MINUTES OF THE INVESTMENT ADVISORY COMMITTEE
WEDNESDAY, DECEMBER 5, 2007, 10:00 A.M.
TOWN COUNCIL CHAMBERS

I. CALL TO ORDER AND ROLL CALL

The Investment Advisory Committee Meeting was called to order on Wednesday, December 5, 1007 at 10:00 A.M.

PRESENT:
Chair Michael F. Andrews
Vice Chair Edward L. Hennessy, Jr.
Stephen L. Brown
William J. Mikus
Bernard R. Panfel
Paul F. Vincent, Wachovia Bank
Anne Brady, Wachovia Bank
Jane Struder, Finance Director
Cheryl Somers, Assistant Finance Director
Betty Cotton, Recording Secretary

II. PLEDGE OF ALLEGIANCE

Chair Andrews led the pledge of allegiance.

III. APPROVAL OF AGENDA

MOTION BY MR. BROWN FOR APPROVAL OF AGENDA.
MOTION SECONDED BY VICE CHAIR HENNESSY.
MOTION CARRIED UNANIMOUSLY.

IV. COMMUNICATIONS FROM CITIZENS (3 MINUTE LIMIT PLEASE)

No citizens attended.

V. DECISION TO WITHDRAW FUNDS FROM SBOA

Mrs. Struder reported the SBOA matter was discussed at the last meeting and at that time it was decided to take a wait and see attitude and request an SBOA representative attend the next meeting. Since that time information was received, basically from news sources, Bloomberg in particular, that was implying that there was a run on the bank and that if the run continued, the SBOA might have to declare bankruptcy. At that point, on November 28th, the decision was made to pull the money out of the fund. The next day, the SBOA froze the funds in the pool so that any remaining investors could not pull their funds out. Yesterday, they had another meeting to decide what they will do with the investments going forward and what they basically did was assign A and B shares to all the remaining investors. The B shares represent the sub prime shares and the A shares are all others. The remaining investors can withdraw 15% or 2 million without penalty and if they want additional funds over and above that, they will have to pay a 2% penalty to get to those funds. New deposits would not be subject to the redemption fees. They also decided that anyone that did pull their money out in November would not receive interest for that month. The SBOA Director resigned.

Chair Andrews said he thinks that the Town of Palm Beach, Mr. Elwell, and especially Mrs. Struder and the Finance Department should be thanked for having the foresight and the attentiveness to the situation to pull the money out when they did. If that movement would have been one day later, it would have frozen up 51 million but also the Town would not have really good claim on 14% of that. He thinks that is very important. When the committee was formed, the idea was that the committee was to look at areas to diversify investments other than the SBOA. 30% of the investments were invested in the Florida League of Cities. Over time, some funds were invested into treasuries which the Town still has. This committee considers the benchmark that they judge themselves against to be the SBOA rate that they have on a normal basis. He understands that they do not have the latest information yet for the month of November but through the month of October, the investments were up about $70,000 relatively speaking over the SBOA. It is his understanding that there will be no distributions from the SBOA.

Mrs. Struder said correct that is for November. They did a calculation on what they think that might be and that would have amounted to $223,000.

Chair Andrews said he is pleased that this committee and its foresight has taken the position of actually diversifying and he thinks that although on a short term basis, that caused some relative anxiousness in some people. That diversification actually proved to be beneficial to the Town and the Town's monies as the committee invested it over the last few years.

Mr. Brown said he agrees and congratulated Mrs. Struder for making the decision that she did at the right time. He thinks it is unconscionable that the Town is not going to get any interest for the month of November. He wonders if that is really legal that they could do that. He suggested they might want to look into whether there is a legal case here for going back and getting the interest that was earned for the month of November. He also thinks that the run on the bank had a lot to do with the Bloomberg article that came out which had some questionable conclusions about the investments, even the worst investments, that were made by the SBOA. Other reports contradict what Bloomberg has said and no one knows exactly what the reality is. But he thinks there is a lot more to this story yet to go and he thinks they need to try to protect the Town's interests. This is the first time he realized that they were going to lose interest for the month of November. He thinks Town Counsel should be consulted about that issue. The other thing is he thinks that the SBOA should no longer be used as the gold standard against which the returns are compared.

Vice Chair Hennessy said he would like to see what the other municipalities are doing.

Chair Andrews asked what the committee needs to do to have the Town legal staff review the situation to see if they have any kind of claim or if they can try and recoup the money?

Mrs. Struder said she thinks a motion would be appropriate.

MOTION BY MR. BROWN TO TAKE ALL STEPS NECESSARY TO OBTAIN COUNSEL THROUGH THE TOWN'S LEGAL STAFF TO TRY TO REGAIN THE INTEREST MONEY EARNED FOR THE MONTH OF NOVEMBER .
MOTION SECONDED BY VICE CHAIR HENNESSY.
MOTION CARRIED UNANIMOUSLY.

VI. TEMPORARY INVESTMENT IN WACHOVIA MONEY MARKET FUND

Mrs. Struder said she asked Paul Vincent to come today to discuss the investment that the money was put in just to make sure that the committee agreed with the selection at least on a temporary basis and to answer any questions they might have on the investment, what it is actually invested in, rates of return, etc.

Mr. Vincent introduced himself and stated he is Senior Vice President of Wachovia's Government and Institutional Banking. Upon the Town's request, Wachovia opened a bank money market account, not a money market mutual investment fund, just a collateralized bank deposit similar to a checking account or a CD fully in compliance with State Statutes under Section 280. The only difference between it and a checking account is it is limited to six withdrawals per month under Federal banking regulations. In the midst of the crises of withdrawals from the SBOA, Wachovia has agreed to pay a rate that is tied to the Fed funds announced rate from time to time, the targeted Fed funds rate less 25 basis points. Fed funds rate is currently at 4.50% so that is a 4.25% on that fund. He stated he would be happy to answer any questions from the committee.

Mr. Mikus asked if Wachovia Bank is the credit standing behind the account?

Mr. Vincent said it is a collateralized bank deposit under State Statutes Section 280 which means that Wachovia as a qualified public depository maintains a pool of collateral with the State of Florida in the State Deposit Insurance Fund.

Mr. Mikus said so Wachovia Bank is the credit standing behind the account?

Mr. Vincent said yes.

Chair Andrews asked Mr. Vincent to tell the committee who else might be in the fund? Or who else might have similar arrangements such as the Town of Palm Beach with Wachovia at this time? Have any other towns done something similar?

Mr. Vincent said several other towns have done this, the City of Palm Beach Gardens, the City of Boca Raton, the Village of Wellington, come to mind immediately that have monies in a money market deposit account with Wachovia.

Mr. Brown said the only thing that is different than a normal bank account is the word collateralized and he thinks if he understands it correctly, this applies to any public or municipal deposit and that Wachovia has to have securities collateralizing this account on deposit with the State of Florida. Is that right?

Mr. Vincent said yes.

Mr. Brown asked what is the amount of securities that the bank has to have behind an account? How does that relate to the size of the account?

Mr. Vincent said this does not just apply to money market accounts but all deposit accounts, checking deposits, savings deposits, CD's, whatever, anything that a municipality or a subdivision of state government has.

Mr. Brown asked if all municipalities get this collateralized account?

Mr. Vincent replied all political subdivisions in the State of Florida.

Mr. Brown said so it is different but he is trying to understand how different it is.

Mr. Vincent said he would refer the committee to the State Statute 280 for a full description of the way the program works but in brief the way the state collateral program works is that on a periodic basis, Wachovia has to report to the Chief Financial Officer's office and the Bureau of Collateral Securities the total amount of public deposits that it has in the bank and has to mark to market the collateral kept with the State of Florida depending upon how those deposits fluctuate up and down. He believes it is a quarterly mark to market.

Mr. Brown said okay. What he is trying to get is the relationship of the size of the collateral to the size of the accounts. Is it 1% or 10% or what?

Mr. Vincent said the current level that Wachovia has collateralized is at somewhere around 50%. The state determines the amount of collateral kept individually for each qualified public depository depending on the strength of the bank and they give the bank the rating. Wachovia has the strongest rating. Bank of America is probably in a similar position. Most of the larger banks are. Some of the smaller banks that are starting out or if someone gets downgraded because of their capital adequacy, they might have to keep a higher level of collateral. They might have to keep 100 cents on the dollar in collateral for the deposits. So it is not a dollar for dollar and all of this goes into an insurance pool and the first $100,000 which isn't a very big percentage of the Town's deposits, is covered by FDIC insurance. Anything over that, if in the unlikely event that there is a bank meltdown and claims are being made to get the money, the first step would be to go to the FDIC for the first $100,000, and then to the state collateral pool to get the remainder of the money.

Mr. Brown said and the securities that are placed with the state or whatever?

Mr. Vincent said they are direct obligations of the U.S. Government and agencies.

Mr. Mikus asked so there is no commercial paper in there?

Mr. Vincent said no.

Mr. Brown asked so it is the credit of Wachovia but it does have some degree of back up that a normal retail investor would not have?

Mr. Vincent said absolutely, a normal retail customer would only have the credit of Wachovia behind them.

Mr. Brown said because it is a municipality. That is interesting.

Chair Andrews asked if it is safe to say that the state determines the amount of collateralizations currently about 50%?

Mr. Vincent said he is using the figure 50% because there is another element in there. It depends on what overall percentage of public deposits in the State of Florida the bank maintains. He believes that if a bank has over 20% of the deposits, then you have to collateralize those extra deposits at 125 cents on the dollar which is sort of a disincentive toward any one bank having excessive market share. It is part of the statute. The state determines from time to time what the collateral percentage will be and what the strength of an individual bank is. Wachovia has to submit financials to the state every quarter in order for them to be able to continually judge the bank's credit worthiness and set the bank's collateral level. The underlying collateral level is something more akin to 35 or 40 cents on the dollar. But Wachovia happens to be in the enviable position of having 28 to 30% of state deposits. So that portion that is over 22% has to be collateralized at a higher level. So the blended amount of collateral that is kept is probably more up around the 50% level maybe a little bit more. He can get that information.

Mrs. Struder said it would probably be helpful to have.

Mr. Panfel asked if the bank has any investment in sub prime loans?

Mr. Vincent said that is a good question. He knows that Wachovia is not a well known player in those markets but to state that across the board they do not have any exposure at all to sub prime loans, he would not be able to categorically say that.

Vice Chair Hennessy said Wachovia is not listed in the top ten because Fortune published the list of the top ten.

Mr. Vincent said that Wachovia is the fourth largest bank in the country and all of the large banks have been painted with a fairly broad brush here for the sins of the few.

Mr. Panfel said he went to a meeting yesterday and the Northern Trust claimed they did not lose a penny. They had absolutely no contact with the sub prime market. And they were encouraging people to buy their stock. He just wondered if Mr. Vincent would encourage them to buy Wachovia stock at this point?

Mr. Vincent said absolutely. Past performance is no guarantee of future returns.

Chair Andrews asked if Mr. Vincent is with Wachovia locally and asked him to tell a little bit about what his position is.

Mr. Vincent said he is Sr. Vice President with Wachovia and has been with Wachovia for 25 years. He grew up in the West Palm area. He has been in the government line of business with Wachovia for 12 years. He is responsible for all of the government banking relationships, such as the Town of Palm Beach, in a five county region from Broward up to the Treasure Coast. He is the local government guy.

Chair Andrews said, "this 51 million was sprung on you quite quickly. Is this the type of business that you are currently looking for or do you treat this as ancillary type business and a customer service so to speak for your other investors? Can you give the committee an idea of what your position is on money similar to this that might be given to you by other towns"?

Mr. Vincent said absolutely, it is business they are looking for and they have recommended a number of different avenues that Wachovia can assist with, another of which will come up in another agenda item and that is why he has his colleague, Anne Brady, here from Evergreen Investments. They think the longer term solution, in order to get something that more closely mimics the sorts of returns that the SBOA was providing, is to go into more of a highly rated mutual fund type of scenario rather than a bank deposit. Temporarily, just as a reaction to what is going on with the SBOA pool, Wachovia agreed to provide an above market rate for this public funds money market bank product that they actually have the Town's money in right now. He is answering yes to both pieces. As a customer service and relationship response, they have agreed to provide the Fed funds rate minus a quarter. That is not the rate they would typically pay on that type of deposit. This is really something provided more through their investment professionals.

VII. FUTURE INVESTMENT OF THE FUNDS THAT WERE WITH THE SBOA

Mr. Mikus said he would be more comfortable frankly if the Town's money was 100% collateralized in a mutual fund format with governments versus having any commercial bank credit exposure especially in these times. He thinks over the short term, this is appropriate but over the intermediate term, he thinks the committee should look at something different.

Chair Andrews said those are good comments. He asked Mrs. Struder if she has any comments?

Mrs. Struder said she has given the committee some information on the Evergreen Investment that Mr. Vincent just mentioned and also on the Florida League of Cities Enhanced Cash. It is sketchy information. She can certainly do further analysis if the committee gives some direction on what they want her to do. She obviously received a few phone calls recently from people who are interested in the Town's money. What she is looking for today is a little guidance on where the committee thinks she should go and where she should obtain information.

Chair Andrews said Anne Brady, a representative from Wachovia is here. If she can make a short presentation, he thinks that would be helpful at this time and then the meeting can be opened up to the committee for discussion of the investment vehicles.

Anne Brady stated she is Sr. Vice President of Wachovia. She works for Evergreen with institutional clients throughout the southeast and focuses specifically on what they call balance sheet cash which is fixed income short duration risk averse. She has a counterpart that works with longer term and pensions in that arena but she really focuses on risk averse solutions because they have found over time that most entities certainly want to maximize their yield with the number one priority as preservation of principle. So that is their focus.

Evergreen is a wholly owned subsidiary of Wachovia. They have a myriad of solutions that they work with governmental entities on going from very basic money market funds, a U. S. Treasury Money Market Fund, a U. S. Government Money Market Fund, and several taxable money market funds, which would, in fact, hold commercial paper and most governments are steering away from that. They also have about 80 billion under separately managed portfolios that are customized for both government and corporate clients. So they can work with the Town of Palm Beach and other entities in a myriad of different ways depending on where they want to go.

What she thought she would do today is take a few minutes and talk about the U.S. Treasury Money Market Fund and the U.S. Government Money Market Fund. These funds are registered to A7 Money Market Funds, both are AAA rated by S & P and Moody's. So basically what that means is it is different from a private placement fund, the SBOA fund. There is a second set of eyes and requirements that the portfolio managers must abide by when buying securities for these funds. The rule 2A7oversees money market funds and a U.S. Government Market Fund can buy U.S. Treasuries, agencies and instrumentalities issued by the U. S. Government and repurchase agreements that are collateralized with agencies and instrumentalities issued by the U. S. Government. The U. S. Treasury Money Market Fund holds U.S. Treasuries and repurchase agreements that are collateralized by U.S. Treasuries. There was a question earlier about collateral requirements. She wants to say it is either 102 or 105% but it is 1 to 1 or better.

Both funds are managed by a portfolio team that is very experienced. They have been managing these funds since 1996. They are same day liquidity through 5:00 p.m. They are easy to access through the Evergreen Direct Account. It is an application that is completed and faxed back to them. They need some sort of minutes or resolution showing that the entity that signed the application is authorized to do so on behalf of the Town. It has standing wire instructions on the account. When the Town wants a redemption, that money will be wired only to that account. There are no exceptions made regardless. That is a control perspective. When the Town wants to put money into the account, it is wired in and when money is withdrawn, call the institutional desk and it goes out five times a day about every two hours so it is same day liquidity.

That would be her recommendation. Most of the governments, and she has been speaking to many in the last several days in Florida, are going that direction. There are a few that are still going in a taxable money market fund. They have a strong fund and they have a good credit research group. She thinks that is a very safe venue but she does think that there has been a lot of press about SIV's and asset backed commercial paper of late, she thinks politically most folks are going to the U. S. Treasury or the U.S. Government Money Market Fund. But certainly, she wanted to mention that option.

To give an idea of current yields, in U.S. Treasuries in general especially since August, when all the sub prime issues started hitting the press, there has been a major flight to safety. It is a basic supply and demand issue so treasury yields have gone down dramatically. They really tanked in late August. They kind of recovered and then started to tank again. Whenever there is a huge in flow of money searching for a specific basket of securities, the yield is going to go down because they do not have to pay as much to get those securities out there. It has been somewhat volatile since August. The current yield as of this morning in their fund is 4.26%. It was around 4.30, 4.35, 4.40% a couple of weeks ago. It actually went down almost to 4% last week and is now bouncing back. The U.S. Government this morning is 4.45%. To give a benchmark, their taxable money market fund that does include commercial paper, is at 4.91%. The spread between a very risk averse government or treasury fund and a taxable money market fund has widened. But that would be expected based on what has been going on in the market. She just wanted to give the yields to give some idea of where the market is. But that would be her first suggestion to look at these funds. They are same day liquidity, very accessible, the reporting is on line and hard copy, so the Finance staff can go on and see what the accrued interest is. The interest accrues daily and is paid last day, end of the month. On line access is available 5 minutes after midnight on the first of the month with pull downs on what the dividend end of the month is. It works well for a lot of governments and they have many, many corporate entities that use this strategy as well just for their daily liquidity because it is very easy to use and a well managed fund.

They also have the ability to separately manage portfolios. What that means is basically, they would take the investment policy, whatever the Town would mandate, and they would manage the portfolio based on the Town's allowable investments and based on the liquidity needs. For instance, with governmental entities, very often, there is an in flow late fourth quarter, maybe in January and that may be the high and then it is going to ratchet down to a certain minimum whatever that minimum is throughout the year. So a separately managed portfolio gives them the ability, at certain times when there is opportunity on the yield curve, to move some of the money out farther in treasuries and lock in some yield if they think that the Fed may drop. By the way, they think it will drop at its next meeting. So that certainly is an option as well. That requires an investment management agreement. They attach the Town's investment policy to that. They are bound to invest within those parameters. If an investment manager tried to put something in the Town's portfolio that was out of the Town's investment parameters, they actually get a pop up message on their screen. They manually have to override to drop that security in. It is a very controlled environment. It does require a custody account because they really are not an investment manager and there would be a custody account other than Wachovia that would be holding those assets and they would settle in. But that certainly is something that she can prepare a model portfolio of and get that information for the Town as well. She just wanted to give a big picture from an investment manager what resources they might be able to provide to the Town.

Chair Andrews ask if she can give an idea of what yield spread might be hopefully either in the treasury or the government?

She said right now, there probably is not going to be any yield spread because the yield curve is relatively flat. If they were to go out and try to lock in, they will not get any more, they might actually get a little bit less. Over time, she can give that and she did bring what they call a quarterly fact sheet on their separately managed portfolios. This is what they call their Enhanced Cash Government Portfolio and it really is structured for governmental entities throughout the U.S. She will leave that here. That gives a representation over time of how they have performed to a money market index. Right now, the yield curve is flat, actually slight inverted going out six months and so if she were to come today and say "my recommendation is let's go into a government money market fund right now" and then she would call back and say "we now think that the yield curve has pitch in it, it is time to move into a separately managed account", she does not think the Town is going to be gaining that much today by going into a government separately managed account.

Chair Andrews asked if she would have a recommendation to the Town at this time since she offered two money market funds, one treasury and one government, obviously one has about 20 basis points more yield?

She said she would go into the U.S. Government Money Market Fund because of the yield differential.

Chair Andrews said she mentioned that it is a daily accrual, is it possible to transfer money between funds?

She said on a same day basis, no problem.

Chair Andrews asked so if the Town Finance staff decided to split the investments between both, they could move it fairly freely between one or the other?

She said yes. She would recommend that an account be opened that would allow for the Town investments in both those funds and then they can be mixed at will on a same day basis. Historically, there has not been as wide a spread between the U.S. Treasury Money Market Fund and the Government Money Market Fund and she cannot predict the future but she does think there is going to be continued flight to safety certainly through the first quarter and probably through the second quarter. If that continues, the spread between the U.S. Treasury and the U.S. Government probably will remain at its current width. But if it narrows or it continues to widen, it is the Town's option to move it from one to the other.

Mr. Mikus asked on the U.S. Treasury Money Market Fund, the top ten holdings, those are all repurchase agreements?

She replied yes right now, it is all repurchase agreements. It is basically a one day liquidity because of where the treasury yield curve is.

Mr. Brown asked her to discuss expense charges and he assumes the rates shown are net of expense charges. He thinks he reads that they are 22 or 23 basis points but he wants to be sure of that.

She said the yield is quoted net of fees and the expense charges are set every month.

Mr. Brown said he sees something about an expense ratio net or gross 22 basis points and then in the government it is 23 basis points. Is that correct?

She said yes those are the fees. That is correct as of September 30, 2007. They are recalculated every month but they will be around that. They will not vary more than a couple of basis points.

Mr. Brown asked her what maturities they invest in or can they invest in?

She said they are restricted by SEC Reg 2A7 as to maturities. They cannot go any longer than 365 days from an absolute maturity of any one security but the average maturity has to remain 55 days or less. Their treasury money market is basically at one day right now. When there is pitch in the yield curve, that average maturity is going to move out a little bit. The government money market is at 14 days.

Mr. Brown asked if they can't go beyond a year?

She said they can't go beyond an average maturity of 55 days and any one security more than one year.

Mr. Brown said and depending on the circumstances she would choose within that range depending upon the market where to go and right now they are very short.

She said they are very short. She believes 20% of the fund has to have next day liquidity anyway to maintain that dollar in and dollar out but they do have a tight range of an average maturity that they can move in based on the yield curve trying to maximize the yield but no security can be more than 365 days. She will leave the fact sheet of the separately managed Enhanced Cash Government Fund here. This is third quarter as well. Just briefly, as a registered investment advisory firm, their performance is Gibbs compliant so it is reflective of all the accounts that they manage for governmental entities that have similar investment policies so that they just pick a good one and say this is what they do.

Chair Andrews thanked her very much and encouraged her to exchange information with Mrs. Struder so that she has a pretty good idea of what probably would be the best investment choices.

He opened the discussion up to the committee for any suggestions or thoughts on future investments for the Town of Palm Beach on its existing funds. He asked how much money they are really talking about?

Mrs. Struder said there is 51 million in this money market fund that was in the SBOA. There is money in the Town checking account plus additional property tax money that is coming in probably around 20 million during the month of December. The Florida League of Cities has 17 million in the 1 – 3, 11.5 million in the intermediate and 2 million is in a treasury.

Chair Andrews said he would entertain any ideas or suggestions from the committee.

Mr. Brown said he does not think this very difficult period with the credit crunch, all kinds of questions about various investments, mortgages, etc., is going away in the next day or two. It will probably take a year or two for this to straighten out and for everybody to feel a little more comfortable. In the meantime, he thinks they should be very conservative in what they do. He thinks there are two other alternatives they should consider. One is to increase the amount of treasuries that are purchased directly by the Town. He does not know what amount Mrs. Struder and her staff would feel comfortable with. He asked Mrs. Struder if there is some limit in her mind about treasuries? He thinks instead of 2 million, 10 million should be invested in six months treasuries and then he thinks they should put some money in something like this government money market fund that Evergreen has that looks reasonable. He thinks they should look at what somebody like Vanguard has to offer as well in the government institutional money market funds because they are known for their very low fees. He thinks they have some institutional funds that are worth looking at. Those are just some ideas off the top of his head. Maybe by the end of the meeting they can coalesce on a strategy but he would like to hear what other people think as well.

Chair Andrews asked currently what is the yield on treasuries, almost a 100 basis points?

Mrs. Struder said the six month yield is 3.25%.

Chair Andrews said that is a big drop and he doesn't mind putting some more money in treasuries but he thinks the committee should pursue other alternatives that they believe to be conservative that would give a yield structure somewhat similar to what is available perhaps through Evergreen or Vanguard or some of the other organizations.

Mr. Panfel said he agrees that is a sound solution.

Mr. Mikus said it is a commodity product so he thinks their decision should be driven by the expenses.

Chair Andrews said just as a thought as a committee member, he believes that Mrs. Struder can look at really anything that they want at this time based upon the input that she has received so far from the committee. He thinks she did an excellent job in picking Wachovia on a short term basis. There may be some other things that they can do which would include Wachovia going forward or somebody else. His opinion is that the committee does not have to specifically approve any particular investments that the Town makes at this time. He feels the committee should just give direction on areas that the Town should look at. He opened this up again for discussion.

Mr. Brown said he only mentioned Vanguard because they are known in the fixed income area as having by far the lowest fees. For the same kind of account, they might have 10 basis points.

Vice Chair Hennessy said he would like to look at Fidelity as well.

Chair Andrews said in effect the money that the Town has to invest is the SBOA money. There might be some diversification in there. He does not think the Town wants to see that much diversification because then they have to follow everything. He asked if there are any other suggestions from the committee?

Vice Chair Hennessy asked who Mrs. Struder has received calls from?

Mrs. Struder said she does not remember the names but it was not any major people that manage funds.

Chair Andrews said he thinks they have to be very conservative. They have to take something which is going to be completely transparent.

Mr. Panfel said his paranoia is such that he would like to ask a question. He asked if the committee members think those two young men that spoke to the committee from the Florida League of Cities last week were aware of this run on the SBA?

Mrs. Struder said she thinks they were as aware of it as the Town and committee were with the information that had been received from the SBOA at that point.

Mr. Panfel said they did not sound as if there was anything happening with the SBOA.

Mrs. Struder said they had those few investments that had been downgraded.

Mr. Panfel said he thinks they let us down. That is his paranoia.

Vice Chair Hennessy said they did not sound any alarms.

Mr. Brown said he thinks it would have been hard for them to sound an alarm with the information they had at that point. Also, it would have come across as self serving. He does think though that the point about the Florida League is worth just mentioning which is that while they have avoided the SIV's and the CDO type investments, and this committee has congratulated them for that, their investments depend a great deal on Fannie Mae and Freddy Mac. Fannie Mae and Freddy Mac are having their own problems. He feels reasonably confident that they will recapitalize themselves and be able to raise capital because of their quasi government appearance and that these investments will be okay. But they are not super safe government backed investments. He thinks they should keep that in mind. He is not suggesting they should get out of the Florida League but it does put an even greater emphasis on the rest of the money being super safe.

Chair Andrews said he agrees. He asked Mrs. Struder if there is anything in particular she would like from the committee at this time?

Mrs. Struder said she can still research information and bring it back to the committee and it can be discussed at that point.

Chair Andrews said he thinks she might have to act before another meeting. He said as an individual member of the committee, that Mrs. Struder should do whatever she thinks is in the best interest of the Town and report back to the committee. The committee will be glad to give her whatever input she needs.

Mrs. Struder said she does not know whether she feels comfortable picking a Vanguard versus a Fidelity without the committee's approval. If the committee wanted her to move and open an Evergreen to possibly hold temporarily, she does not have a problem with that since they have had that exposure today or she can just leave it in the money market that it is in and it earns just slightly less than the other two investments.

Chair Andrews said he would not be adverse to Mrs. Struder taking some of the money that is currently in the Wachovia money market account and moving some of that over into either one of the two Wachovia accounts. The government one that was suggested that had a slightly higher yield and gives some diversification and it also has the same things, daily liquidity, etc., and other things that they are looking for. He does not see any reason why within that 51 million, they could not take advantage of what Mrs. Brady presented on Wachovia.

Mrs. Struder asked if she should invest it all since it has daily liquidity? She said she does not see the point of doing the collateralized money market fund.

Mr. Brown said it is not a bad idea to take it and put it in this account for the time being and then take a broader look the next time at other alternatives. He does not have a problem with that.

Mr. Mikus said the public is just so aware of the credit issues with commercial banks. The last thing needed is a headline in the local paper and have them start asking questions if is it appropriate. In this case, it is more than 100% collateralized. There is no credit exposure to commercial banks.

Mr. Brown said so that would be a good resting place until the next meeting..

VIII. NEXT MEETING DATE

Mrs. Struder asked if they would like to meet again in December?

Chair Andrews said he would like to meet again in December if she could coordinate because things have been going fairly fast. And also, if they meet again mid December, she will have some information she can present to the committee. That could be sent out in advance for their review.

She said when she sent the initial request for available meeting dates out, she noticed there were going to be a few conflicts. She asked if all the committee members will be available through the holidays.

Vice Chair Hennessy said it is going to be very difficult to have one in December. He suggested that she get some alternative investments, Fidelity, Vanguard, and maybe there are others. Let's take a look at them and then come back.

Mr. Brown said it is probably going to take a couple of weeks to get something together and then come back.

Mrs. Struder said then that will be going into the holiday weekend. She will try but she cannot guarantee it will be done before January.

Chair Andrews said on Tuesday, December 11th, he has to make a presentation to the Town Council basically a recap of the past year. He thinks they are going to be interested in a recap of the last two weeks more than anything else. He thinks the Town has done an excellent job of making sure it did not show up in the papers along with neighboring communities which includes South Palm Beach, Jupiter, Juno Beach, etc. There are a lot of people who just lost access to 14% of their principle which is really too bad and he hopes there are some alternatives that can be pursued by these entities.

Mr. Panfel asked what time the Town Council meeting starts?

Mrs. Struder said it begins at 9:30 a.m. This item would probably be in the first hour. She said there is no time certain for this. She is not sure if there are other time certain items on the agenda.

Chair Andrews said Mrs. Struder put his presentation together and he was very pleased to put his name on it.

Mr. Brown said he thinks they have to have this development about the SBOA's refusal to pay interest for the month of November.

Chair Andrews said absolutely, that would be part of it. He will try to meet with Mrs. Struder on Monday or sometime in advance of the meeting to make sure he has as much information as possible to present.

Chair Andrews asked what has been decided about the next meeting date?

Mrs. Struder said she will try to get a full committee and if not it might be shortly after the first of the year.

Mr. Brown said but in the meantime the committee advised her to move the money to the government Evergreen fund.

She said correct and she will actively research other options.

IX. ANY OTHER MATTERS

Mr. Mikus said he wanted to compliment the Finance Department again for showing outstanding judgment and their sense of timing was just breathtaking. Listening to the conference call, he stood the entire time, he couldn't even sit down, and he called and she was watching for the wire to come in. It was unbelieveable, it was a super bowl of a wire transfer. That is very impressive.

Mrs. Struder said, "Thank you very much."

X. ADJOURNMENT

MOTION BY VICE CHAIR HENNESSY TO ADJOURN THE MEETING.
MOTION SECONDED BY MR. BROWN.
MOTION PASSED UNANIMOUSLY.