

**AGENDA**  
**GENERAL EMPLOYEES' RETIREMENT PLAN**  
**BOARD OF TRUSTEES MEETING**  
**City of Sanibel, Florida**  
**City Hall, MacKenzie Hall**  
**September 9, 2009**  
**10:00 a.m.**

- 1. Roll call**
- 2. Pledge of Allegiance**
- 3. Minutes**
  - a. Distribution of the amended May 13, 2009 minutes**
  - b. Approval of August 12 Regular meeting minutes**
  - c. Approval of August 25 Special meeting minutes**
- 4. Distribution of source materials**
  - a. Policies and agreements**
  - b. Security Exchange Commission: Selecting and monitoring pension consultants**
  - c. Example of Consultant Questionnaire**
- 5. Status of investment consultant/monitor**
- 6. Status of investment policy/program**
- 7. Further evaluation of assumptions**
  - a. Turnover**
  - b. Investment returns**
  - c. Other**
- 8. Other**
- 9. Discussion of dates for follow-up meetings**
- 10. Public comment**
- 11. Adjournment**

IN ACCORDANCE WITH THE AMERICANS WITH DISABILITIES ACT, PERSONS NEEDING A SPECIAL ACCOMMODATION TO PARTICIPATE IN THIS PROCEEDING, TO INCLUDE HEARING IMPAIRMENT, SHOULD CONTACT JIM ISOM, DIRECTOR OF ADMINISTRATIVE SERVICES, NO LATER THAN ONE DAY PRIOR TO THE PROCEEDINGS AT (239) 472-3700. FOR ADDITIONAL ASSISTANCE IF HEARING IMPAIRED, TELEPHONE THE FLORIDA RELAY SERVICE AT 711.

### **3. Distribution and Approval of minutes**

- a. Distribution on amended May 13, 2009 minutes

City of Sanibel General Employees Pension Plan  
Board of Trustees Minutes

MAY 13, 2009  
REGULAR MEETING

The regular meeting of the Board of Trustees of the City of Sanibel General Employees Pension Plan was called to order by Acting Chairman Michael Cuscaden at 11:00 a.m., May 13, 2009 at City Hall, 800 Dunlop Road, Sanibel, FL 339574096.

**CALL TO ORDER:**

Trustees present were Acting Chairman Cuscaden, Secretary Sylvia Edwards, Elaine Fannon, Sharon Gibson, Richard Pyle, Mike Armstrong, Tim Garmager, Doug Congress and Richard Holmes.

**OTHERS PRESENT:**

Actuary Patrick Donlan, Foster & Foster; Attorney Ronald Cohen, Cohen & Rind, P.A.; Administrator Pete Prior, Benefits USA, Inc.; Consultant Greg McNeillie and David Lee, Dahab Associates; Vice Mayor Kevin Ruane; Nola Falcone, NMF Asset Management; and Leta Chaney, Salem Trust Company.

A motion by Acting Chairman Cuscaden to go out of order was seconded by Trustee Edwards and passed.

Acting Chairman Cuscaden noted that prior to the start of the meeting Vice Mayor Ruane would like to make a comment to the board. Vice Mayor Ruane reported that the city council amended the current plan to allow for two additional Board members to be appointed by the city council. Vice Mayor Ruane noted that Tim Garmager has replaced Dick Cohan.

Election of New Chairman

Acting Chairman Cuscaden asked about the procedure for conducting an election. Attorney Cohen stated that the procedure was to ask for nominations for the position of chairman, Trustee Fannon nominated Mr. Cuscaden. There being further nominations, Chairman Cuscaden was unanimously elected chairman.

Resignation of Chairman Cohan

Chairman Cuscaden noted that since the previous chairman has resigned, a motion would be in order to accept the resignation. A motion by Trustee Holmes to accept the resignation of Mr. Cohan was seconded by Trustee Edwards and the motion passed.

**APPROVAL OF MINUTES**

A motion by Trustee Pyle to approve the minutes of the February 11, 2009 Regular Meeting was seconded by Trustee Gibson and passed. A motion by Trustee Pyle to approve the minutes of the March 26, 2009 Special Meeting was seconded by Trustee Armstrong and passed.

**CONSENT AGENDA:**

A motion by Trustee Armstrong to approve the Consent Agenda, as follows, was seconded by Trustee Gibson and passed.

Cohen & Rind, P.A. (February, March & April '09 Legal Fees @ \$1,000.00)	\$ 3,000.00
Foster & Foster (Actuarial Services; INV # 736)	\$10,689.00
Dahab Associates, Inc. (1" Qtr. '09 Consulting Fees)	\$ 4,125.00

Richmond Capital Management (1' Qtr '09 Mgmt Fees)	\$ 2,233.00
NMF Asset Management (1" Qtr '09 Mgmt Fees)	\$ 1,908.04
Dana Investment (1" Qtr. '09 Mgmt. Fees)	\$ 5,061.36
Salem Trust (1 <sup>st</sup> Qtr '09 Custodian Fees)	\$ 2,068.44
Benefits USA, Inc. (March, April & May '09 Admin Fees @ \$1,000.00)	\$ 3,000.00

## INVESTMENT REPORTS QUARTER ENDING 03/31/2009:

### NMF Asset Management

Ms. Falcone addressed the board reporting on the history of the fund and her work experience. NMF invests only in companies with a valuation of \$100 million to \$2 billion. On March 31, 2009, this fund's assets managed by NMF totaled \$774,687. For the first quarter of 2009, the fund is down -19.69% versus the benchmark of -14.95%. Fiscal year to date the fund is -37.43%. Year to date as of May 6, 2009 the fund earned -4.73% versus 1.74% and from 4/01/09 to 5/6/09 the fund earned 18.62% versus the index of 19.63%.

Ms. Falcone reported that they are investing in the basics, such as water, energy, renewable sources, and oil and gas. Since the new president has taken over, his thrust to bring the economy back is to create jobs and deal with health care. NMF is also investing in Infrastructure, Health Care and Technology.

### Richmond Capital Management

For the first quarter the fund net of fees was down -0.1% versus the index that was up 0.1%. The total portfolio was \$3,471,349. For the fiscal year to date the fund earned 5.7%, ranking in the 31st percentile and out-performing the index which was 4.7%. Since inception, September 2008, Richmond earned 5.7%. It was noted that in March 2009, the Hartford portfolio was divested and \$514,623 was transferred into Richmond Capital at that time.

### American Realty Advisors

American Realty lost -12.9% for the quarter but out performed the index which was down -13.9%. For the fiscal year to date the fund is down -19.5% compared to the index that was down -23.3%. Since inception, June 2008, the fund earned -19.7% versus the index of -23.8%. Assets under management totaled \$880,035.

### Dana Investment Advisors

Dana Investment Advisors was down for the quarter -11.0%, and ranked in the 64<sup>th</sup> percentile. Dana slightly outperformed the index for the quarter, which was down -11.2%. For the fiscal year to date, the portfolio was down -29.1% ranking in the 11<sup>th</sup> percentile, slightly outperforming the index that was down -29.4%. For 12 months the fund lost -34.0% ranking in the 7<sup>th</sup> percentile, beating the benchmark by .05%. For three years the portfolio was down -11.1% ranking in the 13<sup>th</sup> percentile, versus the index of -11.7%. Since inception March 2005 the portfolio is down -5.0% versus the index of -7.4%. Dana's portfolio is \$3,114,681.

### Dahab Associates, Inc.

Mr. McNeillie and Mr. Lee addressed the board providing a brief overview of the economy. Mr. Lee reported that corporate bonds performed well compared to treasuries. Trustee Pyle noted that NMF was in the 77<sup>th</sup> percentile for 12 months and questioned if anything was changing in their office. Ms. Falcone said that it was the worst quarter she had seen, but that is because she did not want to buy certain stocks knowing that it would probably hurt the rankings. Trustee Pyle asked Mr. Lee how long he thought it would take to earn back the \$4 million the fund has lost based on the assumption rate and the losses in the real estate portfolio. Mr. Lee replied that real estate will continue to go down until the market and finances return to normal. Mr. Lee said it will probably take as long as five years to get back

where the fund was. Vice Mayor Ruane asked where the portfolio stands to date as the portfolio is down another -19%.

Mr. Lee noted that the total fund is down -8.3% for the quarter versus the index of -7.5%. For the fiscal year the fund is down -19.4% ranking in the 75<sup>th</sup> percentile. For 12 months the total portfolio is down -25.5% versus the index of -25.8% and for three years the fund was in the 56<sup>th</sup> percentile earning -6.1% outperforming the index of -6.5%. Since inception the portfolio is down -0.2% ranking in the 75<sup>th</sup> percentile, versus the index of -0.5%.

#### UNFINISHED BUSINESS:

Sharon Gibson asked Attorney Cohen for the status of the Janet Cali issue. Attorney Cohen responded that his office is working on this issue and should have it completed shortly.

#### NEW BUSINESS:

The following were seated as new Trustees

1. Tim Garmager (replaces Dr. Cohan)
2. Doug Congress (new position)
3. Richard Homes (new position)

Attorney Cohen reminded the new trustees about the Sunshine Law and the filing of their financial disclosure forms with the Supervisor of Elections in the county in which they reside. Mr. Prior noted that he would send the previous chairman a copy of Form IF to complete.

#### FPPTA Conference

Elaine Fannon has requested approval to attend FPPTA 25<sup>th</sup> Annual Conference in Boca Raton, FL on 06/29-07/01/09. Chairman Cuscaden said he would entertain a motion to approve the expenditure for the conference. Richard Holmes asked for an explanation of the FPPTA. Mr. Prior explained that the Florida Public Pension Trustees Association is an organization that provides education for trustees of public pension boards. It also has a certification program that encompasses a beginner class, intermediate and advanced classes, all which are tested and graded. Once that is complete there are classes that provide CEU's to maintain the certification. The costs could be borne by the recapture fees. Trustee Holmes moved and Trustee Garmager seconded the motion to approve Ms. Fannon's expenses, and the motion passed.

#### Trustee Fiduciary Liability Policy

It was noted that a quote for \$1,000,000 Trustee Fiduciary Liability insurance had been obtained through the Florida League of Cities with an annual premium of \$4,395.00. Attorney Cohen explained the coverage and the waiver of recourse endorsement, which has a premium of \$25 per Trustee. Trustee Pyle's motion to approve the policy was seconded by Trustee Fannon and passed. A motion by Trustee Garmager to approve adding waiver of recourse was seconded by Trustee Pyle and passed.

#### Approve Retiree Repayment Plan to Recover Overpayment of Benefits

Chairman Cuscaden directed Trustee Edwards to report on the issue since she was clear on the details. Trustee Edwards provided the trustees with a memo outlining the issue and reported that there are now checks and balances to assure that this would not happen again.

Ms. Leta Chaney of Salem Trust addressed the matter and suggested an alternative payment. Ms. Chaney reported that the repayment could be made at \$500 a month for 16 months. The board discussed whether the custodian could, after paying back to the fund the \$8,000, seek restitution from

the retiree. Trustee Garmager noted that the problem does not lie with the retiree, Helene Phillips, but with the error made by the custodian, adding that it would be unfair to the employee to be asked to repay the money she was given in error. Trustee Armstrong stated that the employee knew she was receiving the extra money and should return the money to the fund or the custodian. Chairman Cuscaden noted that it appears that Mr. Isom of Human Resources negotiated the matter and not the board. Trustee Garmager moved to not allow the custodian to go against the retiree and the motion was seconded by Trustee Congress. The motion failed 7-2.

Trustee Armstrong's motion to approve Salem Trust reimbursing the plan for \$8,000 was seconded by Trustee Fannon and the motion passed.

#### Discussion regarding Long Term stability, planning and sustainability of pension plan

Vice Mayor Ruane provided the board with a report regarding the income of the city and the smoothing technique that was adopted by the board. Vice Mayor Ruane said that the police pension board authorized Foster & Foster to provide a long term cost projection for funding the plan. The reason the outlook was sent to the trustees is to advise them that the council has concerns. Vice Mayor Ruane noted that the cost of the projection will be paid for by the city and then shared with the trustees, noting items that may reduce benefits for new retirees and include entering into FRS, Trustee Holmes said that makes sense and would benefit both the trustees and the city. Trustee Garmager asked if the valuation provided for long term projections as suggested. Actuary Patrick Donlan reported on the different assumptions used by the plan and the experience study that was performed three years ago.

Trustee Garmager noted that if the board is looking for an assumption study then that is what the study should be; he agrees with Vice Mayor Ruane on that issue. The issue was discussed at length. The board would like to see the study approved and then have a dialogue with the city to determine if any changes should be done made, such as lowering benefits for future employees or having future employees enter into the FRS system. Trustee Garmager asked what the city would like to review, which Vice Mayor Ruane said that he would provide. The actuary advised that the valuation is nearly complete and can be provided to the trustees by July. Trustee Holmes moved approval of Foster & Foster providing the study. Trustee Armstrong asked if the city is the client on this matter. Vice Mayor Ruane said the city will pay for the study. Attorney Cohen noted that the board does have a contract with Foster & Foster and the board could allow it. He reminded the board that it is under the Sunshine Law and not to make contact with each other on the matter, including via e-mails. Vice Mayor Ruane said he would meet with each trustee individually and review the document. Trustee Pyle asked if this study is going to include the previous study and add to it; Vice Mayor Ruane said that it would. The motion was seconded by Trustee Pyle and the motion passed.

#### Training and Certification for new Trustees

Attorney Cohen addressed the members on this issue and reported that the investment policy statement denotes that the trustees should attend educational classes, such as offered by the International Foundation and the FPPTA, Attorney Cohen advised that the fund absorbs the costs for the training and is an accepted expenditure of the fund.

#### Information on Trustee's Fiduciary Responsibilities

Attorney Cohen spoke on fiduciary responsibility of the trustees as stated in the Florida statutes. The statute provides for a prudent man and manner of care and to provide benefits for the members and their beneficiaries. Attorney Cohen added that the trustees must remember to act fully on behalf of the plan and not to who elected them to the board.

REPORTS:

Chairman

Chairman Cuscaden said he had nothing anything further to report or discuss.

Attorney

Attorney Cohen reminded the trustees that their financial disclosure forms are due by July and should be sent to the Supervisor of Elections in the county in which they reside.

Administrator

Mr. Prior reported that he had nothing further to report at this time.

NEXT MEETING DATE

The next meeting is scheduled for August 12, 2009 at 11:00 a.m.

ADJOURN:

Chairman Cuscaden moved to adjourn the meeting at 1:20 p.m. Trustee Pyle seconded the motion and the motion passed.

4  
Chairman

  
Secretary

### **3. Distribution and Approval of minutes**

- b. Approval of August 12<sup>th</sup> Regular Meeting minutes

**City of Sanibel General Employees Pension Plan  
Board of the Trustees  
Minutes  
AUGUST 12, 2009  
REGULAR MEETING**

The meeting of the Board of Trustees of the City of Sanibel General Employees Pension Plan was called to order on August 12, 2009 at City Hall, 800 Dunlop Road, Sanibel, FL 33957-4096 at 11:00 a.m. by Chairman Cuscaden.

**CALL TO ORDER:**

Chairman Michael Cuscaden, Secretary Sylvia Edwards, Elaine Fannon, Sharon Gibson, Richard Pyle, Mike Armstrong, Tim Garmager, Doug Congress, and Richard Holmes

**ABSENT & EXCUSED:**

**OTHERS PRESENT:** Mr. Pete Prior of Benefits USA, Inc., Fund Attorney Ron Cohen, Greg McNeillie and David Lee of Dahab Consulting, Mike Dana of Dana Investments, and Vice Mayor Kevin Ruane.

**APPROVAL OF MINUTES**

May 13, 2009

Trustee Holmes moved to approve the May 13, 2009 meeting minutes. Trustee Pyle seconded the motion and the motion passed.

**CONSENT AGENDA**

FMIT (Fiduciary Liability Policy #U709-50109 re: 6/3/09-6/3/10)	\$4,438.95
Cohen & Rind PA (Legal Fees for May 200)	\$1,000.00
Benefits USA, Inc. (Admin Fees March –May 2009)	\$3,000.00
Cohen & Rind PA (Legal Fees for June 2009)	\$1,000.00
Dahab & Associates, Inc. (2 <sup>nd</sup> Qtr. 2009 Consulting Fees)	\$4,125.00
NMF Asset Management (2nd Qtr. 2009 Mgmt. fees)	\$2,359.15
Benefits USA, Inc. (Admin. Fees June-August 2009)	\$3,000.00
Richmond Capital (Second Quarter 2009)	\$2,720.00
Dana Investments (3 <sup>rd</sup> Qtr. '09 Management Fees; Invoice #10272)	\$5,867.73
Cohen and Rind, PA (Legal Fees for July '09; Invoice dated 7/31/09)	\$1,000.00
Foster & Foster (Actuarial Service; Invoice #902 dated 8/3/09)	\$ 980.00

Trustee Garmager moved to approve the consent agenda and Trustee Congress seconded the motion and the motion passed.

**INVESTMENT REPORTS QUARTER ENDING 06/30/2009:**

DANA Investments

Mr. Dana addressed the board noting that the fund is doing well since the second quarter, beating the S&P by 52%. The fund earned YTD is up 9.02% lagging the S&P slightly due to

a lower quality rally in the market. Mr. Dana noted that housing has increased in the last three months.

DANA addressed the board regarding the low quality rally and the direction the portfolio is taken. DANA noted that in his opinion, the recovery is not here yet but it is coming. DANA noted that some companies within the S&P are up as high as 75% but with no earnings. DANA does not invest in those types of companies. Some of the larger firms, Merrill Lynch and Goldman Sachs, are moving into the higher quality stocks. Trustee Holmes asked if the market is having a low quality rally then would that not reflect poorly in the market recovery.

DANA noted that they are looking at companies that have earnings. The market in the last three days has pulled back some but DANA has picked up 60bps of the 150 bps they were lagging in the third quarter.

Vice Mayor Ruane asked if DANA thinks the market will continue to recess. DANA noted that he thinks there could be a retracement but certainly not back to the Spring levels. Trustee Pyle questioned the rankings of DANA and why they are underperforming of the firm. DANA stated that the fourth quarter was troubling for DANA but they have performed well since then. The underperformance was based on some technical issues with the company. The fact remains that there were few stocks available that meet with the criteria that drives DANA to purchase certain stocks. It is important that DANA purchases good companies with good earnings. Trustee Armstrong asked DANA to comment on the bond portfolio. Mr. Dana replied that the fixed market is not paying well with the interest rates and long maturities paying very little on a relative basis.

Dahab Associates, Inc.

Mr. McNeillie and Mr. Lee addressed the board reporting that the total fund earned 8.3% for the quarter versus the benchmark of 11%. Domestic equity earned 16% versus the index of 18%. Real estate earned -7.2% for the quarter and fixed income earned 4.5% compared to the benchmark of 1.8%. For three years the fund earned -3.7% versus -2.9% for the benchmark. Since inception the fund earned 1.3% versus the benchmark of 1.5% which ranked in the 99<sup>th</sup> percentile. The fund is 90% funded with the 10% allocation to international, which has not been filled as yet. As of the June 30, 2009 quarter the Sanibel General Employees Pension plan had a value of \$950,819.81 which was an increase from the last quarter of \$177,005.01. Mr. McNeillie reported that the portfolio earned 22.61% vs. the Russell 2000 index of 20.69%.

NMF

Mr. McNeillie reported on the quarterly returns for NMF stating that they earned 22%. For the fiscal year to date, the fund was down -22.5%, twelve months, the fund was down -27.1% and since inception the fund earned 1.0% ranking in the 21<sup>st</sup> percentile.

Richmond Capital has performed very well. For the quarter they earned 4.2% ranking in the 51<sup>st</sup> percentile versus the index of 4.5%. The fiscal year to date earned 10.2% ranking in the 21<sup>st</sup> percentile versus the index of 10.8%.

Trustee Pyle questioned the high rankings over time and is there something missing in the way Dahab selects managers or performs the asset allocation; this is a poor showing and he blames the consultant directly for that. Mr. McNeillie said that international increased 25% and that was not included and affects the rankings within the public fund. Elaine noted that the fund is long term and the board should look long term and not short term to determine asset allocation. The trustees agreed with the comment. Trustee Pyle noted that the decision to enter into real estate when we did was not appropriate, in his opinion. Trustee Holmes asked why the fund is not in international now. Mr. McNeillie stated the board has not made a decision to place the money in anything else but bonds for now. Mr. Lee said the money could be placed in an index while a search is done for an international.

Trustee Garmager noted that his concern is what to do with a conservative fund that has lost money dramatically with the market and it will be interesting to see how the fund will make up the difference on a quarter to quarter basis.

#### **UNFINISHED BUSINESS:**

##### Janet Cali

Mr. Cohen addressed the board noting that the issue is one of coordination of benefits between this plan and the police fund. Attorney Cohen said that Ms. Cali has a letter from Principle stating that she is entitled to a benefit. Attorney Cohen said it appears that she has three years in this plan and is not entitled to a benefit from this plan. It is not known if the police pension plan has coordination of benefits but it is highly unlikely. Judy Zamora addressed the board stating that she would ask the board to postpone any action on the matter until the HR Director and finance look into the matter.

##### Update on Helene Philips – Repayment by Salem Trust June 10, 2009

Mr. Prior reported that Salem Trust deposited the money back into the Sanibel General Employees account in June which was verified by the Bank statement.

#### **NEW BUSINESS:**

##### NMF Amendment to Advisory Agreement

The NMF amendment provided the methodology of the calculation of the fees. Attorney Cohen stated that he reviewed the amendment and found the language to be sufficient and said he did not have a problem with the Board approving and signing the amendment. This approval would be effective in the 3<sup>rd</sup> quarter.

##### Division of Retirement letter re: 10/1/07 Actuarial Valuation & Impact Statement for Ordinance #06-013

FIY

Bertha J. Bennett- (DROP effective date 7/1/09)

Charmaine Yeadon- (DROP effective date 7/1/09)

Trustee Garmager moved to approve the DROP members. Trustee Pyle seconded the motion and the motion passed.

American Core Realty – Notice of 2<sup>nd</sup> Quarter 2009 Distribution

The distribution is made directly to the R&D account which was confirmed by trustee Edwards.

Pension Alternatives Cost Analysis- Foster & Foster

Option 1

Mr. Lozen reported that Option 1 was in 2 separate pieces. Option 1 is the primary option difference is locking in the difference between 3% current benefit rate for all years and the proposed change would be 3% for past service and 2% for future service. The net effect to the City is an increase of 1.5%. There is also a change in vesting to either 6 or 7 years, which has a minimum impact. There would be a short term savings to the City. Trustee Garmager asked what the impact would be to the members and Mr. Lozen noted that since the average employee has 9 years of service, they are not half way to retirement. The total required contribution for the proposed option would be \$1,360,293.00 vs. the 1,520,511.00 from the current option. For Option 1B the required Contribution would be \$1,362,957.00 slightly more than option 1A. It was also noted that the normal cost rate would be decreased from 12.9% to 10.6% under the proposed options.

Option 2

Mr. Lozen explained the level dollar approach to the unfunded liability to the City. Mr. Lozen reported that the normal cost should remain the same and that the amortization of the Unfunded Actuarial Accrued Liability is based on an assumed rate of 5.0%. Mr. Lozen stated that closing the plan to future employees will increase the cost to the City approximately \$300,000.00 as of 10/1/08 and will become progressively higher over time because future employees will not be funding the pension. Mr. Lozen also reported that mortality tables and the investment assumption return should be changed as that will have an impact on the cost.

Option 3

Mr. Lozen reported that a study was done on the Plan Closure with freezing the benefits. For the purpose of this analysis it is assumed that the active members including non vested members will become 100% vested in the accrued benefit payable at Normal Retirement Date and that the cost of living adjustments would be paid only to those active member who currently meet the eligibility requirements for Normal or Early Retirement. This scenario would reduce the City's funding requirement by approximately \$450,000.00. With this scenario, the Unfunded Actuarial Accrued Liability would require funding on a level dollar basis due to the loss of a payroll growth assumption which has been factored into the \$450,000.00 savings.

Option 4

Closing the plan and going to FRS. Mr. Lozen noted that he does not know the cost to purchase time with FRS as that is calculated by the state. The cost to purchase the time for the employee is also unknown. Mr. Lozen noted that it is important to realize that the funding rate for ongoing membership initially exceed 50% due to the impact of a reduced

payroll. Also, the UAAL will require funding on a level dollar basis due to the loss of a payroll growth assumption.

#### Option 5

Savings to the city would be immediate but could go higher as the investment losses are calculated into the costs. Summarizing option 5, the effect of a partial membership transfer is an initial savings of approximately \$130,000 or \$500,000 per year, but this reduction will be mostly eroded by the 2013/2014 funding year due to a phase-in of recent investment losses.

#### Option 6

Reducing future benefits from 3% to 2.5% and other employees to 1.75%, the city would currently have to fund \$1.5 million to 1.3 million per year. There is no cost savings here because the employees that work here start at an older age and would not reach the 75% maximum rate. Under the GASB25 FUNDED RATIO- this will increase from 54.1% to 56.0% and the UALL will decrease from \$9,824,067 to \$9,095,213.

#### Projection of costs

If the investment losses are phased in over 10 years, the city moves from 23% to 30.9% of payroll. Mr. Lozen noted that the investment losses will cost the city \$1.3 million to 2 million.

Trustee Garmager asked what the historical returns of the fund were. Mr. Lozen said through 2007 the fund earned 8%.

Vice Mayor Ruane expressed his opinion as to how to fund the plan when the city has lost 17% in revenues. Trustee Pyle said that due to poor performances of the money managers, which to continue to decline, it seems to him that the employees will have to have some sacrifice, such as reducing future benefits.

The board discussed at length as to what to do and digest the information. Trustee Garmager asked Mr. Lozen to explain a cash balance plan. Mr. Lozen noted that he would ask other actuaries in his office that have more experience than he on the matter. Trustee Garmager noted that basically, the fund would open a DC plan with the money in the plan and it is matched by the employer.

Trustee Pyle moved to have a special meeting on August 25 @10:00 and was seconded by Trustee Congress

#### Overpayment of Pension to Retiree Tirreli (deceased)

This item is being reviewed by the finance department and Benefits USA. Attorney Cohen said that he would send a letter to have them respond and repay the money. Mr. Prior noted that his office has not been able to contact the executor of the estate, who had signatory rights to the account.

Robert D. Pritt- (Monthly Benefit Effective 8/1/09) \$2,534.90

Mr. Prior noted that the documents are in the trustee packets to review.

Correspondence

Mr. Prior note that this is for informational purposes for the trustees to read and no action required.

**PUBLIC COMMENT**

**REPORTS**

Chairman

Chairman Cuscaden said he did not have anything further to report or discuss.

Attorney

Attorney Cohen spoke on the financial disclosure forms that will be due by July noting they should be sent to the Supervisor of Elections in which the county they reside.

Secretary

Administrator

Mr. Prior reported that he did not have anything further to report at this time.

**NEXT MEETING DATE**

There is a tentative meeting scheduled for March 26 @ 2:00 pm.

**ADJOURN**

Trustee Pyle motioned to adjourn the meeting at 2:20 p.m. Trustee Holmes seconded the motion and the motion passed.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

### **3. Distribution and Approval of minutes**

- c. Approval of August 25<sup>th</sup> Special Meeting minutes

**City of Sanibel  
General Employees Pension Plan  
Board of the Trustees Meeting  
August 25, 2009**

**Minutes**

The meeting of the Board of Trustees of the City of Sanibel General Employees Pension Plan was called to order on August 25, 2009 at City Hall, 800 Dunlop Road, Sanibel, FL 33957 at 10:03 A.M. by Chairman Cuscaden.

**CALL TO ORDER:**

Chair Mike Cuscaden; Secretary Sylvia Edwards; Elaine Fannon; Sharon Gibson; Doug Congress; Michael Armstrong; Timothy Garmager; Richard Holmes; Richard Pyle; Kevin Ruane, City Council Liaison

**OTHERS PRESENT:**

Judie Zimomra, City Manager; Jim Isom, HR Director; Ken Cuyler, City Attorney; Gates Castle, Public Works Director; Pamela Smith, City Clerk; Doug Lozen, Foster & Foster; Ronald Cohen, Attorney and approximately 6 members of the public

The meeting began with the Pledge of Allegiance.

Richard Pyle asked if Attorney Cohen was the attorney for the Pension Plan or the Attorney for the Pension Board. Attorney Cohen reported that these are the same and his loyalty is to the Board.

Attorney Cohen made the following opening statements:

1. Florida Law, Provision 112, Part 7 covers all governmental pension plans. Attorney Cohen read this law.
2. The Board's duty of loyalty is to plan participants and beneficiaries.
3. It is good to have a wide range of discussions on various information, i.e., what could happen, what are the various options, what could happen if benefits are changed, etc.
4. The discussion should be informational.
5. The Board doesn't set benefits; they make recommendations to the City to assist them in making decisions.
6. We don't have expertise in how the City allocates its money.
7. Councilman Ruane has said the City doesn't want to have layoffs so something needs to be done with the pension plan.
8. Attorney Cohen didn't express an opinion on this because it isn't his or the Board's area of expertise.
9. The people have elected City Council to gather and allocate resources.
10. The actuary has prepared several options.
11. There are a number of people present who can talk about different scenarios and how they would affect the plan.
12. For example, 50% of employees could go to the FRS plan. When a plan is closed the individuals in the Plan can decide whether to stay in the Plan or to go to the FRS (Florida Retirement System) Plan.
13. This is the type of information that can be passed on to the City.
14. We need to stick to our duty of loyalty to participants and beneficiaries by providing information to everyone who has a question.
15. We do not make recommendations regarding lowering benefits, changing the multiplier, etc.

Kevin Ruane, City Council Liaison, stated he appreciated the Attorney's hard work and made the following comments regarding where the City is and what the City is trying to accomplish:

1. There may be a partial disagreement regarding the role of the Board as discussed by Attorney Cohen.
2. A dialogue is necessary.
3. Historically the City of Sanibel has used many committees to gather information.
4. Looked at the City's finances and the impact of these finances on the City.

5. The Pension Plan needs to be reviewed.
6. Understands the challenges and what is going on.
7. This economy is different from anything we've ever seen.
8. The City's revenue comes from ad valorem taxes.
9. When you do a long term forecast you project revenue as well as expenditures.
10. The rapid escalation of real estate values was historical and the decrease is just as fast.
11. Sanibel will have 63 pre-foreclosure listings. This is the highest ever on Sanibel.
12. Revenue is down 17%.
13. When expenditures are reviewed it is hard not to notice pension expenditures.
14. Has tried to address this issue openly. This Board is comprised of employees who benefit from the Plan, taxpayers and the public.
15. We have no secrets; however, many municipalities discuss these type issues behind closed doors.
16. Has heard more from citizens on this item than on any other issue.
17. It is important to understand that in 2003 the expenditure for this pension plan was \$400,000. There is a projection from Mr. Lozen of Foster & Foster that in 10 years this expenditure will increase to \$2,000,000; a 500% increase.
18. Wants pensioners 20 years from now to be able to cash their pension checks.
19. The City has elected not to lay employees off. Downsizing will be done through attrition.
20. There has to be a way to have the necessary revenue to cover all expenses and if this can't be done then expenditures have to be decreased.
21. The State is cutting back; ad valorem taxes are going down.
22. The City is going to absorb as much of the expenses for health care benefits as possible.
23. Medical benefit costs increased by \$125,000; the City absorbed 100% of the increase.
24. For the second year employees will not receive salary increases; however, these changes are not enough.
25. Other municipalities are laying off, cutting salaries, cutting benefits and cutting pensions.
26. Sanibel doesn't want to have to do any of these.
27. The world is different today; pensions are the number one story.
28. We need to have a balanced budget.
29. Input and dialogue are necessary.
30. The question is how this increase will be absorbed.
31. Pension benefits may have to be reduced; the world is doing this.
32. People have to work longer. Social Security has done this.
33. Working longer may be the least painful option.
34. Everyone needs to understand where we stand.
35. Bottom line is you either raise revenues or cut expenses.
36. When you need to come up with a big number you look at big items.
37. City Council recognizes that there needs to be people with expertise regarding pensions, etc., on this Board.

### **Agenda Item #3. Discussion of long-term stability of the Plan and alternatives.**

Trustee Pyle said that Attorney Cohen reported that the Board's duty was to the participants and beneficiaries and asked if one beneficiary could be treated differently from another beneficiary. Would this violate the Board's fiduciary responsibility? Attorney Cohen said if the Plan treats different people differently you are not violating your fiduciary responsibility. Benefits are set by the City. It is the Board's job to apply these benefits. There can be different benefit structures set for different people. People who enter the Plan after a certain date could have a different plan than people who have been in the Plan. Richard Pyle said he is concerned with safety and soundness over the long term. It seems that a fiduciary responsibility would be violated if a retired person receives their retirement benefit and a new employee doesn't get their benefits because there is no money left when they retire. Attorney Cohen said the key is to keep the Plan actuarially sound; to make sure there is money to pay benefits when they come due. The Board can let the City know what results will occur in the long run because of decisions that are

made now. The case hasn't been made by the City that the City will be bankrupt if the plan stays as it is. Trustee Pyle said the critical issue is, is the main funder of the plan going to be able to financially meet all the numbers. He is concerned that the City will say they are not going to supply the money. Attorney Cohen stated that funding the Plan with the amount of money the Board says is necessary is an incident of government. The existence as a municipality depends upon their putting into the Plan the amount that is necessary to pay benefits. The Florida Constitution says you can't impair contracts and the courts have said that once someone is retired they are entitled to get that money. What we have heard from the City is that the funding method is going up at a level that is unsustainable. We can give information about lowering benefits but to reach a conclusion to lower benefits would be just as wrong as to reach a conclusion to raise taxes. This is not a conclusion that is within the Board's area of expertise. What we can do is suggest to the City ways to decrease expenses.

Councilman Ruane reported that the City is in collective bargain discussions with both unions for the Police and General Employees. A conclusion was reached with the Police. The pension contribution has been adjusted going forward. This was agreed to by Council and the union. On the General side we agreed to: (1) Have no salary increases; (2) Medical insurance increases will be absorbed by the City; (3) The union and Council will have a dialogue regarding the General Pension Fund. As a City Council member Councilman Ruane would like input from everyone. Attorney Cohen said he doesn't mean there shouldn't be discussions; he wants everyone to know what their duties are.

Trustee Fannon asked if the Board has all the facts to be able to discuss different scenarios regarding the pension. What are the legalities if you close a pension? How does this affect employees? We haven't been briefed on this; therefore, it is difficult to have a discussion when we don't have all the facts. Attorney Cohen said the Board could have a dialogue about what happens when you close a Plan. What does it take to close a Plan could be a discussion. A municipality can close a Plan and put new employees in a State Plan. The municipality's Plan would be closed to new hires. The new hires would go into the FRS system and everyone who is in the municipality's Plan would make their own decision whether to stay in this Plan or go into the FRS Plan. The municipality's Plan is then considered a closed Plan. The Plan still exists but it is closed to new members. There are financial effects to this. A determination that would need to be made is how many people would stay in this Plan and how many would go into the FRS Plan. There are differences in the two Plans, i.e., the multipliers are different, the State Plan is portable and has certain employee health insurance subsidies, etc. Trustee Fannon said the present Plan would stay in place. Attorney Cohen said it would stay in place until the last beneficiary is deceased.

Trustee Armstrong asked if a Board member could speak as a private citizen at a meeting held by City Council regarding pensions. Attorney Cohen said he wasn't sure; however, he believes that you could speak if you stated that you were speaking as a tax payer or concerned citizen and not a Board member. Trustee Armstrong asked if all members on the Board attended the same meeting as individual citizens, would they be able to speak. Attorney Cohen said they could speak as individuals.

Councilman Ruane said that: (1) Many City Council members have attended Planning Commission meetings and they have spoken as private citizens; (2) They have also just sat and listened during these meetings.

Trustee Armstrong asked if it would be legal for Board members to stay after a Board meeting is adjourned and continue the discussion. Attorney Cohen said this would violate the Sunshine Law. Attorney Cohen also stated that Board members should not overstep their duty of loyalty and expertise.

Trustee Pyle asked if the Board should take any action if they are concerned about the ability of the major funder to fund the Plan. If the primary funder refuses to contribute as much as is

required, will it come back to the Board? Attorney Cohen said it would and the Board would take action. Attorney Cohen said he hadn't heard anything like this. What Councilman Ruane asked for is a discussion. The cost of benefits has increased greatly. This is a big issue and we should discuss how to keep benefit costs at a reasonable level. Councilman Ruane has not said we can't fund this. Attorney Cohen said he didn't want anyone to say that the City is saying they can't fund this.

Trustee Armstrong said it doesn't seem reasonable to him that the Board can only address this issue if it appears that the pension program would bankrupt the City. It seems that a prudent person would try to keep the funder as healthy as possible. This is the best way to make sure that pensions get paid.

Councilman Ruane emphasized that recommendations from committees are what City Council listens to and then City Council makes the decision. It is Council's responsibility to look at line items, especially when there is an increase. A goal is to look at all expenditures. Today we should have a discussion regarding the implications. There are four choices: (1) Leave the plan alone; (2) We transition to FRS - what are the costs and implications; we have to look at this financially and legally because if there are several different plans there could be several funding issues; (3) We currently have a plan, can this plan be modified; and (4) Establish a contribution plan. Councilman Ruane asked Attorney Cohen to let the members know the implications of going to the FRS plan. Attorney Cohen agreed with Councilman Ruane and said we could discuss these 4 items. Councilman Ruane said item 1, leave the Plan alone, will not happen with the existing City Council.

Trustee Garmager asked what leave the Plan alone means. Councilman Ruane said this means leave the Plan the way it is and make no changes. Based on the revenue and cost projections this will give us financial challenges. We can't afford to keep the benefits the way they are. Trustee Garmager said he thought we were going to take a look at funding options but what he is hearing is that City Council has determined that funding changes can't solve the Plan's issues. Councilman Ruane said what he has heard is that funding this Plan will have severe challenges based on the revenue stream and an expense item that has greatly increased. The question is how we address the issue and the challenges going forward.

Trustee Garmager suggested that the first thing taken off the table is have we exhausted all the funding options. We are here to preserve the Plan. Are there any options that would help keep this Plan the way it is? How long will there be a problem and is there really a \$2MM problem? Is there a way we can avoid the \$2MM problem? Should we hear from the actuary regarding options? Councilman Ruane said Council is trying to project expenses. Expenditures going forward for this item have gone beyond anyone's comprehension and this is a great concern for Council. Funding for this year is up \$500,000.

Trustee Fannon said she thought the Board was also going to discuss the allocation of assets in the fund, i.e., internationals and how the Police pension fund met its 7.5% or 8% return. Trustee Fannon doesn't understand why the Board can't look this fund and think of ways to accomplish the same return. The Police fund has a multiple of stocks to bonds or 60/40, ours is 50/50. We are not exhausting everything that we should be looking at.

Trustee Holmes agreed with Trustee Fannon and said the Board has stewardship of the assets and we can have an impact on these. Investment returns are the other part of the equation. Maybe a more appropriate function is to address the investment performance. This is more important than choosing what the pension formula might be.

Trustee Pyle said he believes this is Agenda item 4. What he heard from Councilman Ruane is that Council is not going to fund the existing Plan.

Councilman Ruane said he didn't say they weren't going to fund the Plan. We have gone from an expenditure of \$800,000 to \$1.3MM. Allocations can't be moved quickly enough to absorb

this change. We are close to a break even point for this year. There will be another loss because the Plan calls for 7.5% so the cash flow or the required expenditure doesn't give any relief. One of the measures that have been enacted is the last result that took expenditures from \$800,000 to \$1.3MM had a smoothing component. The unfunded liability was actually decreased by \$1.4MM which is at \$9.8MM. It could have been at \$11.2MM. If it wasn't smoothed the expense item could have accelerated from \$800,000 to a number greater than \$1.3MM. Looking forward to this year's results we have another expenditure that is a concern. Part of the agenda item is the investment item but changing benefits is not the only solution. Councilman Ruane also talked about the timeliness of reports received from the investment management company. We need to talk about investment allocations but this won't solve the \$500,000 issue. When expenditures double or triple, it becomes a concern.

Trustee Fannon said in the past 2 years City employees haven't had pay increases. There is an assumption built into the actuarial analysis of what a 5% rate increase would do. Won't this give some kind of benefit?

Councilman Ruane said that last year we had a loss where the unfunded liability accelerated and Mr. Lozen gave the components of what represented this. The largest component was from investments or turnover. The third was salaries. Even with the zero percent we haven't met the salary assumption that is in the Plan. This component is giving us the least amount of relief.

Mr. Lozen, Foster & Foster, said that during the last year the salary component did not have the largest impact. It is a two edged sword with salary increases. Whether you have large salary increases about the 5 or 5.5% assumption or below doesn't change the City's funding rate but it changes the dollars. If salary increases remain close to zero for a couple years, everything else being equal, it will go a long way to mitigate the investment losses. Zero salary increases is mitigating a lot of the investment loss.

Chair Cuscaden asked Mr. Lozen if he included this in any of his calculations. Mr. Lozen said he had not. Chair Cuscaden said the Board hasn't seen anything to show what favorable impact not having salary increases will have. Mr. Lozen said he expects the unfunded liability to increase; however, the investment losses are the driving force. Benefit increases are projected at 5.5% each year.

Chair Cuscaden said he is impressed with the lack of turnover and the impact this had in one year of deviation. Mr. Lozen said this is very difficult to get under control. Historical you have met your turnover assumption.

Councilman Ruane said there are three assumptions: (1) Investment; (2) Salary increases; (3) Turnover. Councilman Ruane thought turnover was first. Mr. Lozen said he believed this was correct. Councilman Ruane said the unfortunate thing is we didn't get relief. The City still had to make a payment much larger than anticipated.

Trustee Fannon asked if the turnover was in a year when employees received salary increases. Mr. Lozen said it was. Trustee Fannon said the second component was investment. Mr. Lozen said salary increases in 2008 were above expectations. Trustee Fannon suggested that the Board should ask Mr. Lozen to do an analysis to determine how salaries will affect a future actuarial analysis.

Trustee Garmager asked if the one year spike with regard to turnover referred to by Councilman Ruane would have a similar affect in the other direction next year because of the zero salary increase. Mr. Lozen asked if the assumption for turnover should be included in the equation.

Mr. Isom stated that the City's turnover was approximately 10. Reduction in staff has been done through attrition. Mr. Isom asked Mr. Lozen if employees who are in the DROP program are considered in the turnover count. Mr. Lozen said they just retire. Mr. Isom stated there are

3 employees in the DROP program and asked if this has an impact. Mr. Lozen said it only has an impact if the employees are going into the program at age 60; there is a loss component. There is a gain to the pension fund by deferring retirement; however, it is not a big gain component.

Chair Cuscaden asked what the impact of 3-year leveling is on the interest rate, the smoothing. Mr. Lozen said this would have happened in a year or two instead of four. Smoothing phases in investment losses. Chair Cuscaden said this is hurting us as we go forward. Mr. Lozen said it depends on when you want to ramp up to the \$2MM level. Do you want this in the 2013 funding year or in the 2010 funding year? Chair Cuscaden said when smoothing was presented it sounded like a win/win situation. Mr. Lozen said it is neutral; there is no gain or loss.

Trustee Pyle said this was agreed to in December.

Trustee Armstrong said the other side is it goes away. Mr. Lozen said the question is do you pay now or pay later. It was agreed to phase this in over 4 years.

Trustee Garmager said \$2MM over the next years might be less if your experience is better. Mr. Lozen said this is true. The projection was to phase in recent investment losses assuming everything else is the same.

Trustee Fannon asked if what Mr. Isom said about the turnover meets the ten employees. Mr. Lozen said it depends on which ten. There are bigger gains for 10 employees in their 40's and 50's than there are for 10 employees in their 20's and 30's.

Trustee Pyle said when he receives the quarterly reports he looks at how many assets should be in the Plan, if we are making our 7.5% assumption and how many assets are in the Plan actually. We have to get to a point where we are at that particular number. As of June 30<sup>th</sup> we were \$3,500,000 under. We have to have investment returns to get us to \$12 or \$13MM so we don't have an issue. In the past 5.5 years our compound return has been 1.3% which places Sanibel in the 94 percentile of public funds. We have an investment problem and a funding question. Mr. Lozen said to remember in the 94 percentile most pension plans are not at 50/50 they are at least 60%. Trustee Pyle said we are over 50% equity when you include real estate and feels we have a bad investment adviser.

Trustee Garmager said it could be a bad mix and bad investment adviser.

Trustee Pyle said we didn't even match our policy index. One of the reasons why the Police have done better is they have a better investment advisor. We should consider hiring the Police investment advisor.

Trustee Garmager asked if it would be responsible to change our mix and investment advisors. Could you raise the investment assumption to 8? Mr. Lozen said he could do anything at the direction of the Board. He hasn't seen anyone raise the assumption over the past five years; however, the 8% assumption is the most widely used. With all the different ways to invest it is easier to attain the 8%. We could raise the assumption at the same time the investment policy is changed. What this will do is immediately bring the City's funding requirement down for the next funding year. We would take the most recent valuation and discount future liabilities at 8% instead of 7.5% and assume that money going in today to pay for future benefits grows faster. The next year when you are off your mark because of the smooth you will have a bigger loss. What you do, if you think the 8% is the most reasonable, you pick this on this reasoning alone. You pick the assumptions on what future expectations are. We would be comfortable if you increase your allocation to 60/40 and raise our assumption to 8%.

Trustee Garmager asked Mr. Lozen to explain the compounding effect of the smoothing for next year. Mr. Lozen said you have raised the bar and you have to get 8%. The first year you miss the 8% you will be short but it will not be a big difference; however, if you don't meet the 8% the next 3 years this shortage will be compounded with the shortage from the previous years.

Trustee Pyle said his expertise is in investment and he believes, given the sharp decline in asset values over the last 1.5 years, he can see the City making the 8% compounded over the next 3 years but would have a difficult time going to 8% on a long term basis. Mr. Lozen said the other option is leave it at 7.5% and change your asset allocation.

Trustee Garmager said the only reason to consider this and take it to 8% is to reduce the City's obligation for this year.

Trustee Pyle said that the long term interest of the beneficiaries is the safety and soundness of the Plan. It is our best judgment as to what assumptions to make. Trustee Pyle said he would like to see this go to 6 or 7% and realize we have this unfunded liability and then figure out a way to pay for this. He would be very reluctant to go to 8% for the long term.

Trustee Edwards said that after going through the options presented during the last meeting there would still be, even with Plan modifications, a \$9MM unfunded liability. Mr. Lozen said the Plan modification would initially bring it down but the investment losses sends it back up. Trustee Edwards referred to a chart depicting the unfunded liability. This chart was distributed to each Board member. The end result is a 10 to 12 year challenge to pay down the unfunded liability unless a switch is made to the 30 year amortization.

Trustee Garmager asked what effect going to the 30 years would have. Mr. Lozen said it would be about 3% of payroll.

Councilman Ruane talked about the Foster & Foster March 26, 2009 memo that breaks down the investment, salary and turnover losses. He is assuming that these three components are actually in the average for that particular year. Even if we achieve the investment and the salary, he wants to feel comfortable if we switch an allocation, or switch to another investment manager, and/or have the benefit of the salary loss that the turnover ratio doesn't eat our lunch. We need to do much better in the investment area. Trustee Fannon said she reads this as \$200,000 salary loss at 8% and asked if this equates to a 5.5% assumption. Mr. Lozen said that 8% increase in the unfunded liability was due to salary loss. Councilman Ruane said when there is a 56% impact on the unfunded liability he doesn't know how you offset an 8% against 56%. Mr. Lozen said the salary gain this year is bigger than the loss last year. Salaries last year were about 3% above what was expected. This year they are about 5.5% below what was anticipated. There will be a salary gain this year that will be bigger on the opposite side than the \$200,000 loss. The turnover rate is unknown.

Mr. Isom said we wanted to correct what he reported earlier in the meeting regarding attrition; police officers were included in the number. Mr. Isom asked Mr. Lozen what the assumption is for turnover. Mr. Lozen said it varies according to age.

Councilman Ruane said if the turnover figures are in the wrong category, it could have a monumental effect. Mr. Lozen agreed. Councilman Ruane said what surprised him the most was the turnover component. Mr. Lozen explained how the impact of this assumption works. Hypothetically the Board could put the City's mind at ease about any future turnover losses and assume no turnover from this time forward. We will only leave the possibility for gains. The cost for this would immediately increase by changing this assumption. If no one turns over this next year, there is no loss but the City has realized an increase in funding requirements because the assumption was changed. In the long run if the gains and losses even out and it matches the assumption, then you leave the assumption alone. We found that during the last ten years you have met your turnover assumption. You cannot expect that next year you will have turnover losses. From what Mr. Isom has reported it sounds like you may have another turnover loss this year.

Councilman Ruane said we have not been able to achieve the assumptions during the last robust 10 years. We haven't been able to achieve the best results in the best market, we

haven't received the salary component in the best market and we have met the turnover in the best market. The logical conclusion is that in the worst market, if we have only met the turnover component, we don't have anything to look forward to. If the impact is 56% it seems that salary losses are about 15% of the 56%. This is a very small ingredient. Councilman Ruane said he didn't disagree with Trustee Edward's chart but asked how the City gets to the 12 years. When you increase an expenditure from \$800,000 to \$1.3MM, it will have severe implications on any budget.

Chair Cuscaden recessed the meeting at 11:47 A.M.

Chair Cuscaden reconvened the meeting at 11:58 A.M. and suggested that the discussion move to Agenda Item #4.

**Agenda Item #4. Discussion regarding status of investment advisor and investment policy.**

Trustee Pyle asked if there is an approved policy statement for the General Employees Pension Fund. Trustee Edwards said there is and there is also an agreement with each of the investment managers. Trustee Pyle said there is a checklist in the Police report that is very helpful. Trustee Armstrong agreed. Trustee Pyle suggested that the General Employees Retirement Pension Plan's current investment manager be dismissed and the investment manager for the Sanibel Police Retirement Fund be hired.

Trustee Holmes agreed and asked for a copy of the investment policy statement and the responsibilities given to the current investment manager.

Trustee Congress asked if there are any fees or transition issues when managers are changed. Trustee Holmes said that traditionally there aren't any issues. Attorney Cohen said there are no transition fees but 30 days notice is required. Many times the fee for the 30 days is paid and the termination occurs immediately.

Trustee Holmes said his experience with terminating someone for lack of performance is that any fees are waived by the person being terminated. Attorney Cohen agreed.

Trustee Pyle stated that liquidating real estate at this time may be a problem.

Trustee Holmes said the Board should revisit the real estate option so we don't invest in something like this again.

Chair Cuscaden said he had no idea that we couldn't pull out of the real estate investment and was very offended when he found this out.

Trustee Holmes said he was surprised at the lack of a plan for international.

Trustee Fannon stated that the investment manager did suggest a conservative international plan but the Board didn't take any action. Trustee Holmes said the manager didn't take any action either. Trustee Pyle said he understands if the Police manager doesn't like the international manager he would be free to change to another manager without having approval from the Board.

Trustee Holmes said it is very difficult to make decisions on investments when there are only four meetings a year. Someone needs to be able to make the decisions.

Trustee Fannon said there is another issue. You could be allocated into many different investment vehicles and market types; how much leeway do you give the managers. Are we in this for the long haul or are we going to be traders?

Trustee Holmes said he believes we are in for the long haul. The Police Plan shows there are long term objectives but their manager has flexibility in implementation.

Trustee Garmager asked if our investment policy/strategy looks anything like the Police policy/strategy. Councilman Ruane said he isn't sure but he believes our policy should be similar to the Police policy/strategy. Council wanted to give the investment manager an allocation that gives flexibility not to exceed 65%.

Trustee Garmager said: (1) There is an investment policy; (2) There is an investment strategy. The policy is reviewed every 5 or 10 years and the investment strategy is typically reviewed annually. The manager has freedom to do what is necessary to achieve the strategy.

Councilman Ruane said Burgess Chambers is proactive and he has not seen this same reaction from the investment manager for the General Employees Retirement Plan. Councilman Ruane said he believes that our investment management would like an opportunity to resign particularly after hearing the manager's comments during the last meeting.

Trustee Fannon asked if the Board can choose someone new or is there a process that has to be followed. Attorney Cohen said you have to do your due diligence. If you hire someone for under \$20,000/yr it doesn't have to go to Council but if it is over \$20,000/yr City Council has to approve. There is no general pension law that requires you to go out for an RFP; however, you should follow the City's rules and laws. Attorney Cohen said that a new firm should be in place before you terminate the present investment manager.

City Attorney Cuyler stated that the threshold is \$25,000 for City bidding but he agrees that due diligence should be done.

Chair Cuscaden said he analyzed all advisor fees - Dahab is \$16,500. There are three additional investment firms, Dana, NMF and Richmond. If you add the fees for the additional three firms the total is \$35,000. Chair Cuscaden asked if the threshold applies to each of these suppliers. Attorney Cuyler said he would have to rely on Attorney Cohen for this answer. He is not sure how these firms fit into the overall scenario. Attorney Cohen said each firm does something different and they would be treated separately. Trustee Garmager said each firm is paid independently and managed by the investment manager.

Councilman Ruane suggested to address this item there could be a brief conversation regarding whether we should go through due diligence to explore a firm other than Greg and his firm. Due diligence should be done with Burgess the same as with other firms. Burgess has worked with the City for 20 years, the assumption in the Police Plan is 8% and the objective has been achieved. This is something to consider especially when most people are of the opinion that we can do better and are not happy with Greg.

Trustee Holmes suggested that the Board start the ball rolling.

Trustee Garmager said he doesn't believe it would be proper to jump to another investment manager without due diligence. We might want to look at a couple proposals and have these firms make a presentation especially regarding fees. Our present manager met the assumption for years and we shouldn't assume that the Police manager, just because he met the assumption last year, will continue to meet the assumption in the future.

Councilman Ruane asked Trustee Garmager if it bothers him that Greg said he has too many clients and doesn't have time for Sanibel. Trustee Garmager said he isn't arguing against taking out the present manager. He is recommending that proposals from two or three firms be reviewed before a selection is made.

Trustee Fannon said the type should also be looked at. Greg has it structured into individual pieces. Burgess seems to have more control over all assets.

Trustee Pyle said Burgess does more asset allocation among the various managers depending on their overall view. It seems that Greg doesn't actively suggest where to move money. Even on the international side he wasn't as proactive as he should have been. Why should we go through a due diligence process to select an international manager when we are paying him to do this is a question. Burgess is more proactive. Trustee Pyle can't image why Greg would have said that we should go into real estate in 2007; he doesn't think Greg was very forward thinking.

Chair Cuscaden said that Greg wet our appetite for real estate but said we were too small to get into real estate. He said we had to have a million and when we had a million we said OK let's go. The timing was very bad. What irritated Chair Cuscaden was when the international provider changed their objectives and Greg didn't notify the Board for 3 to 6 months.

Trustee Pyle asked who would be the point person. Attorney Cohen said it would be the administrator or a staff member. Attorney Cohen suggested going to the FTTPA web site and look at consultants or Ms. Edwards could be the point person. Attorney Cohen recommended sending RFPs to 3 or 5 firms; i.e., Burgess, Bogdahn Consulting, UBS.

Ms. Zimomra, City Manager, stated that Trustee Edwards oversees in-house purchasing and reminded the Board that Trustee Edwards' term on the board expires on October 1, 2009. She is being replaced by Gates Castle. At this point Ms. Edwards would have more flexibility if it is the Board's desire to use her in this capacity. There are three factors regarding Ms. Edwards: (1) Expertise in other cities; (2) Oversees the City's in-house purchasing process; (3) Will be cycling off this Board and will have more flexibility. Ms. Zimomra reported that she would make Ms. Edwards available if Ms. Edwards is willing to take on this assignment.

Trustee Holmes suggested that the Board look at smaller firms. The City would be a bigger fish with a smaller firm.

Chair Cuscaden said if we combine forces with the Police management firm we might be able to negotiate lower fees.

Trustee Pyle said it seems that everyone is in agreement and if a due diligence process is followed this would help keep all firms on their toes.

Trustee Edwards said we need to have an investment manager who will manage where funds go. Presently we have separate agreements with each investment firm and they have what they can and cannot invest in. It would be interesting during due diligence to hear how each firm would phase this in: (1) Do we want to work toward an investment manager calling the shots regarding what is invested with different firms or are they going to decide how to allocate the money among each investment manager; (2) Will we change to one investment manager or is someone overseeing our investments and our Plan allocations?

Trustee Pyle said our process is a more cumbersome process unless you give the investment manager the authority to switch money as he wants to rather than recommending to us how the money should be switched.

Trustee Edwards asked if Burgess monitors their performance or do they actually make the investments. Are we looking at a monitor or an investment manager? Attorney Cohen said Burgess is a consultant/monitor.

Trustee Pyle asked if the Police interviewed each manager. Attorney Cohen said the Police have mutual funds so the process is different. The same fiduciary responsibility doesn't exist as with an individual manager but you have more diversity.

Trustee Holmes asked how day-to-day allocation changes are made. Attorney Cohen said customarily these are done by the Board. You could have limits in your investment policy.

Make sure your investment counselor is willing to take the responsibility for more of the day-to-day allocation changes. This may increase the fee.

Trustee Garmager suggested that we need to develop an investment policy and investment strategy. The investment strategy would come from the manager. The policy could come from the manager or be done by the Board. Questions are: (1) What do we expect the manager to do; (2) Could there be a subcommittee for developing the criteria for selecting a manager; (3) Could we use the expertise of the people on the Board.

Trustee Pyle asked if this was done in 2002. Did anybody put in writing what we wanted from an investment manager?

Ms. Zimomra said the record could be pulled for 2002. You can create a subcommittee but Sunshine Laws would be in effect. Meetings would have to be public, recorded and minutes taken.

Trustee Pyle said he believes the more authority that is given to the investment manager the better the performance will be. Trustee Pyle wants to hire someone who: (1) Has given good performance in the past; (2) Understands how investing is done in a very transparent way. The City should pay the manager to make the asset allocations within ranges that our investment policy has determined. Maybe once a year or once every two years we would look at the allocations. Trustee Pyle feels if you have a person who has given you good performance over the years to meddle in his bailiwick on a quarterly basis is not a good policy.

Trustee Garmager said this is what he is talking about. This would be in the criteria: (1) Are they willing to do this; (2) This is what we expect from them; (3) This is the term limit; (4) This is how we review them.

Councilman Ruane said there is nothing to prevent the Board from meeting monthly or more frequently. The investment policy that we have is one that Burgess proactively asked for. Burgess came to us and said we need to make a change, this is what we need to do and this is why. Councilman Ruane said he is hearing that the Board needs to meet more frequently than quarterly.

Chair Cuscaden asked if the Board would be in favor of meeting in the next 10 to 14 days. In the meantime, Trustee Edwards would find the investment policy.

Trustee Garmager suggested that the investment experts could lead the discussion.

The Board unanimously decided to meet on September 9, 2009 at 10 A.M. in MacKenzie Hall.

Trustee Gibson asked if more expenses would be incurred. Attorney Cohen said he would ask to be paid for additional meetings.

Councilman Ruane said we are looking at long term solutions and we are trying to set the infrastructure from a long term point of view. Councilman Ruane believes that Council would approve the additional expenditure.

Ms. Zimomra reported that City Council has said they would rather pay for these expenses out of the City's contingency fund and not take money out of Plan funds. If there are additional costs that are directly related to changes, these would be paid out of normal HR type expenses. City Council would have to vote on additional expenses.

Trustee Pyle asked if Board members could call Ms. Edwards on October 1, 2009 and ask questions without breaking the Sunshine Law. Attorney Cuyler said that once Ms. Edwards is off the Board she is not subject to the Sunshine Law regarding this Board.

Trustee Holmes asked if the Board would get a copy of the existing investment policy. Trustee Edwards said she would look for the investment policy and guidelines for each of the investment managers and documents relating to investments.

Trustee Edwards said she needed clarification on an item. She believes that Dahab was a consultant and investment monitor but did not manage assets. Attorney Cohen said this was correct. Trustee Edwards asked if the RFP is for an investment consultant monitor not someone that actually does the buy/sell. Attorney Cohen said this is correct.

Trustee Pyle asked how Burgess actually moves the money.

Councilman Ruane said the first component is to compare our investment policy with the investment policy for the Police and look at the differences.

Trustee Holmes asked if the Board could have a copy of the Burgess agreement.

Trustee Garmager said this could be an open ended solicitation. Could we ask for an investment manager and let them tell the Board what they will do? Attorney Cohen said this could be done. You could call Burgess and ask how much flexibility and what arrangement they have with the Police.

Trustee Armstrong asked who drafted the new policy for the Police fund. Councilman Ruane said that staff drafted the policy based on what Burgess requested. This policy has been in effect for a long time and modifications have been made.

Attorney Cohen reported that the law says a public pension fund has to have an Investment Policy and there are certain things that the policy has to include. The policy can be changed on a regular basis.

Chair Cuscaden asked if there should be a discussion on the long term stability of the plan.

Trustee Armstrong said the Board should make sure that whatever process is determined should not destabilize the investment management in the short term. A question that needs to be answered is, is Dahab willing to stay in place and keep doing their job. Councilman Ruane said it is his belief that Dahab would be open to terminate the contract.

Trustee Pyle said he is comfortable with the firms that are managing the funds, i.e., Dana, NMF and Richmond. He would be more concerned if this was the only manager and they had responsibility for making the asset allocations and suddenly they stopped.

Trustee Armstrong asked if Dahab is making the decision when cash comes in. Trustee Edwards said that Salem Trust was making the decision. Trustee Armstrong asked if Salem Trust is deciding where to invest the money. Trustee Edwards said employee contributions go into the R&D account. This covers benefit payments and other expenses. The monthly amount contributed by the City goes into Dana. Beginning next year the City will be contributing an additional \$500,000 into the Plan. The Board may not want all this money to go into Dana. We may need to instruct Salem how to allocate this or hire a manager to say where the money is allocated.

Trustee Gibson said that employee contributions go to Dana.

Trustee Edwards said the manager definitely needs to determine how City contributions get allocated.

Trustee Armstrong emphasized that this process has urgency about it.

Councilman Ruane said the Board should make a formal motion to hold a meeting in September.

**MOTION:** Trustee Pyle moved to meet on September 9, 2009 at 10 A.M. for the purpose of reviewing the investment manager, investment policies for the Pension Plan and what needs to be done. Trustee Garmager amended the motion to include continuing discussions regarding the Plan and current funding issues (viability). Trustee Holmes said a discussion regarding flexibility of the management firm should also be included. The motion was seconded by Trustee Holmes. The motion carried by a unanimous roll call vote.

Attorney Cohen repeated the name of the web site - FPPTA.org.

Chair Cuscaden suggested the discussion move to Agenda Item #5.

### **Agenda Item 5 - Other**

Trustee Edwards reported the following:

1. October 4 through 7 is the FPPTA Trustee School in Bonita Springs.
2. Continuing Education credits are given for this class.
3. The registration fee is \$400 per person.
4. Trustees Fannon and Gibson need to attend this class.
5. Asked if anyone else on the Board needs to attend.

**MOTION:** Trustee Garmager moved to authorize attendance of Trustees Fannon and Gibson and any other Trustees who want to attend. Trustee Pyle seconded the motion. The motion carried by a unanimous voice vote.

Trustee Edwards said she reported during the last meeting that a retiree passed away and 3 pension payments were received after the death. Two of these payments have been returned. One payment in the amount of \$476 is still outstanding.

Trustee Edwards said the Board asked to have an analysis prepared on options and how these options would affect current City employees and their benefits. This analysis was distributed to the Board.

### **Agenda Item #7 – Public Comment**

John Harries, Sanibel resident, thanked Councilman Ruane for bringing this issue to the floor and said he has done a fantastic job. Mr. Harries said the Board should also receive a thank you for their work.

There being no further business Trustee Holmes moved to adjourn the meeting; Trustee Pyle seconded the motion. The meeting was adjourned at 12:59 P.M.

Respectfully submitted,

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Chairman

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Secretary

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Date

#### **4. Distribution of source materials**

##### **a. Policies and agreements**



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**CITY OF SANIBEL**  
**GENERAL EMPLOYEE RETIREMENT PLAN**  
**POLICIES & CONTRACTS**  
**09/09/2009**



**CITY OF SANIBEL  
GENERAL EMPLOYEE PENSION BOARD**

**September 09, 2009**

**TABLE OF CONTENTS**

Resolution 01-42 – Investment Policy – 06/19/2001	1
Investment Policy Effective July 1, 2001	3
Addendum #1- FMIT – 07/01/2001 <i>CLOSED</i>	7
Addendum #2 – State Street Global Advisors – 07/01/2001 <i>CLOSED</i>	11
Addendum #3 – State Street Global Advisors – 07/01/ 2001 <i>CLOSED</i>	15
Resolution 01-08 – Terminate Annuity Contract/PML Ins. Co.   - 02/06/2001	18
Addendum #2 – NMF Asset Management – November 2005	23
Amendment – NMF Investment Management Agreement – 10/25/2006	27
Amendment – NMF Investment Management Agreement – 03/2009	31
Addendum #3 – Richmond Capital Management – 07/01/2008	39
Adoption Agreement – American Stable Value Fund LLC – 02/13/2008	49
Custodial Agreement – Salem Trust Company – 01/27/2005	57
Professional Services Agreement – Ronald J. Cohen, P.A. – 07/01/2001 & 07/21/2007	65
Actuarial Services Agreement – Foster & Foster, Inc.      - 02/13/2008	77
Investment Advisory Agreement – Dana Investment Advisors, Inc. – 01/27/2005	79
Investment Consulting Services Agreement – Dahab Assoc., Inc. – 02/26/2002	91
Admin Services Agreement – Benefits USA, Inc. – 11/14/2007	97
Commission Recapture Agreement – Lynch, Jones & Ryan, Inc. – 01/27/2005	103



CITY OF SANIBEL, FLORIDA

RESOLUTION NO. 01-42

A RESOLUTION ADOPTING A REVISED INVESTMENT POLICY FOR THE GENERAL EMPLOYEES RETIREMENT PLAN; SELECTING INVESTMENT MANAGERS FOR THE GENERAL EMPLOYEES' RETIREMENT PLAN ASSETS AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Sanibel adopted an Investment Policy for the General Employees Retirement Plan as administered by the Principal Mutual Life Insurance Company pursuant to Resolution # 00-70 dated June 6, 2000, and

WHEREAS, by June 30, 2001, the City will have completed the process of terminating the contract with the Principal Mutual Life Insurance Company for the administration of the General Employees' Retirement Plan pursuant to Resolution # 01-08 dated February 6, 2001; and

WHEREAS, the Florida Municipal Investment Trust (FMIVT) is an authorized investment under Section 218.415 (15), Florida Statutes, for units of local government in Florida and Resolution #01-08 authorized the City to invest assets of the General Employees' Retirement Plan with the FMIVT; and

WHEREAS, State Street Global Advisers (SSgA) has been identified as the successful respondent to the Request for Proposals for the management of the Domestic and International Stock portfolios of the General Employees Retirement Plan assets; and

WHEREAS, the Investment Policy for the General Employees Retirement Plan needs to be modified to address the changes in Plan administration, investment managers, investment strategies and asset management structure including a corresponding measurement index.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Sanibel, Lee County, Florida.

Section 1. The City of Sanibel hereby adopts the attached Investment Policy for the General Employees' Pension Fund, including Addenda #1, #2 and #3 for the respective portfolio styles of Domestic Bonds, also known as Fixed Income, Large Capitalization Domestic Equity, and International Equity.

Section 3. The City hereby expressly confirms participation in the Florida Municipal Investment Trust (FMIVT) and directs the FMIVT to manage the Domestic Bonds, also known as Fixed Income, portion of the General Employees' Retirement Plan portfolio.

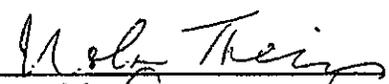
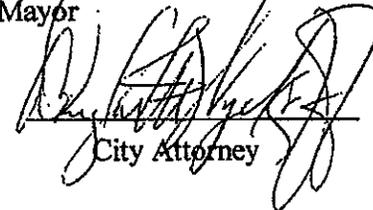
Section 4. The City hereby selects State Street Global Advisors (SSgA) as the successful respondent to the Request for Proposals for management of the Domestic Stock and International Stock portion of the General Employees' Retirement Plan portfolio.

Section 5. The City directs both the FMIVT and SSgA to employ and adhere to all policies and procedures contained in the Investment Policy hereby adopted, which may from time to time be amended by Resolution.

Section 6. The City Manager/City Clerk is hereby directed to furnish a certified copy of this Resolution to the Florida Municipal Investment Trust in care of the Florida League of Cities and to State Street Global Advisors.

Section 7. Effective date. This resolution shall take effect immediately upon adoption.

DULY PASSED AND ENACTED by the Council of the City of Sanibel, Lee County, Florida, this 19th day of June, 2001

AUTHENTICATION:  Mayor       City Clerk  
APPROVED AS TO FORM:  City Attorney      6/24/01 Date

Vote of Council Members:

Brown      aye  
Harrity     aye  
Theiss      aye  
Walsh      aye  
Workman    aye

Date filed with City Clerk: June 20, 2001

Investment Policy  
for

**SANIBEL GENERAL EMPLOYEES'  
PENSION FUND**

Effective Date: July 1, 2001

The Sanibel General Employees Pension Fund has been created and funded by the City of Sanibel as plan sponsor to provide retirement benefits for those employees who through their years of service have earned a right to a pension benefit. The purpose of this fund is to provide for the accumulation and distribution of money in an actuarially sound fashion over the years of the employees' service and subsequent retirement. This document is designed to set forth the policies and guidelines for those who administer and invest the funds in the portfolio and apply to all funds under the control of Pension Fund.

Although this fund is not subject to the Employee Retirement Income Security Act (ERISA), Florida Statutes state that the Pension Fund and all of its agents comply with the standards set forth in the Act of 1974 at 29 U.S.C. 1104(a)(1)(A)-(C). Therefore, all of the individuals associated with the plan should act within the confines of that statute. Where not specifically indicated, the actions and/or decisions of the individuals are to be governed by the prudent man rule.

This investment policy shall cover the entire portfolio as well as all investment managers and shall be filed with the city, the Plan's actuary, and the Department of Management Services.

### **REGULATORY REQUIREMENTS**

Since the Sanibel General Employees Pension Fund is a qualified defined benefit plan as defined and set forth by Florida Statutes, investment procedures and restrictions stipulated under these regulations must be followed and any other investments are prohibited.

Additionally:

#### **EVERY FIDUCIARY SHALL:**

- Discharge his or her duties for the exclusive purpose of providing benefits to the Sanibel General Employees Pension Fund members and their beneficiaries and defraying reasonable expenses of administering the Plan;
- Act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims;
- Diversify investments of the Sanibel General Employees Pension Fund so as to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so, and;
- Operate in accordance with the Sanibel General Employees Pension Fund procedures, documents and instruments.

#### **NO FIDUCIARY SHALL:**

- Deal with the Sanibel General Employees Pension Fund assets for his or her own account or his or her own interest, and/or;
- Act in any matter affecting the retirement system on behalf of any person or organization whose interests are adverse to the interests of the Sanibel General Employees Pension Fund, its members or beneficiaries.

The Fund shall be governed by a set of written internal controls and operational procedures that shall be periodically reviewed by the Fund's Certified Public Accountant.

The Board shall retain an independent Certified Public Accountant on an annual basis as well as require reports from the Fund's investment consultant quarterly. This policy is designed to safeguard the Fund from losses that might arise from fraud, error or misrepresentations by third parties, or imprudent actions by the Board or employees of the plan sponsor.

## OVERALL GOAL

In accordance with the Funds actuarial report dated October 1, 2000, the Pension Fund has established short and long-term goals for the overall investment portfolio consistent with the liabilities of the Fund. At a minimum, the Fund in aggregate shall earn a compound annualized rate of return over time of 7.50% while minimizing the risk of loss in any one period.

While the Pension Fund acknowledges that market conditions can produce periods where such returns are difficult to achieve, the advisor is expected to contribute to meeting the long term objectives of the plan as well as others set forth in this document.

## ASSET ALLOCATION

The Pension Fund has adopted the following asset allocation:

	<u>% allocated</u>	<u>Corresponding Index</u>
Domestic Stocks	50.0%	S&P 500 Index
Domestic Bonds	40.0%	Lehman Aggregate Bond Index
International Stocks	10.0%	MSCI EAFE Index.

Although cash is not included in the asset allocation of the Fund, the Pension Fund realizes the need to provide liquidity to pay obligations as they come due. Surplus cash flows, additional contributions, and investment manager cash will be utilized to pay obligations of the Fund and periodic re-balancing of the assets. The Fund's investment manager(s) shall be kept informed of the liquidity requirements of the Fund, and to the extent possible, avoid untimely sales of assets which could be detrimental to the performance of the Plan.

## MANAGEMENT STRUCTURE

To diversify plan assets so as to minimize the risk associated with dependence on the success of one enterprise, the Fund has decided to employ a multi-manager team approach to investing plan assets.

Asset managers will be employed to utilize individual expertise within their assigned area of responsibility. Each manager will be governed by individual investment guidelines. Separate manager guidelines for each investment manager shall serve as addenda to the Policy.

Assets without a fair market value must be excluded from determination of annual funding costs. Illiquid investments for which there are no generally recognized market or consistent accepted pricing mechanism will be priced at cost.

The asset management structure is currently as follows:

	<u>Target</u>	<u>MINimum</u>	<u>MAXimum</u>
<u>Domestic Stocks</u>	<u>50.0%</u>	<u>40.0%</u>	<u>60.0%</u>
State Street Global Advisors (SSgA US Core Opportunities Fund)	50.0	40.0	60.00
<u>Domestic Bonds</u>	<u>40.0%</u>	<u>30.0%</u>	<u>50.0%</u>
Florida Municipal Investment Trust Fund (Managed by Atlanta Capital Mgmt.)	40.0	30.0	50.0
<u>International Stocks</u>	<u>10.0%</u>	<u>0.0%</u>	<u>15.0%</u>
State Street Global Advisors (SSgA Int'l Growth Opportunities Fund)	10.0	0.0	15.0

## MASTER REPURCHASE AGREEMENTS

All approved institutions that transact repurchase agreements on behalf of the Fund, including short-term investments by the Funds custodian, shall execute and adhere to the requirements of the Master Repurchase Agreement.

## BROKERAGE

Investment managers shall use their best efforts to ensure that portfolio transactions are placed on a 'best execution' basis. Notwithstanding the foregoing, the Fund reserves the right to direct any or all of the brokerage commissions associated with the portfolio for the purposes of securing research and related services for the benefit of the Plan and its participants. Brokerage transactions should not be directed to any firm if in doing so, taking all factors into consideration, the Fund will incur a disadvantage with respect to the market price of the security. Further, irrespective of any obligations to pay for services engaged by either the advisor or the Fund, only transactions that would normally be made for the Fund in the absence of such obligations should be executed.

## PROXY VOTING

Responsibility for the exercise of ownership through proxy solicitation shall rest solely with the investment managers. Guidelines for voting proxies will be listed in individual manager guidelines.

## THIRD-PARTY CUSTODIAL AGREEMENTS

The Fund shall retain a third party to custody the fund's assets. All securities shall be designated as an asset of the Fund and no withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the Fund of the Fund's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery versus payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate in hand at the conclusion of the transaction.

## CONTINUING EDUCATION

The Fund acknowledges the importance of continuing education. To that end, any individuals responsible for the day to day dealing of Fund assets are encouraged to attend educational conferences in connection with their duties and responsibilities.

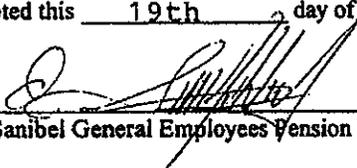
## REPORTING

The Funds investment consultant shall provide quarterly reports of the Fund's investment activities. These reports shall be public records and shall be submitted to the plan sponsor as required by law.

## IMPLEMENTATION

All monies invested for the Plan by the investment managers after the adoption of this Investment Policy Statement shall conform to this statement.

Adopted this 19th day of June, 2001

  
for: Sanibel General Employees Pension Fund

**SANIBEL GENERAL EMPLOYEES  
PENSION FUND**

Addendum #1  
Investment Management Guidelines  
for:

**Florida Municipal Investment Trust  
Fixed Income (Commingled)**

Effective Date: July 1, 2001

The Sanibel General Employees Pension Fund maintains that an important determinant of future investment returns is the expression and periodic review of the Fund's investment objectives. To that end, the city has adopted this statement of Investment Guidelines. The manager is also bound by the goals and objectives of the Plan's investment policy.

In fulfilling their fiduciary responsibility, the city recognizes that the retirement system is an essential vehicle to providing income benefits to retired participants or their beneficiaries. The city also recognizes that the obligations of the Fund are long-term and that investment guidelines should be made with a view toward performance and return over a number of years. The general investment objective then, is to obtain a reasonable total rate of return commensurate with the prudent investor rule and any other applicable statute or requirement.

These investment guidelines may be temporarily amended should prevailing economic conditions warrant such changes. To amend the guidelines, the manager must submit in writing the requested amendments, reasons for the request, and the time period for which the amendments will be in effect. The city will review the request and upon majority vote and written confirmation, the amendments will be deemed in effect for the specific time period.

### I. STYLE DESIGNATION

The city places great importance on risk reduction through asset and style diversification. The manager should realize that it would operate as part of a larger multi-manager allocation strategy. The manager is advised that it has been selected to perform investment services based in part on its particular investment style characteristics and the diversification benefits such style may produce in relationship to the style characteristics of other managers retained by the board. The manager should therefore endeavor to maintain a consistent style, subject at times to its full discretion and continued fiduciary obligations.

The manager has been retained to pursue a portfolio featuring a **Fixed Income** style.

### II. PERFORMANCE OBJECTIVES

The city will review performance on a quarterly basis. Normally, performance will be evaluated over a three to five year time horizon. These periods are considered sufficient to accommodate the different market cycles commonly experienced with investments, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the plan.

Investment performance objectives are not the sole reason for retention or termination of a manager.

Fixed Income Objectives:

- Over a three to five year time horizon, fixed income performance should be equal or greater than the return of the Lehman Aggregate Index.
- Over a three to five year time horizon, fixed income performance should be greater than the median (50<sup>th</sup> percentile) of an appropriate fixed income universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.

### IV. ASSET ALLOCATION

The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board.

Fixed Income      100%

The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Fixed Income	100%	95%
Cash	5%	0%

#### **IV. INVESTMENT GUIDELINES**

At all times, the Fund's investment's are subject to the limitations set forth in Florida Statute Sections 215.47(1), (2), (3), (4), (5), (6), (7), (8), (10), and (16) except as otherwise permitted by local ordinance.

##### **Fixed Income Investments:**

1. Fixed income investments shall be permitted in obligations of the United States, its agencies and instrumentality's, or obligations guaranteed as to principal and interest by the Government of the United States, its agencies or instrumentality's.
2. Fixed income investments shall be permitted in bonds issued by the State of Israel.
3. Fixed income investments shall have a minimum quality rating of 'A' or equivalent as rated by one or more recognized bond rating service at the time of purchase. Fixed income investments which are downgraded to 'BAA' or equivalent must be liquidated within a reasonable period of time not to exceed twelve (12) months. Fixed income investments which are downgraded below 'BAA' shall be liquidated immediately or in a manner not to be detrimental to the performance of the fund.
4. No more than five percent (5%) of the total market value of all fixed income investments shall be invested in debt obligations of any one fixed income issuer except for securities issued and guaranteed by the United States Government, or its agencies and instrumentality's, which may be held without limitations.
5. Investments shall be permitted in mortgage and asset-backed securities, including CMO's, rated 'A' or better by a nationally recognized rating organization. Interest only securities, principal only securities, inverse floaters and similar high risk derivatives are prohibited.

##### **Cash and cash equivalent investments shall be made only in:**

1. Money market funds, STIF funds
2. Securities rated A-1 or better by Moody or P-1 or better by Standard & Poors.
3. Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings, building, and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation.

##### **Miscellaneous:**

1. Use of swaps, primes, scores or other similar products are prohibited.
2. Use of margin buying and short selling of securities is prohibited.
3. Use of derivative investments including: Forwards, futures options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited.
5. Unregistered or restricted stocks and commodities are prohibited.
6. No commingled or mutual funds may be used with the exception on bank STIF funds.
7. The portfolio shall comply at all times with applicable laws and regulations. For the purposes of these guidelines, if at any time this document is found to be in conflict with Florida Statutes or applicable City Ordinances, the Statue and Ordinances shall prevail.
8. No illiquid investments.

#### **V. DIRECTED COMMISSIONS**

The investment manager shall use their best efforts to ensure that portfolio transactions are placed on a 'best execution' basis. The Fund requires that the investment manager competitively bid securities as appropriate and selects the most advantageous bid. Additionally, the Fund reserves the right to utilize certain recapture brokers for the benefit of the fund.

The manager is required, on a quarterly basis, to report all brokerage transactions and reasons for using brokers to the Fund and the Consultant.

#### **VI. COMMUNICATIONS**

The manager is expected to report at least quarterly to the Fund and provide a written report detailing the fund's performance, adherence to guidelines, forecast of the market and economy, portfolio analysis and current assets of the Fund.

Additionally, the manager will on a quarterly basis provide a written report affirming compliance with the securities restrictions of section IV above.

The manager will provide immediate written and telephone notice to the Fund and the Consultant (Dahab Associates) of any significant event, specifically but not limited to the resignation, termination or incapacity of any senior personnel.

Since proxy votes may be considered an asset of the Plan, the manager shall have the fiduciary duty to vote the proxy's attendant to the fund's ownership of equity securities. The manager shall exercise such proxies solely in the interest of the participants and beneficiaries of the Plan, and for the exclusive purpose of providing benefits to participants and beneficiaries. The manager shall make available upon request to the Fund and its Consultant documentation relating to the handling and voting of proxies. The manager shall forward written reports of its voting activities to the Fund and its Consultant at least semiannually

### VII. MANAGER TERMINATION

The Fund wishes to adopt standards by which ongoing retention of an investment manager should be determined. With this in mind, the following guidelines have been adopted:

If, at any time, any one of the following is breached, the Manager will be notified of the city's serious concern for the Fund's continued safety and performance and manager termination could occur.

1. Consistent performance below the fiftieth (50%) percentile in the specified universe.
2. Consistent under-performance of the stated target index.
3. Loss by the manager of any senior personnel.
4. Any change in basic investment philosophy by the manager.
5. Any significant change of ownership of the firm.
6. Failure to observe any guidelines as stated in this document.

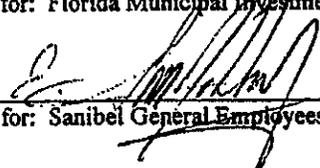
These shall in no way limit or diminish the city's right to terminate the manager at any time for any reason.

### VIII. REVIEW AND AMENDMENTS

It is intended that the investment manager and Fund review this document periodically. If at any time the manager feels that the specific objectives defined herein cannot be met or that the guidelines constrict performance, the Fund should be notified so in writing. By the initial and continuing acceptance of these investment guidelines, the investment manager concurs with the provisions of this document.

### IX. ACCEPTANCE OF GUIDELINES

\_\_\_\_\_  
for: Florida Municipal Investment Trust

  
\_\_\_\_\_  
for: Sanibel General Employees

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date June 26, 2001

\_\_\_\_\_  
for: Dahab Associates

\_\_\_\_\_  
Date

**SANIBEL GENERAL EMPLOYEES  
PENSION FUND**

Addendum #2  
Investment Management Guidelines  
for:

**State Street Global Advisors  
Large Capitalization Domestic Equity (Commingled)**

Effective Date: July 1, 2001

The Sanibel General Employees Pension Fund maintains that an important determinant of future investment returns is the expression and periodic review of the Fund's investment objectives. To that end, the city has adopted this statement of Investment Guidelines. The manager is also bound by the goals and objectives of the Plan's investment policy.

In fulfilling their fiduciary responsibility, the city recognizes that the retirement system is an essential vehicle to providing income benefits to retired participants or their beneficiaries. The city also recognizes that the obligations of the Fund are long-term and that investment guidelines should be made with a view toward performance and return over a number of years. The general investment objective then, is to obtain a reasonable total rate of return commensurate with the prudent investor rule and any other applicable statute or requirement.

These investment guidelines may be temporarily amended should prevailing economic conditions warrant such changes. To amend the guidelines, the manager must submit in writing the requested amendments, reasons for the request, and the time period for which the amendments will be in effect. The city will review the request and upon majority vote and written confirmation, the amendments will be deemed in effect for the specific time period.

#### I. STYLE DESIGNATION

The pension fund places great importance on risk reduction through asset and style diversification. The manager should realize that it would operate as part of a larger multi-manager allocation strategy. The manager is advised that it has been selected to perform investment services based in part on its particular investment style characteristics and the diversification benefits such style may produce in relationship to the style characteristics of other managers retained by the board. The manager should therefore endeavor to maintain a consistent style, subject at times to its full discretion and continued fiduciary obligations.

The manager has been retained to pursue a portfolio featuring a Core Equity style.

#### II. PERFORMANCE OBJECTIVES

The Plan will review performance on a quarterly basis. Normally, performance will be evaluated over a three to five year time horizon. These periods are considered sufficient to accommodate the different market cycles commonly experienced with investments, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the plan.

Investment performance objectives are not the sole reason for retention or termination of a manager.

- Over a three to five-year time horizon, equity performance should be equal or greater than the return of the S&P 500 Index
- Over a three to five year time horizon, equity performance should be greater than the median return (50<sup>th</sup> percentile) of an appropriate equity universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.

#### IV. ASSET ALLOCATION

The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Plan.

Domestic Equity	100%
-----------------	------

Since the investment selected is a commingled vehicle, all monies allocated to the manager shall be invested in accordance with the investment management agreement. The Sanibel General Employees Pension Fund has chosen the following product(s) with the following allocations:

SSgA US Core Opportunities Fund	100%
---------------------------------	------

12

#### **IV. INVESTMENT GUIDELINES**

At all times, the Fund's investments are subject to the limitations set forth in Florida Statute Sections 215.47(1), (2), (3), (4), (5), (6), (7), (8), (10), and (16) except as otherwise permitted by local ordinance.

##### **Equity Investments:**

1. Equity investments must be listed on any one or more of the recognized national stock exchanges.
2. Equity investments made in any securities listed on an exchange other than those of the United States shall not be allowed. Investments in A.D.R.'s (American Depository Receipts) and/or foreign companies listed on United States exchanges shall be limited to 5% of the total equity portfolio.
3. The equity portion of the managers portfolio shall not be exposed to risks that exceed an annual average beta coefficient of 1.15 where 1.0 is equal to the market volatility of the S&P 500 Index.
4. The issuer of equity securities must have a publicly available operation record of at least five years, which may include past performance resulting from mergers, acquisitions, and spin-offs.
5. No equity investments shall be made in companies with a market capitalization less than \$100 million at the time of purchase.
6. No more than 7.0% of the total market value of equity investments shall be invested in the equity securities of any one company.
7. No more than 4.9% of the total market value shall be invested in the outstanding capital stock of any one issuing company.

##### **Cash Investments:**

Cash and cash equivalent investments shall be made only in:

1. Money market funds, STIF funds
2. Securities rated A-1 or better by Moody or P-1 or better by Standard & Poots.
3. Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings, building, and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation.

##### **Miscellaneous:**

1. Use of swaps, primes, scores or other similar products are prohibited.
2. Use of margin buying is prohibited.
3. Use of derivative investments including: Forwards, futures options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited.
4. Short selling of securities is prohibited.
5. Unregistered or restricted stocks are prohibited.
6. Commodities are prohibited.
7. The portfolio shall comply at all times with applicable laws and regulations. For the purposes of these guidelines, if at any time this document is found to be in conflict with Florida Statutes or applicable City Ordinances, the Statute and Ordinances shall prevail.
8. No illiquid investments.

#### **V. DIRECTED COMMISSIONS**

The investment manager shall use their best efforts to ensure that portfolio transactions are placed on a 'best execution' basis. The city requires that the investment manager competitively bid securities as appropriate and selects the most advantageous bid.

The manager is required, as requested, to report all brokerage transactions and reasons for using brokers to city and the Consultant.

**VI. COMMUNICATIONS**

The manager is expected to report at least quarterly to the city and provide a written report detailing the Fund's performance, adherence to guidelines, forecast of the market and economy, portfolio analysis and current assets of the Fund. Additionally, the manager will on a quarterly basis provide a written report affirming compliance with the securities restrictions of section IV above.

The manager will provide immediate written and telephone notice to the city and the Consultant (Dahab Associates) of any significant event, specifically but not limited to the resignation, termination or incapacity of any senior personnel.

Since proxy votes may be considered an asset of the Plan, the manager shall have the fiduciary duty to vote the proxy's attendant to the Plan's ownership of equity securities. The manager shall exercise such proxies solely in the interest of the participants and beneficiaries of the Plan, and for the exclusive purpose of providing benefits to participants and beneficiaries. The manager shall make available upon request to the city and its Consultant documentation relating to the handling and voting of proxies. The manager shall forward written reports of its voting activities to the city and its Consultant as requested.

**VII. MANAGER TERMINATION**

The Fund wishes to adopt standards by which ongoing retention of an investment manager should be determined. With this in mind, the following guidelines have been adopted:

If, at any time, any one of the following is breached, the Manager will be notified of the city's serious concern for the Fund's continued safety and performance and manager termination could occur.

1. Consistent performance below the fiftieth (50%) percentile in the specified universe.
2. Consistent under-performance of the stated target index.
3. Loss by the manager of any senior personnel.
4. Any change in basic investment philosophy by the manager.
5. Any change of ownership of the firm.
6. Failure to observe any guidelines as stated in this document.

These shall in no way limit or diminish the city's right to terminate the manager at any time for any reason.

**VIII. REVIEW AND AMENDMENTS**

It is intended that the investment manager and city review this document periodically. If at any time the manager feels that the specific objectives defined herein cannot be met or that the guidelines constrict performance, the city should be notified so in writing. By the initial and continuing acceptance of these investment guidelines, the investment manager concurs with the provisions of this document.

**IX. ACCEPTANCE OF GUIDELINES**

\_\_\_\_\_  
for: State Street Global Advisors

  
\_\_\_\_\_  
for: Sanibel General Employees

\_\_\_\_\_  
Date

June 26, 2001

\_\_\_\_\_  
Date

\_\_\_\_\_  
for: Dahab Associates, Inc.

\_\_\_\_\_  
Date

**SANIBEL GENERAL EMPLOYEES  
PENSION FUND**

**Addendum #3  
Investment Management Guidelines  
for:**

**State Street Global Advisors  
International Equity (Commingled)**

**Effective Date: July 1, 2001**

The Sanibel General Employees Pension Fund maintains that an important determinant of future investment returns is the expression and periodic review of the Fund's investment objectives. To that end, the Plan has adopted this statement of Investment Guidelines. The manager is also bound by the goals and objectives of the Plan's investment policy.

In fulfilling their fiduciary responsibility, the Plan recognizes that the retirement system is an essential vehicle to providing income benefits to retired participants or their beneficiaries. The Plan also recognizes that the obligations of the Fund are long-term and that investment guidelines should be made with a view toward performance and return over a number of years. The general investment objective then, is to obtain a reasonable total rate of return commensurate with the prudent investor rule and any other applicable statute or requirement.

These investment guidelines may be temporarily amended should prevailing economic conditions warrant such changes. To amend the guidelines, the manager must submit in writing the requested amendments, reasons for the request, and the time period for which the amendments will be in effect. The Plan will review the request and upon majority vote and written confirmation, the amendments will be deemed in effect for the specific time period.

### I. STYLE DESIGNATION

The Plan places great importance on risk reduction through asset and style diversification. The manager should realize that it will operate as part of a larger multi-manager allocation strategy. The manager is advised that it has been selected to perform investment services based in part on its particular investment style characteristics and the diversification benefits such style may produce in relationship to the style characteristics of other managers retained by the Plan. The manager should therefore endeavor to maintain a consistent style, subject at times to its full discretion and continued fiduciary obligations.

The manager has been retained to pursue a portfolio featuring an **International Equity** style.

### II. PERFORMANCE OBJECTIVES

The Plan will review performance on a quarterly basis. Normally, performance will be evaluated over a three to five year time horizon. These periods are considered sufficient to accommodate the different market cycles commonly experienced with investments, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the plan.

Investment performance objectives are not the sole reason for retention or termination of a manager.

- Over a three to five year time horizon, equity performance should be equal or greater than the return of the MSCI EAFE Index
- Over a three to five year time horizon, equity performance should be greater than the median return (50<sup>th</sup> percentile) of an appropriate International equity universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.

### III. ASSET ALLOCATION

The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Plan.

International Equities 100%

Since the investment selected is a commingled vehicle, all monies allocated to the manager shall be invested in accordance with the investment management agreement. The Sanibel General Employees Pension Fund has chosen the following State Street Global Advisors product(s) with the following allocations:

SSgA International Growth Opportunities Fund 100%

**IV. INVESTMENT GUIDELINES**

At all times, the Fund's investment's are subject to the limitations set forth in Florida Statute Sections 215.47(1), (2), (3), (4), (5), (6), (7), (8), (10), and (16) except as otherwise permitted by local ordinance.

**V. COMMUNICATIONS**

The manager is expected to report at least quarterly to the Plan and provide a written report detailing the fund's performance, adherence to guidelines, forecast of the market and economy, portfolio analysis and current assets of the Fund.

The manager will provide immediate written and telephone notice to the Plan and the Consultant (Dahab Associates) of any significant event, specifically but not limited to the resignation, termination or incapacity of any senior personnel.

Since proxy votes may be considered an asset of the Plan, the manager shall have the fiduciary duty to vote the proxies attendant to the Plan's ownership of equity securities. The manager shall exercise such proxies solely in the interest of the fund's performance as well as the participants and beneficiaries of the Plan, and for the exclusive purpose of providing benefits to participants and beneficiaries. The manager shall make available upon request to the Board and its Consultant documentation relating to the handling and voting of proxies. The manager shall forward written reports of its voting activities to the Plan and its Consultant as requested.

**VI. MANAGER TERMINATION**

The Plan wishes to adopt standards by which ongoing retention of an investment manager should be determined. With this in mind, the following guidelines have been adopted:

If, at any time, any one of the following is breached, the Manager will be notified of the Plan's serious concern for the Fund's continued safety and performance and manager termination could occur.

1. Consistent performance below the fiftieth (50%) percentile in the specified universe.
2. Consistent under-performance of the stated target index.
3. Loss by the manager of any senior personnel.
4. Any change in basic investment philosophy by the manager.
5. Any significant change of ownership of the firm.
6. Failure to observe any guidelines as stated in this document.

These shall in no way limit or diminish the plans' right to terminate the manager at any time for any reason.

**VII. REVIEW AND AMENDMENTS**

It is intended that the investment manager and Plan review this document periodically. If at any time the manager feels that the specific objectives defined herein cannot be met or that the guidelines constrict performance, the Plan should be notified so in writing. By the initial and continuing acceptance of these investment guidelines, the investment manager concurs with the provisions of this document.

**VIII. ACCEPTANCE OF GUIDELINES**

\_\_\_\_\_  
for: State Street Global Advisors

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
for: Sanibel General Employees Plan

\_\_\_\_\_  
June 26, 2001  
Date

\_\_\_\_\_  
for: Dahab Associates, Inc.

\_\_\_\_\_  
Date

17

CITY OF SANIBEL, FLORIDA

RESOLUTION NO. 01- 08

A RESOLUTION AUTHORIZING THE CITY OF SANIBEL TO TERMINATE THE GENERAL EMPLOYEES' FLEXIBLE PENSION INVESTMENT GROUP ANNUITY CONTRACT WITH THE PRINCIPAL MUTUAL LIFE INSURANCE COMPANY AND TO JOIN WITH OTHER LOCAL GOVERNMENTAL UNITS AS A PARTICIPANT IN THE FLORIDA MUNICIPAL INVESTMENT TRUST FOR THE PURPOSE OF PURCHASING SHARES OF BENEFICIAL INTEREST IN THE TRUST FOR THE INVESTMENT OF PENSION PLAN ASSETS OF THE GENERAL EMPLOYEES' RETIREMENT PLAN.

WHEREAS, the City of Sanibel is currently under Group Annuity Contract #GA 4-18013 with the Principal Mutual Life Insurance Company, City of Sanibel Contract # 96-08-42 for the General Employees' Retirement Plan, and

WHEREAS, the City desires to terminate the contract with the Principal Mutual Life Insurance Company in order that it may place the General Employees' Retirement Plan assets on deposit with the Florida Municipal Investment Trust; and

WHEREAS, Section 163.01, Florida Statutes, authorizes any state, or any county, municipality or political subdivision of the state, to jointly exercise any power, privilege, or authority which such governmental entities share in common and which each might exercise separately, and further provides such authority is in addition to and not in limitation of those granted by any other general, local or special law; and

WHEREAS, by Resolutions dated the 27<sup>th</sup> day of January, 1993, the 25<sup>th</sup> day of January, 1993 and the 14<sup>th</sup> day of January, 1993, the governing bodies of the City of Bradenton, Florida, the City of Lauderhill, Florida and the City of Palatka, Florida, respectively found the creation of the Florida Municipal Investment Trust serves a municipal purpose and will offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities and other agencies or political subdivisions in or of the state; and

WHEREAS, the authorized representatives for the City of Bradenton, Florida, the City of Lauderhill, Florida and the City of Palatka, Florida have executed the Agreement and Declaration of Trust on the 28<sup>th</sup> day of April, 1993, creating the Florida Municipal

Investment Trust which governs the purpose, administration and operation of the Trust and its activities; and

WHEREAS, the constitutional, statutory and judicial authorities in the State of Florida authorize municipalities and other agencies or political subdivisions in or of the state to invest and reinvest surplus public funds; and

WHEREAS, under the terms and provisions of the Agreement and Declaration of Trust creating the Florida Municipal Investment Trust any municipality and any other agency or political subdivision in or of the state desiring to participate in the Trust as a member must become a party to the Agreement and Declaration of Trust; and

WHEREAS, the Florida Municipal Investment Trust is an authorized investment under Section 218.415 (15), Florida Statutes, for units of local government in Florida; and

WHEREAS, it is the intent of the City of Sanibel to participate in the Florida Municipal Investment Trust as a member and become a party to the Agreement and Declaration of Trust.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Sanibel, Lee County, Florida.

Section 1. The Group Annuity Contract # 4-18013 with the Principal Mutual Life Insurance Company is hereby terminated.

Section 2. The City of Sanibel finds that participation in the Florida Municipal Investment Trust, a pooled-investment program, would be in the best interest of the city, its officials, employees and citizens, in that, such a program offers diversified and professionally managed portfolios to meet investment needs, and results in economies of scale that will create greater purchasing powers and will thereby lower the cost traditionally associated with the investment of assets of the General Employees' Retirement Plan.

Section 3. The City hereby expressly authorizes participation in the Florida Municipal Investment Trust as a member and will become a party to the Agreement and Declaration of Trust, as amended, which is adopted by reference with the same effect as if it had been set out verbatim in this section.

Section 4. The City is hereby expressly authorized to purchase shares of beneficial interest in the Trust from time to time with available funds, and to redeem some or all of its shares of beneficial interest from time to time as funds are needed for other purposes, subject to the terms and restrictions of the Agreement and Declaration of Trust referred to in Section 3 and the most recent Information Statement. These actions are to be taken by the officers designated for this purpose pursuant to general or specific instructions by the City Council of the City of Sanibel.

Section 5. The Trustees of the Trust are designated as having official custody of the City's funds which are invested by the purchase of shares of beneficial interest in the Trust.

Section 6. The City of Sanibel specifically finds and determines the following matters:

- (a) the conditions of the agreement and the rights and responsibilities of members of the Trust are set forth in the Agreement and Declaration of Trust, as amended, and in the most recent Informational Statement;
- (b) Participation in the Trust shall be terminable at any time by the City, subject to the terms and restrictions of the Agreement and Declaration of Trust, as amended, and the most recent Informational Statement;
- (c) The Agreement and Declaration of Trust, as amended, and the purchase of its shares of beneficial interest are for the purpose of investing the City's funds as part of a pooled-investment program with other agencies or political subdivisions in or of the state, thereby achieving economic and other advantages of pooled investments, and the powers and scope of authority delegated are set forth in the Agreement and Declaration of Trust, as amended;
- (d) It is not necessary to finance the agreement authorized herein from funds of the City, except through the purchase of shares of beneficial interest in the Trust;
- (e) the Trust shall be managed by a Board of Trustees as set forth in the Agreement and Declaration of Trust, as amended; and

(f) the Board of Trustees of the Florida Municipal Investment Trust adopted Resolution # 93-2 providing for general disclosure policies of the Trust's operations and Information Statements for the benefit of members and prospective members of the Trust so that members and prospective members are fully aware of significant investment and administrative policies, practices and restrictions of the investment portfolios of the Trust.

Section 7. The City designates and authorizes the Director of Finance to execute such applications and other documents as are required to invest and reinvest surplus funds of the City in shares of beneficial interest of the Trust's investment portfolios.

Section 8. The City Manager/City Clerk is hereby directed to furnish a certified copy of this Resolution to the Florida League of Cities.

Section 5. Effective date. This resolution shall take effect immediately upon adoption.

DULY PASSED AND ENACTED by the Council of the City of Sanibel, Lee County, Florida, this 6th day of February, 2001.

AUTHENTICATION: [Signature] Mayor [Signature] City Clerk

APPROVED AS TO FORM: [Signature] City Attorney 1/29/01 Date

Vote of Council Members:  
Brown aye  
Harrity aye  
Theiss aye  
Walsh aye  
Workman aye

Date filed with City Clerk: 2/8/01

Investment Policy  
for

**SANIBEL GENERAL EMPLOYEES'  
PENSION FUND**

Effective Date: July 1, 2001

PL

**CITY OF SANIBEL GENERAL EMPLOYEES'  
PENSION FUND**

Addendum #2  
Investment Manager Guidelines  
for:

**NMF Asset Management  
Small Capitalization Equity**

November, 2005

The Sanibel General Employees' Board of Trustees maintains that an important determinant of future investment returns is the expression and periodic review of the Fund's investment objectives. To that end, the Trustees have adopted this statement of Investment Guidelines. The manager is also bound by the goals and objectives of the Plan's investment policy.

In fulfilling their fiduciary responsibility, the Trustees recognize that the retirement system is an essential vehicle to providing income benefits to retired participants or their beneficiaries. The Board of Trustees also recognizes that the obligations of the Fund are long-term and that investment guidelines should be made with a view toward performance and return over a number of years. The general investment objective then, is to obtain a reasonable total rate of return commensurate with the Prudent Investor Rule and any other applicable statute or requirement.

These investment guidelines may be temporarily amended should prevailing economic conditions warrant such changes. To amend the guidelines, the manager must submit in writing the requested amendments, reasons for the request, and the time period for which the amendments will be in effect. The Board of Trustees will review the request and upon majority vote and written confirmation, the amendments will be deemed in effect for the specific period of time.

### **I. STYLE DESIGNATION**

The Board of Trustees places great importance on risk reduction through asset and style diversification. The manager should realize that it would operate as part of a larger multi-manager allocation strategy. The manager is advised that it has been selected to perform investment services based in part on its particular investment style characteristics and the diversification benefits such style may produce in relationship to the style characteristics of other managers that may be retained by the Board. The manager should therefore endeavor to maintain a consistent style, subject at times to its full discretion and continued fiduciary obligations.

The manager has been retained to pursue a portfolio featuring a **Small Capitalization Equity** style. The manager's particular style is *generally characterized* by a portfolio with price to earnings ratio less than the Russell 2000 Index and an average market capitalization less than \$1 billion.

### **II. INVESTMENT PERFORMANCE OBJECTIVES**

The Board will review performance on a quarterly basis. Normally, performance will be evaluated over a three to five year time horizon. These periods are considered sufficient to accommodate the different market cycles commonly experienced with investments, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the plan.

Investment performance objectives are not the sole reason for retention or termination of a manager.

- Over a three to five year time horizon, equity performance should be greater than the return of the Russell 2000 Index. At times, performance may be compared to other equity indices denoting an appropriate style bias to better explain returns. (Russell 2000 Value, Russell 2000 Growth, etc.)
- Over a three to five year time horizon, equity performance should be greater than the median return (50<sup>th</sup> percentile) of an appropriate equity universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.

### **III. ASSET ALLOCATION**

The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board.

Equities 100%

The actual allocation can, however, vary at any time within the ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Equities	100%	95%
Cash	5%	0%

#### **IV. INVESTMENT GUIDELINES**

At all times, the Fund's investment's are subject to the limitations set forth in Florida Statute Sections 215.47(1), (2), (3), (4), (5), (6), (7), (8), (10), and (16) except as otherwise permitted by local ordinance.

Equity Investments:

1. Equity investments made in any securities owned or controlled by a government other than that of the United States or in ADR's (American Depository Receipts) shall be limited to five (5%) percent of the portfolio.
2. The equity portion of the managers portfolio shall not be exposed to risks that exceed an annual average beta coefficient of 1.80 where 1.0 is equal to the market volatility of the S&P 500 Index.
3. The issuer of equity securities must have a publicly available operation record of at least five years, which may include past performance resulting from mergers, acquisitions, and spin-offs.
4. No equity investment shall be made in companies with a market capitalization less than \$50 million or larger than \$3 billion at the time of purchase.
5. No more than eight (5.0%) percent of the total market value of equity investments shall be invested in the equity securities of any one company.
6. No more than five (5%) percent of the total market value of this portfolio shall be invested in the outstanding capital stock of any one issuing company.

Cash and cash equivalent investments shall be made only in:

1. Money market funds, Bank STIF funds.
2. Securities rated A-1 or better by Moody or P-1 or better by Standard & Poors.
3. Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings, building and loan association insured by the Saving Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation.

Miscellaneous:

1. Use of swaps, primes, scores, or other similar products are prohibited.
2. Use of margin buying is prohibited.
3. Use of derivative investments including but not limited to: Forwards, futures options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited. CMO's and Mortgage-Backed securities are not considered derivative investment for the purposes of these guidelines.
4. Short selling of securities is prohibited.
5. Unregistered or restricted stocks are prohibited.
6. Commodities are prohibited.
7. No commingled or mutual funds may be used with the exception of bank STIF funds.
8. The portfolio shall comply at all times with applicable laws and regulations. For the purposes of these guidelines, if at any time this document is found to be in conflict with Florida Statues or applicable City Ordinances, the Statue or Ordinances shall prevail.
9. No illiquid investments.

If any investment should fall outside of these investment guidelines, that investment shall be liquidated within a reasonable period of time not to exceed 3 months.

#### **V. DIRECTED COMMISSION**

The investment manager shall at all times use its best efforts to ensure that portfolio transactions are placed on a "best execution" basis and, directly or indirectly, for the benefit of the Fund. The Board requires that the investment manager competitively bid securities as appropriate and selects the most advantageous bid. Additionally, the Board of Trustees reserves the right to utilize certain recapture brokers for the benefit of the fund.

The manager is required, on a quarterly basis, to report all brokerage transactions and reasons for using brokers to the Board of Trustees and the consultant.

**VI. COMMUNICATIONS**

The manager is expected to report at least quarterly to the Board of Trustees and provide a written report detailing the fund's performance, adherence to guidelines, forecast of the market and economy, portfolio analysis and current assets of the fund. Additionally, the manager will on a quarterly basis provide a written report affirming compliance with the securities restrictions of Section IV above.

The manager will provide immediate written and telephone notice to the Board of Trustees and the consultant (Dahab Associates) of any significant event, specifically but not limited to the resignation, termination or incapacity of any senior personnel.

Since proxy votes may be considered an asset of the Plan, the manager shall have the fiduciary duty to vote the proxy's attendant to the Plan's ownership of equity securities. The manager's sole concern in voting proxies is the economic effect of the proposal on the value of the portfolio holdings, considering both the short and long-term impact. The manager shall make available upon request to the Board of Trustees and its consultant documentation relating to the handling and voting of proxies. The manager shall forward written reports of its voting activities to the Board and its consultant at least semiannually.

**VII. MANAGER TERMINATION**

The Board of Trustees wishes to adopt standards by which ongoing retention of an investment manager should be determined. With this in mind, the following guidelines have been adopted:

If, at any time, any one of the following is breached, the Manager will be notified of the Board's serious concern for the Fund's continued safety and performance and manager termination could occur.

1. Consistent performance below the fiftieth (50%) percentile in the specified universe.
2. Consistent under performance of the stated target index.
3. Loss by the manager of any senior personnel.
4. Any change in basic investment philosophy by the manager.
5. Any significant change of ownership of the company.
6. Failure to attain at least a fifty-one (51%) percent vote of confidence by the Board of Trustees.
7. Failure to observe any guidelines as stated in this document.

These shall in no way limit or diminish the Board of Trustees right to terminate the manager at any time for any reason in accordance with the agreed upon 60 day notice.

**VIII. REVIEW AND AMENDMENTS**

It is intended that the investment manager and Board of Trustees review this document periodically. If at any time the manager feels that the specific objectives defined herein cannot be met or that the guidelines constrict performance, the Board of Trustees should be notified so in writing. By the initial and continuing acceptance of these investment guidelines, the investment manager concurs with the provisions of this document.

**IX. ACCEPTANCE OF GUIDELINES**

Nola M. Faler  
for: NMF Asset Management

11/9/05  
Date

Richard C. Cohen  
for: Sanibel General Employees Pension Plan

11/9/05  
Date

A. M. Filler  
for: Dahab Associates, Inc.

11/9/05  
Date

**N M F**  
ASSET MANAGEMENT

815 Colorado Avenue, Stuart, FL 34994

Phone: [772]221.2651 Fax: [772]221.2656 E-mail: n.falcone@att.net Web: www.nmfasset.com

RECEIVED BY  
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FINANCE DEPARTMENT  
CITY OF SANIBEL

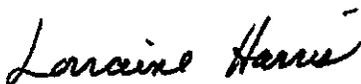
July 10, 2006

Dear Ms. Lynch:

In our letter dated April 12, 2006, we advised that we had amended our Investment Management Agreement so that it would adequately reflect the accounting methodology used for withdrawals. We also requested that our clients review, sign and return the Amendment to our Investment Management Agreement. At the date of this letter we have not received the signed Amendment for Sanibel General Employee Pension Plan and kindly request that you sign and return the enclosed copy as soon as possible.

If you have any questions regarding this Amendment please do not hesitate to call us. Thank you for your prompt attention to this request.

Sincerely,



Lorraine Harris  
Senior Vice President

Enc.

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28

**AMENDMENT TO  
INVESTMENT MANAGEMENT AGREEMENT**

**AMENDMENT TO INVESTMENT MANAGEMENT AGREEMENT** (this "Amendment"), dated as of October 25, 2006 by and between Sanibel General Employees Pension Plan (the "Client") and **NMF ASSET MANAGEMENT, LLC** (the "Adviser").

**WITNESSETH:**

**WHEREAS**, the Client and the Adviser previously entered into an Investment Management Agreement (the "Agreement") pursuant to which the Adviser manages the investment of certain Investment Account Assets; and

**WHEREAS**, the Adviser has determined that the Agreement needs to be amended in certain respects and the Client is willing to amend the Agreement;

**NOW THEREFORE**, with capitalized terms appearing herein and not otherwise defined having the meanings ascribed to such terms in the Agreement, it is agreed as follows:

1. **Amendment of the Agreement**. The Agreement is hereby amended in the following respects, effective immediately:

(a) Section 4 (**Custody of Assets**) is hereby amended by the addition of the following sentence at the end of Paragraph 4.1:

The Client shall instruct each Custodian holding Investment Account Assets to provide the Adviser with copies of Client account statements issued by such Custodian (at least quarterly) indicating all disbursements and other charges to the Investment Account, including fees earned by the Adviser.

(b) The last sentence of Section 8 (**Adviser's Fee**) is hereby amended to read in full as follows:

In the event that the Client withdraws all or part of the Investment Account Assets or this Agreement is terminated at any time other than at the end of a calendar quarter, a pro rata portion of the Management Fee (based upon the number of days in the calendar quarter preceding the date of withdrawal or termination) will be charged with respect to the withdrawn portion of the Investment Account as though such withdrawal or termination date was the last day of a calendar quarter. In the event that the Client adds to the Investment Account at any time other than at the start of a calendar quarter, a pro rata portion of the Management Fee attributable to the added amount (based upon the number of days in the calendar quarter following the date of the capital addition) will be charged.

(c) The last sentence of Section 11.2 (Use of Brokers) is hereby amended by the addition of "...except as otherwise disclosed in Part II of the Adviser's Form ADV, as the same may be amended from time to time" at the end of the third paragraph.

2. **Acknowledgement.** The Client acknowledges prior receipt of Part II of the Adviser's Form ADV, Schedule F of which is dated April 12, 2006.

3. **Ratification.** Except for the modifications contained in this Amendment, all of the provisions of the Agreement are ratified and confirmed and remain in full force and effect.

4. **Severability.** If any provision of this Amendment is held by a court or agency of competent jurisdiction to be invalid for any reason, it will not invalidate any of the provisions of this Amendment which are in themselves valid. Rather, such invalid provision shall be construed so as to give it the maximum effect allowed by applicable law.

IN WITNESS WHEREOF, each of the parties has executed this Amendment as of the day and year first above written.

CLIENT  
CITY OF SANIBEL  
GENERAL EMPLOYEES' PENSION PLAN

NMF ASSET MANAGEMENT, LLC

By: *Leslie Pendleton*  
Print Name: LESLIE PENDLETON, JA.  
Title (if applicable): PENSION BOARD CHAIRMAN

By: *Nola Maddox Falcone*  
Nola Maddox Falcone

# N M F

ASSET MANAGEMENT

815 Colorado Avenue, Stuart, FL 34994

Phone: [772] 221.2651 Fax: [772] 221.2656 E-mail: [nfalcone@nmfasset.com](mailto:nfalcone@nmfasset.com) Web: [www.nmfasset.com](http://www.nmfasset.com)

June 17, 2009

Mr. Richard Cohan  
c/o Ms. Sharon Gibson  
City of Sanibel – General Employees Pension Plan  
800 Dunlop Road  
Sanibel, FL 33957

Dear Mr. Cohan:

On March 27<sup>th</sup>, we mailed to you a letter regarding a proposed amendment to our Investment Advisory Agreement. Since we have not yet received your signed agreement to this proposed amendment, I enclose a duplicate copy for your review.

For compliance purposes, we respectfully request for our files your agreement in writing. Please do not hesitate to contact me with any questions regarding this request.

Best regards,



Nola M. Falcone  
Managing Principal

Enclosures

# N M F

ASSET MANAGEMENT

815 Colorado Avenue, Stuart, FL 34994

Phone: [772] 221.2651 Fax: [772] 221.2656 E-mail: nfalcone@nmfasset.com Web: www.nmfasset.com

March 27, 2009

Mr. Richard Cohan  
c/o Ms. Sharon Gibson  
City of Sanibel – General Employees Pension Plan  
800 Dunlop Road  
Sanibel, FL 33957

**Re: Proposed Amendment to your Investment Advisory Agreement,  
with NMF Asset Management, LLC (the “Advisory Agreement”)**

Dear Mr. Cohan:

The purpose of this letter is to notify you of a proposed change to the formula used to calculate NMF’s management fee under the Advisory Agreement. Specifically, we are proposing to amend the Advisory Agreement to replace the existing Section 8 with a new Section 8 which is attached hereto for your review.

The difference between the old Section 8 and the new Section 8 is that under the old Section 8, the management fee to NMF was a flat 0.25% per quarter of account assets regardless of the number of days in the quarter. Under the new Section 8, the management fee will equal 1% per annum of account assets but will be prorated for each calendar quarter based on the specific number of days in the quarter divided by the number of days in the calendar year. Though we expect this change to result in a fairly insignificant change to NMF’s actual management fee amount, it will ensure that the calculation is more precise, given the potentially differing number of days in any specific calendar quarter.

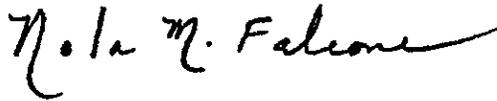
Other than as described above, all other terms of the Advisory Agreement remain unchanged. The Amendment, if adopted, will be effective as of March 31, 2009 and will apply to the calculation of NMF’s management fee for the first quarter of 2009 and for all subsequent calendar quarters.

Please review the attached Amendment and, if appropriate, sign both copies of this letter in the space below indicating that you consent to the Amendment. Once the documents are executed, promptly return one fully executed copy of this letter to NMF in the enclosed self-addressed stamped envelope provided, no later than April 15, 2009.

If you have any questions or desire any further information regarding this matter, please contact me at (772) 221-2651.

Sincerely,

NMF ASSET MANAGEMENT, LLC



By:

\_\_\_\_\_  
Nola M. Falcone, Managing Principal

\_\_\_\_\_  
Signature of Client (by this signature, I agree to the above described Amendment to Section 8 of the Advisory Agreement)

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

**Proposed New Section 8 to the Investment Advisory Agreement**

**March 27, 2009**

“8. **Adviser’s Fee.** The Adviser shall receive a management fee (“Management Fee”), payable quarterly and in arrears, equal to 1.00% per annum of the Fair Market Value of the Investment Account Assets under management of the Adviser (determined as of the last day of each calendar quarter) pro rated for the relevant quarter based on the number of days in the calendar quarter divided by the number of days in the calendar year. In the event that the Client withdraws all or part of the Investment Account Assets or this Agreement is terminated at any time other than at the end of a calendar quarter, a pro rata portion of the Management Fee (based upon the number of days in the calendar quarter preceding the date of withdrawal or termination) will be charged with respect to the withdrawn portion of the Investment Account as though such withdrawal or termination date was the last day of a calendar quarter. In the event that the Client adds to the Investment Account at any time other than at the start of a calendar quarter, a pro rata portion of the Management Fee attributable to the added amount (based upon the number of days in the calendar quarter following the date of the capital addition) will be charged.”

# N M F

ASSET MANAGEMENT

815 Colorado Avenue, Stuart, FL 34994

Phone: [772] 221.2651 Fax: [772] 221.2656 E-mail: [nfalcone@nmfasst.com](mailto:nfalcone@nmfasst.com) Web: [www.nmfasst.com](http://www.nmfasst.com)

March 27, 2009

Mr. Richard Cohan  
c/o Ms. Sharon Gibson  
City of Sanibel – General Employees Pension Plan  
800 Dunlop Road  
Sanibel, FL 33957

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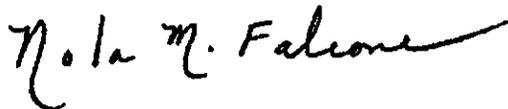
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Please review the attached Amendment and, if appropriate, sign both copies of this letter in the space below indicating that you consent to the Amendment. Once the documents are executed, promptly return one fully executed copy of this letter to NMF in the enclosed self-addressed stamped envelope provided, no later than April 15, 2009.

If you have any questions or desire any further information regarding this matter, please contact me at (772) 221-2651.

Sincerely,

NMF ASSET MANAGEMENT, LLC

By:   
\_\_\_\_\_  
Nola M. Falcone, Managing Principal

\_\_\_\_\_  
Signature of Client (by this signature, I agree to the above described Amendment to Section 8 of the Advisory Agreement)

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

**Proposed New Section 8 to the Investment Advisory Agreement**

**March 27, 2009**

“8. **Adviser’s Fee.** The Adviser shall receive a management fee (“Management Fee”), payable quarterly and in arrears, equal to 1.00% per annum of the Fair Market Value of the Investment Account Assets under management of the Adviser (determined as of the last day of each calendar quarter) pro rated for the relevant quarter based on the number of days in the calendar quarter divided by the number of days in the calendar year. In the event that the Client withdraws all or part of the Investment Account Assets or this Agreement is terminated at any time other than at the end of a calendar quarter, a pro rata portion of the Management Fee (based upon the number of days in the calendar quarter preceding the date of withdrawal or termination) will be charged with respect to the withdrawn portion of the Investment Account as though such withdrawal or termination date was the last day of a calendar quarter. In the event that the Client adds to the Investment Account at any time other than at the start of a calendar quarter, a pro rata portion of the Management Fee attributable to the added amount (based upon the number of days in the calendar quarter following the date of the capital addition) will be charged.”



**CITY OF SANIBEL GENERAL EMPLOYEES'  
RETIREMENT SYSTEM**

Addendum #3  
Investment Management Guidelines  
for:

**Richmond Capital Management**  
Fixed Income

July 1, 2008

The Sanibel General Employees' Board of Trustees maintains that an important determinant of future investment returns is the expression and periodic review of the Fund's investment objectives. To that end, the Trustees have adopted this statement of Investment Guidelines. The manager is also bound by the goals and objectives of the Plan's investment policy.

In fulfilling their fiduciary responsibility, the Trustees recognize that the retirement system is an essential vehicle to providing income benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the Fund are long-term and that investment guidelines should be made with a view toward performance and return over a number of years. The general investment objective then, is to obtain a reasonable total rate of return commensurate with the prudent investor rule and any other applicable statute or requirement.

These investment guidelines may be temporarily amended should prevailing economic conditions warrant such changes. To amend the guidelines, the manager must submit in writing the requested amendments, reasons for the request, and the time period for which the amendments will be in effect. The Board will review the request and upon majority vote and written confirmation, the amendments will be deemed in effect for the specific time period.

### **I. STYLE DESIGNATION**

The Board places great importance on risk reduction through asset and style diversification. The manager should realize that it will operate as part of a larger multi-manager allocation strategy. The manager is advised that it has been selected to perform investment services based in part on its particular investment style characteristics and the diversification benefits such style may produce in relationship to the style characteristics of other managers retained by the board. The manager should therefore endeavor to maintain a consistent style, subject at times to its full discretion and continued fiduciary obligations.

The manager has been retained to pursue a **Fixed Income** style.

### **II. PERFORMANCE OBJECTIVES**

The Board will review performance on a quarterly basis. Normally, performance will be evaluated over a three to five year time horizon. These periods are considered sufficient to accommodate the different market cycles commonly experienced with investments, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the plan.

Investment performance objectives are not the sole reason for retention or termination of a manager.

- Over a three to five year time horizon, fixed income performance should be equal or greater than the return of the Lehman Aggregate Index.

and/or

- Over a three to five year time horizon, fixed income performance should be greater than the median (50<sup>th</sup> percentile) of an appropriate fixed income universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.

### **III. ASSET ALLOCATION**

The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board.

Fixed Income      100%

The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Fixed Income	100%	90%
Cash	10%	0%

#### **IV. INVESTMENT GUIDELINES**

At all times, the Fund's investment's are subject to the limitations set forth in Florida Statute Sections 215.47(1), (2), (3), (4), (5), (6), (7), (8), (10), and (16) except as otherwise permitted by Florida Statutes or by local ordinance.

##### Fixed Income Investments:

1. Fixed income investments shall be permitted in obligations of the United States, its agencies and instrumentality's, or obligations guaranteed as to principal and interest by the Government of the United States, its agencies or instrumentalities.
2. Fixed income investments shall be permitted in bonds issued by the State of Israel.
3. Fixed income investments shall have a minimum quality rating of 'BAA' or equivalent as rated by *one or more* recognized bond rating service at the time of purchase. Fixed income investments which are downgraded below 'BAA' or equivalent by both S&P and Moody's must be liquidated within a reasonable period of time not to exceed twelve (12) months.
4. No more than five percent (5%) of the total market value of all fixed income investments shall be invested in debt obligations of any one fixed income issuer except for securities issued and guaranteed by the United States Government, or its agencies and instrumentality's, which may be held without limitations.

##### Cash Investments:

Cash and cash equivalent investments shall be made only in:

1. Money market funds, STIF funds
2. Securities rated A-1 or better by Moody or P-1 or better by Standard & Poors.
3. Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings, building, and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation.

##### Miscellaneous:

1. Use of swaps, primes, scores or other similar products are prohibited.
2. Use of margin buying is prohibited.
3. Use of derivative investments including: Forwards, futures options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited.
4. Short selling of securities is prohibited.
5. Unregistered or restricted stocks are prohibited.
6. Commodities are prohibited.
7. No commingled or mutual funds may be used with the exception on bank STIF funds.
8. The portfolio shall comply at all times with applicable laws and regulations. For the purposes of these guidelines, if at any time this document is found to be in conflict with Florida Statues or applicable City Ordinances, the Statue and Ordinances shall prevail.
9. No illiquid investments.

#### **V. DIRECTED COMMISSIONS**

The investment manager shall use their best efforts to ensure that portfolio transactions are placed on a 'best execution' basis. The Board requires that the investment manager competitively bid securities as appropriate and selects the most advantageous bid. Additionally, the Board of Trustees reserves the right to utilize certain recapture brokers for the benefit of the fund.

The manager is required, on a quarterly basis, to report all brokerage transactions and reasons for using brokers to the Board of Trustees and the Consultant.

**VI. COMMUNICATIONS**

The manager is expected to report at least quarterly to the Board of Trustees and provide a written report detailing the fund's performance, adherence to guidelines, forecast of the market and economy, portfolio analysis and current assets of the Fund. Additionally, the manager will on a quarterly basis provide a written report affirming compliance with the securities restrictions of section IV above.

The manager will provide immediate written and telephone notice to the Chairman of the Board of Trustees and the Consultant (Dahab Associates) of any significant event, specifically but not limited to the resignation, termination or incapacity of any senior personnel.

Since proxy votes may be considered an asset of the Plan, the manager shall have the fiduciary duty to vote the proxies attendant to the Plan's ownership of equity securities. The manager shall exercise such proxies solely in the interest of the participants and beneficiaries of the Plan, and for the exclusive purpose of providing benefits to participants and beneficiaries. The manager shall make available upon request to the Board and its Consultant documentation relating to the handling and voting of proxies. The manager shall forward written reports of its voting activities to the Board and its Consultant at least semiannually

**VII. MANAGER TERMINATION**

The Board wishes to adopt standards by which ongoing retention of an investment manager should be determined. With this in mind, the following guidelines have been adopted:

If, at any time, any one of the following is breached, the Manager will be notified of the Board's serious concern for the Fund's continued safety and performance and manager termination could occur.

1. Consistent performance below the fiftieth (50%) percentile in the specified universe.
2. Consistent under-performance of the stated target index.
3. Loss by the manager of any senior personnel.
4. Any change in basic investment philosophy by the manager.
5. Any significant change of ownership of the firm.
6. Failure to attain at least a fifty-one (51%) percent vote of confidence by the Board of Trustees.
7. Failure to observe any guidelines as stated in this document.

These shall in no way limit or diminish the Trustees' right to terminate the manager at any time for any reason.

**VIII. REVIEW AND AMENDMENTS**

It is intended that the investment manager and Trustees review this document periodically. If at any time the manager feels that the specific objectives defined herein cannot be met or that the guidelines constrict performance, the Trustees should be notified so in writing. By the initial and continuing acceptance of these investment guidelines, the investment manager concurs with the provisions of this document.

**IX. ACCEPTANCE OF GUIDELINES**

_____	_____
for: Richmond Capital Management	Date
	
_____	_____
for: Sanibel General Employees' Retirement System	Date
_____	_____
for: Dahab Associates, Inc.	Date

42



## CUSTODY AND INVESTMENT TRANSACTIONS

The Client shall appoint a custodian to facilitate transactions by the payment to, or delivery of, cash or securities. Richmond Capital is authorized to provide the custodian with instructions as appropriate to settle transactions initiated by Richmond Capital. The Client shall notify Richmond Capital in writing of the identity or change of custodian.

The Client will instruct the custodian to provide Richmond Capital with online access (when available), month end accounting statements or other such items as Richmond Capital may request for the efficient processing, monitoring and reconciliation of the Account.

In directing investments under this Agreement, Richmond Capital shall have full discretion to select the brokers or dealers through whom or with whom investment transactions are to be effected. Richmond Capital Management will obtain "best execution" on Client transactions. In selecting brokers or dealers Richmond Capital will consider the full range and quality of the brokers or dealers services, including the value of obtained research, execution capability, commission rate, financial responsibility, and responsiveness. Further, Richmond Capital Management is not obligated to get the lowest possible execution cost, but rather should determine whether the transaction represents the best qualitative execution for the Client.

## FEES

Richmond Capital shall be paid in accordance with the fee schedule set forth below. Fees shall be billed by Richmond Capital quarterly in arrears based on the market value of the assets of the Account on the last day of each calendar quarter. The securities will be priced by either FT Interactive Data or some other nationally recognized pricing service or the Client's custodian bank. Payment of all fees is due within thirty (30) days after receipt of such bill.

Compensation shall be calculated as follows:

**0.30% on the first \$40 million**

If the services commence other than the first day of a calendar quarter, or there are inflows or outflows during the quarter, then the above fee will be fairly and equitably adjusted. In cases where an individual cash or security inflow or outflow occurs during the quarter, an adjustment to the fees due will be calculated by prorating the inflow or outflow. Should the adjustment exceed \$100 (plus or minus) then the fees due Richmond Capital will be adjusted accordingly.

## TERMINATION

This Agreement will continue in effect until terminated and may be terminated by Client at any time immediately upon written notice to Richmond Capital and by Richmond Capital upon sixty (60) days prior written notice furnished to the Client so that Client can find a successor investment manager. Such termination shall not affect the liabilities or the obligations of the



parties under this Agreement arising from transactions initiated prior to such termination. In the event of termination of this Agreement, Richmond Capital shall have no obligation to recommend any action with respect to, or to liquidate the securities, property or other assets in the Account. The authority of Richmond Capital under this Agreement shall continue until receipt of written notice of termination by the Client and any action taken by Richmond Capital prior to receipt of written notice of such event in reliance upon this Agreement shall be binding upon the Client and the Client's legal representatives. The Client shall remain liable for any accrued but unpaid compensation due to Richmond Capital, as well as any collection costs incurred.

#### **SERVICE TO OTHER CLIENTS**

It is understood that Richmond Capital performs investment advisory services for various clients. The Client agrees that Richmond Capital may give advice and take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Client. It is understood that Richmond Capital shall not have any obligation to purchase or sell, or to recommend for purchase or sale, on behalf of the Account, any security which Richmond Capital or its principals may purchase or sell for their accounts or for the account of any other client.

#### **INVESTMENT OBJECTIVES AND RESTRICTIONS**

The Client acknowledges that the Statement of Investment Policy or like document has been provided to Richmond Capital. The Client shall furnish to Richmond Capital in writing any changes or amendments to the investment policy, and such changes or amendments shall be effective upon receipt by Richmond Capital. Richmond Capital shall manage the Account without consideration of the effect of its actions with respect to the portion of the Client's portfolio not included in the Account.

#### **INVESTMENT PERFORMANCE AND RESPONSIBILITY**

It is understood and agreed by the Client that Richmond Capital does not in any way guarantee the Account from loss or depreciation, nor does Richmond Capital guarantee any minimum performance by the Account.

Richmond Capital will provide a quarterly report that includes information with regard to the assets in the Client's account.

#### **LIMITED LIABILITY OF RICHMOND CAPITAL MANAGEMENT**

Richmond Capital shall carry out its duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. Richmond Capital shall discharge its duties hereunder solely in the interest of the Client's participants and



beneficiaries for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Client's retirement plan. Richmond Capital Management, by execution of this Agreement, acknowledges that it is a fiduciary with respect to the Client as that term is defined in Sec. 1104 of the Employees Retirement Income Security Act ("ERISA"), (the parties recognize that the Plan is not covered by ERISA).

#### REGISTRATION

Richmond Capital Management, Inc. is duly registered with the Securities and Exchange Commission pursuant to the Investment Advisors Act of 1940 and this Agreement and the services to be performed by Richmond Capital hereunder shall be subject to the provisions of that Act. Richmond Capital will promptly notify the Client of any action or proposed action known which may cause loss of such status.

The Client acknowledges receipt of Richmond Capital's Disclosure Statement (ADV Part II) as required by Rule 204-3 under the Investment Advisors Act of 1940. The Client can terminate the Agreement without penalty within five business days after entering into the Agreement.

#### ASSIGNMENT

No assignment (as that term is defined in the Investment Advisors Act of 1940) of this agreement may be made by either party without written consent of the other party.

#### NOTICES

All notices or deliveries required or desired to be given hereunder shall be delivered or mailed:

**To Richmond Capital Management, Inc.:**

Richmond Capital Management, Inc.  
Elizabeth M. Harris, Managing Director, Client Services  
10800 Midlothian Turnpike, Suite 217  
Richmond, VA 23235



**To the Client:**

Client Name CITY OF SANIBEL GENERAL EMPLOYEES' PENSION PLAN  
Address1 800 DUNLOP ROAD  
Address2 \_\_\_\_\_  
City, State Zip SANIBEL, FL 33957

**MISCELLANEOUS**

- A. Modification/Amendment.** Richmond Capital and Client agree that any change, addition, supplement, deletion or modification of this Agreement, to be valid, shall be in writing and signed by Richmond Capital and Client.
- B. Entire Agreement.** This Agreement, and any exhibits attached hereto, shall constitute the entire agreement between Richmond Capital and Client, which shall supersede all prior written and oral agreements and understandings relating to the subject matter herein.
- C. Waiver.** No failure or delay of any party in exercising any power or right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance or steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.
- D. Severability.** If any term or provision of this Agreement is determined to be invalid or unenforceable by any court or agency of competent jurisdiction, such invalidity shall have no affect on any of the other terms of this Agreement and such other terms shall remain valid, binding and in full force and effect unless the invalid term has a material adverse affect on a party's rights or compensation under this Agreement. Upon such determination that any term or provision of this Agreement is invalid or unenforceable, the parties shall negotiate in good faith to modify this Agreement so as to affect the original intent of the parties as closely as possible.
- E. Governing Law.** This Agreement shall be governed and construed under the laws of the State of Florida. Venue for any dispute must be in the State of Florida in the state or United States court governing Lee County.
- F. Insurance.** Richmond Capital agrees to obtain and maintain, at all times during which this Agreement is in effect, fiduciary liability or errors and omissions insurance in the amount of \$5 million and employee dishonesty insurance in the amount of \$500,000, and to provide the Client annually with certificates of insurance attesting that said insurance are in full force and effect.



**EXECUTION OF AGREEMENT**

Please indicate your acceptance of this Agreement by signing and returning to Richmond Capital Management as indicated above.

**Richmond Capital Management**

Mark J. Walker  
Mark J. Walker, President

5-13-2008  
Date

**Client**

CITY OF SANIBEL GENERAL EMPLOYEES' PENSION PLAN  
Client Name

Michael F. Cuscaden  
Signature

5-14-08  
Date

Michael F. Cuscaden Trustee  
Print Name and Title



**ADOPTION AGREEMENT  
FOR THE  
AMERICAN STABLE VALUE FUND LLC**

This Adoption Agreement (this "Adoption Agreement") is made and entered into as of the 13 day of Feb, 2008, by and Sanibel General Employees' Pension Fund (the "Subscriber"), American Stable Value Fund, LLC, a Delaware limited liability company (the "Company"), and American Realty Advisors, a California corporation ("American").

**R E C I T A L S**

A. The Company has been organized in order to give certain Persons, principally Taft-Hartley Pension Funds, Pension Plans, Governmental Retirement Plans, corporate pension plans and other qualified trusts, endowments, charitable foundations and other tax exempt organizations, with a medium for pooling their assets to invest in real estate, debt instruments and other real estate related investments on a diversified basis.

B. The Subscriber is an eligible investor and the Subscriber desires to acquire Units in the Company and become a Member thereof pursuant to the Company's Second Amended and Restated Operating Agreement, dated as of December 8, 2005, including any amendments thereto heretofore or hereinafter adopted (the "Operating Agreement"). Unless otherwise defined herein, capitalized terms shall have the meanings ascribed thereto in the Operating Agreement.

C. The Manager, by its acceptance hereof on behalf of the Company, hereby consents to the admission of the Subscriber as a Member in the Company.

NOW, THEREFORE, the parties hereby represent, warrant, covenant and agree as follows:

1. (a) On the terms and subject to the conditions of this Adoption Agreement and the Operating Agreement, the Subscriber hereby subscribes for the purchase of Units in the Company for an aggregate Capital Commitment of \$1,100,000, with the number of Units being subscribed for to be computed from time to time in accordance with the provisions of Section 3.1.1 of the Operating Agreement.

(b) In order to facilitate the acceptance of this Adoption Agreement by the Company, the Subscriber shall be required to deliver to the Manager:

(1) This duly executed Adoption Agreement;

(2) Evidence satisfactory to the Manager, if requested by the Manager, that the prospective Member (i) is an organization eligible to be a Member under the terms of the Operating Agreement (including, without limitation, any entity that is a Taft-Hartley Pension Fund, a Pension Plan, a Governmental Retirement Plan, a corporate pension plan or other qualified trust, an endowment, charitable foundation or other organization exempt from federal income tax), (ii) has assets in excess of \$5,000,000 and (iii) a copy of the determination letter issued by

Internal Revenue Service exempting the Subscriber from federal income taxation:  
and

(3) Evidence satisfactory to the Manager, if requested by the Manager, that the prospective Member is permitted by its organizational documents or enabling legislation to become a Member in the Company.

(c) If this Adoption Agreement is accepted by the Company, the Subscriber shall deliver such Capital Contributions as may be requested by the Manager from time to time and subject to the limitations set forth in Section 3.1 of the Operating Agreement, to the Manager in the form of wire transfer, cash, by cashier's or certified bank check or, if assets other than cash are being contributed, by other means acceptable to the Manager.

(1) Amounts payable hereunder in respect of a Capital Contribution shall be deposited to the account of, or shall be payable to the order of, the Company, or otherwise transferred to the Company, as the case may be, when the Manager shall notify the Subscriber that it has accepted this Adoption Agreement, or at such other times or in such installments as the Manager may specify from time to time.

(2) If the Manager has agreed to accept payment of a Capital Contribution by the contribution of assets other than cash, such assets shall be described on a schedule and attached hereto and such schedule shall set forth the Manager's determination of the fair market value thereof and the amount of liabilities that will be assumed or to which such assets will be subject at the time such assets are contributed or the method that will be used to determine the amount of such liabilities.

(d) If a subscription is not accepted or is rejected by the Manager, this Adoption Agreement and any other subscription documents will be returned to the Subscriber by the Manager.

2. The Subscriber represents and warrants to and covenants with the Company, the Manager and other Members that:

(a) The person or persons executing this Adoption Agreement on behalf of the Subscriber have full power and authority under the provisions of the applicable instruments and/or legislation governing the Subscriber to execute, deliver and perform this Adoption Agreement on behalf of Subscriber, and the Adoption Agreement, together with the Operating Agreement, will constitute valid and binding obligations of the Subscriber in accordance with the terms thereof.

(b) The Subscriber is exempt from United States income taxation under applicable provisions of the Internal Revenue Code of 1986, as amended.

(c) The Subscriber is an "accredited investor" as defined in Rule 501 promulgated pursuant to the Securities Act of 1933.

(d) The Subscriber, together with any advisors it may have employed, has received and reviewed the Operating Agreement, the Offering Memorandum of the Company (the "Offering Memorandum") and such other documents as the Subscriber deemed relevant in making a decision to evaluate the merits and risks of an investment in the Company. Based upon a review of these documents and such other information as the Subscriber and its advisors have deemed relevant, the Subscriber believes that it possesses the knowledge and experience in financial and business matters as is required under the securities laws of the United States of America, including, without limitation, the Securities Act of 1933, to evaluate the merits and risks of an investment in the Company.

(e) The Subscriber and its advisors have had an opportunity to (i) ask questions of and receive answers from representatives of the Manager and the Company concerning the terms and conditions of an investment in the Company, the proposed operations of the Company and the risks thereof, and (ii) obtain information necessary to verify the accuracy of the information provided to the Subscriber and its advisors as specified above.

(f) Any Units in the Company acquired at any time by the Subscriber will be acquired solely for investment purposes and not with a view to distribution, and the Subscriber is aware that such interests are not transferable and may not be readily distributable, if such distribution would adversely affect the Company or the interests of the other Members.

(g) The Subscriber acknowledges, represents and agrees that the Company and the Manager seek to comply with all applicable laws concerning money laundering and similar activities, and, in furtherance of such efforts, the Subscriber hereby represents and agrees that, to Subscriber's knowledge: (x) none of the cash or property that is paid or contributed to the Company by the Subscriber shall be derived from, or related to, any activity that is deemed criminal under applicable law, and (y) no contribution or payment to the Company by the Subscriber shall (to the extent that such matters are within the Subscriber's control) cause the Company or the Manager to be in violation of the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986 or the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 and (z) the Subscriber is not engaged in money laundering; further, the Subscriber represents and warrants to the Company and the Manager the following:

(1) to Subscriber's knowledge, no funds tendered for the acquisition of the Units are directly or indirectly derived from activities that may contravene applicable laws and regulations, including anti-money laundering laws;

(2) neither the Subscriber, nor any person controlling, controlled by, or for whom the Subscriber is acting as agent or nominee in connection with the acquisition of the Units is: (1) a country, territory, organization, person or entity named on the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") list; (2) a person or entity that resides or has a place of business in a country or territory named on such lists or which is designated as a Non-Cooperative Jurisdiction by the Financial Action Task Force on Money Laundering ("FATF"), or whose subscription funds are transferred from or through such a jurisdiction; (3) a "Foreign Shell Bank" within the meaning of the USA PATRIOT Act, i.e., a foreign bank that does not have a physical presence in any country and

that is not affiliated with a bank that has a physical presence and an acceptable level of regulation and supervision; (4) a person or entity that resides in or is organized under the laws of a jurisdiction designated by the Secretary of the Treasury under Section 311 or 312 of the USA PATRIOT Act as warranting special measures due to money laundering concerns or (5) a person or entity who is within the scope of Executive Order 13224 -"Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001";

(3) all evidence of identity provided herein in connection with the Subscriber's acquisition of the Units as contemplated herein is genuine and all related information furnished is accurate, and the Subscriber hereby agrees to provide any information deemed reasonably necessary by the Company or the Manager in its reasonable discretion to comply with its anti-money laundering responsibilities and policies;

(4) to the extent reporting is required by applicable law, the Subscriber authorizes and permits the Company and the Manager, and each of them, each using its own reasonable business judgment, to report information about the Subscriber to appropriate authorities, and the Subscriber agrees not to hold them liable for any loss or injury that may occur as the result of providing such information;

(5) the Subscriber agrees that, notwithstanding any other statement to the contrary in any agreement into which the Subscriber has entered or in any prospectus or private placement memorandum of the Company, if the Company or the Manager determines that the Subscriber has appeared on a list of known or suspected terrorists or terrorist organizations compiled by any U.S. or foreign governmental agency, the Company and the Manager, and each of them, shall be authorized to take any action as shall be necessary or appropriate as a result thereof, including but not limited to freezing Subscriber's account, removing the Subscriber as an investor in the Company and/or notifying the federal authorities;

(6) to the extent the Subscriber has any shareholders, partners or other holders of equity or beneficial interests, the Subscriber has established procedures to comply with all anti-money laundering laws and regulations; and

(7) if Subscriber is an employee benefit plan, the Company and Manager acknowledge that Subscriber is not making representations and warranties in this Section 2(g) with respect to the individual plan participants.

(h) The foregoing representations are true, complete and accurate as of the date this Adoption Agreement is executed by the Subscriber and the Subscriber agrees promptly to notify the Company within 15 days in the event that any of the representations set forth above cease to be true, complete and accurate.

3. The Subscriber and the Manager agree to be bound by the terms of the Operating Agreement.

4. (a) To the extent Subscriber is subject to ERISA, each of the undersigned representative(s) of the Subscriber hereby represents and warrants that he/she is a named fiduciary of Subscriber (within the meaning of Section 402(a) of ERISA), has the authority to appoint investment managers (within the meaning of Section 3(38) of ERISA) to the Subscriber, and hereby appoints American as an investment manager in accordance with Section 402(c)(3) of ERISA, with respect to the assets of the Company that are deemed to be "plan assets" as provided under ERISA, and acknowledges that under the terms of the Operating Agreement and the Investment Management Agreement, American shall have sole and exclusive responsibility for the management, investment and disposition of the assets of the Company subject only to the rights of the Members pursuant to Section V thereof. Notwithstanding the foregoing, none of the Manager, American or any of their respective affiliates, agents or employees has acted or will act as a fiduciary to any such Subscriber with respect to the Subscriber's decision to invest in the Company.

(b) By executing where indicated below, American hereby accepts its appointment as an investment manager in accordance with Section 402(c)(3) of ERISA, with respect to the assets of the Company that are deemed to be "plan assets" as provided under ERISA, and acknowledges that, under the terms of the Operating Agreement and the Investment Management Agreement, it is a fiduciary within the meaning of ERISA and that it shall have sole and exclusive responsibility for the management, investment and disposition of the assets of the Company subject only to the rights of the Members pursuant to Section V thereof.

5. The Subscriber shall become a Member in the Company upon delivery of the first Capital Contribution specified in Paragraph 1(c)(1) to the extent of the number of Units purchased thereby and thereupon the Subscriber shall for all purposes be a signatory to the Operating Agreement. This shall not relieve the Subscriber of its obligation to make any additional Capital Contributions due under Paragraph 1(c)(1).

6. The Subscriber acknowledges receipt of a current version of Part II of the Manager's Form ADV as filed with the United States Securities and Exchange Commission. If Subscriber did not receive Part II of Manager's Form ADV at least 48 hours prior to signing this Adoption Agreement, Subscriber may terminate this Adoption Agreement without penalty within five business days of entering into this Adoption Agreement.

7. All Subscribers acknowledge and agree that certain of them may have previously been represented by, are presently represented by, or in the future may be represented by Mayer, Brown, Rowe & Maw LLP, that Mayer, Brown, Rowe & Maw LLP does not represent the Company, but currently represents the Manager, and to the extent any conflicts of interest exist or arise from such relationships and Mayer, Brown, Rowe & Maw LLP's representation of, or work performed for, the Manager in connection with the transactions contemplated hereby, each Subscriber hereby waives any such conflict by executing this Adoption Agreement.

8. REINVESTMENT OPTION. [Check Applicable Provision]

- Subscriber hereby exercises its Reinvestment Option.  
 Subscriber does not exercise its Reinvestment Option but reserves the right to do so at a later date by written notice to the Manager

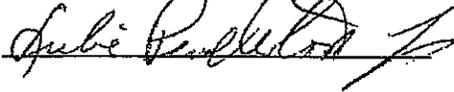
*If neither provision is checked, the Subscriber will be deemed to have elected option #1, to exercise the Reinvestment Option.*

9. This Adoption Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same document. The signature of any party or any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

(signature page follows)

IN WITNESS WHEREOF, the parties have executed this Adoption Agreement as of the date and year first above written.

Sanibel General Employees' Pension Fund



By: \_\_\_\_\_

Date: 2/13/08

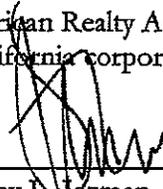
By: \_\_\_\_\_

Date: \_\_\_\_\_

Accepted:

AMERICAN STABLE VALUE FUND, LLC,  
a Delaware limited liability company

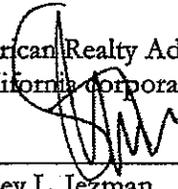
By: American Realty Advisors,  
a California corporation

  
By: \_\_\_\_\_  
Stanley L. Iezman,  
President & Chief Executive Officer

Date: 2-25-08

Acknowledged and agreed to:

American Realty Advisors,  
a California corporation

  
By: \_\_\_\_\_  
Stanley L. Iezman,  
President & Chief Executive Officer

Date: 2-25-08



CUSTODY AGREEMENT

This Agreement entered into this 27<sup>th</sup> day of JANUARY, 2005 is made by and between CITY OF SANIBEL GENERAL EMPLOYEES (the "Client") and Salem Trust Company ("STC") and is effective as of PENSION BOARD JANUARY 27, 2005

WHEREAS, THE CITY OF SANIBEL, FLORIDA has established GENERAL EMPLOYEES' PENSION PLAN (the "Account"); and  
Name of plan, account, etc.

WHEREAS, the Client desires to appoint STC as the custodian of the Account assets as delivered to STC (the "Custodial Account"); and

WHEREAS, STC is willing to accept its appointment as custodian in accordance with the terms of this Agreement; and

WHEREAS, the Client represents that it has all requisite authority to enter into this Agreement, and the Client represents that all actions required for the execution of this Agreement by the Client and the appointment of STC have been duly taken.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, the Client and STC hereby agree as follows:

1. CUSTODIAL ACCOUNT: The Custodial Account shall consist of cash, cash equivalents, stocks, bonds, and other securities and property, together with the income therefrom, designated by the Client and delivered to STC, which are subject to this Agreement. STC hereby acknowledges that it is a fiduciary with respect to the Custodial Account.

2. APPOINTMENT OF STC: The Client hereby appoints STC as the custodian of the Custodial Account and STC hereby accepts such appointment and agrees to carry out the Client's directions regarding the investment and reinvestment of assets of the Custodial Account and other matters involving the Custodial Account.

3. DUTIES: STC agrees to (a) hold and safely keep the assets of the Custodial Account; (b) collect the income, interest and dividends paid in cash or in-kind on the assets of the Custodial Account and credit the same to the Custodial Account; (c) keep accurate records of all receipts and disbursements; and (d) advise the Client of all maturities, redemptions, exchanges, tenders and shareholder options. Notwithstanding any other provision contained herein, the duties of STC shall be limited to those expressly imposed upon it by this Agreement.

4. INVESTMENT OF CUSTODIAL ACCOUNT: STC will carry out the timely instructions of the Client or his Authorized Representative which are in writing and received by STC, regarding all investments, the purchase, sale or exchange of any

securities or other property held under this Agreement. STC is authorized to use, for the purchase of any security or property, any uninvested funds held under this Agreement or any other funds made available for such purpose by or on behalf of the Client. STC will utilize a non-proprietary U.S. Treasury money market mutual fund (sweep) service for the Custodial Account until otherwise directed by the client. STC will have no liability for uninvested cash balances where STC does not have good funds or the reasons for the uninvested cash balances are beyond the control of STC. STC shall have no responsibility with regard to the merit or soundness of any investment and STC shall have no obligation to give the Client any investment advice or to review the investments in the Custodial Account. STC will have no liability for acting in good faith upon any instructions, including oral instructions by phone or otherwise, that STC reasonably believes to have been given by a party authorized to act on the Client's behalf. STC will be liable only for actual damages arising from any negligent acts or omissions in the performance of STC's duties hereunder, or for its failure to meet its fiduciary standard of care.

5. VOTING: At the written direction of the Client, or his authorized representative STC will vote in the specified manner instructed by the client or designee, any shares of stock held in the Custodial Account at any time and exercise by general or limited proxy, any right appurtenant to any securities held in the Custodial Account at any time. Absent such written direction, STC shall not have any responsibility for voting such shares or exercising any right appurtenant to any securities held in the Custodial Account.

6. REGISTRATION: STC will register any securities and other assets of the Custodial Account in its nominee name, including the nominee name of any of its affiliates, agents or subsidiaries, or in any form permitting title to pass by delivery, provided that the records of STC clearly indicate ownership of the Custodial Account for the Client.

7. STATEMENTS: STC will furnish statements of transactions and assets to the Client either monthly or quarterly at the Client's election. The Client acknowledges that it has the right to receive written notification of all securities transactions within five business days of the later of (1) the date of the transaction or (2) the receipt by STC of a Broker/Dealer's confirmation of the transaction. The Client expressly waives this right and agrees that STC does not need to provide confirmations of purchases and sales of securities other than by reporting them in STC's regular statements.

8. ONLINE ACCESS TO ACCOUNT INFORMATION: STC agrees to provide, as systems allow, electronic access to account information to Client, Client's investment managers, consultant, and other parties as the Client may direct. Client directs that the parties designated by it to receive the statements referenced in paragraph 7, above, are also authorized to have electronic access to account information.

9. **DISTRIBUTIONS OF FUNDS:** All requests for distributions of funds will be directed to STC in writing and signed by the Client indicating the amount, method, time of payment and any other information necessary for STC to carry out its responsibilities under applicable state and federal laws. STC shall be fully protected against any liability or responsibility in relying and acting upon such written direction.

10. **WITHDRAWAL AND TERMINATION:** The Client may withdraw any or all of the property held in the Custodial Account and either party hereto may terminate this Agreement upon receipt by the other party of written notice of such withdrawal or termination, at least 30 days before its effective date. The 30 day period may be waived with the consent of both the Client and STC.

11. **AMENDMENT AND MODIFICATION:** This Agreement may be amended at any time by a written agreement between STC and the Client.

12. **AGENTS AND COUNSEL:** With prior approval of the Client, STC shall be entitled to employ suitable agents and counsel and to pay their reasonable expenses and compensation from the Custodial Account or otherwise. Such agent or counsel may or may not be agent or counsel for the Client. Any such expenses shall be paid from the Custodial Account unless paid by the Client.

13. **INDEMNITY:** STC shall not be responsible for any liability arising out of this Agreement except such liability that is caused by STC's own negligence or willful misconduct, or breach of its fiduciary standard of care. STC may rely upon and shall be protected in acting upon any written direction from the Client or any other written notice, request, consent, certificate, or other instrument reasonably believed by STC to be genuine and to have been properly executed. STC shall not be obligated to defend or engage in any suit with respect to the Custodial Account unless STC shall first have agreed in writing to do so and it shall have been fully indemnified to its satisfaction.

14. **FEES AND EXPENSES:** STC shall be entitled to fees for its services as described on Exhibit A attached. In addition, STC shall be reimbursed for any reasonable expenses, including counsel and agent expenses and compensation, incurred by it as custodian, so long as prior approval by client has been given for the expenses to have been incurred. Such fees or expenses will be charged to the Client or against the Custodial Account if necessary and continue to be a liability until paid. If payment is not received, STC has authority to charge the Custodial Account for all outstanding fees and expenses.

15. **AUTHORIZED AGENTS:** The Client may designate one or more agents or other individuals who may give instructions to STC regarding the Custodial Account, and to change authorized agents or add additional agents by written notice to STC. Exhibit B, executed by the Client and attached hereto, is a list of individuals, and their specimen signatures, who are authorized to act on behalf of the Client. The Client shall promptly notify STC in writing of any change to the list of authorized agents or

individuals. STC shall be fully protected in relying on the direction from any authorized agent or individual until it receives written notice otherwise.

16. SEPARABILITY: If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future law, such provision shall be fully separable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision is not a part of this Agreement. In that instance, the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or its severance from this Agreement.

17. GOVERNING LAW: This Agreement shall be construed in accordance with the laws of the State of Florida. Venue for all disputes shall be in Lee County, Florida.

18. HEADINGS: The headings in this Agreement are provided for convenience purposes only. They shall not be binding in the interpretation or construction of this Agreement.

19. COUNTERPARTS: This Agreement may be executed in two or more counterparts, each one of which shall be deemed to be an original.

20. ENTIRE AGREEMENT: This Agreement constitutes the entire agreement of the parties with respect to the administration of the Custodial Account.

21. NOTICES: Any notices or communications which either party hereto may be required or permitted to make to the other shall be in writing and shall be delivered, to the other party at the address set forth below.

If to the Client: RENEE LYNCH, SECRETARY  
SANIBEL GENERAL EMPLOYEES PENSION BOARD  
800 DUNLOP ROAD  
SANIBEL, FL 33957

If to Salem Trust Company:

Salem Trust Company  
4890 West Kennedy Blvd.  
Suite #160  
Tampa, FL 33609

22. SPECIAL INSTRUCTIONS: NONE

IN WITNESS WHEREOF the parties hereto have set their hands and seals the day and year first above written:

WITNESS TO CLIENT:

*Louis M. Lynch*

CITY OF SANIBEL GENERAL  
CLIENT: EMPLOYEES PENSION BOARD

*Richard C. Cohan*

BY: RICHARD C. COHAN

TITLE: CHAIRMAN

CITY OF SANIBEL

~~Client's~~ Tax Identification Number: 59-1568877

SALEM TRUST COMPANY

WITNESS TO STC:

*Shydeez Lopez*

BY: *Sammy M. Jewell*

TITLE: VICE PRESIDENT

**Custodial Services Schedule of Fees**  
**City of Sanibel General Employees Pension Fund**  
**And**  
**Salem Trust Company**

**Annual Administrative Fees:**

First \$20 million of market value =	4 basis points	0.0004
Next \$30 million of market value =	3 basis points	0.0003
Next \$50 million of market value =	2 basis points	0.0002
Assets in excess of \$100 million =	Negotiable	

**Minimum annual Fee \$3,000**

**Other Fees:**

Security Purchases and Sales.....	\$10 / TRADE
Payments by Check.....	\$10 / CHECK
Periodic Benefit Checks.....	\$3 / CHECK
Outgoing Wire Transfers.....	\$10
Additional Accounts/Sub-Accounts – Annual.....	\$250

- Fees are calculated and payable quarterly
- Fees are guaranteed for 2 years

EXHIBIT B

SIGNATURE AUTHORIZATION

Account Name: City of Sanibel General Employees Pension Plan

AUTHORIZATION: The following are the names and specimen signatures of the individuals authorized to execute and direct Salem Trust Company.

STC will rely on the following individuals for all direction until notified otherwise:

PRINTED NAME

SIGNATURE

RICHARD C. COHAN

Richard C. Cohan

SHARON M. GIBSON

Sharon M. Gibson

RENÉE M. LYNCH

Renée M. Lynch

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Number of Signatures Required: 1

I, RICHARD C. COHAN, as CHAIRMAN,  
certify that the above individuals are authorized to direct Salem Trust Company  
under the terms of the current agreement.

Dated this 1<sup>st</sup> day of Feb., 2005

Richard C. Cohan



64



RONALD J. COHEN, P.A.

ATTORNEYS AND COUNSELORS AT LAW

July 23, 2007

Pete Prior  
Benefits USA  
3810 Inverrary Blvd., Suite 208  
Lauderhill, FL 33319

Re: Sanibel General Employees' Retirement Plan  
Our File No.: 01-0131

Dear Pete:

I enclose a copy of my Professional Service Agreement with the General Employees' Retirement Plan to provide legal services, effective July 1, 2001. The monthly rate is \$800.00. I am requesting an increase of \$200.00 monthly, so that the new monthly rate will be \$1,000.00.

In accordance with Renee Lynch's email of June 21, 2007, please place this request on the August 8<sup>th</sup> agenda.

Very truly yours,

Ronald J. Cohen

RJC: dth

Enclosure

P:\Documents\2001\01031\Correspondence\ltr to Prior re Sanibel General Employees' Retirement Plan.doc

65

**PROFESSIONAL SERVICES AGREEMENT**

THIS AGREEMENT, effective the 1<sup>st</sup> day of July, 2001, by and between the CITY OF SANIBEL GENERAL EMPLOYEES RETIREMENT PLAN (hereinafter referred to as the "PLAN") and RONALD J. COHEN, P.A., a professional association (hereinafter referred to as the "ATTORNEY").

**WITNESSETH:**

WHEREAS, the PLAN is desirous of retaining the services of the ATTORNEY to provide legal counsel to the PLAN; and

WHEREAS, the ATTORNEY is desirous of providing these services to the PLAN;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Agreement, the parties agree to the following:

1. The ATTORNEY shall provide legal services to the PLAN as follows:
  - a. Attend quarterly meetings of the PLAN.
  - b. Provide written legal opinions in regard to interpretations of plan provisions and/or compliance of local, state and federal laws;
  - c. Assist in drafting, review and revision of ordinance amendments, administrative forms and other documents;
  - d. Advise the PLAN on the operation of the plan
  - e. Provide direction on policy and procedures;
  - f. Research and analyze issues of concern to the PLAN;
  - g. Correspond with the city, state agencies, attorneys and service providers;

66

h. Participate in negotiations and/or draft, review and revise legal agreements, contracts and instruments with service providers;

i. Review disability records packets and officiate at informal and formal disability hearings; and

2. In consideration of the foregoing work, the PLAN agrees to compensate the ATTORNEY at the rate of \$ 800.00 per month. This fee includes attendance at the quarterly meetings, preparation of written legal opinions, advising the PLAN on the operation of the plan, providing direction on policy and procedures, corresponding with city agencies, state agencies, and service providers, participating in negotiations and drafting and revising legal agreements, contracts and instruments with the service providers, reviewing disability packets and officiating in informal and formal disability hearings, as long as those hearings are held at the quarterly meeting. It will also include routine ordinance amendments.

3. The ATTORNEY represents that it has expertise in the area of public employee retirement systems and is competent to perform the duties required by this Agreement.

4. The parties recognize that the role of the ATTORNEY in representing the PLAN is that of a fiduciary and the ATTORNEY shall act in accordance with generally accepted principles of fiduciary responsibility.

5. This Agreement shall be governed by the laws of the State of Florida and any dispute involving the enforcement or interpretation of this Agreement shall have its venue in Lee County, Florida.

6. This Agreement may be terminated with or without cause by either party upon thirty (30) days written notice.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the day and year first above written.

 Date: 2/13/08

 Date: 2/13/08

RONALD J. COHEN, P.A.

 Date: 6/29/01  
Ronald J. Cohen

**RONALD J. COHEN, P.A.**  
ATTORNEYS AT LAW

June 29, 2001

ANDREW JACKSON BUILDING  
8100 OAK LANE, SUITE 403  
MIAMI LAKES, FLORIDA 33016

DADE: (305) 823-1212  
BROWARD: (954) 922-1446  
FACSIMILE: (305) 823-7778

Sam O. Ackley, City Manager  
City of Sanibel  
800 Dunlop Road  
Sanibel, FL 33957

Re: Retainer Letter

Dear Mr. Ackley:

This will confirm our representation of the City of Sanibel General Employees Retirement Plan, for the following matters. I understand that there is a Plan Document that has been prepared by the Principal Financial Group. We will restate the Plan Document in ordinance form. The language that we propose for the ordinance will be understandable and stated in a manner that is customary for governmental pension plan documents throughout the State.

We will also prepare a section involving provisions for the general administration of the Retirement Plan, including the establishment of a Board of Trustees and setting forth the method of selection of the Board of Trustees, the terms of office of the Board of Trustees and the duties of the Board of Trustees.

Our fee for this engagement will be \$5,000.00. \$2,500.00 will be invoiced upon presentation to the City Administration of an ordinance acceptable to the Administration, and \$2,500.00 payable upon acceptance by the City Council.

If the terms of this engagement are satisfactory to you, please sign where indicated below.

I look forward to working with the City of Sanibel on this project.

Very truly yours,



Ronald J. Cohen

Understood and Agreed to:

  
O. Sam Ackley, City Manager  
City of Sanibel

7/2/01

RJC:ls



**PROFESSIONAL SERVICES AGREEMENT**

THIS AGREEMENT, effective the 1<sup>st</sup> day of July, 2001, by and between the CITY OF SANIBEL GENERAL EMPLOYEES RETIREMENT PLAN (hereinafter referred to as the "PLAN") and RONALD J. COHEN, P.A., a professional association (hereinafter referred to as the "ATTORNEY").

**WITNESSETH:**

WHEREAS, the PLAN is desirous of retaining the services of the ATTORNEY to provide legal counsel to the PLAN; and

WHEREAS, the ATTORNEY is desirous of providing these services to the PLAN;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Agreement, the parties agree to the following:

1. The ATTORNEY shall provide legal services to the PLAN as follows:
  - a. Attend quarterly meetings of the PLAN.
  - b. Provide written legal opinions in regard to interpretations of plan provisions and/or compliance of local, state and federal laws;
  - c. Assist in drafting, review and revision of ordinance amendments, administrative forms and other documents;
  - d. Advise the PLAN on the operation of the plan
  - e. Provide direction on policy and procedures;
  - f. Research and analyze issues of concern to the PLAN;
  - g. Correspond with the city, state agencies, attorneys and service providers;

h. Participate in negotiations and/or draft, review and revise legal agreements, contracts and instruments with service providers;

i. Review disability records packets and officiate at informal and formal disability hearings; and

2. In consideration of the foregoing work, the PLAN agrees to compensate the ATTORNEY at the rate of \$ 800.00 per month. This fee includes attendance at the quarterly meetings, preparation of written legal opinions, advising the PLAN on the operation of the plan, providing direction on policy and procedures, corresponding with city agencies, state agencies, and service providers, participating in negotiations and drafting and revising legal agreements, contracts and instruments with the service providers, reviewing disability packets and officiating in informal and formal disability hearings, as long as those hearings are held at the quarterly meeting. It will also include routine ordinance amendments.

3. The ATTORNEY represents that it has expertise in the area of public employee retirement systems and is competent to perform the duties required by this Agreement.

4. The parties recognize that the role of the ATTORNEY in representing the PLAN is that of a fiduciary and the ATTORNEY shall act in accordance with generally accepted principles of fiduciary responsibility.

5. This Agreement shall be governed by the laws of the State of Florida and any dispute involving the enforcement or interpretation of this Agreement shall have its venue in Lee County, Florida.

6. This Agreement may be terminated with or without cause by either party upon thirty (30) days written notice.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the day and year first above written.

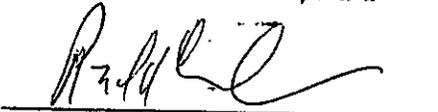


Date: 7/2/01

\_\_\_\_\_

Date: \_\_\_\_\_

RONALD J. COHEN, P.A.



Ronald J. Cohen

Date: 6/29/01



LYNCH, JONES & RYAN, INC. 15720 JOHN J. DELANEY DRIVE CHARLOTTE NC 28277  
TEL +1 877 444 4305 DIR +1 704 944 3236/7 FAX +1 704 944 3201

January 26, 2005

Mr. Richard Cohan  
Chairman  
City of Sanibel General Employees Retirement Plan  
800 Dunlop Rd.  
Sanibel, FL 33957

Dear Mr. Cohan:

This letter will constitute our proposal with respect to the brokerage transactions on behalf of the City of Sanibel General Employees Retirement Plan (herein referred to as the "Fund") to be directed to Lynch, Jones & Ryan, an Instinet Company (herein referred to as "LJR"), and its correspondent brokers. You understand that in making this agreement there are no required volumes, no fees (other than the normal transaction charges associated with executing your orders) and no time requirements.

The Fund agrees to direct its investment managers to effect certain equity transactions through LJR consistent with best execution. All commission charges per share will continue to be based on your managers' normal negotiated rate schedules. Pursuant to this agreement, we will refund to the Fund a percentage of the commission paid directly to LJR, as per the attached Schedule.

Further, should your investment managers execute fixed income transactions through LJR pursuant to this agreement, we agree to refund to the Fund a percentage of the available credits generated from these fixed income transactions, as per the attached Schedule. If your managers designate LJR for credit on new issue syndicates, we agree to provide research to the Fund in an amount equal to the available credits generated, as per the attached Schedule.

Additionally, should your investment managers execute international equity or international fixed income transactions through Instinet or the LJR global correspondent broker network, we agree to refund to the Fund a percentage of the gross credits excluding local charges, taxes, etc., generated from these transactions, as per the attached Schedule.

Any refunds will be made quarterly by check or bank wire directly to the Fund. Alternatively, we will pay bills for bona fide expenses of the fund upon your instruction. Credits generated by new issue designations can only be used to provide research services to the Fund, such as performance measurement and asset allocation services.



**Lynch, Jones & Ryan, Inc.**  
**Commission Recapture Schedule**  
**for the**  
**City of Sanibel General Employees Retirement Plan**

<b>TYPE</b>	<b>RECAPTURE RATE</b>
DOMESTIC EQUITY RECAPTURE	ALL ABOVE 2 CENTS PER SHARE (\$0.02)
DOMESTIC FIXED INCOME RECAPTURE	60% REBATE
INTERNATIONAL EQUITY RECAPTURE	41 % OF GROSS* COMMISSION

\*This rate is based upon the gross commission paid, less local charges and taxes. This rate is equivalent to approximately 60% of the net commission retained by LJR.

Initial:

  
By LJR

\_\_\_\_\_  
By Client

76

## ACTUARIAL SERVICES AGREEMENT

This Agreement entered into this 27<sup>th</sup> day of MARCH, 2008, is made by and between **The City of Sanibel General Employees' Retirement System**, (the "Client") and Foster & Foster, Inc., ("Actuary") and is effective as of **February 13, 2008**.

WHEREAS, the Client desires to retain the services of an Actuary; and

WHEREAS, Foster & Foster, Inc., is willing to accept its appointment as Actuary in accordance with the terms of this Agreement; and

WHEREAS, the Client represents that it has all requisite authority to enter into this Agreement, and the Client represents that all actions required for the execution of this Agreement by the Client and the appointment of Foster & Foster, Inc., have been duly taken;

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, the Client and Actuary hereby agree as follows:

- Fees for completion of the Actuarial Valuation will be a flat \$4,000 for the October 1, 2007 valuation, that fee shall then be increased by five percent (5%) each year thereafter. Travel to and from meetings with the Board will be billed at ½ the hourly rate, with a maximum of 8 hours per day, except there shall be no hourly charge for travel for the meeting to meet with the Board to present the valuation, but the Actuary shall receive reimbursement for all out-of-pocket expenses for all travel. Travel charges will be divided among any clients visited during a single trip.
- Fees for retirement benefit calculations will be \$150, as long as the information is provided using a standardized form (that Foster & Foster will attach). Information provided in a non-standardized format will result in a \$200 per calculation fee.
- The City of Sanibel General Employees Retirement Plan offers a 6% per annum, fixed interest investment option for all participants entering the DROP. Each participant entering the DROP will receive an account statement calculating the anticipated value of the member's DROP account, on a monthly basis, throughout the duration of the DROP period. This will be performed at a one time fee of \$60.00 per participant entering the DROP.

Should the plan offer a variable interest rate in the future, requiring the provision of quarterly statements, these will be provided at a fee of \$60.00 per DROP participant per statement, for all of those members selecting the variable interest option.

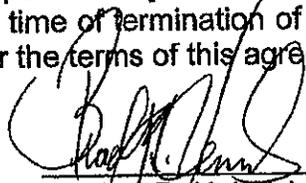
- Calculate Refunds of Member Contributions for \$75.
- Calculate standard service or military buy-back contribution requirements for \$100.

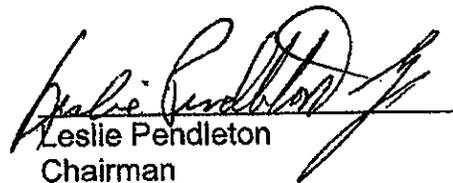
- Upon Board approval, access to the plan's webpage that allows members to perform unlimited online benefits calculation estimates for \$16 per active member per year. At the end of one year, from the provision of the service, Actuary will provide Client with a report detailing the number of participants who visited the site and decide whether or not to continue providing the service on a year to year basis.
- Insurance. The Consultant acknowledges that it has and shall maintain errors and omissions coverage in the amount of 1 million dollars per event, with a 2 million dollar aggregate. Attached hereto as Exhibit A is a copy of Actuary's current certificate of insurance. Actuary agrees to immediately notify the Trustees, in writing, in the event of any change in its policy and to immediately notify the Trustees if said coverage is terminated, cancelled or discontinued, in whole or in part.
- General or specific consulting services performed via telephone, email, or other correspondence not explicitly stated above or specifically priced for in the contract will be billed according to the following hourly rates:

Senior Actuarial Consultant	\$250/hr
Actuarial Consultant	\$200/hr
Actuarial Analyst	\$150/hr
Administrative/Clerical	\$60/hr

The term of this agreement is three (3) years from the effective date printed above, and Actuary guarantees these rates for that period. This Agreement may be extended for three additional one year periods, upon written consent of both parties. This Agreement may be amended at any time by a written agreement between the Client and Actuary. Either party may terminate this agreement upon 60 days written notice. Actuary will be entitled to payment for all work done up until the time of termination of the agreement and Client will be entitled to any and all reports due under the terms of this agreement.

APPROVED BY:

  
 \_\_\_\_\_  
 Bradley R. Heinrichs  
 Title: President  
 For: Foster & Foster

  
 \_\_\_\_\_  
 Leslie Pendleton  
 Chairman  
 For: The City of Sanibel  
 General Employee's Retirement Plan



DANA INVESTMENT ADVISORS, INC.

## INVESTMENT ADVISORY AGREEMENT

Re: Sanibel General Employees' Retirement System

The undersigned ("Client") hereby employs Dana Investment Advisors, Inc. ("Advisor") as investment advisor for the Account referred to above (the "Account") on the following terms and conditions:

**1. Appointment of Advisor.** By execution of this Agreement and effective as of the effective date indicated herein, the Advisor accepts appointment as investment advisor for the Account and will supervise and direct investments of the Account subject to such limitations as the Client may communicate in writing to the Advisor from time to time. Advisor, as agent and attorney in fact with respect to the Account, when it deems appropriate, without prior consultation with Client, may in accordance with the Client's Account Guidelines, (i) buy, sell, exchange, convert and otherwise trade in any stocks, bonds and other securities of every kind and description, and (ii) place orders for the execution of such securities transactions with or through such brokers, dealers or issuers as Advisor may select. The Advisor shall not act as Custodian for the Account.

**2. Standard of Care.** It is agreed that the sole standard of care imposed upon Advisor by this Agreement is to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. While Advisor will make a good faith effort to require brokers and dealers selected to effect Account transactions to perform their obligations, the Advisor shall not be responsible for any loss incurred by reason of any act or omission of any brokers, dealer or custodian for the Account. In maintaining its records, Advisor does not assume responsibility for the accuracy of information furnished by Client or any other party.

**3. Investment Objectives and Restrictions.** Client has specified in the Account Guidelines Section of this Agreement the investment objectives and any specific investment restrictions which govern the Account. It will be the Client's responsibility to advise the Advisor of any changes or modifications in the investment objectives of the Account as well as any additional investment restrictions applicable thereto and to give the Advisor prompt written notice if Client deems any investments recommended or made for the Account to be in violation of such objectives or restrictions. Unless Client notifies Advisor in writing of specific restrictions, the investments recommended for, or made on behalf of the Account, shall be deemed not to be restricted under the current or future laws of any state or by virtue of the terms of any other contract or instrument purporting to bind the Client and Advisor.

**4. Service to Other Clients.** It is understood that the Advisor performs investment advisory services for various clients and that the Advisor may give advice and take action with respect to other clients which may differ from advice given to Client or the timing or nature of action taken with respect to the Account. Advisor agrees, to the extent practicable, to allocate investment opportunities to the Account over a period of time on a fair and equitable basis relative to other clients.

**5. Fees.** Advisor's compensation shall be calculated on the basis of the market value of all assets under management and shall be paid in accordance with the Schedule of Fees which shall remain unchanged for a minimum of four years from the date of execution of this agreement. After such four year period, Advisor may from time to time amend the Schedule of Fees upon giving Client sixty (60) days prior written notice.

**6. Pricing.** Dana formally prices securities that are held in Client accounts at least monthly. Generally, securities are priced at month-end using "round lot" pricing provided by independent pricing services deemed reliable. At times, actual prices for "odd-lot" holdings may differ from those round-lot prices received by Dana. In addition, prices received by Dana may differ from time to time with prices reported on Client custodial statements. Month end pricing results, and the accrual of income from all sources, are also used to compile Client investment performance and to calculate and bill Dana's investment management fees quarterly.

7. **Termination; Assignment.** This Agreement may be terminated at any time by Client giving Advisor at least thirty (30) days prior written notice of such termination. Advisor may terminate this agreement at anytime by giving Client at least sixty (60) days prior written notice of such termination. Fees paid in advance hereunder will be prorated to the date of termination specified in the notice of termination, and any unearned portion thereof will be refunded to Client. No assignment, as that term is defined in the Investment Advisers Act of 1940, of this Agreement shall be made by Advisor without the written consent of Client.

8. **Notices.** Unless otherwise specified herein, all notices and instructions with respect to security transactions or any other matters contemplated by this Agreement shall be deemed duly given when received in writing by Advisor at 15800 W. Bluemound Road, Suite-250 Brookfield, WI 53005 or when hand-delivered or deposited by first-class mail addressed to Client at the address appearing heretated and to the Custodian at such address as it may specify to the Advisor in writing, or at such other address or addresses as shall be specified. The Advisor may rely upon any notice (written or oral) from any person reasonably believed by it to be genuine and authorized.

9. **Confidential Relationship.** All information and advice furnished by either party to the other hereunder, including their respective agents and employees, shall be treated as confidential and shall not be disclosed to third parties except as required by law.

10. **Inside Information.** Advisor shall have no obligation to seek to obtain any material non-public ("inside") information about any issuer of securities, or to purchase or sell, or to recommend for purchase or sale, for the Account the securities of an issuer on the basis of any such information as may come into its possession.

11. **Proxies.** The Advisor will take appropriate action and/or render advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the Account may be invested from time to time. Advisor is hereby authorized to retain the services of a Proxy Voting Agent to assist Advisor in researching, monitoring, and voting Client proxy statements. Please refer to Advisor's Proxy Voting Policies & Procedures.

12. **Representations by Client.** The Client represents and confirms that the employment of the Advisor is authorized by the governing documents relating to the Account and that the terms hereof do not violate any obligation by which Client is bound, whether arising by contract, operation of law or otherwise, and, if the Client is a corporation or trust, that (a) this Agreement has been duly authorized by appropriate action and when executed and delivered will be binding upon Client in accordance with its terms, and (b) the Client will deliver to Advisor such evidence of such authority as Advisor may reasonably require, whether by way of a certified resolution or otherwise.

13. **Representations by Advisor.** By execution of this Agreement, Advisor represents and confirms that it is registered as an investment advisor under the Investment Advisers Act of 1940 and that with respect to the performance of its duties hereunder with respect to the Account, Advisor is a "fiduciary" as defined under the Employee Retirement Income Security Act of 1974.

14. **Governing Law.** This Agreement shall be governed by the laws of the State of Florida. The venue selected for any dispute arising out the provisions contained herein shall be situated in Lee County, Florida or other similar venue within the State of Florida as selected by Client.

ACCOUNT GUIDELINES

1. The investment objectives governing the Account are:

Please see Investment Policy as provided by the consultant (Dahab Associates)

2. Transactions for the Account shall be subject to the following specific restrictions and limitations (if none, state "none"): Please see Investment Policy as provided by the consultant (Dahab Associates)

3. The foregoing investment objectives, restrictions and limitations shall govern the Account unless and until Advisor receives written notice from Client of any changes to or modifications of the foregoing.

4. Type of account: Large Cap Core

5. Account is: Discretionary [x] Non-Discretionary

6. Are there any third-party and/or regulatory-imposed restrictions on investments?

Yes No [x]

If yes, explain:

7. Permitted assets:

Government Bonds Equities [x]
Adjustable Rate Mortgages (ARM) Fixed Rate Mortgages
Collateralized Mortgage Obligations (CMO) Agencies
Corporate Bonds Asset Backed Bonds
Mutual Funds

Municipal Bonds
Federal Tax Bracket: % State Tax Bracket: % State of:
Subject to AMT: Yes No [x] Mixed

8. Minimum Credit Rating NA
(AAA, AA, A, etc.)

9. Expected maximum price volatility in any 12 month period:

2-5% \_\_\_\_\_ 3-7% \_\_\_\_\_ 5-10% \_\_\_\_\_ 10%+ X  
(Mandatory for 100% Equity Accounts)

10. Account's investment horizon:

0-2 years \_\_\_\_\_ 1-4 years \_\_\_\_\_ 3-7 years \_\_\_\_\_ More than 6 years \_\_\_\_\_

11. Expected annual cash withdrawals: \$ \_\_\_\_\_  
(Please attach any planned withdrawal schedule.)

12. Is there a parity requirement? Yes \_\_\_\_\_ No X  
(i.e. Is the account pledged or held in escrow?)

13. List desired investment comparables or benchmarks:  
S&P 500

14. To assist us in setting up billing information on your account, please initial one of the following billing alternatives.

Bill Client Directly – client will receive an invoice in the mail.

Bill Custodian, Mail Informational Copy to Client – I hereby authorize the custodian to pay Dana Investment Advisors, Inc. management fee from the account referenced above. The custodian shall rely on Dana Investment Advisors, Inc. invoices and have no responsibility for the calculation or verification of fees.

Custodian: \_\_\_\_\_  
Account Number: \_\_\_\_\_

15. How often would you like to meet in person with Dana representatives?

Annual \_\_\_\_\_ Semi-Annual ✓ Quarterly \_\_\_\_\_

16. Are there any unique reporting requirements for this account?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## SCHEDULE OF FEES

Investment Advisory fees are quoted on an annual basis. Account fees are computed and billed quarterly, based upon the value of the account at the end of the previous calendar quarter or upon date of initial or subsequent funding. All assets in any form are considered in the computation of fees. Annual Fee Schedule:

First \$10,000,000	0.65% per year
Over \$10,000,000	0.55% per year

Advisor charges no other fees such as acceptance or termination fees.

The fee schedule shown above is Dana Investment Advisors, Inc. current fee schedule for new accounts. Since the inception of Dana Investment Advisors' business, it has had at least one other fee schedule in effect. Therefore, some of the clients of Dana Investment Advisors, Inc. are paying fees different from those shown above.

## APPOINTMENT AUTHORIZATION

This is to confirm the appointment of Dana Investment Advisors, Inc. ("Advisor") as investment advisor for the above-captioned account ("Account") with discretionary authority as agent and attorney-in-fact on behalf of the Account and within all restraints and limitations as specified in client's account guidelines, (a) to buy, sell, exchange, convert and otherwise trade in any security of every kind and description including money market instruments as Advisor may select, and (b) to place orders for the execution of such securities transactions with or through such brokers, dealers, or issuers as Advisor may select, and (c) to establish, transfer, and terminate accounts in Clients name with either executing or custodial investment or financial institutions.

It is further understood that Advisor may deliver to any securities brokerage firm executing transactions on behalf of the Account, a copy of this document as evidence of the authority to the Advisor to act for and on behalf of the Account to include voting of proxies and other related shareholder activities in Client's best interest. In the event this authority is terminated, by death or otherwise, any party to whom a copy of this document has been delivered as evidence of the Advisor's authority, shall be held harmless from any loss or liability incurred as a result of any action taken in reliance thereon after such termination but before notice of such termination has been received by such party.

## RECEIPT ACKNOWLEDGEMENT

Signature below verifies that I have received the following documents: Dana Investment Advisors, Inc. ADV Brochure, Corporate Privacy Policy and Practices Statement, and Proxy Voting Policies & Procedures.

Agreed and Accepted this 27th  
day of January, 2005

Dana Investment Advisors, Inc.

By Mark R. Mirsberger, CEO

By Richard C. Cohen  
(Client's Authorized Signature)

RICHARD C. COHEN CHAIRMAN  
(Print Name and Title)

400 DUNLAP RD.

(Client's Address)

SANDBEL, FL. 33957

(City, State, Zip)

(Date)

## CORPORATE PRIVACY POLICY AND PRACTICES STATEMENT

Federal legislation requires all investment advisors registered with the SEC to provide a privacy notice to all of their clients.

This notice will describe our practices and policies concerning our handling of your personal information.

### **Protecting and Safeguarding Your Nonpublic Personal Information**

Our relationship with our clients is of utmost importance to us. As you have entrusted us with your private financial information, we will always act accordingly to maintain that trust. Our employees are trained so that your personal information is held in strict confidence and safeguarded. Physical, procedural, and electronic safeguards are in place and well established.

### **Nonpublic Personal Information We Collect to Serve You**

The nonpublic personal information we use is collected to enable us to open and administer your account, process your transactions, and help us to provide you with quality service. The information we collect may include name, address, phone number, email address, birth date, social security number and information about your income, net worth, risk tolerance and investment experience. Personal information is collected to meet our regulatory obligations. This information is not sold to anyone.

### **Nonpublic Personal Information is Held in Strict Confidence**

Personal information is not disclosed to any third parties, unless it is required in processing or servicing your transactions or account(s). We will act in good faith and disclose only information that is required or permitted under law. If, at any time, it is necessary to disclose any of your personal information that is not consistent with this policy, you will be notified in advance in order to have the opportunity to opt out of such disclosure. If you decide to close your account(s) or become an inactive client, we will adhere to the privacy policies and practices as described in this notice.

We reserve the right to change this Privacy Policy at anytime, without notice and will notify you of any modifications on an annual basis.

## PROXY VOTING POLICIES AND PROCEDURES

### Overview

Proxy statements deserve careful review and consideration. Increasingly, they contain controversial issues involving shareholder rights and corporate governance. Therefore, it is Dana's policy to review these issues and make decisions exclusively on the judgment of what will best serve the financial interest(s) of our clients.

In order to provide on going professional analysis and recommendations regarding each proxy statement, Dana has retained the services of Institutional Shareholder Services (ISS), a leader in providing proxy voting services to the investment advisor community. The partnership with ISS allows for the seamless delivery of proxies from the client's custodial institution to ISS. Once at ISS, each proxy statement is analyzed according to the Proxy Voter Services U.S. Proxy Voting Guidelines and Procedures (PVS Guidelines and Procedures). A number of recurring issues can be identified with respect to the governance of a company and actions proposed by that company's board. Following a standard proxy voting guideline such as the PVS Guidelines and Procedures allows votes to be cast in a uniform manner. All non-routine matters are also addressed in the PVS Guidelines and Procedures. Dana will provide complete copies of these policies to any client shareholder upon request. In addition, the following key points apply to related proxy issues:

### **Procedures used to address any potential conflicts of interest.**

Dana bases its votes on a pre-established set of policy guidelines and on the recommendations of an independent third party; namely, Institutional Shareholder Services (ISS). ISS makes recommendations based on its independent, objective analysis of the economic interests of shareholders. This process ensures that Dana votes in the best interests of client shareholders, and it insulates the voting decisions from any potential conflicts of interest.

### **The extent to which Dana delegates proxy voting authority to or relies on recommendations of a third party.**

As noted above, Dana relies on the recommendations of ISS. However, Dana retains ultimate responsibility for the votes, and has the ability to override any ISS vote recommendation. Dana will only do so, however, if it is believed that a different vote is in the best interests of client shareholders. In addition, Dana periodically receives specific instructions from certain client shareholders to vote their shares in a particular manner. In certain cases such as this, it is possible that Dana may vote two different ways on the same issue for separate clients.

### **The extent to which Dana will support or give weight to the views of management of a portfolio company.**

Dana bases all voting decisions on the PVS Guidelines and Procedures and on ISS recommendations, both of which are driven by considerations of the best interests of client shareholders.

### **Policies and procedures relating to matters substantially affecting the rights of the holders of the security being voted.**

PVS Guidelines and Procedures include a section devoted specifically to shareholder rights. Dana generally supports shareholder voting rights and opposes efforts to restrict them.

### **Obtaining additional information relating to Dana's proxy voting procedures.**

Dana will provide complete copies of its proxy voting policies and guidelines to any client (or prospective client) shareholder upon request. Requests should be made by contacting Dana's Chief Compliance Officer, Michael Stewart, at either (262) 782-8658 or via e-mail at [michaels@danainvestment.com](mailto:michaels@danainvestment.com).



DANA INVESTMENT ADVISORS, INC.

# ADV INFORMATIONAL BROCHURE

## Introduction

This brochure, which sets forth information regarding the background and business practices of Dana Investment Advisors, Inc. ("Dana"), is being delivered to you pursuant to Rule 204-3 under the Investment Advisers Act of 1940. Prospective clients must be provided with this brochure either at least 48 hours prior to the execution of the investment advisory agreement with Dana, or at the time of execution of the agreement, if the client can terminate the agreement within five days after its execution. Clients are entitled to a copy of this brochure annually, at no charge, upon a written request forwarded to your Dana Investment Advisors representative.

## 1. Advisory Services and Fees

Dana is engaged in the business of furnishing "investment supervisory services" to clients, which is defined as the giving of continuous advice to clients as to the investment of funds on the basis of individual needs of each client. Investment advice may be provided on a discretionary or non-discretionary basis.

Dana does not manage investment advisory accounts under circumstances not involving investment supervisory services, nor does it issue periodic publications relating to securities on a subscription basis, nor prepare or issue special reports or analyses relating to securities which are not part of its investment supervisory services, nor prepare or issue any charts, graphs, formulas or other devices which clients may use to evaluate securities, nor furnish advice to clients on any matters not involving securities on other than an incidental basis, nor furnish investment advice in any other manner not described in this section.

Dana's advisory fees are initially calculated on the basis of the total market value of the assets placed under its supervision as determined as of the close of business on the date preceding the effective date of the advisory agreement, and thereafter are recalculated quarterly on the basis of the total market value of such assets as determined as of the close of business on the last business day of each previous quarter.

All assets in any form are considered in the computation of fees. Money invested in cash balances, money market assets, client-directed assets or notes will be included. If trades are unsettled and pending, the original designated balance, not the settled balance, will be used.

In computing the market value of any investment of a client's account, each security listed on any national securities exchange shall be valued at the last quoted sale price on the valuation date of the principal exchange on which such security is traded. Any other security or asset shall be valued in a manner determined in good faith by Dana to reflect its fair market value.

Dana's advisory fees for equity, balanced, fixed-income, and variable-rate accounts are currently calculated at the following annual rates, and the pro rata portion of one-quarter (1/4) of the annual fee as recalculated on the last business day of each successive calendar quarter, payable when billed.

First \$10,000,000	0.75% per year
Second \$15,000,000	0.65% per year
Over \$25,000,000	0.55% per year

All fees are subject to adjustment with a thirty (30) day notification to clients. There are no other fees such as acceptance or termination fees. The fee schedule shown above is Dana's current fee schedule for new accounts. Fees may be negotiable for accounts of substantial size.

15800 W. BLUEMOUND ROAD • SUITE 250 • P.O. BOX 1067 • BROOKFIELD, WI 53008-1067 • 262.782.3631 • FAX 262.782.0581

An advisory contract may be terminated by a client or by Dana at any time upon written notice to the other party. Advisory fees paid in advance will be pro-rated to the date of termination stated in the notice of termination and any unearned portion of the advisory fees will be promptly refunded to the client.

## 2. Types of Clients

Generally, Dana's client base consists of qualified pension and profit-sharing plans, Taft Hartley plans, unions, financial institutions such as banks and credit unions, public sector entities such as cities and counties, health care facilities, corporations, charitable foundations and other charitable organizations, and certain wealthy individuals and families.

## 3. Types of Investments

Generally, Dana provides investment advice with respect to the following types of securities: equity securities (both exchange listed and over-the-counter), corporate debt securities, commercial paper, bank certificates of deposit, municipal securities, mutual fund shares, pooled funds, United States government and government agency securities, securities of foreign (non U.S.) issuers, and warrants.

Dana does not generally provide advice with respect to option contracts on commodities, or any investment in real estate or oil and gas partnerships of any type.

## 4. Methods of Analysis, Sources of Information and Investment Strategies

### a. Securities Analysis

#### Equity Investments

Dana's investment philosophy weighs heavily the relative risk return characteristics of each security selected. Dana selects companies that are relatively undervalued to their peers, with attractive growth expectations, and which we believe overtime will produce superior returns relative to a Client's stated benchmark. Minimizing downside performance risk while achieving a Client's investment return goals is also an important component within Dana's security selection process. Risk control rules are therefore put in place. One such measure deals with equally weighting the holdings within each benchmark sector. In this way, the added volatility and potential negative effects of predicting, over-weighting and rotating investments within and between various sectors is greatly reduced. Individual security selection within each sector then becomes the main decision criteria of Dana's security analysis.

In analyzing securities, Dana performs an array of fundamental analyses to filter down the benchmark universe of available investments to a more manageable level. Characteristics such as earnings growth, Price/Earnings ratios, cash flow and debt ratios are but a few of the critical items that Dana utilizes. Next, Dana compares the future earnings growth prospects of each company against other companies within the same sector. Securities are then selected based upon the combined information analyzed. The resulting portfolio exhibits overall characteristics that Dana believes will produce above average returns over a market cycle.

#### Fixed Income Investments

Dana utilizes a great deal of investment analysis in selecting fixed income securities. Client needs vary greatly, so Dana approaches the selection of fixed income securities in many different ways. In meeting these needs, the primary asset allocation decision is that of using fixed versus variable rate securities. Client goals and investment time horizon also play a large role in properly identifying a potential fixed income asset allocation. Achieving a high degree of current income, while maintaining a high credit quality portfolio and limited interest rate sensitivity is a crucial component in all of Dana's decisions. Dana utilizes many AAA and AA rated housing and mortgages in its approach. Conventional types of fixed instruments are also utilized, and generally do not have a rating lower than A. When utilizing long-term debt securities, credit should be of high quality with realized gains being captured through duration management rather than market timing changes in interest rates. Dana uses similar considerations in selecting investments in short-term money market instruments such as commercial paper, certificates of deposit, and variable or fixed rate government guaranteed Small Business Administration notes.

## **b. Principal Sources of Information**

Dana's sources of information include financial periodicals, research materials prepared by other sources, including the research departments of brokerage firms, corporate rating services, prospectuses, Securities and Exchange Commission filings and annual reports to shareholders. Dana's research capabilities are enhanced through the use of proprietary analytical systems and programs designed to enhance the efficiency of analyzing research data gathered from multiple sources.

## **c. Types of Investment Strategies**

Dana's primary equity investment strategy is based on a relative value approach designed around an equally weighted portfolio (based upon sector) of securities exhibiting above average earnings growth at a lower relative price. Dana's fixed income strategy places considerable importance upon variable rate fixed income securities that exhibit high credit quality, high current income and sufficient overall cash flow. Dana does not predict movements in interest rates. Dana does not traditionally engage in short sales, margin transactions, option strategies, nor does it typically invest client funds in non-registered securities for tax-exempt accounts. Some of these strategies may, however, be used in Dana's taxable or equity accounts in order to implement appropriate tax planning and client strategies.

## **5. Education and Business Standards**

Dana requires its officers and investment committee members to have obtained at least a college level degree. While not required, Dana supports and encourages such employees to pursue advanced degrees and professional designations. Dana values the significance of a well-rounded person, and also considers one's business and educational background, with prior investment related experience and past positions held being of primary importance.

## **6. Education and Business Background of the Investment Committee**

Dana's Investment Committee is made up of portfolio managers and all principal executive officers. The portfolio managers review the investment advice to be rendered on behalf of a client, proposed portfolio transactions for client accounts, and conformity of trading and investment strategies with client investment objectives and restrictions. Please see the attachment for the biographies of Investment Committee members.

## **7. Other Business Activities**

Dana's principal business is that of an investment advisor providing investment advice concerning securities to clients. Dana currently acts as a general partner for Owl Partners Fund, Limited Partnership, a hedge fund whose assets are managed by Dana. The Partnership's investment objective is to maximize investment returns, regardless of market conditions, by seeking capital appreciation. The Partnership will attempt to realize its investment objective primarily through long and short investments in common stocks of U.S. growth and emerging growth companies, regardless of market capitalization. Pursuant to the Limited Partnership Agreement, the General Partner will receive an annual performance fee allocation of 20% of the increase in value of each Partner's capital account.

## **8. Other Financial Industry Activities or Affiliations**

Dana is neither registered as a broker-dealer nor affiliated with any broker, dealer or other investment advisory firm.

## **9. Participation or Interest in Client Transactions**

Dana Investment Advisors, Inc. may make investment decisions, which result in the securities of one client being sold to another client. Notwithstanding the foregoing, the applicant will only enter into agency cross transactions if (a) the affected clients have consented to such transactions and (b) it reasonably believes the transactions can be effected in a manner which achieves the best price and execution in light of all the relevant factors. The clients may revoke the foregoing authorization at any time by providing Dana with written notice of such revocation. All such agency cross transactions will be in compliance with the requirements of the Investment Advisers Act of 1940 and other applicable regulations.

Dana permits its employees, and the pension and retirement plans that it maintains for its employees, to invest in securities that may also form a part of a client's portfolio. Because Dana permits its staff to deal in securities that clients may also deal in, all employees are required to report their quarterly transactions to Dana's compliance officer. The compliance officer reviews all transactions to ensure those employee positions and trades do not present a conflict of interest with the position of Dana's clients. Further, all employees are restricted from engaging in any practices that would operate as a fraud or deceit upon Dana or any of its clients.

## 10. Conditions for Managing Accounts

While Dana does not impose any minimum account size requirement, its minimum annual fee of \$22,500 effectively limits its management to clients with a significant amount of assets. In appropriate circumstances, Dana may waive its minimum annual advisory fee.

## 11. Review of Accounts

### a. Continuous Review

Certain members of Dana's Investment Committee act as portfolio managers for client accounts and review client securities positions on a frequent basis. Each client portfolio is reviewed as a whole by the portfolio manager at least once a month.

The Investment Committee meets formally at least quarterly, and informally on a regular basis, to discuss general investment policies and procedures. While there are no fixed limits on the number of accounts assigned to a portfolio manager, since our intention is to provide a high level of service, a relatively small number of accounts are assigned to a single portfolio manager. For example, it is likely that a single portfolio manager will manage no more than 60 full discretionary accounts.

### b. Reports to Clients

Dana generates written analyses of portfolio performance based upon client needs. Dana requires that each client, through its trustees, custodian or other agent, provide Dana with a monthly written report as to the cost of portfolio securities, date of purchase, current market value and other portfolio information.

## 12. Investment or Brokerage Discretion; Directed Brokerage; Proxy Voting

Generally, Dana has discretionary authority to buy or sell securities in the quantities that it deems fit without first obtaining consent of the client. However, for certain clients, particularly financial institutions, and public sector accounts, ultimate discretionary authority is retained by the clients. With respect to non-discretionary accounts, Dana obtains clients' prior approval of a given purchase or sale. For discretionary accounts, Dana determines which securities are bought and sold, the total amount of securities to be bought or sold, the broker or dealer through which the securities are to be bought or sold, and the commission rates at which transactions are effected. Any limitations or restrictions with respect to the exercise of this investment discretion will be those established by the client in writing at the commencement of the advisory relationship or thereafter.

In selecting a broker-dealer through which to purchase or sell securities, Dana will look for the most favorable combination of transaction cost and securities price available under the circumstances, i.e. Dana will seek to obtain best price and execution. In connection therewith, Dana will consider a range of factors, including price and commissions, execution ability, clearance procedures, custodial and reporting services, and the nature and quality of research and other brokerage services provided by the broker-dealer. Dana may also employ a third party trading organization that facilitates the execution of client trades. Subject to the above commitment to obtain best price and execution, Dana will attempt to accommodate client requests to effect securities transactions through a particular broker-dealer, i.e. directed brokerage.

Based upon the quality of brokerage, research, and/or other services provided, advisory clients may pay a brokerage commission or mark-up in excess of that which another broker-dealer might have charged for effecting the same transaction. Generally, Dana anticipates the research or brokerage services furnished by broker-dealers through whom Dana effects transactions may be used in serving all Dana's accounts and not all such services may be used by Dana in connection with the advisory clients which paid commissions to the broker-dealer providing such services.

When applicable, Dana will take appropriate action and/or render advice with respect to the voting of Client proxy statements. From time to time, Dana may retain a proxy voting agent, who conducts in-depth research, monitoring, and provides comprehensive voting services. Dana, to include any third party proxy voting agent, will vote all client proxy statements according to the Proxy Voting Guidelines adopted by Dana. Utilizing formal proxy voting guidelines helps to maintain objectivity and fairness, and allows for resolving any potential conflicts of interest in a prudent manner. Dana therefore believes that its proxy voting process resolves all issues in the best interest of each client. A written copy of Dana's Proxy Voting Guidelines is available to all Clients upon request.

Dana participates in the TD Waterhouse Institutional Services program offered by TD Waterhouse Investor Services ("TD Waterhouse"), an unaffiliated SEC-registered broker-dealer and NASD member. TD Waterhouse offers to independent investment advisers services which include: custody of securities, trade execution, clearance and settlement of transactions. Dana receives some benefits from TD Waterhouse through its participation in the program.

### 13. Additional Compensation

Dana, from time to time, maintains written agreements, in compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940, with unrelated broker-dealers and other third parties whereby such parties are compensated for referrals of prospective advisory clients to Dana. The written agreements obligate Dana to pay cash solicitation fees equal to a stated percentage of Dana's advisory fee received from the solicited client. No portion of a cash solicitation fee is charged to the solicited client and there is no difference in the level of advisory fees charged clients who have been solicited and those who have not been solicited. If, however, with respect to broker-dealer solicitors, Dana is satisfied that the best execution of securities transactions for the account of the solicited client is available through the broker-dealer, then Dana may direct brokerage transactions for the solicited client's account through the soliciting broker-dealer.

Currently, Dana participates in TD Waterhouse Institutional Services, Inc. ("TD Waterhouse") client directed program, AdvisorDirect. Dana may receive client referrals from TD Waterhouse through its participation in the AdvisorDirect program. TD Waterhouse is an independent discount brokerage firm that is unaffiliated with Dana. TD Waterhouse established the AdvisorDirect program as a means of referring its brokerage customers and other investors seeking fee based personal investment management to independent investment advisors. TD Waterhouse does not supervise Dana, and has no responsibility for Dana's management of client portfolios or other advice or services. Dana does not pay TD Waterhouse any fees to receive client referrals through the AdvisorDirect program.

Dana's participation in the AdvisorDirect program may raise potential conflicts of interest. Although not required, Dana may recommend TD Waterhouse to clients for custody and brokerage services. For accounts of Dana clients maintained in custody at TD Waterhouse, TD Waterhouse's fees for trades executed at other broker dealers are in addition to the other broker dealer's fees. Therefore, Dana may have an incentive to cause trades executed through TD Waterhouse rather than through another broker-dealer. As part of its fiduciary duty to clients, Dana endeavors at all times to place the interests of its clients first. Dana acknowledges its continuing duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at TD Waterhouse may be executed through a different broker dealer than trades for Dana's other clients, and therefore such trades may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Dana maintains an agreement with a non-client broker-dealer firm whereby the brokerage firm arranges for Dana to receive financial periodicals and publications in exchange for directed brokerage transactions.

Dana currently serves as and receives compensation for being a sub-advisor to several unaffiliated registered investment advisory firms, and to entities that are exempt from registration. Under limited circumstances where Client funds are placed with one or more of the above entities, Dana may receive separate compensation at the same time for both serving as an investment advisor to the Client and for serving as a sub-advisor to one or more of the above entities.

July 30, 2007

Ms. Renee Lynch  
City of Sanibel General Employees' Pension Fund  
c/o Benefits USA, Inc.  
3810 Inverrary Blvd., Suite 208  
Lauderhill, FL 33319

Dear Renee:

I would like to thank you for the opportunity to serve both the Sanibel General Employee Pension Board and the beneficiaries of your Pension Fund for the past 5-plus years. We value our relationship with you and take pride in the work that we do on behalf of your Fund.

Since the start of our relationship, the pension fund for the Sanibel General Employees has experienced many changes. From a fund of \$5 million and a single group annuity contract in 2000 to the current \$11 million diversified portfolio today, not to mention the seven member retirement board members.

Like most business and service organizations, it periodically becomes necessary to change our fees for services in order to remain competitive and maintain the level of services that our clients expect. To address this, we are proposing that our annual retainer be \$16,500 starting the 3<sup>rd</sup> quarter of 2007.

As always, we are available for any questions or recommendations. Thank you again for your continued support.

Respectfully,

Gregory A. McNeillie  
Principle & Senior Vice President



4 4

**AGREEMENT FOR  
INVESTMENT CONSULTING SERVICES**

**BETWEEN**

**DAHAB ASSOCIATES, INC.**

**AND**

**CITY OF SANIBEL GENERAL EMPLOYEES PENSION FUND**

This Agreement, made as of the 26<sup>th</sup> day of FEBRUARY, 2002 between Dahab Associates, Inc., a New York corporation (hereinafter "DAI") with offices at 423 South Country Road, Bay Shore, New York, 11706 and the City of Sanibel General Employees Pension Fund (hereinafter the "Fund") with offices at 800 Dunlop Road, Sanibel, Florida, 33957 is for the purpose of providing asset management consulting services to the Trustees of the Fund.

1. The Fund is a qualified pension plan under Section 401(a) of the Internal Revenue Code.
2. DAI is an investment consulting firm registered with the SEC under the Investment Advisers Act of 1940. DAI acknowledges that as determined by the SEC, as an investment consultant to the Trustees, it maintains a fiduciary responsibility to the Fund to the extent that the Trustees may rely upon its recommendations as those recommendations affect the purchase or sale of securities. DAI is not a named fiduciary of the Fund.
3. DAI agrees to:
  - A. Monitor the investment performance of investment managers, insurance companies and banks, engaged by the Fund as investment advisors to the Fund;
  - B. Prepare and submit to the Fund quarterly written evaluation reports, including the performance results of the various investment managers, with evaluations of the relative performance of the investment managers against recognized benchmarks, with reference to the investment risk exposures undertaken by each manager for the fund;

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C. Attend meetings of the Board of Trustees and of any appropriate subcommittees of the Board of Trustees for presentations concerning the aforementioned performance measurement reports;

Any additional services required by the Fund shall be covered under separate agreement.

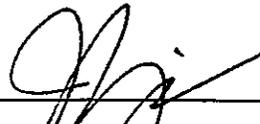
4. In consideration of these consulting services, the Fund shall pay DAI a fee \$9,600 per annum. The annual fee shall be paid in equal quarterly installments within thirty days of receipt of the performance report.
5. Either party may terminate this Agreement on thirty (30) days' written notice to the other party at the address above written, with any fees owed or prepaid adjusted at that time.
6. This Agreement is not assignable by either party without the written consent of the other party.
7. This Agreement shall be administered and construed according to the laws of the State of Florida and the venue of any action regarding this agreement shall be in Lee County. The parties agree to submit any dispute occurring under this Agreement which is not resolved within thirty (30) days to arbitration under the auspices of the American Arbitration Association in Lee County, Florida under its Commercial Arbitration Rules.
8. DAI will be governed in all its activities under this agreement by Section 112.656 of Chapter 112, Part VII, Florida Statutes.
9. This Agreement may only be amended in writing signed by the parties thereto and supersedes any prior written or oral agreements.

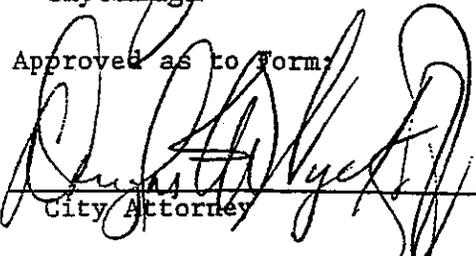
Dated as of February 26, 2002

DAHAB ASSOCIATES, INC.

by:   
Richard E. Dahab, CFA  
President

City of Sanibel General Employees Pension Fund

by:   
City Manager

Approved as to Form:  
  
City Attorney

95

200

**CITY OF SANIBEL ADMINISTRATIVE SERVICES AGREEMENT WITH  
BENEFITS USA, INC.**

THIS AGREEMENT entered into this 14<sup>th</sup> day of November, 2007, between **THE CITY OF SANIBEL GENERAL EMPLOYEES' PENSION FUND**, (hereinafter called "Client"), and **BENEFITS USA, INC.**, (hereinafter called "Administrator").

**WITNESSETH:**

**WHEREAS**, Client is vested with the authority and responsibility for the investment and administration of the assets of **THE SANIBEL GENERAL EMPLOYEES' PENSION PLAN** (hereinafter referred to as the "Plan") and;

**WHEREAS**, The Client is maintaining and operating the Plan with the appropriate provision of Chapters 112, Florida Statutes, the Internal Revenue Code of 1986, as amended, the Code of the City of Sanibel, and other State statutes and municipal ordinances, as applicable; and

**WHEREAS**, The Client is authorized and empowered to engage a qualified administrative manager to assist in the discharging of duties and responsibilities of running the Plan; and

**WHEREAS**, the Administrator is engaged in the business of rendering administrative management services to employee benefit plans; and

**WHEREAS**, the Client is familiar with the experience and reputation of the Administrator in rendering these services; and

**NOW THEREFORE**, and in consideration of these premises, the mutual promises of the parties and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, it is hereby covenanted and agreed by and between the parties as follows :

**A. SERVICES OF ADMINISTRATOR**

Administrator shall be responsible for and in charge of all administrative services required of it by the Plan for the proper and complete administration of the fund. Without limiting the generality of the foregoing, the Administrator shall perform the following services:

1. Attend all meetings of the Plan and maintain the minutes of those meetings.
2. Implement all administrative related decisions of the Plan with regard to the fund office.
3. Maintain all fund documents as may be required by the Plan.
4. Maintain statistical data for the Plan, the Plan's auditor and actuary, including vesting, benefit accrual, compensation and eligibility history of participants when such are needed or required.
5. Assist in the preparation and filing of all necessary government reports.
6. Properly, adequately and effectively respond to inquiries by participants or their beneficiaries, by the Plan or the Plan's designated service providers or by the City of Sanibel, Florida.

7. Assist in the design and development of all communications between the Plan and the participants.
8. Attend any special meetings of the participants of the Plan, as determined by the Plan, for the purpose of assisting and explaining benefit coverage to participants and beneficiaries.
9. Develop, establish and control proper procedures for the recording of all contributions, benefit payments, and disbursements of the Plan.
10. Process all applications for benefits under the Plan, including applications for service-connected disability retirement, coordinating of medical appointments and transmission of medical reports to the City.
11. Develop and establish a process for the payments of monthly pension checks to the participants.
12. Perform such other administrative and related advisory functions and services as may from time to time be requested by the Plan.

**B. OBLIGATIONS OF ADMINISTRATOR**

It is mutually covenanted and agreed that all services rendered by the Administrator to or on behalf of the Plan shall be performed with reasonable dispatch and shall be performed in a manner, which is adequate and convenient to the Plan and the participants and beneficiaries of the Plan. The Administrator shall familiarize itself with the basic documents under which the Plan is established and render all services in accordance with said documents. The Administrator shall perform all obligations under this agreement in accordance with the provisions of and pursuant to Florida Statutes, Section 112.656(2).

**C. RECORDS**

1. The City will turn over to the Administrator true copies of all records, reports, information and other data pertaining to the Plan. The Administrator may rely upon the completeness and accuracy of the records, reports, and data delivered to it.
2. The Administrator shall be responsible for assisting in the maintenance of records of the Plan in the computer system of the Plan.
3. In the course of performing its administrative services hereunder, the Administrator shall notify the Plan of any information, records or reports, which are necessary to maintain the business of the Plan and shall assist the Plan in obtaining said information.
4. All records, reports, information and other data delivered to the administrative manager remains the property of the Plan and will be turned over to the Plan on demand.
5. It is understood that the Plan's records, or portions thereof, except for financial documents on Quickbooks, will be kept by the administrative manager in computerized form. In the event of termination, the administrative manager will turn over to the Plan all those records containing

computerized data in a computerized manner. The Plan's records will be kept by the administrative manager in computerized form on popular, commercially issued software.

**D. REPORTS**

The Administrator shall work with and assist the City and their professional advisors in the preparation of records and reports to be filed with the government departments or agencies or which are necessary to be disclosed and distributed to participants and beneficiaries.

**E. DISCLOSURE OF RECORDS**

All information, including records and other data, which may come into the possession of the Administrator shall be subject to disclosure and production to the extent required by the Public Records Act, Chapter 119, Florida Statutes, or upon compulsion of a subpoena issued by a court of competent jurisdiction, as approved by the Plan.

**F. EXCLUDED ITEMS**

It is understood and agreed by the parties that the Administrator shall not be responsible for the performance of auditing, legal or financial advisory services.

**G. FIDELITY BOND AND INSURANCE**

The Administrator agrees to maintain a fidelity bond in the amount of \$50,000.00 and an errors and omissions insurance policy during the term of this agreement in the amount of \$1,000,000.00. The Administrator shall provide copies of the proof of said bond and insurance to the Client.

**H. DAMAGES**

The Administrator agrees that it shall be liable to the Plan for any damages or losses, which the City or the Plan may incur as the result of negligence or intentional acts or omissions of the Administrator or breach of this agreement.

**I. GOVERNING LAW**

This agreement has since been executed in the State of Florida and shall be governed and construed in accordance with the laws of the State of Florida. Venue for any dispute shall be in Lee County, Florida. In the event that any action shall be necessary for the enforcement of this agreement, the prevailing party shall recover court costs, including reasonable attorney's fees.

**J. ENTIRE AGREEMENT**

This agreement constitutes the entire understanding and agreement by the parties hereto and shall not be modified, amended or revoked except by the express written consent of the parties.

**K. TERMINATION**

Either party may terminate this agreement upon written notice of such withdrawal or termination. The Administrator may be removed by the Client at any time and such removal shall be effected by delivery of

written notice of removal executed by the Client. The Administrator may resign from its duties hereunder by filing with the Client a written resignation. Such resignation shall take effect within sixty (60) days after such notice to the Client.

**L. SUCCESSORS AND INTERESTS**

Upon enactment of an ordinance creating a Board of Trustees of the City of Sanibel General Employees' Retirement Plan, this agreement will inure to the benefit of the Trustees of the City of Sanibel Employees' Retirement Plan.

**M. CONFIDENTIALITY**

All information and advice furnished by either party to the other, including their agents and employees, shall be treated as confidential and not disclosed to third parties except as agreed upon in writing or required by law. Consultant is herein given absolute authority by Client to disclose, provide copies of, and communicate information obtained from Client or developed by Consultant to Client's investment manager and Client's attorney.

**N. DURATION**

This agreement shall become retroactively effective on the 1<sup>st</sup> day of November, 2007 and shall continue through October 31<sup>st</sup>, 2008. Annual renewal of this contract may be made by the Client upon written notification to the Administrator.

**O. FEES TO ADMINISTRATOR**

Basic Fee – The Client agrees to pay the Administrator the sum of \$1,000.00 per month for all duties performed.

Expenses – All extraordinary expenses reasonably and necessarily incurred by the Administrator with prior written consent of the Client shall be reimbursed by the Plan.

**P. INDEMNIFICATION**

The Administrator shall indemnify and hold harmless the Client and its members, officers, agents and employees against any and all liability for damages resulting from or arising out of or in any way connected with the negligent performance or willful misconduct by the Administrator in the performance of this Agreement including losses incurred by them or any of them in consequence of any claims, demands and causes of action which may be brought against them or any of them. It is understood that this hold harmless and indemnity provision shall not apply to any claims, demands, costs, expenses (including costs of defense), liability, causes of action or judgments which occur by reason of the sole and exclusive negligence or willful misconduct of the Client.

**Q. MISCELLANEOUS**

1. This Agreement shall be applicable only to the services individually prepared for Client. It shall not relate to any advice given by any person or persons not specifically designated by Administrator in writing to perform such services. By execution of this agreement, the Administrator acknowledges that it is a fiduciary of the Plan within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA") and Section 112.656, Florida Statutes.
2. Neither party hereto may assign, convey, or otherwise transfer any of its rights, obligations, or interest herein without the prior express written consent of the other party.
3. This Agreement represents the complete agreement of the parties with regard to the subject matter and supersedes any prior understanding or agreement, oral or written.
4. This Agreement may be amended or revised only by an instrument in writing signed by Client and Administrator.
5. The validity of this agreement and any of its terms, provisions, rights and duties of the parties hereunder, shall be governed by the laws of the State of Florida.
6. This Agreement may be executed in several counterparts, each of which shall be deemed an original.
7. This Agreement shall become effective upon execution.
8. Any action under this agreement shall be brought in Lee County, Florida.

**R. PUBLIC ENTITY CRIMES BILL**

Section 287.133, Florida Statutes, provides that a person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not submit a bid on a contract with a public entity for the construction or repair of a public building or public work, may not submit bids on leases of real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, Florida Statutes, for CATEGORY TWO for a period of 36 months from the date of being placed on the convicted vendor list. The Consultant represents that neither it, nor any of its agents, have been placed on the convicted offenders list at any time.

**S. NOTICES**

Any notices hereunder to the respective parties shall be deemed delivered if given in writing, mailed Certified Mail Return Receipt Requested, with postage prepaid, addressed to the respective party at its current address as it appears below or at such other address as the parties may from time to time designate by written notice given with this paragraph.

IN WITNESS WHEREOF, the Client has signed duplicates hereof, and Administrator had caused its corporate name to be signed to said duplicates by its proper officers thereunder duly authorized on the day and in the year first above written.

**BENEFITS USA INC.**

By:   
Pete Prior, President

**CITY OF SANIBEL GENERAL EMPLOYEES'  
PENSION FUND**

By: 





LYNCH, JONES & RYAN, INC. 15720 JOHN J. DELANEY DRIVE CHARLOTTE NC 28277  
TEL +1 877 444 4305 DIR +1 704 944 3236/7 FAX +1 704 944 3201

January 26, 2005

Mr. Richard Cohan  
Chairman  
City of Sanibel General Employees Retirement Plan  
800 Dunlop Rd.  
Sanibel, FL 33957

Dear Mr. Cohan:

This letter will constitute our proposal with respect to the brokerage transactions on behalf of the City of Sanibel General Employees Retirement Plan (herein referred to as the "Fund") to be directed to Lynch, Jones & Ryan, an Instinet Company (herein referred to as "LJR"), and its correspondent brokers. You understand that in making this agreement there are no required volumes, no fees (other than the normal transaction charges associated with executing your orders) and no time requirements.

The Fund agrees to direct its investment managers to effect certain equity transactions through LJR consistent with best execution. All commission charges per share will continue to be based on your managers' normal negotiated rate schedules. Pursuant to this agreement, we will refund to the Fund a percentage of the commission paid directly to LJR, as per the attached Schedule.

Further, should your investment managers execute fixed income transactions through LJR pursuant to this agreement, we agree to refund to the Fund a percentage of the available credits generated from these fixed income transactions, as per the attached Schedule. If your managers designate LJR for credit on new issue syndicates, we agree to provide research to the Fund in an amount equal to the available credits generated, as per the attached Schedule.

Additionally, should your investment managers execute international equity or international fixed income transactions through Instinet or the LJR global correspondent broker network, we agree to refund to the Fund a percentage of the gross credits excluding local charges, taxes, etc., generated from these transactions, as per the attached Schedule.

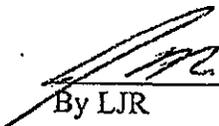
Any refunds will be made quarterly by check or bank wire directly to the Fund. Alternatively, we will pay bills for bona fide expenses of the fund upon your instruction. Credits generated by new issue designations can only be used to provide research services to the Fund, such as performance measurement and asset allocation services.

**Lynch, Jones & Ryan, Inc.**  
**Commission Recapture Schedule**  
**for the**  
**City of Sanibel General Employees Retirement Plan**

<b>TYPE</b>	<b>RECAPTURE RATE</b>
DOMESTIC EQUITY RECAPTURE	ALL ABOVE 2 CENTS PER SHARE (\$0.02)
DOMESTIC FIXED INCOME RECAPTURE	60% REBATE
INTERNATIONAL EQUITY RECAPTURE	41 % OF GROSS* COMMISSION

\*This rate is based upon the gross commission paid, less local charges and taxes. This rate is equivalent to approximately 60% of the net commission retained by LJR.

Initial:

  
By LJR

\_\_\_\_\_  
By Client

## **CONSULTING SERVICES AGREEMENT**

**Between**  
expenses incurred by the Consultant in performance of its services, and accordingly, the Trustees shall not be obligated to pay expense reimbursements to the Consultant. Such annual fee shall be as indicated below.

### Fee Structure

An annual fee of Twelve Thousand Dollars (\$12,000.00) for services performed on behalf of the Fund, plus reasonable travel expense reimbursement.

The Consultant shall notify the Trustees ninety (90) days in advance of any proposed changes in fee structure.

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**CONSULTING SERVICES AGREEMENT**

**BETWEEN**

**SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

**AND**

**BURGESS CHAMBERS & ASSOCIATES, INC.**

This Agreement, made as of the 30<sup>th</sup> day of November, 2004 between the Board of Trustees for the Sanibel Municipal Police Officers' Retirement Trust Fund (hereinafter the "Trustees") and Burgess Chambers & Associates, Inc. (hereinafter "Consultant").

**WITNESSETH:**

WHEREAS, the Trustees are duly designated and appointed as the Trustees of the Sanibel Municipal Police Officers' Retirement Trust Fund; and

WHEREAS, the Trustees wish to obtain consulting and monitoring services with respect to those assets of the Sanibel Municipal Police Officers' Retirement Trust Fund which the Trustees have committed, or may hereafter commit to the management of Investment Managers; and

WHEREAS, the Trustees are authorized to engage such services pursuant to Article V, Section 5.2 of the Sanibel Code of Ordinances.

NOW, THEREFORE, in consideration of the agreements, covenants and conditions set forth below, the Trustees and Consultant agree as follows:

1. Consulting Services: The Trustees hereby appoint the Consultant, and the Consultant agrees to provide a full range of investment consulting services as the Consultant to the Trustees, with respect to the funds of the Sanibel Municipal Police Officers' Retirement Trust Fund. Such full range of service shall include, but is not limited to the following:

- a. Development and implementation of any appropriate Investment Guidelines, and investment benchmarks including, but not limited to recommendations as to allocations and investment diversification, which would best fulfill the Trustees' fiduciary obligations with respect to investing the assets of the Fund and assuring that such policies and guidelines remain viable; and

- b. Investment performance measurement of investment managers, including quarterly written evaluation reports, including the performance results of the various investment managers, with evaluations of the relative performance of the investment managers against recognized benchmarks, with reference to the investment risk exposures undertaken by each manager for each fund, stating in clear concise terms the investment managers actual performance for the quarter and "trend" performance covering prior periods, stating in writing the Consultant's recommendations for improvements or changes in investment mix, investment process, investment procedures, and investment managers, engaged by the Trustees; and
- c. Attend at least four meetings of the Board of Trustees and/or of any appropriate subcommittees of the Board of Trustees in Sanibel, Florida, for presentations concerning the aforementioned performance measurement reports; and
- d. Assist the Trustees in developing proxy voting guidelines in compliance with U.S. Labor Department requirements and the fiduciary obligations of the Trustees; and
- e. Assist the Trustees in the search and selection of investment managers to include advise and recommendations regarding review, search and selection of investment managers to include appropriate due diligence searches in connection therewith; and
- f. Evaluation of Fund overall performance.

2. Compensation: In consideration of the Consulting Services to be performed as agreed above, the Trustees agree to pay the Consultant such fees as are provided in Exhibit A of this agreement.

3. Delivery of Form ADV, Part II: The Consultant is a registered investment-consulting firm registered with the SEC under the Investment Advisers Act of 1940. Pursuant to such Act, the Consultant has delivered with this agreement a true and complete copy of Part II of its form ADV to the Trustees. The Trustees acknowledge: (1) receipt of a copy of Part II of the Consultant's Form ADV; (2) that delivery of Part II of Form ADV does not imply that the U. S. Securities and Exchange Commission has made any recommendation of the Consultant; (3) the Trustees has the right to terminate this Agreement, without penalty, within five (5) days of the date of this Agreement. The Consultant acknowledges that as determined by the SEC, as an investment consultant to the Trustees, it maintains a fiduciary responsibility to the Fund

to the extent that the Trustees may rely upon its recommendations as those recommendations affect the purchase or sale of securities.

4. Liability of Consultant: The Consultant acknowledges that it is a fiduciary with respect to the present appointment, and shall be held to fiduciary duties set forth in Section 112, Part VII, Florida Statutes and Section 404 of the Employee Retirement Income Security Act of 1974 as though the Sanibel Municipal Police Officers Retirement Trust Fund were a covered Plan under the Act and shall perform under this agreement in accordance with the fiduciary duties set forth therein.

5. Insurance and Authorization: The Consultant agrees that during the term of this agreement to maintain fiduciary liability insurance in the sum of at least one million dollars (\$1,000,000) and general liability insurance in the sum of at least two million dollars (\$2,000,000). Additionally, the consultant agrees to annually provide the Trustees with evidence thereof. The Consultant also warrants that it is authorized to do business in the State of Florida.

6. Notice of changes: The Consultant shall immediately inform the Trustees of any changes in ownership or key personnel of the Consultant or changes in the Consultant's employees assigned to service the Trustees. The Consultant shall also immediately notify the client of the commencement and progress of any SEC action, administrative action, or litigation against the Consultant.

Whenever either party desires or is required under this Agreement to give notice to any other party, it must be given by written notice, sent by registered United States mail, with return receipt requested, addressed to the party for whom it is intended at the following addresses.

**Trustees:** Board of Trustees  
Sanibel Municipal Police Officers' Retirement Trust Fund  
c/o Barbara Weiss, Recording Secretary  
800 Dunlop Road  
Sanibel, Florida 33957

**Consultant:** Burgess Chambers & Associates, Inc.  
Attn: Burgess B. Chambers, President  
601 North New York Avenue, Suite 200  
Winter Park, Florida 32789

7. Registration: The Consultant warrants that it is registered, as an investment advisor with the Florida Department of Banking and Finance pursuant to

Chapter 517 of the Florida Statutes and that it will maintain said registration for as long as this agreement continues in effect.

8. Jurisdiction: This Agreement has been executed in the City of Sanibel, Lee County, Florida, and shall be governed and construed in accordance with Florida law. Venue for any litigation concerning this Agreement shall be Lee County, Florida.

9. Effective Date, Termination and Assignment: This Agreement shall be effective on the date indicated above and shall continue in effect until terminated by either party by giving to the other party notice in writing at least thirty (30) days prior to the effective date of termination and shall be renewable on its anniversary date. This agreement shall not be assignable by either party without the consent of the other party. After the effective date of termination, the parties' respective obligations hereunder shall cease, provided, however, that a termination shall not affect the parties' rights and obligations arising prior to the date of termination. Final billing by the Consultant shall be prorated to the effective date of termination.

10. Indemnification: The consultant shall indemnify and hold harmless the Trustees, its elected and appointed officials, employees, and agents from any and all claims, suits, actions, damages, liability, and expenses (including attorneys' fees) in connection with loss of life, bodily or personal injury, or property damage, including loss of use thereof, directly caused by, resulting from, arising out of or occurring in connection with the operations of the Consultant or its officers, employees, agents, subcontractors, or independent contractors, excepting only such damage which is attributable, in whole or in part to the negligence, gross negligence, recklessness or willful act or omission of the Trustees or its elected or appointed officials and employees. The above provisions shall survive the termination of this Agreement and shall pertain to any occurrence during the term of this Agreement, even though the claim may be made after the termination hereof.

11. Attorney's Fees: Should the Trustees engage an attorney, accountant or other advisor to enforce the terms of this Agreement, whether by administrative action, legal action, litigation, or otherwise, and should the Trustees prevail or obtain any relief or remedy as a result of such action, then the Consultant shall pay to the Trustees its reasonable attorney's fees, accountants' fees, advisors' fees, and costs.

12. Severability; Waiver of Provisions: Any provision in this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or enforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction. The non-enforcement of any provision by either party shall

not constitute a waiver of that provision nor shall it affect the enforceability of that provision or of the remainder of this Agreement.

**Sanibel Municipal Police Officers'  
Retirement Trust Fund**

By: William E. Tomlinson  
Chairperson

By: Thomas B. Louven  
Secretary

**Burgess Chambers & Associates, Inc.**

By: [Signature]  
Print Name: BURGESS B. Chambers  
Title: President

**CITY OF SANIBEL POLICE OFFICERS' RETIREMENT TRUST FUND**

**CONSULTING SERVICES AGREEMENT**

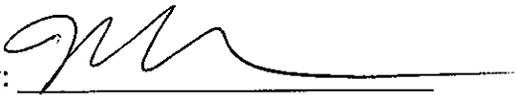
**Addendum**

This document serves as an addendum to the Consulting Services Agreement, dated November 30, 2004 between Burgess Chambers and Associates, Inc. ("Consultant"), and The Board of Trustees of the City of Sanibel Police Officers' Retirement Trust Fund ("Client").

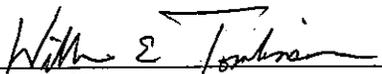
Client agrees to pay Consultant a base fee of \$16,000, payable in quarterly installments in arrears, effective October 1, 2007. This fee shall be guaranteed for two (2) years.

IN WITNESS WHEREOF, the Client and Consultant agree to this addendum on the date written below.

**BURGESS CHAMBERS AND  
ASSOCIATES, INC.**

By:   
As President

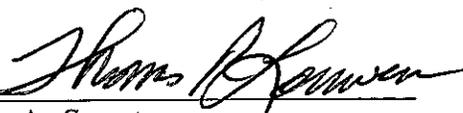
**THE BOARD OF TRUSTEES OF THE  
CITY OF SANIBEL POLICE OFFICERS'  
RETIREMENT TRUST FUND**

By:   
As Chairman

ATTEST:

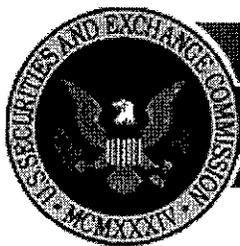
By:   
As Secretary

ATTEST:

By:   
As Secretary

**4. Distribution of source materials**

- b. Security Exchange Commission: Selecting and monitoring pension consultants**

[Home](#) | [Previous Page](#)

## U.S. Securities and Exchange Commission

### Selecting and Monitoring Pension Consultants: Tips for Plan Fiduciaries

The Employee Retirement Income Security Act (ERISA) requires that fiduciaries of employee benefit plans administer and manage their plans prudently and in the interest of the plan's participants and beneficiaries. In carrying out these responsibilities, plan fiduciaries often rely heavily on pension consultants and other professionals for help. Findings included in a report by the staff of the U.S. Securities and Exchange Commission released in May 2005, however, raise serious questions concerning whether some pension consultants are fully disclosing potential conflicts of interest that may affect the objectivity of the advice they are providing to their pension plan clients.

Under the Investment Advisers Act of 1940 (Advisers Act), an investment adviser providing consulting services has a fiduciary duty to provide disinterested advice and disclose any material conflicts of interest to their clients. In this context, SEC staff examined the practices of advisers that provide pension consulting services to plan sponsors and trustees. These consulting services included assisting in determining the plan's investment objectives and restrictions, allocating plan assets, selecting money managers, choosing mutual fund options, tracking investment performance, and selecting other service providers. Many of the consultants also offered, directly or through an affiliate or subsidiary, products and services to money managers. Additionally, many of the consultants also offered, directly or through an affiliate or subsidiary, brokerage and money management services, often marketed to plans as a package of "bundled" services. The SEC examination staff concluded in its report that the business alliances among pension consultants and money managers can give rise to serious potential conflicts of interest under the Advisers Act that need to be monitored and disclosed to plan fiduciaries.

To encourage the disclosure and review of more and better information about potential conflicts of interest, the Department of Labor and the SEC have developed the following set of questions to assist plan fiduciaries in evaluating the objectivity of the recommendations provided, or to be provided, by a pension consultant.

1. Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided me with all the disclosures required under those laws (including Part II of Form ADV)?

You can check yourself — and view Part I of the firm's Form ADV — by searching the SEC's Investment Adviser Public Disclosure website. Your investment adviser must furnish you with a copy of Part II of Form ADV. At present, the IAPD database contains Forms ADV only for investment adviser firms that register electronically

using the Investment Adviser Registration Depository. In the future, the database will expand to encompass all registered investment advisers—individuals as well as firms—in every state. If you can't locate an investment adviser in IAPD, be sure to contact your state securities regulator or the SEC's Public Reference Branch.

2. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, describe those relationships?

When pension consultants have alliances or financial or other relationships with money managers or other service providers, the potential for material conflicts of interest increases, depending on the extent of the relationships. Knowing what relationships, if any, your pension consultant has with money managers may help you assess the objectivity of the advice the consultant provides.

3. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?

Payments from money managers to pension consultants could create material conflicts of interests. You may wish to assess the extent of potential conflicts.

4. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?

Probing how the consultant addresses these potential conflicts may help you determine whether the consultant is right for your plan.

5. If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not over-pay its consulting fees?

You may wish to avoid any payment arrangements that could cause the plan to pay more than it should in pension consultant fees.

6. If you allow plans to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?

Where and how brokerage orders are executed can impact the overall costs of the transaction, including the price the plan pays for

the securities it purchases.

7. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?

As noted above, you may wish to explore the consultant's relationships with other service providers to weigh the extent of any potential conflicts of interest.

8. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?

All investment advisers (whether registered with the SEC or not) owe their advisory clients a fiduciary duty. Among other things, this means that advisers must disclose to their clients information about material conflicts of interest.

9. Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?

If the consultant is a fiduciary under ERISA and receives fees from third parties as a result of their recommendations, a prohibited transaction under ERISA occurs unless the fees are used for the benefit of the plan (e.g., offset against the consulting fees charged the plan) or there is a relevant statutory or class exemption permitting the receipt of such fees.

10. What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?

The answer may help in evaluating the objectivity of the recommendations or the fiduciary status of the consultant under ERISA.

For more information on the SEC staff's findings, please read [Staff Report Concerning Examinations of Select Pension Consultants](#). Plan trustees, pension consultants, and other service providers can learn about their fiduciary responsibilities under the Employee Retirement Income Security Act (ERISA) by visiting the website of the [Department of Labor](#). Pension consultants who have questions concerning their obligations under the Investment Advisers Act of 1940 should either consult with an attorney who specializes in the federal securities laws or contact the staff of the SEC's [Division of Investment Management](#).

<http://www.sec.gov/investor/pubs/sponsortips.htm>

We have provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

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[Home](#) | [Previous Page](#)

Modified: 06/01/2005

**4. Distribution of source materials**

**c. Example of Consultant Questionnaire**

**EXAMPLE FOR DISCUSSION PURPOSES ONLY**  
**(Document has not been reviewed by staff)**

**CONSULTANT QUESTIONNAIRE**

1. Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided me with all the disclosures required under those laws (including Part II of Form ADV)?
  
2. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, describe those relationships?
  
3. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?
  
4. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?
  
5. If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not over-pay its consulting fees?

6. If you allow plans to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?
  
7. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?
  
8. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?
  
9. Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?
  
10. What percentage of your plan clients utilizes money managers, investment funds, brokerage services or other service providers from whom you receive fees?

11. For the last completed calendar year, please list all services provided by your firm, the nature thereof, and the dollar revenue or percentages of total income that each service represents. In your response please include the percentage of revenues both the firm and the ultimate parent company (if applicable) received from the following sources (total should add to 100%):

Investment consulting services	100%
a. Revenues from investment management organizations	____%
b. Revenues from brokerage activity	____%
c. Revenue from tax exempt institutional investors	____%
d. Revenue from high net worth individuals	____%
e. Revenue from other sources (please specify).	____%

12. Does the firm, its affiliates, or the ultimate parent of the firm act as a securities broker-dealer or introducing broker for clients?

If yes, please provide the following information about the firm's brokerage activity operating policies:

- a. Does the firm, its affiliates, or the ultimate parent of the firm accept soft dollars as a method of payment for services provided? Once a client's consulting fees are paid in full for a given year, how are the additional commissions allocated?
- b. What percentage of commissions is credited to the client or is offset against consulting fees? What percentage does the firm retain?
- c. Does the brokerage operating accept "free trades"? (i.e., trades unconnected to a commission recapture or directed commission program.)

13. Does the firm, its affiliates, or the ultimate parent of the firm receive revenue, non-cash in-kind benefits, or similar perquisites from investment managers for consulting services or business functions provided, including, for example software sold, attendance at conferences, access to manager databases, or for any other reason?

(Please specify type, source, and amount of revenue or such non-cash in-kind benefits, or perquisites.)

14. If the firm accepts revenues from investment managers or acts as a securities broker or introducing broker, please provide the following information about the firm's operating policies.
- a. Is there physical separation between the consulting area and the area(s) with manager revenue/broker activities? Please describe.
  - b. Is there personnel overlap between the consulting area and the area(s) with manager revenue/broker activities?
  - c. What parties have oversight authority for both the consulting area and the area(s) with manager revenue/brokerage activities?
  - d. What firewalls are in place to prevent the personnel and systems of the consulting area and area(s) with manager revenue/brokerage activities from sharing information?
15. Does your firm or any affiliates provide investment related products or services to both pension plan advisory clients and money managers? If so, please describe the services provided for money managers.

16. Is your firm associated with an affiliated broker-dealer? If commission recapture/soft dollar arrangements are offered, please describe how the program provides assurances of best execution?
  
17. Please describe your policies and procedures that ensure that the firm's advisory activities are insulated from any other business activities.
  
18. Please describe your policies and procedures that ensure that all disclosures required to fulfill fiduciary obligations are provided to advisory clients.
  
19. Please describe your policies and procedures to prevent/disclose conflicts of interest with respect to the use of brokerage commissions, gifts, gratuities, entertainment, contributions, donations and other emoluments provided to clients or received from money managers.
  
20. Please describe any affiliations or business relationships with other pension consultants, consulting firms, investment management investigation companies or class action law firms.
  
21. Please provide the names of all institutional clients lost in the past two years (specify the year for each). Please also provide reasons for each loss.

Year 1:

Year 2:

#### ADDITIONAL INFORMATION

Please provide copies of the following additional information:

- Current firm policies and operating procedures related to conflicts of interest.
- Most recently filed SEC Form ADV, Parts I and II.
- Current firm policies and procedures related to the reporting of compliance issues to the Board.
- Any documents referred to in your answers set forth above

**5. Status of investment consultant/monitor**

## **6. Status of investment policy/program**

**7. Further evaluation of assumptions**

- a. Turnover**
- b. Investment returns**
- c. Other**

## **8. Other**

**9. Discussion of dates for follow-up meetings**

# OCTOBER 2009

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 MC 8-12 -No	2 MC 9-12:30 No EF - No SG - No	3
4	5 SG - No	6  City Council SG - No	7 SG - No	8 MC 8-12 -No	9 MC 9-12:30 No EF - No SG - No	10
11	12 SE - No	13  Planning Commission  SE - No	14 EF - No SE - No	15 MC 8-12 -No MA - No EF - No SE - No	16 MC 9-12:30 No EF - No SG - No RH - No SE - No	17
18	19 RH - No MA - No	20  City Council RH - No MA - No	21 RH - No MA - No	22 MC 8-12 -No RH - No MA - No	23 MC 9-12:30 No EF - No SG - No RH - No MA - No	24
25	26 RH - No MA - No	27  Planning Commission RH - No MA - No	28 RH - No MA - No	29 MC 8-12 -No RH - No MA - No	30 MC 9-12:30 No EF - No SG - No RH - No MA - No	31

## NOVEMBER, 2009

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 RH - No RP - No	3 CC Mtg.  RH - No	4 RH - No	5 RH - No RP - No	6 DC - No SG - No EF - No RH - No RP - No	7
8	9 RH - No RP - No SG - No	10 PC Mtg. RH - No SG - No	11 City Hall Closed Holiday	12 1100 Gen Empl Pension Mtg. MacKenzie	13 DC - No SG - No EF - No RH - No RP - No	14
15	16 RH - No RP - No	17 CC Mtg. RH - No	18 RH - No	19 RH - No RP - No	20 DC - No SG - No EF - No RH - No RP - No	21
22	23 RH - No RP - No SG - No	24 PC Mtg. RH - No RP - No SG - No	25 RH - No RP - No SG - No	26 City Hall Closed Holiday	27 City Hall Closed Holiday	28
29	30 RH - No RP - No					

## DECEMBER, 2009

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		<b>1</b> <b>CC Mtg.</b> <b>RH - No</b> <b>EF - NO</b>	<b>2</b> <b>RH - No</b> <b>MC -No</b> <b>EF - No</b>	<b>3</b> <b>RH - No</b> <b>RP - No</b> <b>EF - No</b>	<b>4</b> <b>RH - No</b> <b>RP - No</b> <b>EF - No</b> <b>SG - No</b> <b>EF - No</b>	<b>5</b>
<b>6</b>	<b>7</b> <b>RH - No</b>  <b>RP - No</b>	<b>8</b> <b>PC Mtg.</b>  <b>RH - No</b>	<b>9</b> <b>RH - No</b>	<b>10</b> <b>RH - No</b> <b>RP - No</b>	<b>11</b> <b>RH - No</b> <b>RP - No</b> <b>EF - No</b> <b>SG - No</b>	<b>12</b>
<b>13</b>	<b>14</b> <b>RP - No</b>	<b>15</b>  <b>CC Mtg.</b>	<b>16</b>	<b>17</b> <b>RP - No</b>	<b>18</b> <b>RP - No</b> <b>EF - No</b> <b>SG - No</b>	<b>19</b>
<b>20</b>	<b>21</b> <b>RP - No</b> <b>EF - No</b>	<b>22</b> <b>PC Mtg.</b>	<b>23</b> <b>RP - No</b>	<b>24</b> <b>City Hall</b> <b>Closed</b> <b>Holiday</b>	<b>25</b> <b>City Hall</b> <b>Closed</b> <b>Holiday</b>	<b>26</b>
<b>27</b>	<b>28</b> <b>RP - No</b>	<b>29</b>	<b>30</b>	<b>31</b> <b>RP - No</b> <b>City Hall</b> <b>Closed</b>		