

**Minutes of the
Cash Management Advisory Board
October 24, 2012
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
Michael Terry, Principal Investment Officer, STIF
Paul Coudert, Investment Officer, STIF
Marc Gagnon, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:03 a.m., introduced board members to Michael Terry, the STIF Unit's new Principal Investment Officer, and asked members if there were any comments regarding the July 25, 2012 Cash Management Advisory Board minutes. With no comments, the minutes were adopted.

Mr. Coudert reviewed the performance of the Short-Term Investment Fund (STIF). Mr. Coudert stated that for the quarter ending September 30, 2012, STIF earned an average annualized yield of 20 basis points, outperforming its benchmark by 13 basis points, and for the one year period ending June 30, 2012, STIF returned 17 basis points, outperforming its benchmark for that time period by 11 basis points.

Mr. Coudert discussed the current composition of STIF, and indicated that STIF's daily liquidity was approximately \$3.0 billion, or 64 percent of fund assets. Mr. Coudert continued by saying that 71 percent of the portfolio was invested in securities with some type of federal government support, such as agency securities, FDIC-insured securities, or repurchase agreements backed by such securities. Mr. Coudert stated that the remainder of the portfolio was in certificates of deposit, all with daily put options. Mr. Coudert indicated that STIF's reserves had grown to \$47.9 million and contributions were currently not being made since the reserves were above one percent of STIF assets.

Mr. Coudert updated the board regarding the Gryphon Funding note, and reported that the note had been sold on October 12, 2012, while settlement would take place on approximately November 2, 2012. Mr. Coudert said that we were able to sell the security at our current exposure of \$18.8 million, taking into account the reserve adjustment. Mr.

Desautelle stated that we made the correct move in selling the Gryphon Funding note, putting this long-term issue behind us.

Mr. Coudert stated that the Extended Investment Portfolio's (EIP) current asset size was approximately \$100,000 and was earning approximately 22 basis points.

Mr. Coudert reported that STIF Plus fund's current asset size was just below \$5 million and consisted entirely of asset-backed securities. Mr. Coudert said that with the rally in the asset-backed securities market, the STIF Plus market values continued to improve, slightly reducing the size of the unrealized loss. Mr. Wilson stated that by investing in STIF Plus and EIP, rather than STIF, additional income of approximately \$13 million had been earned, well above any loss we could incur, making STIF Plus a valuable strategy.

Mr. Desautelle asked Mr. Coudert if he expected to see any investment opportunities towards year-end. Mr. Coudert responded, saying that he expected the opposite to occur with the expiration of the federal government's Transactional Account Guarantee Program on December 31, 2012. Mr. Coudert explained that additional cash would flood the short-term market, bringing down rates.

Mr. Wilson stated that the STIF Unit was currently developing the ability to purchase additional credits within the STIF portfolio, but needed first to demonstrate to S&P that our credit analysis process complies with its guidelines. Mr. Wilson continued, saying that once S&P was comfortable, we would present our enhanced process to the Treasurer for her review and approval.

With no further business, Mr. Wilson adjourned the meeting at 10:12 a.m.