

## **\*SUPPLEMENTAL PACKET\***

### 11. Old Business

- d. Presentation by Burgess Chambers and Associates, Inc., on Investment Policy



## MEMORANDUM

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TO: City Council

THROUGH: City Manager Judie Zimomra

FROM: Finance Director Sylvia Edwards 

DATE: March 12, 2010

RE: Fixed-Income Investment Manager Search

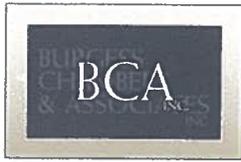
Burgess Chambers & Associates, Inc., the City's Investment Advisor, has completed the search for a fixed-income manager. The following four firms submitted proposals:

Atlanta Capital Management, Atlanta, GA  
Integrity Fixed Income Management, Orlando, FL  
Richmond Capital Management, Richmond, VA  
Sawgrass Asset Management, Jacksonville, FL

The fixed-income investment manager will be responsible for allocating and investing the City's reserve, surplus and restricted cash assets in accordance with the City's Investment Policy Statement.

Attached please find the proposals and Burgess Chambers & Associates, Inc.'s recommendation.

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March 12, 2010

Sylvia Edwards  
Finance Director  
City of Sanibel  
800 Dunlop Road  
Sanibel, Florida 33957

Re: City of Sanibel

Sylvia:

Following the first reading adoption of the City of Sanibel Statement of Investment Policy, BCA has completed the search for a fixed-income manager. Given the constraints being placed upon the manager, it was determined that commingled products would not be suitable. BCA searched for boutique firms that could build and manage several programs falling under Section VII of the Investment Policy.

BCA contacted several firms and the following submitted proposals:

Atlanta Capital Management, Atlanta, GA  
Integrity Fixed Income Management, Orlando, FL  
Richmond Capital Management, Richmond, VA  
Sawgrass Asset Management, Jacksonville, FL

BCA monitors each of these firms for clients at this time. They are boutiques by way of offering custom design cash and fixed-income management solutions at low cost. BCA focused on the following areas in making the recommendation:

- Management experience and track record of the lead portfolio manager.
- Client Service
- Culture
- Size
- Accessibility
- Fees

Each firm has excellent track records, personnel and client service. The cultures of each firm reward creativity and performance. The size and ownership structure promote responsiveness to client needs, while the team approaches provide a high level of access. Management fees were competitive. After careful review of each proposal, BCA recommends the retaining of Integrity. The founder, Earl Denny had a long career in Orlando running the fixed-income department at SunTrust before forming Integrity in January, 2005. BCA has followed his performance for over 20 years. Integrity had the highest overall

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Institutional Investment Advisor

601 North New York Avenue, Suite 200 Winter Park, FL 32789 (407) 644-0111 (407) 644-0694 fax, (800) 229-0694



rating based on the above factors. The annual fee of 0.175% (17.5 basis points) was the most competitive since it included an independent third party for custody of the assets as required in Section IX (3) of the Investment Policy.

The table below shows the projected yields from this proposal. Based on the assumption that the current yield on these assets is approximately 20 basis points, the additional yield generated by the active management of the portfolio would generate approximately \$316,000 in additional annual income to the City (net of investment management fees).

Account	Market Value (Approx \$)	Current Yield (%)	Current Annual Income (\$)	Projected Yield (%)	Projected Annual Income (\$)	Increase in Annual Income (\$)
<b>Reserves</b>	8,000,000	0.2	16,000	0.5	40,000	24,000
<b>Surplus</b>	9,000,000	0.2	18,000	1.9	172,800	154,800
<b>Restricted</b>	3,000,000	0.2	6,000	4.8	143,400	137,400
<b>Total</b>	20,000,000	0.2	40,000	1.8	356,000	316,000

Please let us know how you would like to proceed. If this proposal is accepted, the next step would be to execute a contract with Integrity. As always, please call us if you have any questions.

*Sincerely,*

*Burgess B. Chambers  
President*

*CC: Larry M. Cole*



**VIA EMAIL**

March 11, 2010

Chief Consultant  
Burgess Chambers & Associates  
601 North New York Avenue  
Suite 200  
Winter Park, FL 32789

**Re: City of Sanibel Treasury Portfolio**

Dear Burgess:

Thank you for contacting Atlanta Capital regarding the City of Sanibel Treasury mandate. As you pointed out on our call Tuesday, we are particularly well experienced in working with municipalities in Florida, and our high quality emphasis lends itself to the conservative capital appreciation approach that the City of Sanibel desires. We very much want to work with you and the City of Sanibel.

In an effort to deliver the best and lowest cost solution, we are proposing a couple of alternatives for you and the City to consider. In each case, we believe the solutions set forth below will ensure the City has ample liquidity and will allow for efficient asset allocation changes across each of the City's sub accounts.

### **Solution 1**

Solution 1 involves using a custom managed portfolio for the Restricted Account, and utilizes two Florida Municipal Investment Trust high quality bond funds administered by the Florida League of Cities for the Reserves Account and Surplus Account. We believe there are several advantages to using Florida Municipal Investment Trust (FMIVT) funds in this mandate. First, the portfolios are invested in high quality securities consistent with a conservative approach to capital appreciation. Second, two of the FMIVT funds closely match the investment guidelines of the Reserves Account and Surplus Account (i.e., maturity and credit profile). Third, assets can be easily moved among the FMIVT funds with monthly or twice monthly liquidity. Fourth, the FMIVT funds, rated 'AAA' by S&P or Fitch, are authorized investments under the City of Sanibel's investment guidelines. And finally, the FMIVT funds offer access to Atlanta Capital's actively managed strategies at a lower cost than is available on a separately managed account basis. Given today's low level

of yields, we think the cost aspect makes these funds particularly attractive alternatives to separately managed portfolios.

The Restrictive Portfolio will be managed in accordance with the City of Sanibel's guidelines and in such a way as to match security maturities with known debt payments. The portfolio will utilize a wide array of security types including U.S. Treasuries, U.S. Government Agencies, 'A' or better rated corporate bonds and 'AAA' rated asset-backed securities.

Applying the allocation set forth in your email dated March 8 into the investments described above would produce the following overall portfolio characteristics:

<b>Portfolio</b>	<b>Fee</b>	<b>Allocation</b>	<b>Maturity</b>	<b>Duration</b>	<b>Vehicle</b>
Reserves Account	23 bps	\$9 million	1.0 years	0.8 years	FMIvT HQ 0-2 Year Fund
Surplus Account	23 bps	\$8 million	2.0 years	1.6 years	FMIvT HQ 1-3 Year Fund
Restrictive Account	<u>35 bps</u>	<u>\$3 million</u>	<u>10.0 years</u>	<u>9.6 years</u>	Custom Portfolio
<b>Weighted Average</b>	<b>24 bps</b>	<b>\$20 million</b>	<b>2.8 years</b>	<b>2.4 years</b>	

At inception, the combined portfolio would have a weighted average maturity of 2.8 years and a weighted average duration of 2.4 years. The component funds are managed to be at the shorter (more conservative) end of each City sub-account's stated maturity profile and each has a lower allocation to corporate bonds than is allowable in the City of Sanibel guidelines. Yield is enhanced in the funds with 'AAA' rated asset-backed securities. We believe that this will be an advantage to the City over the next 12 to 18 months as Treasury yields are near an all time low and corporate credit spreads are very narrow. As market conditions change, individual securities (such as corporate bonds) could be purchased to augment the City's core fund holdings. The result would be a strategy able to accommodate the full array of the City of Sanibel's allowable investments while minimizing the cost of management to the City.

## **Solution 2**

Solution 2 would be a fully customized approach. The Restrictive Account would be managed as presented above, while the Reserve Account and Surplus Account would be managed in accordance with our High Quality Short Duration strategies on separate account basis. The advantage to using a fully customized approach is somewhat negated in Solution 1 by allowing for the addition of individual holdings to augment the FMIvT funds. A key advantage, however, to managing the portfolios on a separate account basis is the ability to actively manage realized gains/losses within guidelines specified by the City of Sanibel.

The disadvantage would be a 12 basis point higher management fee on non-FMIvT fund assets when compared Atlanta Capital's standard fee schedule.

Burgess Chambers  
March 11, 2010  
Page 3

Attached is information on our High Quality Short Duration investment strategies including 0-2 year, 1-3 year and 1-5 year strategies (any separately managed portfolio could be customized further). As you know, when financial markets were near melt down in 2008, our strategies provided strong returns *and* liquidity to our clients.

Mary McTague and I would service this relationship if selected and our bios are included in the material attached. We hope we can serve you and City of Sanibel in the future.

Please call on us at your convenience to discuss this matter further or if we can provide any additional information.

Sincerely,



James A. Womack, CFA  
Managing Director

Attachment

cc: Larry Cole



A T L A N T A

C A P I T A L

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# High Quality Short Duration Fixed Income Overview

**December 2009**

*FOR USE IN ONE-ON-ONE PRESENTATIONS ONLY*

# Organizational Overview

As of December 31, 2009

## Atlanta Capital Management Co., LLC

\$7.7 Billion in Assets Under Management

### Focused

- Investment counseling is our sole business.
- Specialists in high quality stocks & bonds.

### Seasoned

- 40-year history that has endured multiple market environments.
- 19 investment professionals averaging 17 years industry experience.

### Disciplined

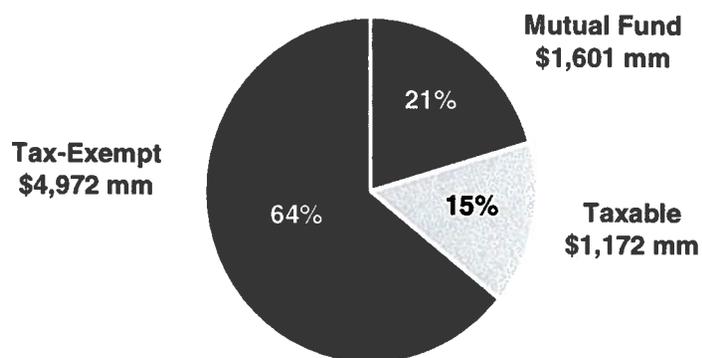
- Philosophy based on delivering excess returns at low levels of risk.
- Value added generated from bottom-up, fundamental research.

**Founded in 1969, Atlanta Capital is majority owned by Eaton Vance Corporation and employs 47 professionals (18 are equity partners).**

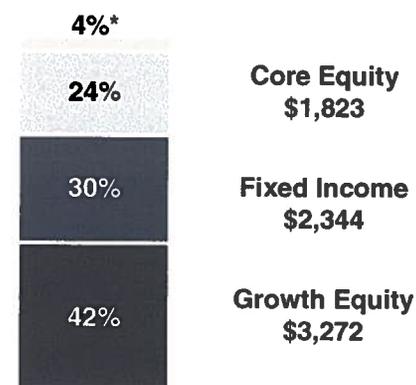
# Key Facts & Figures

As of December 31, 2009

**Total Asset Structure**  
(\$7.7 Billion)



**Assets by Investment Style**  
(176 Clients)



\*Custom Mandates (\$306)

U.S. Equity	Assets
High Quality Growth Plus	\$1,973
High Quality Socially Responsible	\$1,236
High Quality Focused Growth	\$63
High Quality Small Cap	\$1,109
High Quality SMID Cap	\$713
High Quality Opportunistic	\$1

U.S. Fixed Income	Assets
High Quality Short Duration	\$1,388
High Quality Intermediate	\$610
High Quality Broad Market	\$347

U.S. Miscellaneous	Assets
High Quality Custom Mandates	\$306

**\$7.7 bn Within a Single High Quality Investment Philosophy.**

# A Representative Fixed Income Client List

## Public Funds

City of Atlanta  
City of Belle Glade  
City of Coral Springs  
City of East Point  
City of Hialeah  
City of Newport News  
City of Panama City  
City of Sanford  
City of Tamarac  
City of Venice  
Florida League of Cities  
State of Georgia  
State of Nevada

## Non-Profit

American Red Cross  
Neighborhood Health Plan  
WakeMed Health & Hospital System

## Corporate

The PGA of America  
Tidewater, Inc.  
Suniva, Inc

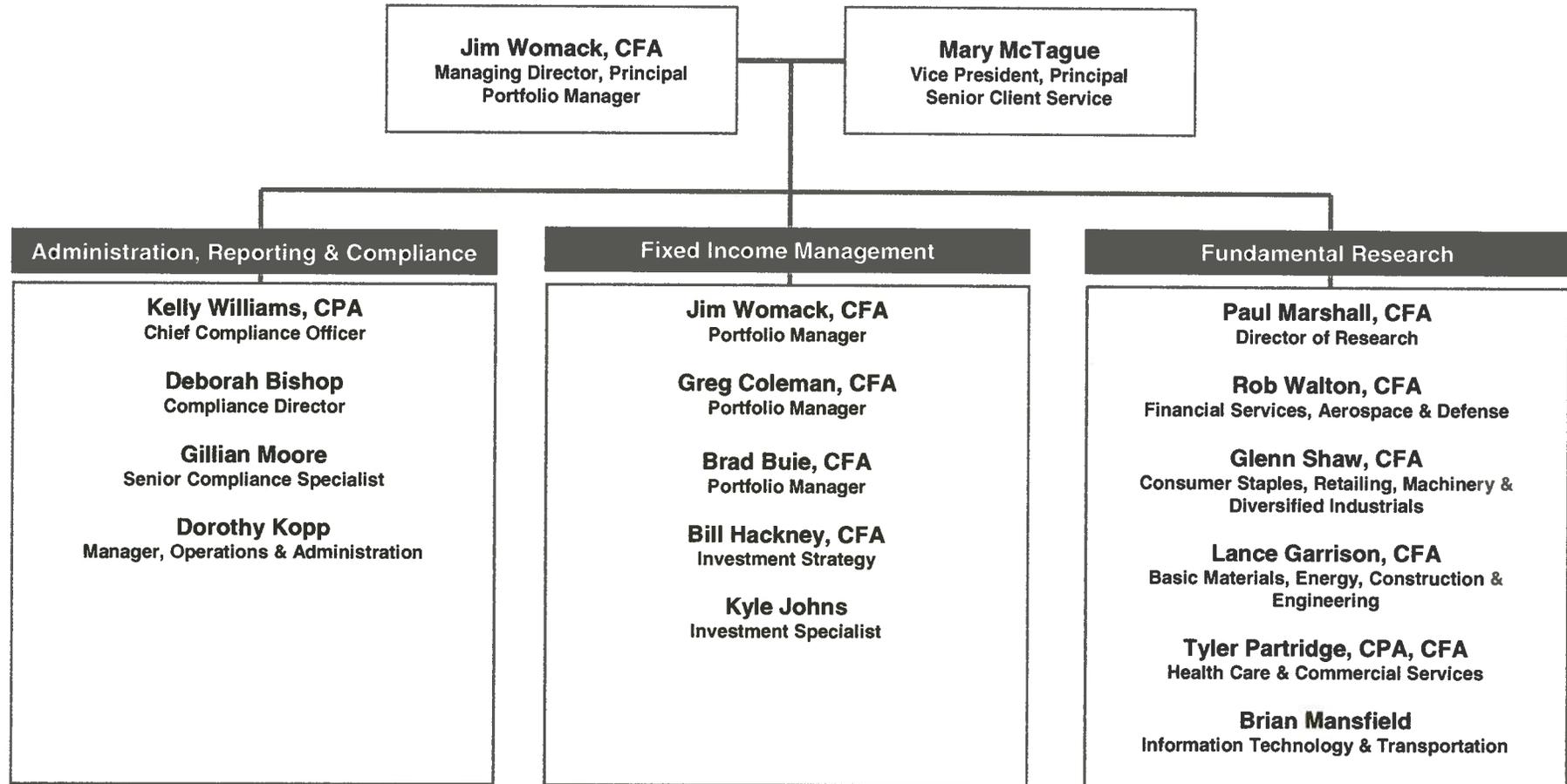
## Taft-Hartley

Warehouse Local 730  
Southeastern Carpenters & Millwrights  
Southern States Teamsters

This list includes the names of recognizable clients and does not imply an endorsement of the product by any particular client. Performance is not a criterion for inclusion.

# The Atlanta Capital Team

Clients Communicate Directly With The Portfolio Management Team



As of December 31, 2009

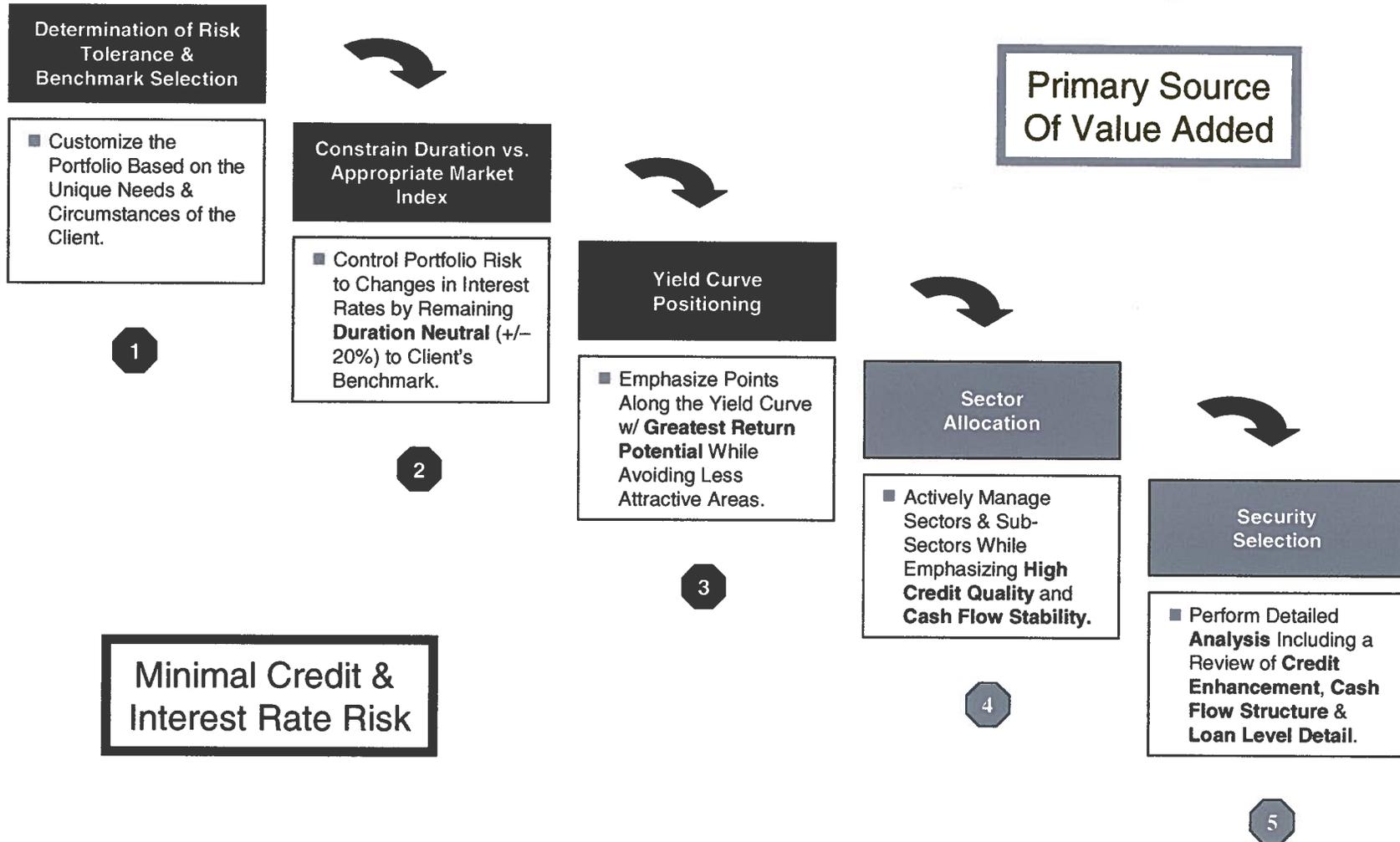
# Our Role in the Portfolio

## Investment Goals & Objectives:

- Manage the portfolio to each client's specific guidelines and objectives
- Provide income and liquidity sufficient to meet client needs in all market conditions
  - ***a conservative approach to capital appreciation***
- Generate excess returns with less credit risk by consistently adhering to our high quality discipline
  - ***emphasize high credit quality and cash flow stability***

# High Quality Fixed Income Management

A Duration Neutral, Risk-Controlled Approach



# High Credit Quality & Cash Flow Stability

A Common Sense Approach to Security Selection

## Actuarial vs. Event Risk

- The goal is to improve credit quality by reducing or eliminating event risk.
- Emphasize bonds backed by many borrowers.

**NO Bonds Backed by Commercial Loans (CMBS)**

## Cash Flow Stability

- More predictable cash flow than a typical mortgage security and/or other forms of callable debt.
- Greater stability reduces risk.

**NO Bonds Backed by Adjustable Rate Loans  
NO CDOs, CLOs or SIVs**

## Credit Analysis

- Rigorous analysis of cash-flow structure is performed regardless of credit ratings.
- Credit work flows through to loan level detail.

**NO Bonds Backed by Hi LTV or “No-Money Down” Loans  
NO BBB Rated Corporate Bonds**

# The Specifics of MBS & ABS Investing

Minimizing Credit Risk, Maximizing Call & Extension Risk

## Collateralized Mortgage Obligations (CMOs)

- Low-volatility PACs, TACs and Sequentials
- Volatility rating of V1–V3 by Fitch (on a scale of V1 – V10)
- No IOs, POs, inverse floaters or similar classes
- Strong issuers

## Asset-Backed Securities (ABSs)

- Credit Card and Auto Loan Receivables
- AAA classes only
- Strong issuers
- Large and liquid classes

## Out-of-the-Money and “Seasoned” Mortgage Pass-Throughs

- Low coupon mortgages
- Seasoned 5- and 7-year balloon mortgages
- Very Seasoned 15-year mortgages
- Seasoned Relocation mortgages

# High Quality Fixed Income Performance

December 31, 2009

## High Quality 0-2 Year Fixed Income

10 ½ Year Track Record

	Last Quarter	Last Year	Last 3 Years*	Last 5 Years*	Annualized Inception**
High Quality 0-2 Year	0.30%	2.20%	4.29%	4.12%	4.14%
Merrill Lynch 1 Year Treasury Index	0.15%	0.80%	3.81%	3.62%	3.47%

## High Quality 1-3 Year Fixed Income

17 Year Track Record

	Last Quarter	Last Year	Last 3 Years*	Last 5 Years*	Annualized Inception**
High Quality 1-3 Year	0.30%	3.31%	5.18%	4.52%	5.26%
Merrill Lynch 1-3 Year Government Index	0.07%	1.23%	5.00%	4.16%	5.04%

## High Quality 1-5 Year Fixed Income

15 Year Track Record

	Last Quarter	Last Year	Last 3 Years*	Last 5 Years*	Annualized Inception**
High Quality 1-5 Year	0.35%	2.86%	5.75%	4.78%	5.02%
Merrill Lynch 1-5 Year Treasury Index	-0.08%	0.23%	5.64%	4.41%	4.71%

\*Annualized. Inception date of the High Quality Short Duration 0-2 Years Composite is July 1, 1999 (annualized since inception net of fee return is 3.85%). Inception date of the High Quality Short Duration 1-3 Years Composite is January 1, 1992 (annualized since inception net of fee return is 4.94%). Inception date of the High Quality Short Duration 1-5 Years Composite is January 1, 1999 (annualized since inception net of fee return is 4.74%). Performance is calculated in U.S. dollars and reflects reinvestment of all income and capital gains. Composite gross returns are after transaction costs, foreign withholding taxes and other direct expenses, but before management fees, custody charges and taxes. Other expenses will reduce a client's returns. Please refer to the GIPS® presentation included in the Appendix for net of fee returns and important additional disclosures. It is not possible to directly invest in an index. Past performance does not predict future results.

\*\*Benchmark: 90-Day US T-Bill Index 7/1/99 through 6/30/02; Merrill Lynch 1 Year Treasury Note Index beginning 7/1/02. Returns shown reflect the spliced index.

# Appendix

Biographies, Additional Charts, Portfolio Characteristics and  
GIPS® Performance Information and Disclosure

# The Atlanta Capital Team



## **James A. Womack, CFA**

- Managing Director & Principal
- Fixed Income Portfolio Manager
- Management Committee Member
- MBA, Auburn University
- BA, Mississippi State University
- 16 Years Investment Experience

Mr. Womack joined the firm in 1994. Prior to pursuing fixed income in 1997, he was responsible for fundamental equity analysis within the pharmaceutical, hospital supplies and other healthcare related industries at Atlanta Capital.



## **Gregory L. Coleman, CFA**

- Fixed Income Portfolio Manager
- MBA, University of Michigan University
- BS, Michigan State University
- 38 Years Industry Experience

Prior to joining Atlanta Capital in 1990, Mr. Coleman was Executive Vice President and Treasurer for Northeast Savings, F.A. in Hartford, Connecticut. In this capacity, Mr. Coleman had overall responsibility for all investment functions. Prior to joining Northeast Savings in 1983, Mr. Coleman was with Southeast Bank, N.A. of Miami, Florida.



## **W. Bradford Buie, CFA**

- Vice President
- Fixed Income Portfolio Manager
- BA, Auburn University
- 13 Years Investment Experience

Prior to joining Atlanta Capital in 2009, Mr. Buie was a portfolio manager with Earnest Partners in Atlanta, Georgia where he managed high quality fixed income portfolios. Prior to Earnest Partners, he was with Seix Advisors in Upper Saddle River, New Jersey.



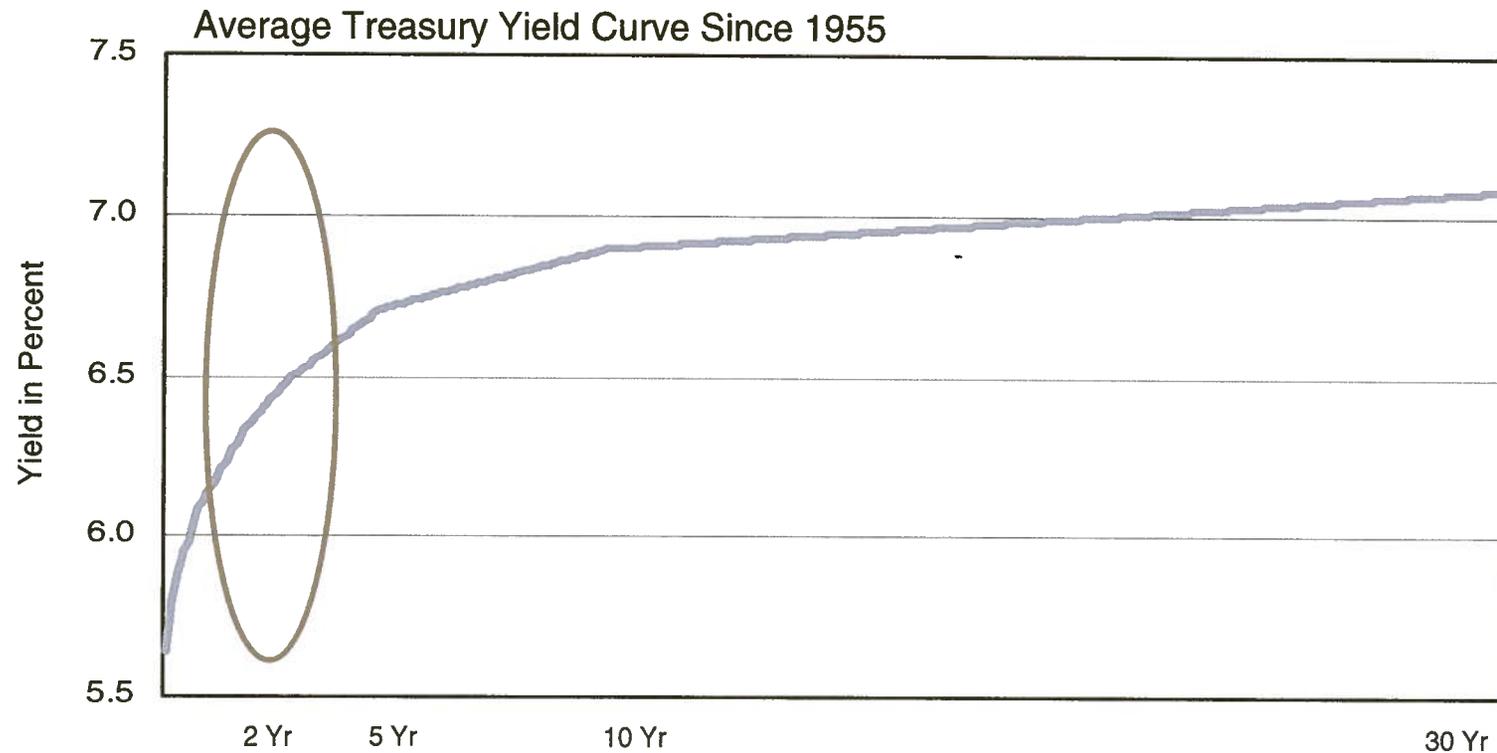
## **Mary K. McTague**

- Vice President & Principal
- MBA, Thunderbird School of Global Management
- BBA, Loyola University, New Orleans
- 21 Years Industry Experience

Prior to joining Atlanta Capital in 1990, Ms. McTague worked for State Street Bank as an Account Controller in the Mutual Funds Division. She was responsible for various bond funds, the largest having assets over 1.5 billion.

# The “Sweet Spot” of the Yield Curve

Short-Term Bonds Benefit From A Positive Yield Curve With Little Downside Risk



Data as of December 2009 Source: Bloomberg  
All data presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed.

# Why Short-Term Bonds Make Sense

## The Value of Modest Maturity Extension

~~~~~ Annualized Performance through 12/31/2009 ~~~~~

|                                          | 1 Year | 3 Year | 5 Year | 10 Year | 18½ Year |
|------------------------------------------|--------|--------|--------|---------|----------|
| Merrill Lynch 1-Year Treasury Note Index | 0.80   | 3.80   | 3.62   | 3.80    | 4.48     |
| Merrill Lynch 90 Day T-Bills             | 0.21   | 2.40   | 3.02   | 2.98    | 3.83     |
| Return From Maturity Extension           | 0.59   | 1.40   | 0.60   | 0.82    | 0.65     |

- **18½ years (74 quarters) of historical data**
- **3 of 74 quarters produced a negative return**
- **No 2 consecutive quarters had a negative return**

|         |         |         |         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1Q-2004 | 2Q-2004 | 3Q-2004 | 1Q-2008 | 2Q-2008 | 3Q-2008 | 4Q-4008 | 1Q-2009 | 2Q-2009 |
| 0.45%   | -0.30%  | 0.49%   | 2.13%   | -0.18%  | 1.06%   | 1.68%   | -0.01%  | 0.33    |

- **Atlanta Capital's 0-2 year composite has outperformed the Merrill Lynch 1-Year Treasury Note Index in the 1 year, 3 year, 5 year, 10 year and since inception (10½ year) periods.**
- **Atlanta Capital's 0-2 year composite has had only one negative quarterly return since inception.**

# Why Short-Term Bonds Make Sense

## The Value of Modest Maturity Extension

|                                         | ~~~~~ Annualized Performance through 12/31/2009 ~~~~~ |        |        |         |          |
|-----------------------------------------|-------------------------------------------------------|--------|--------|---------|----------|
|                                         | 1 Year                                                | 3 Year | 5 Year | 10 Year | 27¼ Year |
| Merrill Lynch 1-3 Year Government Index | 1.23                                                  | 5.00   | 4.16   | 4.60    | 6.86     |
| Merrill Lynch 90 Day T-Bills            | 0.21                                                  | 2.40   | 3.02   | 2.98    | 5.23     |
| Return From Maturity Extension          | 1.02                                                  | 3.60   | 1.14   | 1.62    | 1.63     |

## The Long-Term Track Record of Short-Term Bonds

In most time periods over the last 27¼ years, short-term bonds\* beat money markets\*\* with little downside risk.

**Analysis:** 315 Rolling 12-month periods.

**Conclusion:** 72% Short-term bonds\* outperformed money markets\*\*  
99.7% Short-term bonds\* had positive returns.

**Analysis:** 315 Rolling 36-month periods.

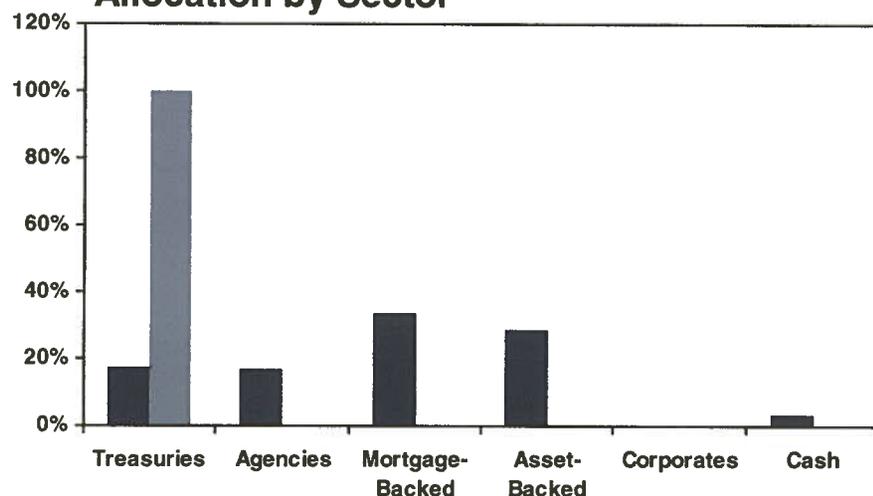
**Conclusion:** 88% Short-term bonds\* outperformed money markets\*\*  
100% Short-term bonds\* had positive returns.

\* Merrill Lynch 1-3 Year Government Index

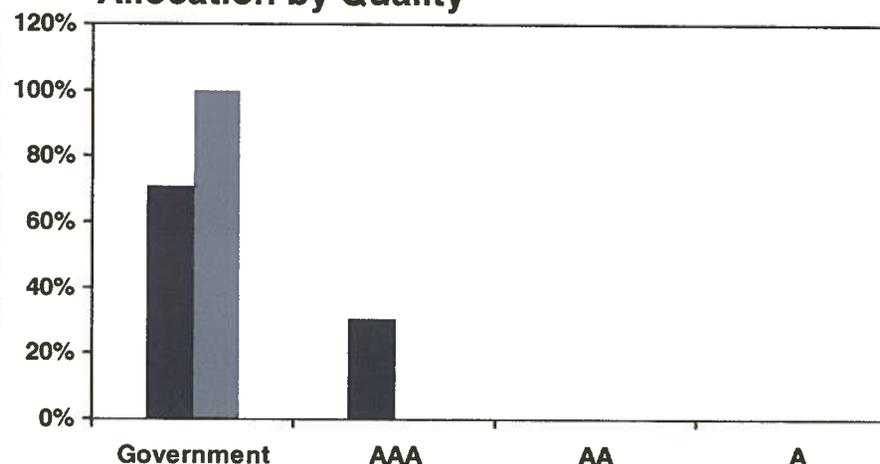
\*\* Merrill Lynch T-Bill Index

# HQSD 0-2 Years Composite Characteristics

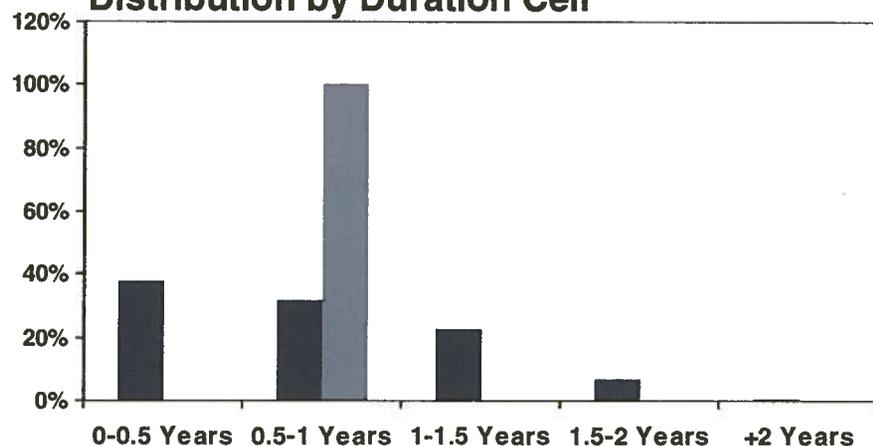
## Allocation by Sector



## Allocation by Quality



## Distribution by Duration Cell



## Additional Characteristics

|                                   |                  |
|-----------------------------------|------------------|
| <b>Weighted Average Maturity:</b> | <b>0.8 Years</b> |
| <b>Modified Duration:</b>         | <b>0.8 Years</b> |
| <b>Current Yield:</b>             | <b>3.0%</b>      |
| <b>Yield-to-Maturity:</b>         | <b>1.0%</b>      |

|                                     |                  |
|-------------------------------------|------------------|
| <b>Benchmark Yield-to-Maturity:</b> | <b>0.5%</b>      |
| <b>Benchmark Modified Duration:</b> | <b>0.9 Years</b> |

Data as of 12/31/09 Source: Atlanta Capital Management Company, Merrill Lynch

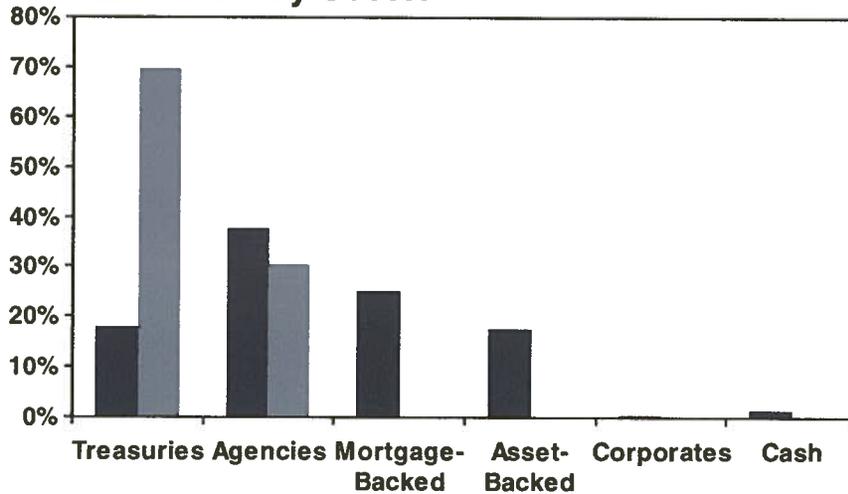
■ Portfolio ■ Benchmark\*

This information is for illustrative purposes only, is subject to change at any time and should not be considered investment advice or a recommendation. The information for the High Quality Short Duration 0-2 Years Composite is based upon all fee-paying discretionary accounts comprising such composite as of 12/31/09. This material is supplemental to the GIPS® presentation included in the Appendix. Please refer to the presentation for important additional information and disclosure. Past performance does not predict or guarantee future results.

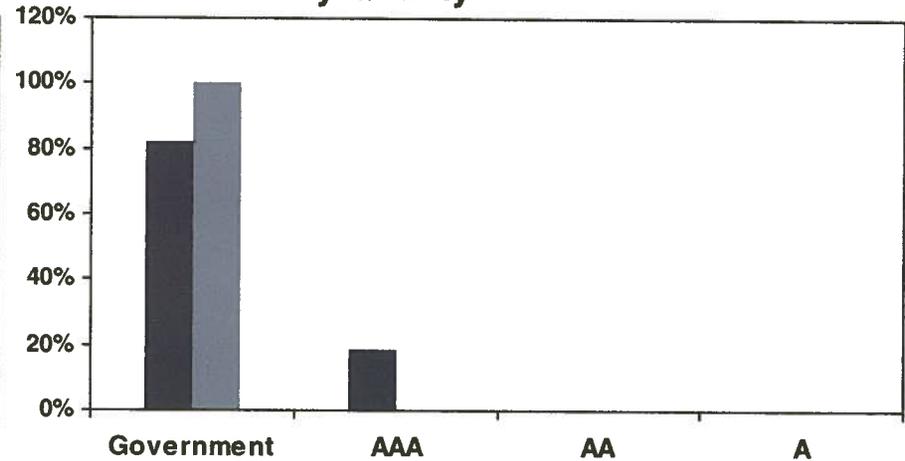
\* Benchmark: Merrill Lynch 1-Year Treasury Note Index

# HQSD 1-3 Years Composite Characteristics

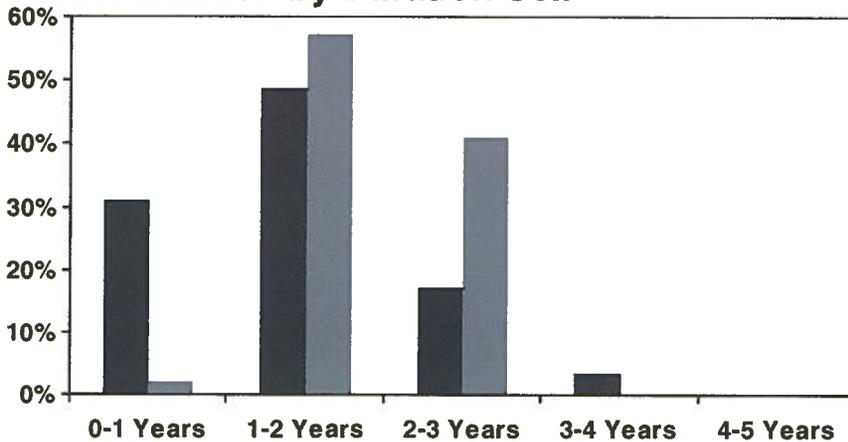
## Allocation by Sector



## Allocation by Quality



## Distribution by Duration Cell



## Additional Characteristics

|                                   |                  |
|-----------------------------------|------------------|
| <b>Weighted Average Maturity:</b> | <b>1.5 Years</b> |
| <b>Modified Duration:</b>         | <b>1.4 Years</b> |
| <b>Current Yield:</b>             | <b>2.8%</b>      |
| <b>Yield-to-Maturity:</b>         | <b>1.3%</b>      |

|                                     |                  |
|-------------------------------------|------------------|
| <b>Benchmark Yield-to-Maturity:</b> | <b>1.1%</b>      |
| <b>Benchmark Modified Duration:</b> | <b>1.8 Years</b> |

Data as of 12/31/09

Source: Atlanta Capital Management Company, Merrill Lynch

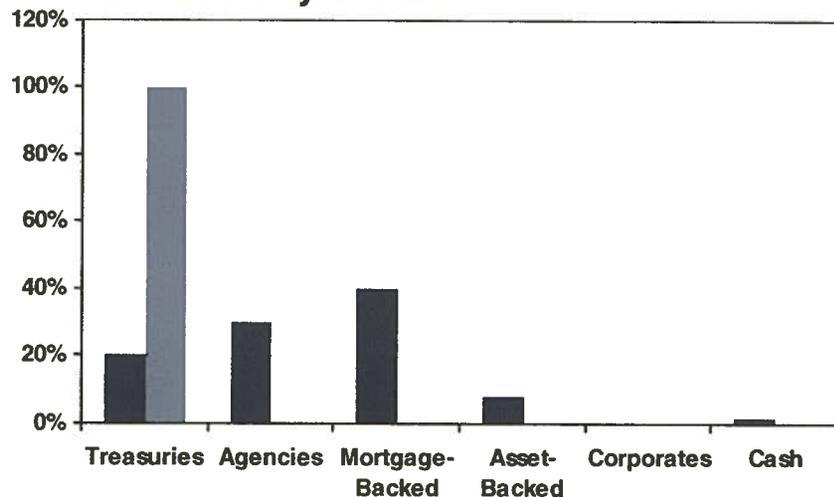
■ Portfolio ■ Benchmark\*

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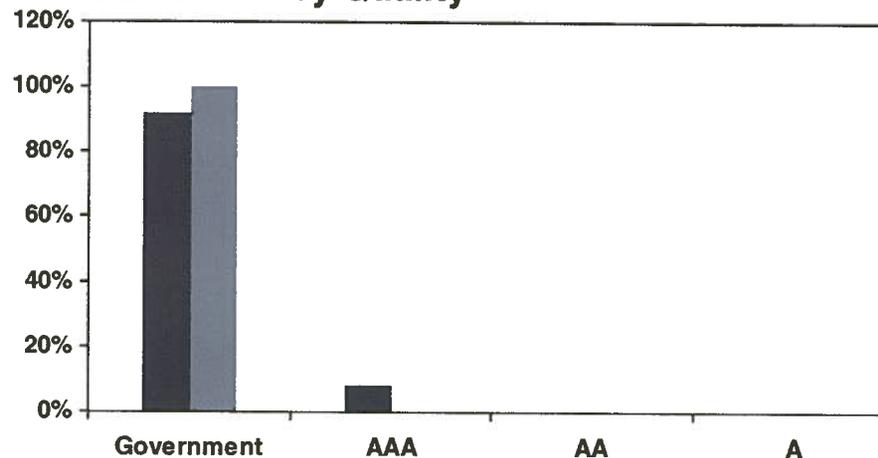
Benchmark: Merrill Lynch 1-3 Year Government Note Index.

# HQSD 1-5 Years Composite Characteristics

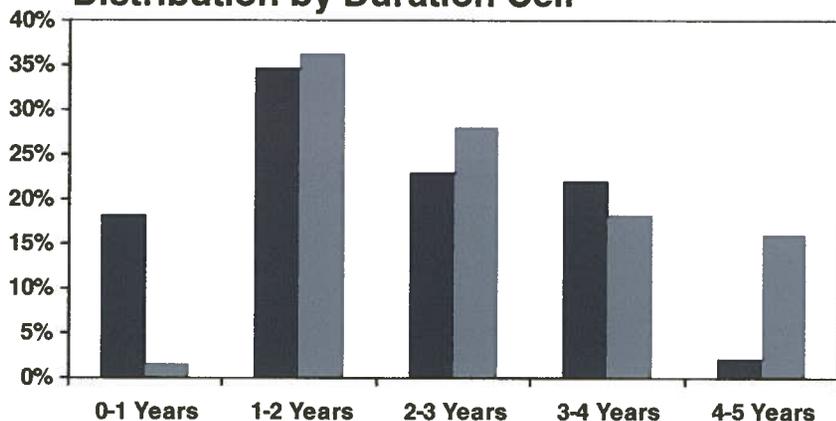
## Allocation by Sector



## Allocation by Quality



## Distribution by Duration Cell



## Additional Characteristics

|                                   |                  |
|-----------------------------------|------------------|
| <b>Weighted Average Maturity:</b> | <b>2.2 Years</b> |
| <b>Modified Duration:</b>         | <b>2.1 Years</b> |
| <b>Current Yield:</b>             | <b>3.4%</b>      |
| <b>Yield-to-Maturity:</b>         | <b>1.7 %</b>     |

|                                     |                  |
|-------------------------------------|------------------|
| <b>Benchmark Yield-to-Maturity:</b> | <b>1.5%</b>      |
| <b>Benchmark Modified Duration:</b> | <b>2.6 Years</b> |

Data as of 12/31/09 Source: Atlanta Capital Management Company, Merrill Lynch

■ Portfolio ■ Benchmark\*

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\* Benchmark: Merrill Lynch 1-5 Year Treasury Index

# GIPS® Performance Information and Disclosure

## APPENDIX

Atlanta Capital Management Company, LLC (“Atlanta Capital”) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

A complete list and description of all Atlanta Capital composites and disclosures is available upon request. To request such information, please contact: Atlanta Capital Management Performance Department at 404-876-9411 or write to Atlanta Capital Management Company, 1349 West Peachtree Street, Suite 1600, Atlanta, Georgia 30309, Attention Performance Department.

Past performance does not predict future results.

## Notes To Schedule: Firm

### **Organization**

Atlanta Capital Management Company, LLC (Atlanta Capital or the Firm) is an SEC-registered investment adviser located in Atlanta, Georgia. The Firm became a majority-owned subsidiary of Eaton Vance Corp. in 2001. Atlanta Capital operates as an independent subsidiary of Eaton Vance and provides professional investment advisory services to a broad range of institutional and individual clients, and sub-advisory investment management to mutual funds and separately managed sub-advisory account programs. Atlanta Capital includes all discretionary accounts under management in its composites; firm assets include nondiscretionary accounts as well. To the extent that non-fee paying accounts are included in composite returns, disclosure is made in the Notes to such composites.

### **Performance Returns**

Unless otherwise stated, composite returns and market values are reported in U.S. dollars. Additional information regarding the firm’s policies and procedures for calculating and reporting performance results is available upon request.

### **Composite Dispersion**

The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

### **Other Matters**

Atlanta Capital Management Company, LLC has been verified for the periods January 1, 1999 through September 30, 2008 by an independent accountant. A copy of the verification report is available upon request.

A complete list of all composites maintained by Atlanta Capital including descriptions and related performance results for each is available upon request. To request any additional information, please contact the Atlanta Capital Management Performance Department at 404-876-9411 or write to Atlanta Capital Management Company, 1349 West Peachtree Street, Suite 1600, Atlanta, Georgia 30309, Attention Performance Department.

# Atlanta Capital Management Company, LLC

## High Quality Short Duration 0-2 Years Composite (F4)

### Schedule of Performance Returns

| Period | Gross Return | Net Return | Benchmark (1) | No. of Accts. | Asset-Weighted Standard Deviation (2) | Total Composite Assets (\$mil) | Total Firm Assets (\$mil) |
|--------|--------------|------------|---------------|---------------|---------------------------------------|--------------------------------|---------------------------|
| 2000   | 6.64%        | 6.27%      | 6.47%         | 1             | N/A                                   | 11                             | 6,488                     |
| 2001   | 6.18%        | 5.81%      | 4.57%         | 1             | N/A                                   | 22                             | 7,200                     |
| 2002   | 4.32%        | 3.96%      | 2.54%         | 1             | N/A                                   | 23                             | 6,792                     |
| 2003   | 1.54%        | 1.19%      | 1.45%         | 3             | N/A                                   | 35                             | 8,916                     |
| 2004   | 1.42%        | 1.06%      | 0.82%         | 4             | N/A                                   | 46                             | 9,487                     |
| 2005   | 2.90%        | 2.54%      | 2.35%         | 3             | N/A                                   | 49                             | 9,752                     |
| 2006   | 4.83%        | 4.46%      | 4.31%         | 3             | N/A                                   | 59                             | 9,148                     |
| 2007   | 6.12%        | 5.75%      | 5.95%         | 4             | N/A                                   | 76                             | 8,828                     |
| 2008   | 4.58%        | 4.21%      | 4.75%         | 4             | N/A                                   | 66                             | 6,199                     |
| 2009   | 2.20%        | 1.84%      | 0.80%         | 6             | 0.13%                                 | 293                            | 7,748                     |

### Annualized Returns for Periods Ending 12/31/09

|                         | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|-------------------------|--------|---------|---------|---------|----------|
| Composite Gross of Fees | 2.20%  | 4.29%   | 4.12%   | 3.36%   | 4.06%    |
| Composite Net of Fees   | 1.84%  | 3.93%   | 3.75%   | 3.00%   | 3.69%    |
| Benchmark (1)           | 0.80%  | 3.81%   | 3.62%   | 2.90%   | 3.38%    |

(1) Benchmark: 90-Day US T-Bill Index 7/1/99 through 06/30/02; Merrill Lynch 1Year Treasury Note Index beginning 07/01/02. Returns shown reflect the spliced index.

(2) Dispersion is considered not meaningful for composites with five or less portfolios and is shown as not applicable, "N/A".

Past performance does not predict or guarantee future results.

Atlanta Capital Management Company, L.L.C. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Please see Notes to Schedule: Firm accompanying this presentation (F4).

### Notes To Schedule:

#### Composite Definition

The investment objective of this style is to maximize total return while minimizing volatility and preserving capital. Accounts in this composite invest in fixed income securities having a debt rating of A or above from nationally recognized rating services and may invest in obligations issued or guaranteed by the U.S. Government, its agencies or its instrumentalities, corporate bonds, and mortgage-backed and asset-backed securities. Portfolios are predominantly invested in debt securities having short maturities (i.e., average effective maturities of 0.25 to two years). Low-volatility collateralized mortgage obligations (CMOs) and asset-backed securities are used to improve yield and minimize event risk. Corporate issues are de-emphasized in order to avoid event risk and raise the overall quality of the portfolios. The composite's duration typically ranges between one-half year and one and one-half years. All fully discretionary, fee-paying separate accounts managed in this style are included in the composite.

#### Benchmark

From inception through June 30, 2002, the benchmark for this composite was the 90-Day U.S. T-Bill Index. This index is the average return on three-month U.S. Treasury bills. On July 1, 2002, the benchmark for this composite was changed to the Merrill Lynch 1Year Treasury Note Index. The change was made in response to a substantial shift in the investment environment and the recognition that the change would make risk-adjusted performance comparisons more useful to investors. The index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding original issue 2 year Treasury Note that matures closest to one year from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end re-balancing date. The index returns shown in the presentation reflect the spliced index. The index is unmanaged and does not incur management fees, transaction costs or other expenses associated with managed accounts. It is not possible to directly invest in an index.

#### Gross and Net Returns

Performance reflects reinvestment of all income and capital gains. Gross-of-fees performance returns are presented before management and custodial fees but after all trading expenses. Returns are presented net of withholding taxes. Net-of-fees performance returns are calculated by deducting the highest management fee of 0.35% from the monthly gross-of-fees returns. Other expenses will reduce a client's returns. Actual investment advisory fees incurred by clients may vary. The annual fee schedule for this composite is as follows: 0.35% on the first \$30 million in assets, 0.30% on assets over \$30 million.

#### Notes to Composite

The creation date of this composite is April 2004, and the inception date is July 1, 1999. Clients or prospective clients should not assume that they will have an investment experience similar to that indicated by past performance results, as shown on the Schedule. Returns may vary based upon differences in account size, timing of transactions and market conditions at the time of investment.

# Atlanta Capital Management Company, LLC

## High Quality Short Duration 1-3 Years Composite (F3)

### Schedule of Performance Returns

| Period | Gross Return | Net Return | ML 1-3 Yr. Gov. Return | No. of Accts. | Asset-Weighted Standard Deviation (1) | Total Composite Assets (\$mil) | Total Firm Assets (\$mil) |
|--------|--------------|------------|------------------------|---------------|---------------------------------------|--------------------------------|---------------------------|
| 2000   | 8.51%        | 8.13%      | 8.13%                  | 5             | N/A                                   | 287                            | 6,488                     |
| 2001   | 7.47%        | 7.09%      | 8.41%                  | 5             | N/A                                   | 362                            | 7,200                     |
| 2002   | 5.89%        | 5.52%      | 5.88%                  | 5             | N/A                                   | 503                            | 6,792                     |
| 2003   | 2.20%        | 1.85%      | 2.01%                  | 6             | 0.17%                                 | 449                            | 8,916                     |
| 2004   | 1.63%        | 1.27%      | 1.00%                  | 8             | 0.23%                                 | 646                            | 9,487                     |
| 2005   | 2.38%        | 2.02%      | 1.70%                  | 8             | 0.09%                                 | 631                            | 9,752                     |
| 2006   | 4.69%        | 4.32%      | 4.15%                  | 8             | 0.09%                                 | 653                            | 9,148                     |
| 2007   | 6.74%        | 6.37%      | 7.14%                  | 9             | 0.08%                                 | 753                            | 8,828                     |
| 2008   | 5.53%        | 5.16%      | 6.75%                  | 8             | 0.27%                                 | 757                            | 6,199                     |
| 2009   | 3.31%        | 2.95%      | 1.23%                  | 9             | 0.60%                                 | 731                            | 7,748                     |

### Annualized Returns for Periods Ending 12/31/09

|                                         | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|-----------------------------------------|--------|---------|---------|---------|----------|
| Composite Gross of Fees                 | 3.31%  | 5.18%   | 4.52%   | 3.77%   | 4.81%    |
| Composite Net of Fees                   | 2.95%  | 4.82%   | 4.15%   | 3.40%   | 4.44%    |
| Merrill Lynch 1-3 Year Government Index | 1.23%  | 5.00%   | 4.16%   | 3.40%   | 4.60%    |

(1) Dispersion is considered not meaningful for composites with five or less portfolios and is shown as not applicable, "N/A".

Past performance does not predict or guarantee future results.

Atlanta Capital Management Company, L.L.C. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Please see Notes to Schedule: Firm accompanying this presentation (F3).

High Quality Fixed Income Management

### Notes To Schedule:

#### Composite Definition

The investment objective of this style is to maximize total return while minimizing volatility and preserving capital. Accounts in this composite invest in fixed income securities having a debt rating of A or above from nationally recognized rating services and may invest in obligations issued or guaranteed by the U.S. Government, its agencies or its instrumentalities, corporate bonds, and mortgage-backed and asset-backed securities. Portfolios are invested in debt securities having short maturities (i.e., average effective maturities of one to three years). Low-volatility collateralized mortgage obligations (CMOs) and asset-backed securities are used to improve yield and minimize event risk. Corporate issues are de-emphasized in order to avoid event risk and raise the overall quality of the portfolios. The composite's duration ranges between one year and two and one-half years. All fully discretionary, fee-paying separate accounts managed in this style are included in the composite.

#### Benchmark

The benchmark for this composite is the Merrill Lynch 1-3 Year Government Index, which includes securities in the Government Index with a maturity from one up to (but not including) three years. The 1-3 Year Government Index includes Treasuries (i.e., public obligations of the U.S. Treasury) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The index is unmanaged and does not incur management fees, transaction costs or other expenses associated with managed accounts. It is not possible to directly invest in an index.

#### Gross and Net Returns

Performance reflects reinvestment of all income and capital gains. Gross-of-fees performance returns are presented before management and custodial fees but after all trading expenses. Returns are presented net of withholding taxes. Net-of-fees performance returns are calculated by deducting the highest management fee of 0.35% from the monthly gross-of-fees returns. Other expenses will reduce a client's returns. Actual investment advisory fees incurred by clients may vary. The annual fee schedule for this composite is as follows: 0.35% on the first \$30 million in assets, 0.30% on assets over \$30 million.

#### Notes to Composite

The creation date of this composite is April 1992, and the inception date is January 1, 1992. Clients or prospective clients should not assume that they will have an investment experience similar to that indicated by past performance results, as shown on the Schedule. Returns may vary based upon differences in account size, timing of transactions and market conditions at the time of investment.

# Atlanta Capital Management Company, LLC

## High Quality Short Duration 1-5 Years Composite (F5)

### Schedule of Performance Returns

| Period | Gross Return | Net Return | ML 1-5 Yr. Treasury Return | No. of Accts. | Asset-Weighted Standard Deviation (1) | Total Composite Assets (\$mil) | Total Firm Assets (\$mil) |
|--------|--------------|------------|----------------------------|---------------|---------------------------------------|--------------------------------|---------------------------|
| 2000   | 9.20%        | 8.82%      | 8.87%                      | 3             | N/A                                   | 287                            | 6,488                     |
| 2001   | 8.74%        | 8.36%      | 8.37%                      | 2             | N/A                                   | 187                            | 7,200                     |
| 2002   | 7.89%        | 7.51%      | 7.47%                      | 2             | N/A                                   | 80                             | 6,792                     |
| 2003   | 1.96%        | 1.60%      | 2.05%                      | 4             | N/A                                   | 165                            | 8,916                     |
| 2004   | 1.96%        | 1.60%      | 1.32%                      | 4             | N/A                                   | 165                            | 9,487                     |
| 2005   | 2.24%        | 1.88%      | 1.39%                      | 4             | N/A                                   | 184                            | 9,752                     |
| 2006   | 4.47%        | 4.10%      | 3.82%                      | 5             | N/A                                   | 280                            | 9,148                     |
| 2007   | 7.37%        | 7.00%      | 8.16%                      | 5             | N/A                                   | 317                            | 8,828                     |
| 2008   | 7.08%        | 6.71%      | 8.73%                      | 4             | N/A                                   | 257                            | 6,199                     |
| 2009   | 2.86%        | 2.50%      | 0.23%                      | 5             | N/A                                   | 255                            | 7,748                     |

### Annualized Returns for Periods Ending 12/31/09

|                                       | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|---------------------------------------|--------|---------|---------|---------|----------|
| Composite Gross of Fees               | 2.86%  | 5.75%   | 4.78%   | 3.97%   | 5.34%    |
| Composite Net of Fees                 | 2.50%  | 5.38%   | 4.42%   | 3.60%   | 4.97%    |
| Merrill Lynch 1-5 Year Treasury Index | 0.23%  | 5.64%   | 4.41%   | 3.62%   | 4.99%    |

(1) Dispersion is considered not meaningful for composites with five or less portfolios and is shown as not applicable, "N/A".

Past performance does not predict or guarantee future results.

Atlanta Capital Management Company, L.L.C. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Please see Notes to Schedule: Firm accompanying this presentation (F5).

### Notes To Schedule:

#### Composite Definition

The investment objective of this style is to maximize total return while minimizing volatility and preserving capital. Accounts in this composite invest in fixed income securities having a debt rating of A or above from nationally recognized rating services and may invest in obligations issued or guaranteed by the U.S. Government, its agencies or its instrumentalities, corporate bonds, and mortgage-backed and asset-backed securities. Portfolios are invested in debt securities having short maturities (i.e., average effective maturities of one to five years). Low-volatility collateralized mortgage obligations (CMOs) and asset-backed securities are used to improve yield and minimize event risk. Corporate issues are de-emphasized in order to avoid event risk and raise the overall quality of the portfolios. The composite's duration ranges between one year and four and one-half years. All fully discretionary, fee-paying separate accounts managed in this style are included in the composite.

#### Benchmark

The benchmark for this composite is the Merrill Lynch 1-5 Year Treasury Index, which includes securities in the Treasury Index with a maturity from one up to (but not including) five years. The 1-5 Year Treasury Index includes public obligations of the U.S. Treasury. The index is unmanaged and does not incur management fees, transaction costs or other expenses associated with managed accounts. It is not possible to directly invest in an index.

#### Gross and Net Returns

Performance reflects reinvestment of all income and capital gains. Gross-of-fees performance returns are presented before management and custodial fees but after all trading expenses. Returns are presented net of withholding taxes. Net-of-fees performance returns are calculated by deducting the highest management fee of 0.35% from the monthly gross-of-fees returns. Other expenses will reduce a client's returns. Actual investment advisory fees incurred by clients may vary. The annual fee schedule for this composite is as follows: 0.35% on the first \$30 million in assets, 0.30% on assets over \$30 million.

#### Notes to Composite

The creation date of this composite is April 2000, and the inception date is January 1, 1999. Clients or prospective clients should not assume that they will have an investment experience similar to that indicated by past performance results, as shown on the Schedule. Returns may vary based upon differences in account size, timing of transactions and market conditions at the time of investment.

# Integrity Fixed Income Management

City of Sanibel

Treasury Portfolio

**March 10, 2010**

# Firm Overview

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## Firm Facts

- SEC Registered Investment Advisor
- Focused Exclusively on Fixed Income Investing
- Long History of Managing 175/185/112
- 100% Employee Owned

## Representative Accounts

Titusville Employees Pension  
St. Augustine Employees Pension  
Edgewater Employees Pension  
Edgewater Police Officers Pension  
Pensacola Police Officers Pension  
Brooksville Police Officers Pension  
Lantana Firefighters Pension  
Clearwater Firefighters Pension  
Pensacola Firefighters Pension  
Bradenton Firefighters Pension  
Lake City Firefighters Pension

# Investment Team Bios

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Mr. Denney is the firm's Chief Investment Officer and is responsible for the management of client portfolios. Earl has been managing fixed income portfolios for over 25 years. Prior to forming Integrity Fixed Income Management, he served as the Managing Director and Fixed Income Strategist for Trusco Capital Management, a \$65 billion money management firm. In this capacity he was responsible for setting the investment strategy for approximately \$7 billion in core fixed income assets. He was directly responsible for the management of over \$2 billion of fixed income assets, which were comprised of SunTrust's flagship fixed income mutual funds, internal commingled funds, and separately managed accounts. His separately managed account clients consisted of pension funds, public funds, unions, endowments and foundations.



Working collaboratively with Mr. Denney on the investment of client portfolios, is Chris Caputo. Mr. Caputo serves as Director of Credit Research, and is a Principal of the firm. Chris' primary responsibility is to determine and select companies that are suitable for investment. Prior to Integrity, he served as Senior Financial Analyst for CNL Retirement Corporation, where he was responsible for underwriting the acquisition of healthcare real estate portfolios. While there his team underwrote in excess of \$300 million in health care real estate transactions. Prior to CNL, Mr. Caputo worked with Mr. Denney at Trusco Capital Management, where he was responsible for portfolio analysis of taxable fixed income mutual funds and separately managed accounts. Prior to this, Mr. Caputo served as a Credit Analyst for a commercial bank. Currently a candidate for level III of the CFA program, Chris earned his MBA with a Finance concentration from Rollins College in Winter Park, FL.

# Investment Research

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## We Utilize Best in Class Independent Third Party Research

- **CreditSights, Inc.**

- \* Team of 40+ Credit Analysts

- \* Coverage of over 500 Companies

- \* Voted Best Independent Credit Research Provider 2006 - 2008

- **ISI Group, Inc.**

- \* Economic, Political, Accounting, Energy, and Quantitative Research

- \* Voted # 1 Economist by Institutional Investor for the Past 27 Years

# Types of Securities Considered

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Based upon the Investment Policy Statement, we would recommend utilizing the following types of securities for the portfolios under consideration:

- \* U.S. Treasury Obligations
  
- \* U.S. Agency Obligations
  - Federal Home Loan Mtg. Corporation
  - Federal Home Loan Bank
  - Fannie Mae
  - Freddie Mac
  
- \* U.S. Quasi-Agency Obligations
  - Tennessee Valley Authority (TVA)
  - FDIC Guaranteed Corporate Obligations
  - Public Export Funding Corp (PEFCO)
  - Build America Bonds
  
- \* U.S. Corporate Bonds, A Rated or Better

# Reserves Account - Proposed

## Strategy Characteristics

| <i>Data As of March 11, 2010</i>         | <i>Yield to Maturity</i> | <i>Maturity (Years)</i> | <i>Mod. Duration(Yrs)</i> | <i>Quality</i> |
|------------------------------------------|--------------------------|-------------------------|---------------------------|----------------|
| Proposed City of Sanibel Reserve Account | 0.67%                    | 1.0                     | 1.0                       | AAA            |
| Merrill Lynch 0-2 Year Treasury Index    | 0.47%                    | 1.0                     | 1.0                       | AAA            |

## Maturity Distribution

|                                          | <i>0-2 Years</i> |
|------------------------------------------|------------------|
| Proposed City of Sanibel Reserve Account | 100.0%           |
| Merrill Lynch 0-2 Year Treasury Index    | 100.0%           |

## Sector Distribution

|                                          | <i>TSY</i> | <i>AGY</i> | <i>Corp</i> | <i>MBS</i> |
|------------------------------------------|------------|------------|-------------|------------|
| Proposed City of Sanibel Reserve Account | 0.0%       | 90.3%      | 9.7%        | 0.0%       |
| Merrill Lynch 0-2 Year Treasury Index    | 100.0%     | 0.0%       | 0.0%        | 0.0%       |

\* Data is as of March 11th, 2010 and is subject to change. We can not guarantee that the portfolio would resemble this structure exactly. Note that index data was compiled utilizing the Merrill 0-1 year Treasury Index in addition to the 1-2 year maturity sector of the Merrill 0-3 Year Treasury Index.

\* We would attempt to match the overall portfolio maturity, duration, and quality characteristics

\* Corporate securities would be purchased in the 1-2 maturity range, while U.S. Agency and Quasi-Agencies would be purchased in the 0-2 year range.

# Surplus Account - Proposed

## Strategy Characteristics

| <i>Data As of March 11, 2010</i>         | <i>Yield to Maturity</i> | <i>Maturity (Years)</i> | <i>Mod. Duration(Yrs)</i> | <i>Quality</i> |
|------------------------------------------|--------------------------|-------------------------|---------------------------|----------------|
| Proposed City of Sanibel Surplus Account | 2.09%                    | 2.9                     | 2.8                       | AAA            |
| Merrill Lynch 1-5 Year Treasury Index    | 1.30%                    | 2.8                     | 2.7                       | AAA            |

## Maturity Distribution

|                                          | <i>0-1 Years</i> | <i>1-2 Years</i> | <i>2-3 Years</i> | <i>3-4 Years</i> | <i>4-5 Years</i> |
|------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Proposed City of Sanibel Surplus Account | 0.3%             | 15.2%            | 15.4%            | 36.1%            | 33.0%            |
| Merrill Lynch 1-5 Year Treasury Index    | 2.3%             | 32.5%            | 27.6%            | 16.2%            | 21.5%            |

## Sector Distribution

|                                          | <i>TSY</i> | <i>AGY</i> | <i>Corp</i> | <i>MBS</i> |
|------------------------------------------|------------|------------|-------------|------------|
| Proposed City of Sanibel Surplus Account | 0.0%       | 86.3%      | 13.7%       | 0.0%       |
| Merrill Lynch 1-5 Year Treasury Index    | 100.0%     | 0.0%       | 0.0%        | 0.0%       |

\* Data is as of March 11th, 2010 and is subject to change. We can not guarantee that the portfolio would resemble this structure exactly.

\* We would attempt to match the overall portfolio maturity, duration, and quality characteristics

\* Corporate allocations would be made in the 3-5 year maturity range, where the highest yield could be obtained while maintaining liquidity

\* Agency allocations would be weighted more heavily towards the 3-5 year maturity range, while having a 30% allocation in the 0-3 year maturity range.

# Restricted Account - Proposed

## Strategy Characteristics

| <i>Data As of March 11, 2010</i>            | <i>Yield to Maturity</i> | <i>Maturity (Yrs)</i> | <i>Mod. Duration(Yrs)</i> | <i>Quality</i> |
|---------------------------------------------|--------------------------|-----------------------|---------------------------|----------------|
| Proposed City of Sanibel Restricted Account | 4.99%                    | 12.0                  | 8.2                       | AAA            |
| Merrill Lynch 10-15 Year Treasury Index     | 4.02%                    | 12.2                  | 8.5                       | AAA            |

## Maturity Distribution

|                                             | <i>10-11 Years</i> | <i>11-12 Years</i> | <i>12-13 Years</i> | <i>13-14 Years</i> | <i>14-15 Years</i> |
|---------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Proposed City of Sanibel Restricted Account | 50.8%              | 9.8%               | 10.6%              | 10.3%              | 18.4%              |
| Merrill Lynch 10-15 Year Treasury Index     | 22.6%              | 32.3%              | 20.2%              | 12.7%              | 12.1%              |

## Sector Distribution

|                                             | <i>TSY</i> | <i>AGY</i> | <i>Corp</i> | <i>MBS</i> |
|---------------------------------------------|------------|------------|-------------|------------|
| Proposed City of Sanibel Restricted Account | 0.0%       | 85.4%      | 14.6%       | 0.0%       |
| Merrill Lynch 10-15 Year Treasury Index     | 100.0%     | 0.0%       | 0.0%        | 0.0%       |

\* Data is as of March 11th, 2010 and is subject to change. We can not guarantee that the portfolio would resemble this structure exactly.

\* We would attempt to match the overall portfolio maturity, duration, and quality characteristics

# Proposed Management Fees

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## Proposed Management Fees

- 17.5 BPS Annually
- Option of Custody for Fixed Income Assets Included in 17.5 BPS should you choose to custody with Reliance Trust Company. Reliance Trust Company is a private, independent third party custodian based out of Atlanta, GA.



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**RICHMOND CAPITAL MANAGEMENT**  
*Experience, Knowledge, Service*

**City of Sanibel – Treasury Portfolio  
Investment Proposal**

***Proposed Fee Schedule***

We propose the following fee schedule for the Reserves, Surplus and Restricted accounts. The three accounts will be aggregated for the most advantageous fee schedule.

**0.25% on the first \$20 million**  
**0.20% on the next \$20 million**  
**0.15% over \$40 million**

***Suggested Changes to Investment Policy Language***

- 1. Section V (Authorized Investments), Item E** – We suggest adding Federal National Mortgage Association (FNMA).
- 2. Section V, Authorized Investments, Item K** – Under investment alternatives, we would like this section to be inclusive of AAA-rated asset backed securities and AAA-rated commercial mortgage backed securities. Additionally, we need clarification that these securities stand alone and are not included in the allowable amount of corporate bonds in each portfolio.
- 3. Section VII (Specific Program Investment Objectives & Guidelines), Items B, C, and D** – In each section, the maximum maturity of an issue and the maximum average maturity for the portfolio is expressed. We suggest to change the language to read “maximum effective maturity” for the individual issues and the average. This will be helpful in the use of agency mortgage backed securities as well as commercial mortgage backed securities.

***Individual Account Proposals***

Richmond Capital Management uses several internet-based trading platforms to facilitate swift and effective trading. TradeWeb is used for the purchase and sale of government securities. MarketAxess is used for trading corporate bonds. Our portfolio managers also use a broad network of broker-dealers for the effective purchase and sale of securities.



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**RICHMOND CAPITAL MANAGEMENT**  
*Experience, Knowledge, Service*

**Maturity Structure**

The client's choice of benchmark index and cash flow needs dictate the maturity structure. Upon investing the assets, the portfolio manager will seek the security types mentioned below while keeping with the client's parameters.

**Reserves Account**

The securities in this portfolio will be laddered to have maturities coincide with the client's cash flow needs. We would utilize Treasuries, Agency (debt securities only), commercial paper, corporate bonds and AAA-rated asset backed securities. Each of these securities is liquid and can be easily sold with minimal transaction costs. A or better rated corporate bonds maturing in less than two years have compelling break evens and provide attractive yields. AAA-rated asset backed securities (credit cards in particular) are available with short maturities and would enhance the portfolio yield.

**Surplus Account**

This account allows for investments further out on the yield curve not to exceed five years for an individual issue. We would use Treasuries, Agency debt and Agency mortgage pass-throughs (GNMA, FHLMC and FNMA), corporate bonds, AAA-rated asset backed securities (credit cards in particular), and AAA-rated commercial mortgage backed securities. Again, each of these security types are liquid and can be used to meet the client's liquidity needs.

**Restricted Account**

The long duration target on this account can be obtained through the use of Treasuries, Agency debt and Agency mortgage pass-throughs (GNMA, FHLMC and FNMA), corporate bonds, AAA-rated asset backed securities (credit cards in particular), and AAA-rated commercial mortgage backed securities.

***Account Assignment***

While all portfolios at Richmond Capital Management are managed on a team basis, each individual account is assigned specific portfolio managers who are accountable for the investment of client's portfolio. These portfolio managers will monitor the portfolio structure to assure it coincides with the client's preferences expressed in the investment policy statement. The two people who would be responsible for this account are Paul Lundmark and Howard Bos.



Sawgrass is Proud to Present our Fixed Income  
Investment Strategies for the

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*City of Sanibel*

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*Presented by:*

Sawgrass Asset Management, L.L.C.  
*(904) 493-5500*

*March 2010*

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Chris Greco, Partner  
Institutional Marketing & Client Service

Andrew Cantor, CFA, Principal  
Fixed Income Portfolio Manager

David Furfine, CFA, Partner  
Fixed Income Portfolio Manager

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Sawgrass Asset Management provides unique investment-based solutions in short-term fixed income investment management for our institutional clients. We pride ourselves in being responsive and providing tailored, client-specific services to Public Funds and their board members. Our portfolio managers have worked with various municipalities and their operating reserve pools for over two decades, helping establish and manage portfolios in fixed income securities. Our firm has focused our client service efforts here in Florida since our inception. As a client, The City of Sanibel can expect a highly personalized (customized) investment approach, flexibility to capitalize on changes in market conditions and a “hands-on” client service experience.

Our overall focus on high quality fixed income securities has helped provide our clients with safety of capital, enhanced return potential, and a lower risk profile than our assigned benchmarks. Many of our clients appreciate the consistency of our performance and the people at Sawgrass who provide the results year in and year out. Our employee ownership provides our clients with the comfort that the people managing their money in the past will have a vested interest in the success of the relationship going forward. Our industry is built upon its people and our team of Jacksonville-based investment professionals is positioned to provide The City of Sanibel with exceptional investment solutions and client service delivery.

In addition, Sawgrass is also heavily involved in several Florida-focused organizations, including the Florida Public Pension Trustees Association (FPPTA) and the Florida Government and Finance Officers Association (FGFOA). Providing educational leadership within these organizations has provided our investment team with a method to align our goals of promoting education to Public Trustees in the State of Florida.

Upon reviewing the IPS for the City of Sanibel, Sawgrass would recommend creating customized portfolios that are comprised of the following high quality bonds: Treasury, Agency, Agency MBS and corporate bonds rated A or better. In general, we would plan on maximizing the allowable corporate bond exposure in each of the portfolios. We would not invest in Mortgage bonds for these accounts. Sawgrass has been managing municipal operating reserve assets since our inception and we have a great deal of experience in managing accounts with similar maturity and sector exposures. We would also create customized portfolios that differ slightly from our published composite results, however we are very comfortable managing your assets within your investment policy. We would plan on working closely with you and your consultant during the implementation phase of our assignment to ensure that we can create the proper portfolio structure that meets your needs and objectives.

### Sawgrass' Approach to This Engagement:

- 1) **Establish a Communication Plan**
- ↓
- 2) **Identify Investment Objectives and Time Horizons**
- ↓
- 3) **Implement Investment Strategy**
- ↓
- 4) **Review Results and Monitor Client Cash Flow Needs**

Sawgrass would structure the maturities of your portfolios to match those of each respective benchmark and strive to differentiate our portfolio through the use of security selection. We note that the Surplus account has a stated policy limit of a maximum maturity less than 3 years while the benchmark is comprised of 3-5 year securities. According to the IPS, the portfolio would always have a shorter duration than the benchmark. The Restricted account has a benchmark with an extremely long average maturity, and we would create a customized portfolio that is comprised of the longer maturity bonds that we currently manage for our Core Fixed Income clients.

Sawgrass would propose a fee of 15 basis points of assets under management across all three accounts, billed quarterly in arrears.

## *Proposed City of Sanibel Client Service Team*



**David Furfine, CFA – Partner, Co-Director of Fixed Income Investments**

***25 Years of Investment Experience / 12 Years with Sawgrass***

- Lead Portfolio Manager for Intermediate & Short-term Fixed Income Portfolios
- Responsible for Overall Interest Rate Outlook
- Mortgage-backed Security (MBS) Sector Specialist

**Direct Line: 904.493.5512**

**Main Line: 904.493.5500**

**Address: 1579 The Greens Way, Ste 20  
Jacksonville Beach, FL 32250**

**Email Address: [furfined@saw-grass.com](mailto:furfined@saw-grass.com)**

Mr. Furfine was formerly with Barnett Capital Advisors, Inc. where he utilized his fixed income and mortgage expertise in a similar fashion. Prior to Barnett, he served eight years with Prudential Home Mortgage Company managing all trading and hedging activities. Additionally, he managed a mortgage portfolio of over \$10 billion while at Prudential. Mr. Furfine received a B.S. in Economics summa cum laude from The Wharton School of The University of Pennsylvania. He is a member of The CFA Institute, has earned the Chartered Financial Analyst (CFA) designation and currently serves as President of the CFA Society of Jacksonville.



**Andrew Cantor, CFA – Founding Principal, Co-Director of Fixed Income Investments**

***34 Years of Investment Experience / 12 Years with Sawgrass***

- Lead Portfolio Manager for Core Fixed Income Portfolios
- Responsible for Overall Interest Rate Outlook
- Corporate/Credit Sector Specialist

**Direct Line: 904.493.5513**

**Main Line: 904.493.5500**

**Address: 1579 The Greens Way, Ste 20  
Jacksonville Beach, FL 32250**

**Email Address: [cantora@saw-grass.com](mailto:cantora@saw-grass.com)**

Prior to the formation of Sawgrass, he spent 15 years at Barnett Capital Advisors, Inc. where he was responsible for creating the institutional group's fixed income investment discipline and served as head of all taxable fixed income assets. Prior to Barnett, he worked for Gulf United Corporation, where he was responsible for economic and interest rate analysis and the management of approximately \$1.1 billion in fixed income investments. He has over 30 years of experience managing funds for pension, endowments, foundations, insurance companies, corporate reserves and individuals. Mr. Cantor received his B.S. in Mathematics from Florida Atlantic University and his M.A. in Economics from the University of South Carolina. Mr. Cantor has served as President of the Jacksonville Financial Analysts Society, holds a membership in The CFA Institute (formerly AIMR) and has earned the Chartered Financial Analyst (CFA) designation.

## *Proposed City of Sanibel Client Service Team*



**Liridon Gila – Fixed Income Analyst**  
**5 Years of Investment Experience/1 Year with Sawgrass**  
— Responsible for Security and Market Analysis  
— Assist in Portfolio Management Review & Monitoring

**Direct Line:** 904.493.5515  
**Main Line:** 904.493.5500  
**Address:** 1579 The Greens Way, Ste 20  
Jacksonville Beach, FL 32250  
**Email Address:** gilal@saw-grass.com

Mr. Gila is a Fixed Income Research Analyst for all of the bond portfolios at Sawgrass Asset Management. He also serves on the firm's fixed income management research committee. Mr. Gila graduated from the University of North Florida with a M.B.A. and B.A. in Finance. He has four years of previous work experience with Fidelity National Financial. Mr. Gila holds a Series 65.



**Chris Greco – Partner, Institutional Marketing & Client Service**  
**15 Years of Investment Experience / 6.5 Years with Sawgrass**  
— New Business, Marketing & Client Service  
— Lead Florida Public Fund Relationship Manager

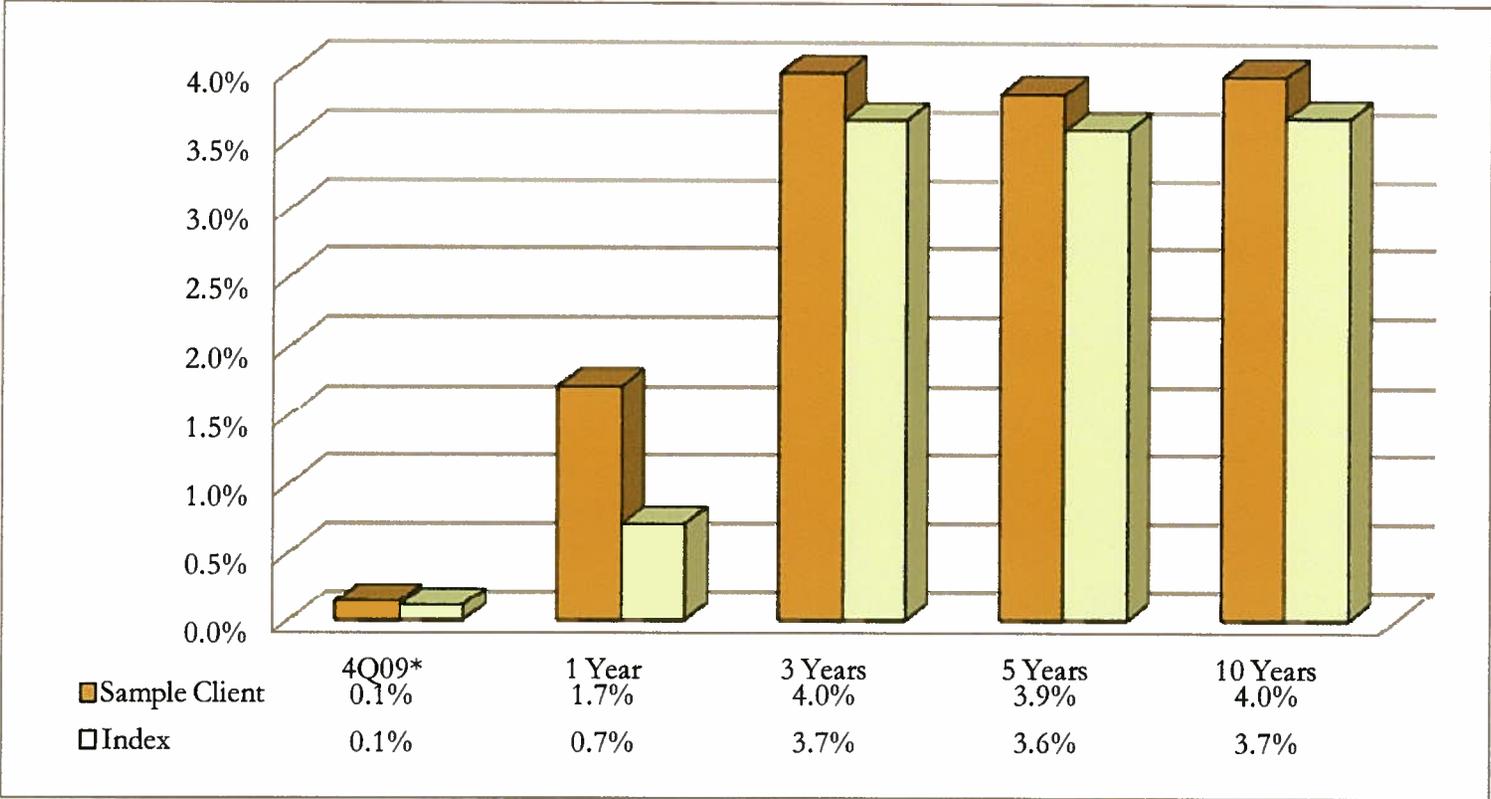
**Direct Line:** 904.493.5504  
**Main Line:** 904.493.5500  
**Address:** 1579 The Greens Way, Ste 20  
Jacksonville Beach, FL 32250  
**Email Address:** grecoc@saw-grass.com

Mr. Greco is responsible for initiating and maintaining new relationships with state retirement plans, corporations, foundations, endowments and health care entities. In addition, he covers a select group of consultants in the United States. Prior to Sawgrass, Mr. Greco was the Vice President of Institutional Sales for Clover Capital Management and marketed institutional products to plan sponsors at Fidelity Investments. Mr. Greco received his B.S. and M.B.A. in Finance from Boston College. Mr. Greco also holds a Series 65.

# Managed Similarly to the Reserves Account

Returns as of 12/31/09

*Sample Client\* versus Merrill U.S. Treasury 9-12 Month Notes*



|                    |   |      |      |      |      |
|--------------------|---|------|------|------|------|
| <b>Value Added</b> | - | 1.0% | 0.3% | 0.3% | 0.3% |
|--------------------|---|------|------|------|------|

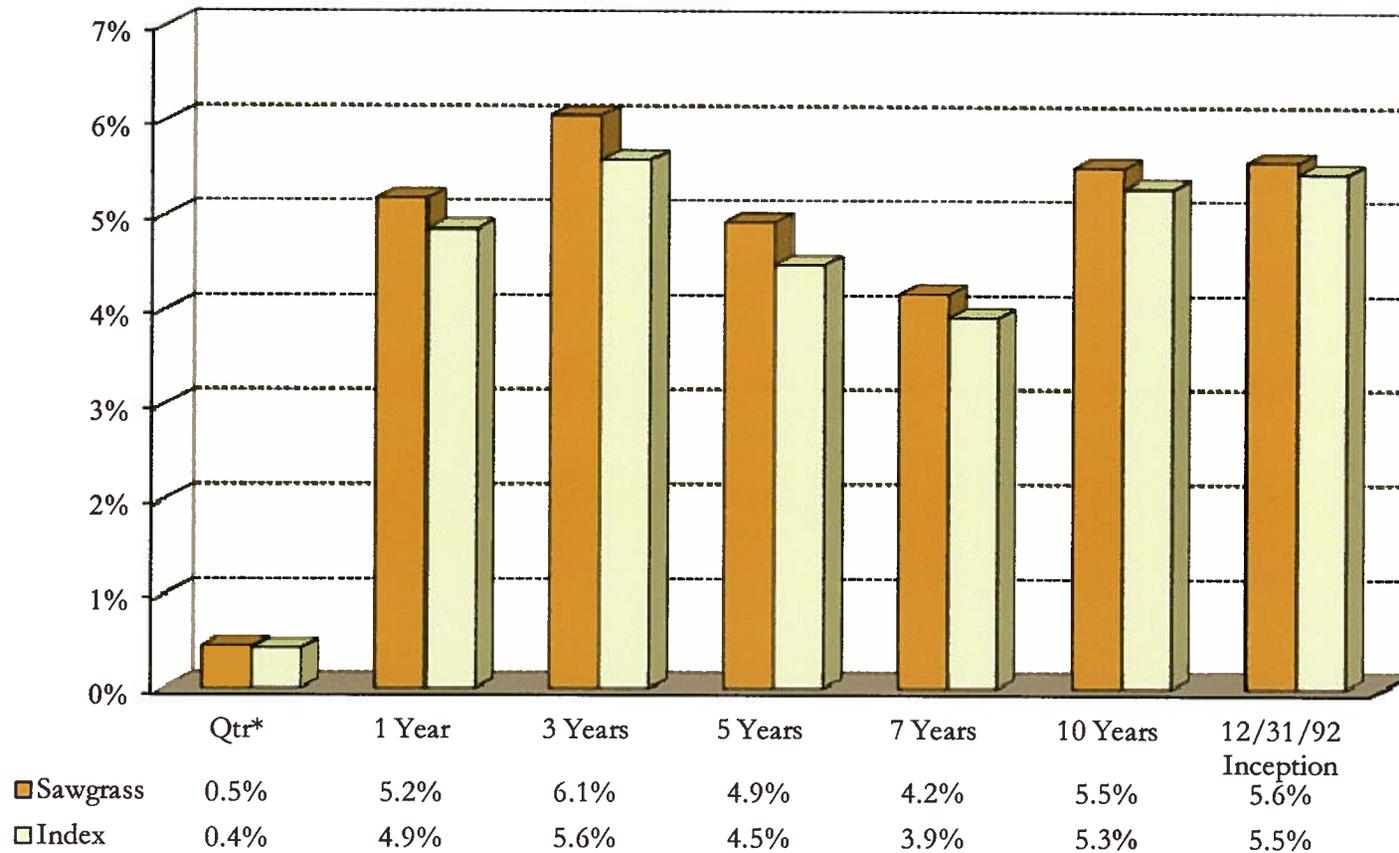
*\*0-2 Year Maturity Restriction. Limited Corporate Exposure. 'AA' or Better.*

*\*Unannualized Returns.*

# Managed Similarly to the Surplus Account

Returns as of 12/31/09

## Sawgrass Short Fixed Income versus Merrill Lynch 1-5 Gov/Corp Index

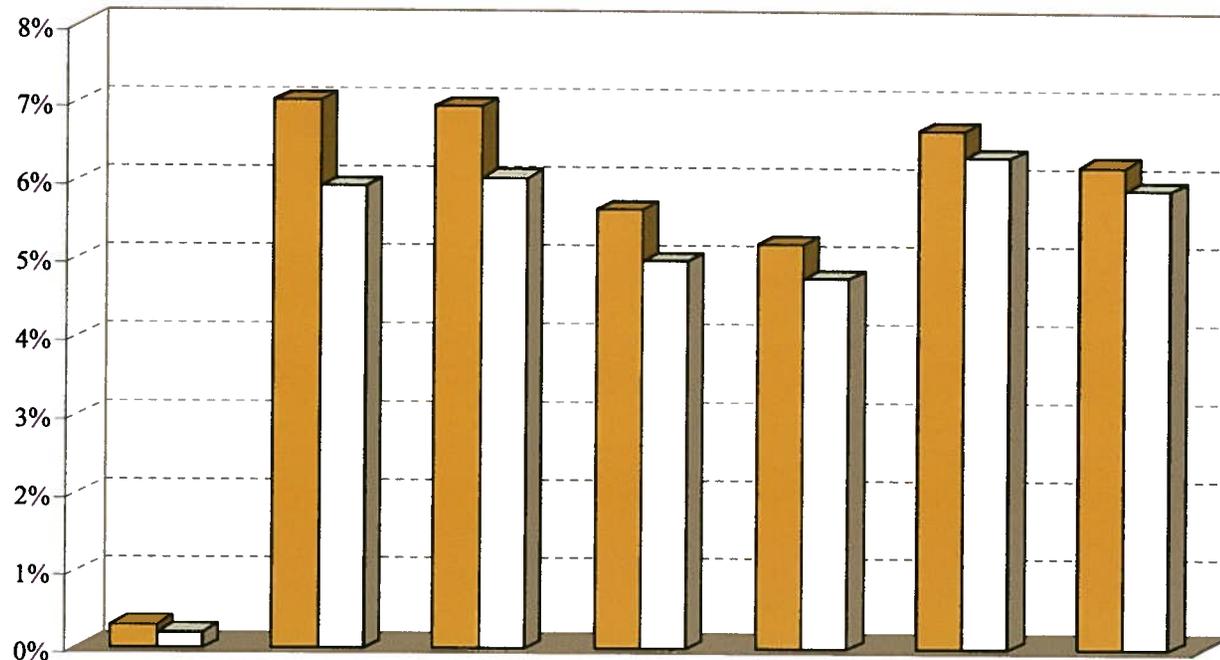


| <b>Value Added</b> | <b>0.1%</b> | <b>0.3%</b> | <b>0.5%</b> | <b>0.4%</b> | <b>0.3%</b> | <b>0.2%</b> | <b>0.1%</b> |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

\*Unannualized Returns.

# Managed Similarly to the Restricted Account Returns as of 12/31/09

## *Sawgrass Core Fixed Income versus Barclays Capital Aggregate Index*



|            | Qtr* | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years | 3/31/98<br>Inception |
|------------|------|--------|---------|---------|---------|----------|----------------------|
| ■ Sawgrass | 0.3% | 7.0%   | 7.0%    | 5.6%    | 5.2%    | 6.7%     | 6.2%                 |
| □ Index    | 0.2% | 5.9%   | 6.0%    | 5.0%    | 4.8%    | 6.3%     | 5.9%                 |

|                    |             |             |             |             |             |             |             |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Value Added</b> | <b>0.1%</b> | <b>1.1%</b> | <b>1.0%</b> | <b>0.6%</b> | <b>0.4%</b> | <b>0.4%</b> | <b>0.3%</b> |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

*\*Unannualized Returns.*

# Sawgrass Product Performance Disclosures

*Sawgrass Asset Management, LLC. (Sawgrass) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). A firm-wide verification of Sawgrass Asset Management's claim of compliance with the Global Investment Performance Standards (GIPS®) has been conducted by Beacon Verification Services for the period March 31, 1998 to December 31, 2007.*

*Sawgrass is a 100 percent employee-owned Registered Investment Advisor whose primary focus is to provide institutional investment management services. All fee paying, fully discretionary, tax-exempt accounts managed by Sawgrass are included in at least one composite and do not include simulated, modeled, or back-tested performance.*

*Returns include cash. Gross returns do not reflect the deduction of investment advisory fees. Client returns will be reduced by these advisory fees and any other expenses it may incur in the management of its investment advisory account. Returns are net of withholding taxes on foreign dividends where applicable.*

*The Firm's official performance record is maintained in Advent Axys, a PC-based portfolio management and accounting system. Performance is on a trade date dollar-weighted monthly basis in U.S. dollars. The dollar-weighted monthly results are geometrically linked (time-weighted) to produce quarterly and annualized results. New accounts are added to the composite beginning with their first month of fully discretionary performance. Terminated accounts remain in composites through their last full month of discretionary performance. Accounts will be removed from the composite for the month in which a significant flow exceeds 30% of account value. A comprehensive list and description of the firm's composites and additional information regarding policies for calculating and reporting returns is available upon request.*

*Past performance does not guarantee future results. Investments are subject to risk and may lose value.*

**Information Specific to the Short-term Fixed Income Composite:** *As of 12/31/09, this composite was comprised of 9 accounts valued at \$226 million. Assets in this composite represent 8% of the firm's total assets under management. This composite's creation date was 3/31/98 and its minimum account size is currently \$1 million.*

*The investment management fee schedule is available in Part II of Form ADV as follows: 0.25% on the first \$10 million and 0.15% on the next \$20 million and 0.10% on the balance.*

| Year                                           | 2000      | 2001      | 2002    | 2003    | 2004      | 2005      | 2006      | 2007      | 2008      | 2009      |
|------------------------------------------------|-----------|-----------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|
| Annual Total Return - Gross of Fees            | 8.9%      | 9.0%      | 8.1%    | 2.9%    | 1.8%      | 2.0%      | 4.5%      | 7.0%      | 5.9%      | 5.2%      |
| Annual Net of Standard Fee Return              | 8.7%      | 8.8%      | 7.9%    | 2.7%    | 1.6%      | 1.8%      | 4.3%      | 6.8%      | 5.7%      | 4.9%      |
| Merrill Lynch 1-5 Year Gov't/Corp. Index*      | 8.9%      | 9.0%      | 7.9%    | 3.3%    | 1.8%      | 1.4%      | 4.2%      | 7.3%      | 4.7%      | 4.9%      |
| Short Term Comp. Assets - Year End (MM)        | \$96.6    | \$105.5   | \$111.6 | \$53.5  | \$54.3    | \$118.5   | \$148.7   | \$178.4   | \$197.0   | \$226.0   |
| Total Firm Assets - Year End (MM)              | \$1,177.6 | \$1,071.0 | \$935.5 | \$864.4 | \$1,007.1 | \$1,034.0 | \$1,278.1 | \$1,890.1 | \$1,796.4 | \$2,685.1 |
| Percent of Firm's Assets                       | 8.2%      | 9.9%      | 11.9%   | 6.2%    | 5.4%      | 11.5%     | 11.6%     | 9.4%      | 11.0%     | 8.4%      |
| Number of Accounts                             | 3         | 3         | 3       | 2       | 6         | 9         | 9         | 7         | 7         | 9         |
| Dispersion - Equal-weighted Standard Deviation | n/a**     | 0.11%     | 0.27%   | 0.41%   | 0.03%     | 0.19%     | 0.07%     | 0.04%     | 0.24%     | 0.15%     |

\*Prior to 6-30-96, we utilized a blended benchmark of 75% Merrill Lynch 1-5 Year Gov't/Corp Index / 25% 3-month T-Bills.

\*\*When two or fewer accounts are represented for the entire year, such as 1998 due to the transition from Barnett when no one account was managed throughout the entire period, the calculation of standard deviation as a form of dispersion is not meaningful.

# Sawgrass Product Performance Disclosures

*Sawgrass Asset Management, LLC. (Sawgrass) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). A firm-wide verification of Sawgrass Asset Management's claim of compliance with the Global Investment Performance Standards (GIPS®) has been conducted by Beacon Verification Services for the period March 31, 1998 to December 31, 2007.*

*Sawgrass is a 100 percent employee-owned Registered Investment Advisor whose primary focus is to provide institutional investment management services. All fee paying, fully discretionary, tax-exempt accounts managed by Sawgrass are included in at least one composite and do not include simulated, modeled, or back-tested performance.*

*Returns include cash. Gross returns do not reflect the deduction of investment advisory fees. Client returns will be reduced by these advisory fees and any other expenses it may incur in the management of its investment advisory account. Returns are net of withholding taxes on foreign dividends where applicable.*

*The Firm's official performance record is maintained in Advent Axys, a PC-based portfolio management and accounting system. Performance is on a trade date dollar-weighted monthly basis in U.S. dollars. The dollar-weighted monthly results are geometrically linked (time-weighted) to produce quarterly and annualized results. New accounts are added to the composite beginning with their first month of fully discretionary performance. Terminated accounts remain in composites through their last full month of discretionary performance. Accounts will be removed from the composite for the month in which a significant flow exceeds 30% of account value. A comprehensive list and description of the firm's composites and additional information regarding policies for calculating and reporting returns is available upon request.*

*Past performance does not guarantee future results. Investments are subject to risk and may lose value.*

*Information Specific to the Core Fixed Income Composite: As of 12/31/09, this composite was comprised of 34 accounts valued at \$308 million. Assets in this composite represent 12% of the firm's total assets under management. The three-year standard deviation for this product and its benchmark was 4.65% and 3.67%, respectively. This composite's creation date was 3/31/98 and its minimum account size is currently \$1 million.*

*The investment management fee schedule is available in Part II of Form ADV as follows: 0.35% on the first \$20 million and 0.25% on the balance.*

| Year                                           | 2000      | 2001      | 2002    | 2003    | 2004      | 2005      | 2006      | 2007      | 2008      | 2009      |
|------------------------------------------------|-----------|-----------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|
| Annual Total Return - Gross of Fees            | 11.5%     | 8.4%      | 10.7%   | 4.1%    | 4.1%      | 2.9%      | 4.5%      | 6.8%      | 7.0%      | 7.0%      |
| Annual Net of Standard Fee Return              | 11.2%     | 8.1%      | 10.4%   | 3.8%    | 3.8%      | 2.6%      | 4.2%      | 6.5%      | 6.7%      | 6.7%      |
| Barclays Capital Aggregate Index               | 11.6%     | 8.4%      | 10.3%   | 4.1%    | 4.4%      | 2.4%      | 4.3%      | 7.0%      | 5.2%      | 5.9%      |
| Core Fixed Comp. Assets - Year End (MM)        | \$86.2    | \$127.2   | \$197.4 | \$185.9 | \$271.2   | \$352.7   | \$431.0   | \$223.3   | \$250.1   | \$308.0   |
| Total Firm Assets - Year End (MM)              | \$1,177.6 | \$1,071.0 | \$935.5 | \$864.4 | \$1,007.1 | \$1,034.0 | \$1,278.1 | \$1,890.1 | \$1,796.4 | \$2,685.1 |
| Percent of Firm's Assets                       | 7.3%      | 11.9%     | 21.1%   | 21.5%   | 26.9%     | 34.1%     | 33.7%     | 11.8%     | 13.9%     | 11.5%     |
| Number of Accounts                             | 9         | 17        | 20      | 20      | 24        | 27        | 28        | 25        | 25        | 34        |
| Dispersion - Equal-weighted Standard Deviation | 0.34%     | 0.39%     | 0.37%   | 0.27%   | 0.18%     | 0.22%     | 0.14%     | 0.15%     | 0.71%     | 0.54%     |