

4 DR. NICHOLSON: Oh, no, I am. I am. I'm  
5 recommending the formula because it was developed,  
6 you know, properly by the -- the statute requires  
7 the rates be actuarially indicated, done by an  
8 independent consultant. We've worked with that  
9 independent consultant for a long period of time.

10 And the modeling -- you made some comments  
11 about models, and I appreciate that. The State  
12 also has recognized that. Back in 1995, it created  
13 a commission to study these models and to approve  
14 them and review them, and I'm on that commission,  
15 as well as a number of other people.

16 But those models are -- the statute says to  
17 the extent feasible, we need to use the -- we have  
18 to use the results of that commission, so that's  
19 why we use those. So I think all this just kind of  
20 fits together in terms of what's required, and  
21 that's what it's producing.

22 GOVERNOR CRIST: Okay. I just want to  
23 understand. I hope you don't mind my questions.

24 DR. NICHOLSON: Oh, no.

25 GOVERNOR CRIST: So the mandatory portion

1 where you recommend an increase is to help fund the  
2 Cat Fund?

3 DR. NICHOLSON: Right.

4 GOVERNOR CRIST: Okay. Did we have some  
5 catastrophic event that requires an increase in  
6 premiums since last year?

7 DR. NICHOLSON: No.

8 GOVERNOR CRIST: Did we have a storm?

9 DR. NICHOLSON: No.

10 GOVERNOR CRIST: Why are you recommending an  
11 increase then?

12 CFO SINK: Governor, can I help out? I think  
13 I can help out, because --

14 GOVERNOR CRIST: Sure, please, please, help.

15 CFO SINK: -- I understand your concern, and  
16 I'm concerned about it too.

17 GOVERNOR CRIST: I'm always concerned.

18 CFO SINK: Because I had the opportunity to  
19 get a briefing on this yesterday. The new factor  
20 here in terms of the models -- and I understand  
21 that the private models that are used, they have  
22 been vetted out thoroughly by this commission,  
23 which we appoint, by our scientists.

24 But the new factor that's different this year  
25 is the inclusion of the Public Model. And it's my

1           understanding that it -- because the Public Model  
2           doesn't include or factor in for commercial  
3           residential, in other words, condos, that it really  
4           is the Public Model that's driving the increase.  
5           It's not the private models.

6           And there is an issue here about whether or  
7           not it's appropriate to include the Public Model  
8           numbers, because it doesn't reflect the total  
9           market, because it doesn't look at the condos, in  
10          fact, a piece of it. And so I might ask, if a  
11          decision were made to exclude the Public Model,  
12          Jack, what would the results be in the mandatory  
13          level? Do you have a feel for that?

14          DR. NICHOLSON: Yes. I would like Andy  
15          Rapoport to answer that, because he has the math.  
16          You asked me last night if our actuary spoke  
17          English, and he speaks better English than I speak  
18          actuary, so I would like him to speak some English  
19          here. I'll get away from the actuary's --

20          CFO SINK: Because I'm concerned about --  
21          we're injecting this new element in there which is  
22          driving these rates up, and I know how sensitive we  
23          all are about rate increases, and I would just be  
24          curious to know if you've had overnight a chance to  
25          think about this.

1           MR. RAPOPORT: I think you have a high  
2           standard as an actuary for me to speak English, but  
3           I'll do my best. I'm Andrew Rapoport, and I work  
4           for Paragon. I've worked on the Florida Hurricane  
5           Cat Fund rates since 1995, so this is the  
6           fourteenth year that I've worked on preparing the  
7           rating formula.

8           Your question is in terms of what would be the  
9           impact on rates if we were to exclude the Florida  
10          Public Model and just use the other four models  
11          that have been accepted by the modeling commission?

12          CFO SINK: Yes.

13          MR. RAPOPORT: Our estimate is that on the  
14          mandatory rate, if one excluded the Florida Public  
15          Model, the mandatory level would go down by 3-1/2  
16          percent, and combined with the voluntarily tickle  
17          layer, it would go down by 5-1/2 percent.

18          CFO SINK: Well, is it -- I don't know what  
19          the order is, but I would like to make a proposal  
20          that we exclude the impact of the Public Model  
21          because it does not incorporate the model as a  
22          whole. And I don't know who around here can answer  
23          process questions like that, or whether that's even  
24          an appropriate recommendation. And therefore, in  
25          the mandatory --

1                   GOVERNOR CRIST: Doctor, what do you suggest?  
2                   If you don't mind.

3                   CFO SINK: Yes, because I don't know where to  
4                   go.

5                   DR. NICHOLSON: Just like you, I like to see  
6                   rates go down, whatever we need to do to do that in  
7                   terms of the state. I guess I have to go with Andy  
8                   and say from an actuarial standpoint, he's the  
9                   independent consultant. I've never told him what  
10                  to say, and I don't want to start right now. But  
11                  if he's comfortable with that, you know, I can live  
12                  with it.

13                  MR. RAPOPORT: I think -- I want to make sure  
14                  you understand in terms of if one is setting a  
15                  precedent, that basically, if one has one of the  
16                  models available to do a -- that has been accepted  
17                  by the commission that does not include all  
18                  coverages covered by the Cat Fund, that we not use  
19                  that going forward. Historically, what we have  
20                  used since the modeling commission was created was,  
21                  we agreed to use every model that was accepted by  
22                  the commission. This model has been accepted by  
23                  the commission. The portion that's not included,  
24                  the commercial portion, has never been reviewed by  
25                  the commission for any of the models, but the other

1 models do produce that rate.

2 I'm not adverse to excluding that. We had  
3 originally considered that. We attempted, in the  
4 course of trying to use as much data as possible,  
5 to use all models that had been accepted by the  
6 commission.

7 I think it's very critical that one does it  
8 based on a principle and not just based on  
9 excluding which model happens to be adversely  
10 impacting. Had the Florida Model come in lower  
11 than average, would I be asked the same question?

12 So essentially, I believe it's reasonable to  
13 exclude that model on the basis that you're not  
14 covering the commercial area, provided that we use  
15 that as a principle going forward.

16 CFO SINK: Governor, I would just say that I  
17 think that -- I agree with you. I think for us to  
18 start dickering around with these models because we  
19 don't like the rate is very serious business,  
20 because the law does require in the Cat Fund that  
21 our rates be actuarially sound. But I believe that  
22 because we need to go back and restudy, and I would  
23 ask the commission to go back and restudy for next  
24 year the use of the Public Model, because it does  
25 not incorporate this piece, this very important

1 piece of the market, and it's not consistent with  
2 the other four models that are being used and that  
3 have been approved.

4 GOVERNOR CRIST: Why wouldn't it incorporate  
5 that piece? Why would the Public Model not  
6 incorporate the other piece if the other four do  
7 that the CFO is --

8 DR. NICHOLSON: Well, I think it's a matter of  
9 not -- I don't want to speak for them. My  
10 understanding is that it's heavily research  
11 oriented, and they haven't had enough funds to  
12 develop it that far yet. I think it's on its way.  
13 It's a new model, so it's on its way, but they  
14 haven't developed it that far.

15 ATTORNEY GENERAL McCOLLUM: So, in other  
16 words, this is a Public Model that's in development  
17 still and needs more work to make it include the  
18 commercial, the condos; is that right?

19 DR. NICHOLSON: I would agree with that.

20 ATTORNEY GENERAL McCOLLUM: Who is doing that  
21 development?

22 DR. NICHOLSON: OIR is supervising that, I  
23 believe. They have a lot to do with the Public  
24 Model. But --

25 ATTORNEY GENERAL McCOLLUM: It's contracted

1 out?

2 DR. NICHOLSON: -- it's being done by Florida  
3 International University with some other  
4 consortiums of universities.

5 GOVERNOR CRIST: If I might, with the  
6 indulgence of my colleagues, Commissioner, could  
7 you give us a little insight into the models, if  
8 you could?

9 MR. McCARTY: I would be happy to, Governor.  
10 The Florida Public Model has been approved by  
11 the Loss Methodology Commission. There is a  
12 significant range of differences among the approved  
13 models. Especially if you drill down to  
14 territorial relativities and building types, you  
15 will see as much as a 300 to 500 percent difference  
16 in rates.

17 Over time, what the SBA has opted to do is to  
18 weight the different models as opposed to throwing  
19 out the highest or throwing out the lowest. In the  
20 instant case, the Public Model is higher than  
21 average if you average the models. But if you  
22 weight it as it's weighted, it has the same  
23 relatively as if you were not to use the model at  
24 all.

25 I would like to make the point that the rates

1 would go down even using the Public Model to 3-1/2  
2 percent for the mandatory layer. It's the cost of  
3 recouping the 2006-2007 expenses for the notes that  
4 is driving up that layer.

5 CFO SINK: Kevin, I'm not sure that's right.  
6 I heard Jack say that there was a -- it's a  
7 combination of about \$50 million for the extra  
8 financing costs plus another \$50 million or so  
9 related to the model. That's what I heard  
10 yesterday.

11 MR. McCARTY: Well, there's no question that  
12 they could anticipate what those costs are. Under  
13 actuarial principles, rates are based  
14 prospectively, and generally you don't collect in  
15 arrears. They have opted to collect in arrears,  
16 which accounts for that 1.7 percent -- the  
17 increase. Nevertheless, they could use that as a  
18 proxy of what the expenses would be this year. So  
19 I'm not disagreeing with the number. I think it's  
20 a reasonable number.

21 I have not -- we don't have access to the loss  
22 data. That's confidential information. So we  
23 would be happy in the future to review all of the  
24 outcomes in terms of the computer models, but we  
25 don't have that information that's under

1 confidential agreement.

2 I just want to point out that in Hurricane  
3 Wilma, the Public Model was the closest in terms of  
4 actual losses. So before we just throw out the  
5 investment of that, you know, I think we ought to  
6 encourage the model. We are in the process now of  
7 developing the loss methodologies for commercial  
8 residential. It's in development.

9 CFO SINK: Kevin, is that going to be ready  
10 for -- not this year, obviously, but for the next  
11 year? When we sit here next year in 2009, will the  
12 Public Model be reflective of the commercial  
13 residential as well?

14 MR. McCARTY: That is our objective, yes,  
15 ma'am.

16 CFO SINK: Well, that's why, Governor, I would  
17 like to go back and suggest that we plan on  
18 incorporating the Public Model next year when it  
19 has the full range of risks associated with it.

20 GOVERNOR CRIST: Okay. I have a question  
21 while the Commissioner is here. Do you have any  
22 advice to us on Item 7?

23 MR. McCARTY: No. As I said, our actuaries  
24 aren't able to review because we don't have access  
25 to the aggregate loss data. Nevertheless, I do

1 think that it's a reasonable rate. It's stable.  
2 We need to set a rate because we're going into  
3 hurricane season and the contract period.

4 You know, we might want to know what effect  
5 the Public Model would have had if we had used the  
6 Public Model for risk distribution. We're talking  
7 about a 1 percent or 1-1/2 percent rate increase,  
8 but that's not uniform. There are going to be  
9 territorial differences. And it would be helpful  
10 in the future if we get to look at running the  
11 models, different models on different territories  
12 to see how that might impact. Palm Beach might be  
13 impacted much greater than some other part of the  
14 state. And since companies can recoup these and  
15 actually recoup them by the territories established  
16 by the Cat Fund, this really may have a bearing on  
17 rate increases more than just the 1 percent.

18 GOVERNOR CRIST: General, did you have a  
19 question?

20 ATTORNEY GENERAL McCOLLUM: I'm uncomfortable  
21 with ruling out the Florida Model based on what has  
22 been said here today. Even though it would have  
23 resulted in a net overall rate increase for the  
24 mandatory, we still have a rate reduction overall  
25 cumulatively in this proposal. Nobody is

1 increasing the overall rates. And I think what  
2 we're saying is that no matter what we do today, if  
3 I'm hearing it right, somebody somewhere may be  
4 getting a rate increase by territory even if we  
5 threw out the Florida Model. I suppose that's  
6 conceivable, isn't it, fellows?

7 DR. NICHOLSON: Even if our rates went down 20  
8 percent, somebody is going to get a rate increase  
9 in the state. That's easy to say.

10 ATTORNEY GENERAL McCOLLUM: So this is not a  
11 big net increase rate even on the mandatory if you  
12 exclude the other. But overall, it's a rate  
13 reduction. I just am uncomfortable excluding it,  
14 but -- you know, I'll go along with whatever you  
15 all want to do, but it just seems to me that it's a  
16 mistake to throw out the model based on what I'm  
17 hearing.

18 GOVERNOR CRIST: Well, we have a motion and a  
19 second on Item 7 as presented, do we not? And  
20 based on the Commissioner's counsel, I think I  
21 would be inclined to approve it. Are there any  
22 objections?

23 Show it approved without objection. Thank  
24 you.

25 DR. NICHOLSON: Item 8? Item 8, we request

1 approval of and authority to file a notice of  
2 proposed rulemaking for the premium formula rule,  
3 which is 19-8.028, and then if there's no hearing  
4 requested, to go ahead and file that rule for  
5 adoption.

6 CFO SINK: Move it.

7 ATTORNEY GENERAL McCOLLUM: Second.

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

10 DR. NICHOLSON: Thank you.

11 GOVERNOR CRIST: Hey, Jack. Excuse me,  
12 Doctor. You're going to come to our next meeting?  
13 We have been advocating the additional purchase of  
14 sort of reinsurance or some similar product, and  
15 you'll have proposals for us by the next meeting we  
16 have?

17 DR. NICHOLSON: Yes. I talked to your staff  
18 recently and talked to your chief of staff last  
19 night to kind of give him a time frame. We have --  
20 our proposal is out on the street as we speak.  
21 They're come back on the 28th of this month. We  
22 have four teams, evaluation teams, which include  
23 people from your office, or we requested people  
24 from your office or who you appointed, as well as  
25 our Advisory Council, SBA, Bond Finance, Cat Fund,

1 basically five- or six-people teams. They will  
2 meet on May 7th and 8th to make a recommendation.  
3 On May 9th, I'll make a recommendation to Bob as  
4 the executive director. And hopefully, I think  
5 we're scheduled for maybe the 13th --

6 GENERAL MILLIGAN: Thirteenth.

7 DR. NICHOLSON: -- to come back to present  
8 that as an informational item to you.

9 And then we will -- once the financial  
10 services team is formed, we will endeavor to work  
11 with them to bring back a product for your approval  
12 as soon as we can. I mentioned to Eric yesterday  
13 that we're looking at probably the June 10th  
14 meeting.

15 If we could come back May 28th, we would  
16 certainly try to do that. It's like cooking  
17 something in the oven. You can't take it out too  
18 soon. If somebody has to go out and line up  
19 certain financing, it may take time. So we're  
20 going to go as fast as we can, and that's what  
21 we're doing right now.

22 GOVERNOR CRIST: Appreciate it. Thank you,  
23 sir.

24 DR. NICHOLSON: Thank you.

25 GENERAL MILLIGAN: Thanks, Jack.

1           Item 9 is request authority to amend the  
2 approved fiscal year 2007-2008 State Board of  
3 Administration operating budget. These are  
4 additional costs incurred as a result of activities  
5 associated with the Local Government Investment  
6 Pool, a total of 802,000, of which I'm able to  
7 absorb a little over 400,000, and we need a 400,000  
8 increase.

9           ATTORNEY GENERAL McCOLLUM: I'll move Item 9.

10          GOVERNOR CRIST: Is there a second?

11          CFO SINK: I second it, but, Governor, I do  
12 want to ask the General, what is the Aon Consulting  
13 fee related to? I understand the --

14          GENERAL MILLIGAN: It's --

15          CFO SINK: But I didn't understand that one.

16          GENERAL MILLIGAN: It's principally work with  
17 the website, but also some items that we have sent  
18 out to participants.

19          CFO SINK: Okay. Thank you.

20          GOVERNOR CRIST: It has been moved and  
21 seconded. Show it approved without objection.  
22 Item 10.

23          GENERAL MILLIGAN: Item 10 is the Interim  
24 Executive Director's update. And I want to  
25 acknowledge that I have received a draft of the

1 Clifton Gunderson audit, performance audit, and we  
2 have provided a response. The response I believe  
3 was positive. We recognize that the bulk of the  
4 items that were brought to our attention by Clifton  
5 Gunderson require attention. Many have already  
6 been acted upon. Others are in the process of  
7 being acted upon.

8 And really, the question now is, how do we  
9 move forward? And I would like to suggest that it  
10 will be in two ways. The first is, we are in the  
11 process of issuing an invitation to negotiate for a  
12 thorough review of our compliance posture on an  
13 SBA-wide basis. That ITN should be on the street  
14 here today or this week, and we should have  
15 something I certainly hope by the first of June  
16 that we would go forward with a thorough review of  
17 our compliance situation.

18 The bulk of the findings by Clifton Gunderson  
19 dealt with compliance challenges in the SBA, and we  
20 need to get on top of them. As I've said, I've  
21 done what I can within the resources we have right  
22 now, but we really need to look thoroughly at our  
23 condition and what needs to be done going forward.

24 I would also ask if I could have Commissioner  
25 Don Saxon come forward to talk to you about another

1 phase of going forward.

2 GOVERNOR CRIST: Please. Good morning, Don.

3 GENERAL MILLIGAN: And thanks, Don, for being  
4 so patient.

5 MR. SAXON: To the contrary, I found it very  
6 educational today. You all have a lot of  
7 responsibility, and I wish you all the best.

8 You all know that our office is responsible in  
9 part for regulating those that are in the business  
10 of buying and selling securities for others. We  
11 call them security dealers or broker dealers. And  
12 as a result of that, our office currently is doing  
13 an investigation of some of the trading activity  
14 involving investment products that were sold to the  
15 pools and are currently being managed by the State  
16 Board of Administration.

17 Having said that, please bear in mind that  
18 these kinds of cases are intensive as far as  
19 fact-finding. They're highly complexible and  
20 certainly --

21 GOVERNOR CRIST: Highly what?

22 MR. SAXON: Highly complexing.

23 GOVERNOR CRIST: Complexing.

24 MR. SAXON: Yes, and technical, particularly  
25 as it relates to private offerings that are

1 regulated both by the State and the Federal  
2 Government.

3 Having said that, also, our office is bound by  
4 confidentiality provisions, and it's my  
5 responsibility to make sure that all information we  
6 obtain is protected. However, having said that, I  
7 want to emphasize to you that we recognize the  
8 importance of this case and that it's of utmost  
9 importance and that we look at it as a priority.

10 And in closing, I would simply say that we are  
11 doing everything we can at this time, and I want to  
12 express my appreciation to both the State Board of  
13 Administration and also to Clifton Gunderson. We  
14 found that report and the information from the SBA  
15 to be very informative and very helpful to what we  
16 have to do as far as our process and investigation.

17 GOVERNOR CRIST: If I might, are you talking  
18 about the Local Government Investment Pool?

19 MR. SAXON: Yes, sir.

20 GOVERNOR CRIST: Good. Just a couple of  
21 questions. So you are investigating how the  
22 products were sold to the State of Florida?

23 MR. SAXON: That's correct.

24 GOVERNOR CRIST: And can you give us where you  
25 are sort of in the course of the investigation?

1           MR. SAXON: Well, as a result of the  
2           confidentiality provisions of the statute, I really  
3           can't discuss the specifics of the case, other than  
4           to say that we are utilizing all of our resources  
5           that are necessary. We're reaching out to the  
6           State Board of Administration. We're reaching out  
7           to Clifton Gunderson. We've contacted a number of  
8           firms who sold products to the pool that's being  
9           managed by the State Board of Administration, and  
10          we're processing all that information, and  
11          hopefully we'll be coming back to you with some of  
12          the results of our investigation.

13          GOVERNOR CRIST: Okay. Do you have subpoena  
14          power in this investigation?

15          MR. SAXON: Yes, we do.

16          GOVERNOR CRIST: Have you issued any subpoenas  
17          to date?

18          MR. SAXON: At this point, we have not found  
19          it necessary to do that. We have sent out requests  
20          to a number of firms asking for their information.  
21          They've been responsive. We have no indication  
22          that they're not going to provide the information.  
23          So at this point, we don't see the necessity.  
24          However, if that day comes, we will certainly  
25          exercise that right.

1 GOVERNOR CRIST: Have they provided any  
2 information yet pursuant to your request?

3 MR. SAXON: No, but we do expect information  
4 coming in this week.

5 GOVERNOR CRIST: Great. Thank you. Any other  
6 questions?

7 Thank you, Don. Appreciate it.

8 CFO SINK: Governor, I do want to --

9 GOVERNOR CRIST: CFO, please.

10 CFO SINK: -- thank the General for his  
11 leadership out there. I've read the Clifton  
12 Gunderson report, and it's full of many, many  
13 suggestions about ways that we can improve the  
14 operation, and I know General Milligan is working  
15 very diligently with his staff. And I read your  
16 response to the report, General, and I just want to  
17 express appreciation for getting on top of some of  
18 these compliance numbers and issues. Thank you,  
19 General.

20 GOVERNOR CRIST: I echo that.

21 GENERAL MILLIGAN: Thank you all.

22 ATTORNEY GENERAL McCOLLUM: I would like to  
23 make one comment too, if I could.

24 GOVERNOR CRIST: General.

25 ATTORNEY GENERAL McCOLLUM: General, it

1 doesn't appear in this report that there's anything  
2 that was extraordinary or blatant. It was  
3 important that these corrections be made, but it  
4 was a very thorough report. We're going to hear,  
5 I'm sure, in a minute from Ms. Ferrell about it.  
6 But it strikes me there was nothing there, and I  
7 would like you to comment if you saw it, that on  
8 the Investment Pool decisions from the end of the  
9 -- from the SBA end of it that were maybe on the  
10 egregious end that some people speculated before we  
11 got into this audit that might be there. But we  
12 didn't see some of those extraordinary things that  
13 people were speculating on, did we?

14 GENERAL MILLIGAN: Well, I'll have to say  
15 first of all that Clifton Gunderson's audit was a  
16 performance audit and did not look at, let's say,  
17 where there might have been fraud or that type of  
18 activity.

19 ATTORNEY GENERAL McCOLLUM: No, no. I  
20 understand that.

21 GENERAL MILLIGAN: And certainly what the  
22 report had to say was that there were certainly  
23 weaknesses in our compliance. And to the extent  
24 that those weaknesses exist, we need to fix them.  
25 And we have tried to fix as many as we can with the

1 resources that we have right now and with the  
2 knowledge that we have right now, but we really  
3 need a comprehensive review of where we should be  
4 in the compliance business as opposed to  
5 Band-Aiding, which I'm doing right now. I'm really  
6 Band-Aiding the compliance situation, and we need  
7 to look at inside of this operation and how do we  
8 really best meet the compliance needs of an  
9 operation that's in the billions and billions of  
10 dollars.

11 ATTORNEY GENERAL McCOLLUM: Well, the reason I  
12 raised it was that there were people who speculated  
13 we went out and bought subprime paper that we  
14 weren't entitled to buy, and that got us into  
15 trouble. I don't think it showed that we bought  
16 any subprime paper. We bought paper that may have  
17 been downgraded. I think there were judgments and  
18 controls that weren't appropriate, and we could  
19 have done better around the margins. But the idea  
20 that there was some action on the part of SBA to go  
21 out and buy something extraordinarily risky that it  
22 shouldn't haven't bought didn't seem to be revealed  
23 by that audit.

24 GENERAL MILLIGAN: No, I think that's safe to  
25 say. But there certainly were purchases that might

1           shouldn't have been made --

2                   ATTORNEY GENERAL McCOLLUM:   Yes, I agree.

3                   GENERAL MILLIGAN:   -- that were made.  But,  
4           you know, you can walk the cat back, but not very  
5           far.  What we do need to do is look forward and  
6           make sure that we've got compliance in place in the  
7           future and that we have Don Saxon doing his effort  
8           to really look at what might have really happened  
9           in the terms of the sale and purchase of some of  
10          those items.

11                   ATTORNEY GENERAL McCOLLUM:   Thank you.

12                   CFO SINK:   Governor, let me just clarify that  
13          when there's an indication that we bought an  
14          investment on August the 2nd that all of a sudden  
15          gets downgraded to junk on August the 4th, it  
16          raises a lot of questions in my mind, of course.  
17          Somebody knew something, because that reeks to me.  
18          And many of the other troubled investments that we  
19          bought were bought in that July and early August  
20          time frame and were downgraded within a two-week  
21          period of time.  We can just -- that speculation  
22          could lead in any number of directions, and I'm  
23          certainly hopeful that the investigation on the  
24          part of the OFR might lead us to figuring out who  
25          it was that knew what, because that's very

1 suspicious to me.

2 ATTORNEY GENERAL McCOLLUM: If I might too,  
3 Governor, add that I certainly don't want to  
4 diminish the concern we all share up here with the  
5 potential that there may have been some fraud  
6 involved here. We have not had that full  
7 investigation, and that's what Commissioner Saxon  
8 is doing, and of course, there may be some outside  
9 resources applied to that too. But it was my point  
10 to try to make, and that is that in the performance  
11 audit that we've had done that you've looked at, we  
12 didn't have the purchase of some of these more  
13 speculative types of paper that I think the press  
14 was reporting at the time you might have purchased,  
15 and that didn't appear.

16 GENERAL MILLIGAN: I think that's a fair  
17 statement, sir.

18 GOVERNOR CRIST: Thank you.

19 GENERAL MILLIGAN: With that, I --

20 GOVERNOR CRIST: If I might, if I might.

21 GENERAL MILLIGAN: Yes, sir.

22 GOVERNOR CRIST: Excuse me. I'm concerned  
23 about it too, and I think it reeks, possibly, as  
24 the CFO put it I think eloquently, because what  
25 we're talking about is a performance audit that has

1           been done that's sort of internal kind of control  
2           stuff versus whether or not there may have been  
3           some fraud brought to bear.

4           I mean, when you see the rating change that  
5           dramatically and that quickly, you have to wonder  
6           what's going on. And we've been asking since  
7           December -- this is not directed at you, General.  
8           I'm just talking. Since December to have an  
9           investigation of something that is of great  
10          concern, I think, to the people of Florida, and  
11          we've been getting a look and an audit, well done,  
12          great, but it's something that, you know, it really  
13          doesn't concern me. I'm more concerned about why  
14          it happened in the first place.

15          So I'm encouraged by Commissioner Saxon's  
16          movement in this direction and pleased by it. And  
17          I hope that if you don't get the kind of  
18          information by graciously and kindly asking for it  
19          that you will use the subpoena power that the  
20          people of Florida bestowed upon you as a result of  
21          the Florida Statutes, because that was December --  
22          January, February, March. It's now April. It has  
23          been five months, not one subpoena issued, and I  
24          think we've just started asking for the kind of  
25          material that might lead to some explanation as to

1 what in the world happened here and why it happened  
2 and Florida was, in my view, maybe taken advantage  
3 of. So thank you for going forward.

4 That you, General. Forgive me.

5 GENERAL MILLIGAN: Item 11 is a report by Kim  
6 Ferrell.

7 MS. FERRELL: Good morning. To get the audit  
8 update, we need to take a step back from where  
9 we're currently at with Commissioner Saxon. As  
10 General Milligan discussed, the audit that was  
11 conducted was a performance audit. It does take a  
12 broader look. It evaluates internal controls,  
13 performance results. The audit did look at all  
14 funds, and it was conducted in compliance with  
15 governmental auditing standards.

16 The Audit Committee also engaged the legal  
17 firm of Berger Singerman. They were used to advise  
18 the Audit Committee throughout this process, to  
19 also preserve any avenues for possible legal  
20 recourse, and also to prepare for any possible  
21 forensic engagement, which is where we're currently  
22 at.

23 The audit is substantially complete. It's a  
24 quality work product. It identified substantial  
25 opportunities for improvement in internal controls,

1 compliance and oversight functions, and investment  
2 policies and processes. As you know, the draft  
3 report was issued on April 2nd. We do have two  
4 representatives here from Clifton Gunderson. We  
5 have Tom Heseltine and Thomas Ray. I do want to  
6 just take a moment to thank them for the work that  
7 they've done. It was a complex engagement, and  
8 they completed it in a very short period of time.  
9 The Audit Committee is very pleased with their  
10 work. The professionalism they displayed and the  
11 quality of their work we couldn't be more happy  
12 with, so I do want thank them. They're available  
13 to you for any questions that you may have.

14 Overall, there were 24 recommendations. As  
15 General Milligan indicated, management accepted  
16 most of those. There were actually 21  
17 recommendations that management agreed to. There  
18 was one recommendation that they did not support.  
19 However, they did provide alternate corrective  
20 actions that would actually address the issues that  
21 were covered in a different manner. The remaining  
22 two recommendations will actually be referred to  
23 this Board for consideration and future action,  
24 possible action.

25 The final report will be out by the end of

1           this week. This Audit Committee through the  
2           internal audit function will monitor the  
3           implementation of the corrective actions. Both of  
4           these firms will be made available for any future  
5           questions. And again, as we've already mentioned,  
6           we're at the point where the forensic piece has  
7           been referred to Commissioner Don Saxon.

8                   GOVERNOR CRIST: Thank you very much, Kim.  
9           General.

10                   ATTORNEY GENERAL McCOLLUM: I just want to say  
11           that I believe we owe thanks to the three of them,  
12           Kim Ferrell and the team that went together, your  
13           office and CFO Sink's, in doing this. This was a  
14           lot of hard work. It is a performance audit. As  
15           the Governor has emphasized earlier, we realize  
16           there's still more to this investigation than this  
17           audit, but I think that we should all thank you for  
18           the much effort you put in as well as the  
19           professional team that you hired.

20                   MS. FERRELL: Thank you, sir.

21                   GOVERNOR CRIST: Thank you very much. And I  
22           want to thank you, General, for your great offer of  
23           support as Commissioner Saxon moves forward. It's  
24           a very worthy cause.

25                   ATTORNEY GENERAL McCOLLUM: We're prepared to

1 do whatever we can to assist Commissioner Saxon,  
2 and will.

3 GOVERNOR CRIST: CFO, did you have a question?  
4 Are you good?

5 CFO SINK: I'm okay.

6 GOVERNOR CRIST: Okay. Thank you very much.

7 GENERAL MILLIGAN: That concludes the agenda  
8 for the SBA, sir.

9 GOVERNOR CRIST: Thank you, General.

10 Before we conclude, I want to recognized  
11 Representative Audrey Gibson and your sorority  
12 sisters. And if you would like to speak to the  
13 SBA, we would be honored to hear from you.

14 REPRESENTATIVE GIBSON: Thank you.

15 GOVERNOR CRIST: And you don't have to limit  
16 yourself to financial matters if you don't want to.

17 REPRESENTATIVE GIBSON: Well, now that you  
18 mention it --

19 GOVERNOR CRIST: It's all about the dough.

20 REPRESENTATIVE GIBSON: Well, good morning,  
21 Governor and Cabinet members. It is my distinct  
22 pleasure to introduce to you my sorority sisters of  
23 Delta Sigma Theta Sorority, Inc. And yesterday I  
24 called them the dynamic women of Delta. Today I'm  
25 going to call them the dynamic and phenomenal women

1 of Delta Sigma Theta Sorority, Inc. And on behalf  
2 of Senators Joyner and Bullard, Representatives  
3 Cusack and Bendross-Mindingall and myself -- and  
4 we're also joined today by former State  
5 Representative Willye Dennis. And I told her this  
6 morning I had really big shoes to fill, and I'm so  
7 honored that she is here, and so is our Southern  
8 Region director, Christine Nixon. And our  
9 delegation has shrank just a bit, because we have  
10 folks -- we've been here over the last three days,  
11 and some folks are returning home. But indeed, we  
12 wanted to wait, because we did not want anyone to  
13 leave without seeing and hearing from the people's  
14 Governor.

15 (Applause.)

16 GOVERNOR CRIST: Well, we're honored to have  
17 you here and certainly are graced by your presence.  
18 Appreciate you taking the time to be in the capital  
19 city.

20 And the representative is a great  
21 representative in many ways that honor that word  
22 and that title. And I just want to thank you for  
23 being in Tallahassee during the session.

24 You know, all of us have the opportunity to  
25 speak to different groups that have the chance to

1 be in the Tallahassee area, particularly during the  
2 legislative session, and I can tell you that the  
3 impact that you make by visiting with members of  
4 the House and the Senate and my Cabinet colleagues  
5 is hard to estimate, because as a former member of  
6 the State Legislature, I can tell you -- and  
7 General McCollum is a former member of the United  
8 States Congress.

9 You know, there are several ways that  
10 constituents articulate with public servants, and  
11 one of the ways is that you get a bunch of e-mails,  
12 perhaps. Another way is that you get a bunch of  
13 letters, some of them form letters that somebody  
14 sort of signs at the bottom. Another way is that  
15 you get a handwritten letter from somebody you work  
16 for. And another way is, you show up, and you look  
17 that senator or that House member or that CFO or  
18 that attorney general or governor in the eye, and  
19 you tell them what's on your heart. And the impact  
20 is hard to estimate. It makes an extraordinary  
21 difference.

22 So the fact that you have taken your time to  
23 be here and you're sharing your concerns and your  
24 hopes and your dreams and your desires with those  
25 of us who have the privilege to work for you means

1 an awful lot to us. So God bless you. Thank you  
2 for being here.

3 (Applause.)

4 (Proceedings concluded at 12:17 p.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 121 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 6th day of May, 2008.

\_\_\_\_\_  
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