TOWN OF PALM BEACH

Finance Department

MINUTES OF THE INVESTMENT ADVISORY COMMITTEE MEETING
HELD ON FRIDAY JANUARY 30, 2009, 10:00 A.M.
TOWN COUNCIL CHAMBERS

I. CALL TO ORDER AND ROLL CALL

The Investment Advisory Committee Meeting was called to order on Friday January 30, 2009 at 10:00 A.M.

ATTENDEES:

Chairman Michael F. Andrews
Vice Chair Edward L. Hennessy, Jr.
Committee Member Stephen L. Brown
Committee Member Bernard R. Panfel
Jane Struder, Finance Director
Cheryl Somers, Assistant Finance Director
Paul Vincent, Sr. V.P. Gov. Banking Wachovia\Wells Fargo
Michael Verano Associate Dir. & Asst. V.P, Evergreen
Dustin Heinz, Florida League of Cities
Greg Coleman, Atlanta Capital
Melissa Morgan, Recording Secretary

ABSENT

Committee Member William J. Mikus

II. PLEDGE OF ALLEGIANCE

Chairman Michael F. Andrews led the pledge of allegiance.

III. APPROVAL OF AGENDA

Motion by Mr. Hennessy for approval of the agenda.
Motion seconded by Mr. Brown.

Motion carried unanimously.

IV. COMMUNICATION FROM CITIZENS - 3 MINUTE LIMIT PLEASE

There was none.

V. APPROVAL OF MINUTES FROM THE DECEMBER 3, 2008 MEETING.

Motion by Mr. Brown for approval of the agenda.
Motion seconded by Mr. Hennessy.
Motion carried unanimously

VI. PRESENTATION BY EVERGREEN INVESTMENTS.

Paul Vincent Sr. Vice President of Governmental Institutional Banking
Wachovia Bank N.A/Wells Fargo.

Mr. Vincent: Discussed the merger from Wachovia Bank NA to Wells Fargo as of December 31, 2008. "According to the Moody's Standard and Poor's credit rating Wachovia/Wells Fargo has raised its credit rating to AA+ form A+ prior to the merger."

Mr. Vincent discussed a handout with facts and figures pertaining to the post merger of Wells Fargo and Wachovia Bank which displayed a foot print from cost to cost and the states Wells Fargo will be serving.

Mr. Vincent asked the Committee: Do you have any question pertaining to safety and sound of Wells Fargo and Wachovia Bank as the state qualified depository program?

Chairman Andrews asked Mr. Vincent: We have it done here as Evergreen. Is Evergreen gone as far as the name is concerned?

Mr. Vincent answered: No, Evergreen funds are still the same Evergreen funds and when Michael speaks he will speak on any transition over to Wells where that is concerned. Also Evergreen is its own subsidiary of Wells Fargo now as well. Wells Fargo did buy all of the pieces of Wachovia Bank.

Chairman Andrews asked the Committee: Do you have any more questions for Mr. Vincent?

Mr. Panfel asked Mr. Vincent: Is it true that Wells Fargo asked the government for a 25 billion dollar bail out? Also is it true that they had a short fall and asking for assistants?

Mr. Vincent replied: Wells Fargo did avail its self in the first round of money the Feds gave them.

Mr. Panfel asked Mr. Vincent: I am talking about a second bail out?

Mr. Vincent replied: I do not have any direct knowledge of us going back to the Well. No pun attended, for more capital at this point, but that is not out of the question with number business loans and mortgage loan defaults.

Chairman Andrews asked the Committee: Are there and more questions for Mr. Vincent?

Mr. Verano asked the committee: Do you have any questions regarding the combination of Wells Fargo and Evergreen? The new accounts will be called Wells Advantage Funds. They are AAA funds that are managed within the Florida Statues and it continues to be a safe investment and it should be a good options going forward for The Town of Palm Beach.

Chairman Andrews asked Mr. Verano: It is business as usual? The name might change? Also the rules of order in which the funds are investing, what entities we can buy and what yields we are looking for? Are all of them going to be basically the same?

Mr. Verano replied: That is correct.

Chairman Andrews asked Mr. Verano: You mentioned earlier that the Wells group is very conservative. Do you know if they are operating at a more conservative factor then the Evergreen funds are? Or is it going to all blend out together? What's you thought on that?

Mr. Verano replied: I think it is going to be a very good mix because they focused on the treasury and governmental products.

Mr. Brown asked Mr. Verano: Is the expense ratio likely to end up higher, lower or the same?

Mr. Verano replied: I would say it is probably going to be lower if anything because of the ratio over all yield it is a pretty substantial percentage. It is about 15 bases points to about 20 bases points. Also are fees are not higher than industry standard but they might rebate some of the fees to enhance the yields a little to potentially attract new investors.

Chairman Andrews asked the Committee: Do you have any more questions for Mr. Verano and Mr. Vincent?

Chairman Andrews replied: Hearing none, on behalf of the Investment Advisory Committee and The Town of Palm Beach, we thank you for all your support, diligence, active communication with the Town and we look forward to a continued relationship.

VII. PRESENTATION BY FMvT (FLOIDA LEAGUE OF CITIES)

Dustin Heinz addresses the changes in the high quality government fund that was managed by Columbia investors. Previously The Florida League of Cities would only purchase treasuries and agencies but going forward they are going to purchase shorter duration treasuries, 0 to 2 year to enhance the yield without the risk. This change will take effect on April 1, 2009.

Greg Coleman discussed a handout regarding the past performance of The Florida League of Cities treasuries. He also discussed some information regarding how the economy affected their treasuries.

Mr. Coleman asked the Committee: Do you have any questions regarding the portfolio or any of the information I have presented to you?

Chairman Andrews asked Mr. Coleman: Do you see any situations where your portfolios are going to be at a forced selling mode, which no ones like in the foreseeable future?

Mr. Coleman replied: No we don't, but we have inflows and out flows all the time. We run operating funds for hospitals that has calls on the money. Which is one of the reasons why we have so many treasuries and agencies in these portfolios. Also to the

extent that we get inflows from coupon and interest payments that come in and the non pension funds. But so far are inflows have been good because of the performance. But we do not have a crystal ball. But the Town has about 50% of the money in the portfolios and agencies which are in the intermediate fund.

Chairman Andrews asked Mr. Coleman: How can you have investments in country wide homes loans at this particular point? They are rated has AAA funds and your company really likes them. Can you explain to me and the Committee why they are there?

Mr. Coleman replied: A lot of funds that was AAA stayed AAA for many years especially the ones in the asset back and the mortgage market. There was a lot that was rated AAA but as things got more exotic their rating fell to an "A" rating and some defaulted in which some of these where country wide.

Chairman Andrews asked Mr. Coleman: Most of the investments in both funds are government and the next highest one are auto loans? Do you feel comfortable that auto loans are going to be fairly good in the foreseeable future?

Mr. Coleman replied: As it relates to paying back assets back, by car loans? Yes. The auto market has been almost as bad as the house market as you know and more people are defaulting on their cars than before.

Chairman Andrews asks the committee: Do you have any more questions for Mr. Coleman and Atlanta Capital management?

Chairman Andrews: Hearing none, thank you for coming.

Mr. Heinz discuses a handout about what securities lending is? And what the future holds for these securities.

Chairman Andrews asked Mr. Heinz: Wachovia filling a class action law suite?

Mr. Heinz replied: No we are not, we are sending them letters trying to push them.

Mr. Andrews replied: You received an e-mail from Wells Fargo and they said tough tarts. Therefore at 14 months you will not have this association with Wells Fargo on securities lending?

Mr. Heinz replied: No, not on securities lending.

Chairman Andrews replied: Ok, also keep us informed through Mr. Struder on what you are doing because it is kind of a fluid situation and I don't see any advantages that you have on the foreseeable future to do anything about it.

Mr. Heinz replied: Absolutely.

Chairman Andrews asked the committee: Are there any more questions for Mr. Heinz and Mr. Coleman?

Chairman Andrews replied Mr. Coleman: On behalf of the board and the Town of Palm Beach I would like to say thank you for coming, providing us with information and staying in consent contact with Ms. Struder so we have a pretty good idea of what is going on.

Chairman Andrews asked the Committee: Are there any thoughts on the two presentations that you have just herd?

Mr. Hennessy replied: They where both good, but I do not know what the future holds or do they?

Chairman Andrew replied: Yes, but I think a lot more people have gotten a lot more conservative and that is good.

VIII <u>MOTHLY ADVISORY REPORT FOR DEEMBER 2008</u>.

Mrs. Somers: Are current investment balance is almost 101 Million and as mentioned earlier we had a good month in December. We had 572 thousand coming in on return. Also in December we transferred 16 million of the advalorem money that came into two accounts with The Florida League of Cities and Evergreen based on a percentage, as was discussed at the last Investment Advisory Committee Meeting. Also we have prepared a schedule for Chairman Andrews for the council meeting that compared the interest earnings we have received by being diversified between the Florida League of Cites and Evergreen verse the earnings we would have if we had all the money with Evergreen and the last 15 months we have are in the positive 754 Thousands Dollars.

Chairman Andrews replied: That is good because I can not remember when we have been in the positive for three months in a row.

Mrs. Somers asked the committee: Is there any questions?

Chairman Andrews replied: No, keep those positive returns coming.

IX. OTHER INVESTMENT OPTIONS

Chairman Andrews discussed a conversation he had with Albert Hutzler (a former member of the committee) on where our investments are. Chairman Andrews said one is a money market account and the other ones are in the Florida League of Cities and they are 1-3 and 3-5. The treasury bills are coming due February 22, 2009.

Chairman Andrews asked Ms. Struder: What was it to get back into the treasuries .6%?

Ms. Struder replied: At that time it was about .25 or .27.

Chairman Andrews discussed handout on investment cash management proposal by Albert Hutzler.

Chairman Andrews asked the Committee: If you would like to here a presentation form the UBS Financial Service?

Mr. Panfel asked Chairman Andrews: What harm would it do if we just listened?

Chairman Andrews replied: No harm would come out of it, but I wanted to insolate my self from the process because I know Mr. Hutzler because he was former board member and he is a Palm Beach resident. He called on me at that point and I would like to come out of that and I have asked them if they would like to do a presentation that they coordinate that through Ms. Struder. Also if any committee member has any suggestion of who you would like to consider please coordinate that through Ms. Struder.

Chairman Andrews said: I think it would be beneficial to The Town of Palm Beach to have some of these people come in only if the committee agrees and to do a short presentation.

Ms. Struder asked Chairman Andrews: You mean it would be USB plus three or four other firms to compare?

Chairman Andrew replied to the Committee: I think one of the firms should be UBS Financial only if the Committee agrees. I don't want to make that decision. I think that decision should be done by Ms. Struder. Also if any of the committee members knows any financial advisors that want to assist The Town of Palm Beach that should be brought up.

Mr. Panfel: I was approached by Northern Trust. I gave them Ms. Struder phone number but I do not think they ever followed thru by seeing her. They where interested in servicing The Town of Palm Beach. I can ask them again.

Mr. Hennessey: The hard part is going to be limiting it to three and how you pick the three. I am sure there are lots of institutions that as soon as they here there is a chance to get some money from the town they would interested in presenting. I am not quite sure how you are going to pick them out.

Ms. Struder: We could do a formal R.F.P and we could and we would come up with a list of the various respondents. Then the committee would pick the top three of four to come back in.

Mr. Brown: I have been approached by J.P Morgan.

Committee agrees that is an excellent idea because it isolates us from them.

Mr. Brown asked Chairman Andrews: A question about handout USB Financial.

Chairman Andrews: Discuses handout with committee

Mr. Hennessey asked Ms. Struder: I like the idea and can you bring the actual R.F.P?

Ms. Struder replied: Yes I can bring it in

Chairman Andrews: We can look at an R.F.P electronically and we could e-mail back our comments. I am just trying to speed up the process so we can make a decision before the end of the season.

Ms. Struder: Agreed to have draft by next meeting.

X. <u>INFORMATION FROM PRIME BUCHHLOZ-COMMODITY FUND</u>

Ms. Struder said to Chairman Andrews: The last meeting you had requested information on the commodities funds. The one in which he is proposing is the Tap L.L.C fund.

Chairman Andrews asked Ms. Struder: I am trying to remember why we wanted this?

Mr. Struder replied: You wanted to get out what you have.

Chairman Andrews asked Ms Struder: Did we decide to get out of Western gradually and to turn those assets into Pimco?

Ms. Struder replied: Yes

Chairman Andrews asked Ms. Struder: Did anything happen to that gradually that be would be getting out?

Ms. Struder replied: We set up two funds Fidelity and Pimco funds are established funds. I am not sure if we put any money into the Pimco fund or not? But we have filled out all the paper work and established the funds.

XI. DISCUSSION OF TOWN COUNCILE PRESENTATION.

There was none.

XII. NEXT MEETING DATE

1). Option – Thursdays February 12, 2009 PM (Prime Buchholz Quarterly Presentation)
Committee agreed on the next meeting is going to be February 12, 2009 in the afternoon.

XIII. ANY OTHER MATTER

Chairman Andrews asked are there any other matters to be brought before the committee at this time? There were no other matters discussed.

XIV. ADJOURNMENT

Chairman Andrews entertained a motion to adjourn the meeting.
Mr. Brown made the motion.
Mr. Hennessy seconded the motion.
The motion was carried unanimously and the meeting was adjourned at 11:35 A.M.