



Florida Workers Compensation Joint Underwriting Association, Inc.

P.O. Box 48957, Sarasota, FL 34230-5957

• Tel (941) 378-7400 • Fax (941) 378-7405 • www.fwcjua.com

VIA E-MAIL

FWCJUA AUDIT COMMITTEE BULLETIN 08-04

TO: Florida Workers' Compensation Joint Underwriting Association, Inc. Audit Committee
FROM: Laura S. Torrence, Executive Director
DATE: August 11, 2008
RE: **AUGUST 21, 2008 AUDIT COMMITTEE TELECONFERENCE MEETING AGENDA**

Enclosed for your review is the agenda for the FWCJUA Audit Committee teleconference meeting scheduled for Thursday, August 21, 2008 at 10:00 a.m. (Eastern Time). An operator will dial out to the following parties:

Fred Bennett	813-470-5009
Terry Butler	850-413-2913
Beth Vecchioli	850-224-1585
Tom Maida	850-513-3377
Jim Watford	850-413-5368

All other parties please contact Kathy Coyne at (941) 378-7408, to participate in the teleconference. Should you have any questions concerning the teleconference call, or the agenda, please do not hesitate to contact me.

c: FWCJUA Board of Governors
Tom Maida, *General Counsel*
Jim Watford, *Florida Office of Insurance Regulation*
FWCJUA Interested Parties

BOARD OF GOVERNORS: Charlie Clary, *Chair*; Dan Dannenhauer, *Vice Chair*; Fred Bennett; Terry Butler; Rick Hodges; Claude Revels; Brett Stiegel; Beth Vecchioli; James Ward

**AGENDA FOR THE MEETING OF THE AUDIT COMMITTEE OF THE
FLORIDA WORKERS' COMPENSATION JOINT UNDERWRITING ASSOCIATION, INC.
TO BE HELD ON THURSDAY, AUGUST 21, AT 10:00 A.M. VIA TELECONFERENCE**

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|-------------|---|--------------|
| I. | CALL TO ORDER AND OPENING REMARKS | Fred Bennett |
| II. | ANTI-TRUST PREAMBLE (Attachment A) | Tom Maida |
| III. | AUDIT COMMITTEE CHARTER PROCEDURES CHECKLIST (Attachment B) | Laura Lopez |
| IV. | FINANCIAL AUDITOR APPOINTMENT PROCESS (Attachment C) | Laura Lopez |
| V. | GENERAL ANNOUNCEMENTS | Fred Bennett |
| VI. | ADJOURNMENT AND CLOSING REMARKS | Fred Bennett |

ANTI-TRUST PREAMBLE

We are here to discuss and act on matters relating to the business of the Florida Workers' Compensation Joint Underwriting Association (FWCJUA) and not to discuss or pursue the business interests of our individual funds or companies.

We should proceed with caution and alertness towards the requirements and prohibitions of federal and state anti-trust laws.

We should not engage in discussions – either at this meeting or in private conversations – of our individual fund's or companies' plans or contemplated activities. We should concern ourselves only with the business of the Florida Workers' Compensation Joint Underwriting Association as set forth in the agenda for this meeting.

Only FWCJUA market matters may be discussed at the meeting and each fund's or company's voluntary market plans cannot be discussed.

AUDIT COMMITTEE CHARTER PROCEDURES CHECKLIST

The Audit Committee shall review its third quarter responsibilities for the financial reporting period ending December 31, 2008 as prescribed in the Audit Committee Charter Procedures Checklist. The Committee's third quarter responsibilities which require discussion are summarized below:

- 1) Review the audit committee charter to determine whether its responsibilities are adequately described.
- 2) Develop a meeting planner to make sure that the Committee meets its responsibilities as outlined in its Charter. *Next approved scheduled meeting is November 19, 2008 a 10 a.m.*
- 3) Discuss any significant risks faced by the Association in the current environment. Provide information to the Committee on the Association's structure, controls and types of transactions.
- 4) Evaluate whether management exhibits and fosters a culture and environment that promotes high-quality financial reporting, including addressing adequacy and effectiveness of internal control issues as well as approval and monitoring of special or complex transactions. *In June 2008, additional controls were implemented regarding transfers to and from the FWCJUA's Investments Accounts allowing for any and all transfers to either be originated from or concluded with the FWCJUA's Operating Account at SunTrust Bank. Attached is the updated Purchase Authorizations Policy as well as the updated Authorized Signature Form at US Bank, Custodian of the Investment Accounts.*
- 5) Receive update from management about reports received from regulators and their responses to those reports. *Attached is correspondence received from OIR regarding the FWCJUA's investment custodial agreements with US Bank and SunTrust. Although this requirement does not apply to the FWCJUA as we are not a domestic stock insurer, the FWCJUA was proactive in inquiring about these additional controls and disclosures and found the new requirements are available by just signing updated custodial agreements as the FWCJUA's current agreements have not been updated since their original inception. Attached are also copies of the updated custodial agreements which will be considered by the Investment Committee on August 29th for recommendation to the Board.*
- 6) Review quality control procedures of the independent auditor over the audit function. Review planned scope of the independent auditors, results of their work, changes in the planned scope, the extent of control testing to be performed, and the extent and appropriateness of the coordination of their activities.
- 7) Determine that the independent auditors are appropriately compensated to provide well-trained, highly experience personnel required to perform the necessary procedures for a high-quality audit. Establish a process for the appointment, compensation and oversight of the independent auditors. Also, establish a process for pre-approving the audit and non-audit services to be provided by the independent auditors. When warranted, termination and reappointment of a replacement auditor.
- 8) Inquire about the independent auditors' quality control safeguards and independence. Inquire as to the results of the independent auditors' latest peer reviews, as well as the status of significant litigation or disciplinary actions by regulatory bodies.

A copy of the Audit Committee Charter Procedures Checklist and Audit Committee Charter are attached.

The Committee shall address its third quarter responsibilities as prescribed in the Audit Committee Charter Procedures Checklist.

**Florida Workers' Compensation
Joint Underwriting Association, Inc.**

Audit Committee Charter

Purpose

The primary function of the Audit Committee is to assist the Board of Governors (the "Board") in fulfilling its financial oversight responsibilities. The Audit Committee should review the Florida Workers' Compensation Joint Underwriting Association's (the "Association") financial reports and other financial information; the systems of internal controls and ethics policies that the management and the Board have established; and the auditing, accounting and financial reporting process. Consistent with this function, the Audit Committee should foster adherence to, and should encourage continuous improvement of the Association's policies, procedures and practices. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Association's financial reporting process and internal control system;
- Review and appraise the audit efforts of the Association's independent auditor;
- Provide an open avenue of communication among the independent auditor, financial and senior management, and the Board.

Membership

The Audit Committee shall be comprised of three or more representatives, each of whom shall be independent of management and may not be employees of the Association, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Audit Committee shall have a working familiarity with basic finance and accounting practices, and it is desirable that at least one member of the Audit Committee shall have accounting or related financial management expertise. Audit committee members may desire to enhance their familiarity with finance and accounting by participating in educational programs.

The members of the Audit Committee shall be appointed by the Board Chairperson for a designated term or until their successors are appointed. The Board Chairperson shall appoint the Chairperson of the Audit Committee.

Meetings

The Audit Committee shall meet at least two times annually, or more frequently as circumstances dictate. As part of its job to foster open communications, the Audit Committee should meet at least annually with the Administrator and the independent auditor to discuss any matters that the Audit Committee or each of these groups believes should be discussed.

Responsibilities and Duties

The Audit Committee should:

Review

- Annually review and update this Charter.
- Review the Association's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditor.
- Review any interim financial statements and other financial information such as budgets.

Independent Auditor

- Recommend to the Board the selection of the independent auditor, considering independence and effectiveness and approve the fees paid to the independent auditor. On an annual basis, the Audit Committee should review and discuss with the auditor all significant relationships the auditor has with the Association to determine the auditors' independence.
- Review the performance of the independent auditor and approve any proposed discharge of the independent auditor by management.
- Periodically consult with the independent auditor about internal controls and the completeness and accuracy of the Association's financial statements.

Financial Reporting Process

- In consultation with the independent auditor, review the integrity of the Association's financial reporting processes.
- Consider the independent auditors' judgments about the quality and appropriateness of accounting principles as applied in its financial reporting.
- Consider and approve, if appropriate, major changes to auditing and accounting principles and practices as suggested by the independent auditor, management, or the internal auditing department.
- Establish regular and separate systems of reporting to the Audit Committee by management and the independent auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
- Approve any non-audit services contracted with the independent auditor.

Responsibilities and Duties (continued)

Financial Reporting Process (continued)

- Following completion of the annual audit:
 - Review with management and the independent auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
 - Review any significant disagreements among management and the independent auditor in connection with the preparation of the financial statements.
 - Review with the independent auditor and the Administrator the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented.
 - Review with the independent auditor and the Administrator the current year management letter and related findings and recommendations together with the Administrator's responses. Also, review the status of any prior year recommendations.

Compliance and Other Matters

- Review management's monitoring of compliance with the Association's corporate governance procedures, and ensure that management has the proper review system in place to ensure that financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
- Review with the Association's counsel, any legal matter that could have a significant impact on the Association's financial statements.
- Perform any other activities consistent with this Charter, the Association's By-laws and governing law, as the Audit Committee or the Board deems necessary or appropriate.
- The Committee shall develop and encourage an open means of communication between the Committee and employees of the Association for reporting matters involving accounting and reporting issues which appear to be contrary to the policies of the Association.
- The Committee designates its Chairperson as the liaison with the independent auditors for purposes of communications relating to internal controls, financial reporting or other matters that may arise in the discharge of the independent auditors' responsibilities.

Florida Workers' Compensation Joint Underwriting Association, Inc.
 Audit Committee Charter Procedures Checklist
 For the financial reporting period ended December 31, 2008

Attachment B

Understanding Roles and Responsibilities	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Review the audit committee charter to determine whether its responsibilities are adequately described.			X					
2. Discuss the committee's communication and performance expectations with management and independent auditors.				X				
3. Engage internal and external resources as the committee determines necessary to carry out its duties.					X			
4. Establish direct access to the independent auditors.					X			
5. Establish a process to respond to any reports from the corporate attorneys regarding material violations of laws or breaches of fiduciary duties.					X			
6. Develop a meeting planner to make sure that the committee meets its responsibilities as outlined in its Charter.	X	X	X	X	X		Yes	2 teleconference dates were approved: August 21, 2008 at 10 am and November 19, 2008 at 10 am.
7. Prepare minutes for all meetings and circulate in draft form to members prior to being finalized.	X	X	X	X	X		Yes	Minutes are prepared and included in the next Audit committee or Board of Governors meeting agenda for approval.
8. Provide orientation training for new committee members.					X		Yes	An introduction was provided at the Nov. 30, 2007 meeting with more information available depending upon committee member request.

Understanding the Business	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Provide information to the Committee on the Association's structure, controls and types of transactions.	X	X	X	X	X		Yes	Discussed at 4/9/08 meeting related to 2007 year-end audit.

Florida Workers' Compensation Joint Underwriting Association, Inc.
 Audit Committee Charter Procedures Checklist
 For the financial reporting period ended December 31, 2008

Attachment B

Understanding the Business (cont.)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
<p style="color: red;">2. Communicate the types of significant risks faced by the Association in the current environment including:</p> <ul style="list-style-type: none"> • Competitive trends. • Significant customers and suppliers. • Regulatory requirements 							Yes	Possible reinsurer commutation & 4 bonds being held as an exception to the Investment Policy as are currently rated below an 'A' rating.
	X	X	X	X				
	X	X	X	X	X			
<p style="color: red;">3. Evaluate whether management exhibits and fosters a culture and environment that promotes high-quality financial reporting, including addressing internal control issues.</p>	X	X	X	X			Yes	Bennett commented that discussions with THF indicate management has a good environment and that financial reporting capabilities are exceptional.
<p style="color: red;">4. Determine how management is assessing the adequacy and effectiveness of internal controls.</p>	X	X	X	X			Yes	Discussed at 4/9/08 meeting related to 2007 year-end audit. In June, additional controls were implemented regarding transfers to & from the FWCJUA's Investment accounts only via the FWCJUA's Operating Account at OneTrust
<p>5. Discuss with the independent auditors any significant improvement recommendations in internal controls and whether management has adequately addressed them.</p>		X					Yes	Discussed on 4/9/08 as THF had a recommendation last year regarding segregation of duties however issue addressed & no concerns at this time.
<p>6. Assess whether the Association has an appropriate business continuity plan and whether that plan has been tested.</p>					X		Yes	The FWCJUA is continuously updating the business continuity and disaster recovery plan document - as well as currently undergoing a full IT audit.
<p>7. Discuss with the independent auditors whether they noted any instances of employee fraud, questionable or illegal payments, or violations of laws or regulations.</p>		X					Yes	Discussed at 4/9/08 meeting, THF advised that nothing came to THF's attention during the audit.
<p>8. Obtain an understanding of management's compensation structure and whether the current structure could increase the possibility of inappropriate behavior to maximize compensation.</p>					X		Yes	Audit Chair sits on Executive Compensation Committee which meets several times a year.
<p style="color: red;">9. Assess whether there are adequate controls over the approval and monitoring of special or complex transactions.</p>	X	X	X	X			Yes	Discussed at 4/9/08 meeting related to 2007 year-end audit.

Florida Workers' Compensation Joint Underwriting Association, Inc.
 Audit Committee Charter Procedures Checklist
 For the financial reporting period ended December 31, 2008

Attachment B

Understanding the Business (cont.)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
10. Receive update from management about reports received from regulators and their responses to those reports.					X			Received correspondence from OIR on June 9, 2008 and although not required as FWCJUA is not a domestic stock insurer, may be beneficial for FWCJUA to update its custodial agreements.
11. Receive an update from the general counsel on legal and regulatory matters that may have a material effect on the financial statements.	X				X		Yes	At the 4/9/08 meeting, Maida commented that he knows of none.

Oversight of Financial Reporting Process	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Distribute and discuss the Association's financial results and the consistency of reported and planned results.	X	X	X	X			Yes	Quarterly financial statements are distributed to the Board; both filed financial statements as well as projected financials with year-to-date actuals
2. Review significant balance sheet changes or changes in trends or important financial statement relationships.	X	X	X	X			Yes	Included with projected / actual financial reports are explanations if actual results are different than projected.
3. Review Association's accounting principles (including changes in them) and practices and compare to industry norms.				X	X			
4. Review management's process for identifying related party transactions.					X			
5. Review any new or proposed accounting and auditing topics affecting the company.				X	X			
6. Question management and the auditors about how they assess the risk of material misstatement, what the significant risks are, and how they respond to identified risks.		X					Yes	THF advised tha part of the audit process by looking at 'material' items and control testing on the material transaction cycles as well as testing balances - however noted no weakness in controls.
7. Challenge management and the auditors to identify the difficult areas (e.g. significant estimates and judgments) and to fully explain how they each made their judgments in those areas.		X					Yes	At the 4/9/08 meeting, loss reserves, unearned premium, premium receivables, deposit premiums and investments were discussed.

Florida Workers' Compensation Joint Underwriting Association, Inc.
 Audit Committee Charter Procedures Checklist
 For the financial reporting period ended December 31, 2008

Attachment B

Oversight of Financial Reporting Process (cont.)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
8. Review proposed significant, complex, and/or unusual transactions and their financial statement effects.		X			X		Yes	Discussed at 4/9/08 meeting related to 2007 year-end audit.
9. Obtain an understanding of why management did not correct audit differences that were identified and what the effect would be on the financial statements if those differences were corrected in the current period.		X					Yes	At the 4/9/08 meeting, THF advised there were none.
10. Review actuarial analysis report and have opportunity to confer independently with actuary.	X						Yes	The entire Board decides the loss reserves to be booked on the financials after review presented by Milliman and each Board member has direct access to the FWCJUA's actuary.

Oversight of Audit Function	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Inquire as to the results of the independent auditors' latest peer and internal reviews, as well as the status of significant litigation or disciplinary actions by regulatory bodies.			X					
2. Review quality control procedures of the independent auditor over the audit function			X					
3. Review planned scope of the independent auditors, results of their work, changes in the planned scope, the extent of control testing to be performed, and the extent and appropriateness of the coordination of their activities.			X					
4. Determine that the independent auditors are appropriately compensated to provide well-trained, highly experience personnel required to perform the necessary procedures for a high-quality audit.			X					
5. Establish a process for the appointment, compensation and oversight of the independent auditors. Also, establish a process for pre-approving the audit and non-audit services to be provided by the independent auditors. When warranted, termination and reappointment of a replacement auditor.			X		X			

Florida Workers' Compensation Joint Underwriting Association, Inc.
 Audit Committee Charter Procedures Checklist
 For the financial reporting period ended December 31, 2008

Attachment B

Audit Committee Communication	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	As Needed	Done by: (initials)	Completed	Comments
1. Provide meaningful and focused updates to the Board of Governors after each committee meeting.	X	X	X	X	X		June 2008	12/31/07 Audit results will be presented to the Board at the June meeting.
2. Provide an opportunity for the independent auditors to be available to the full Board of Governors at least annually to review the results of the audit.		X					Yes	THF is always available to the Board and will participate at the June meeting.
3. Meet at least annually to assess management's effectiveness and communicate the results of that assessment.		X					Yes	Discussed at the 4/9/08 meeting. Committee commented that FWCJUA has sound financial reporting and effective and open communication.
4. Inquire of the auditors about management's corrective actions regarding control deficiencies identified.		X					Yes	Discussed at 4/9/08 meeting and THF advised of no control deficiencies.
5. Inquire of the auditors about pressure by management to accept less than high-quality financial reporting.		X					Yes	Discussed at 4/9/08 meeting and it was consensus that FWCJUA definitely exhibits high-quality financial reporting.
6. Inquire about the independent auditors' quality control safeguards and independence.			X					
7. Provide vehicle for employees or others to have direct access to audit committee to report concerns. Annually all Board Members, Officers and Employees will read and sign the Code of Conduct and/or Conflict of Interest Statements.				X	X		January 2008	An updated Business Conduct Letter was given to all employees with the change of audit committee members.
8. Annual Report to the full Board of Governors on the audit committee functions during the year with their completion following the audit charter checklist.				X			Yes	

**FLORIDA WORKERS' COMPENATION JOINT UNDERWRITING ASSOCIATION, INC.
PURCHASE AUTHORIZATIONS POLICY
AUTHORIZED SIGNERS**

EFFECTIVE JUNE 2008

CHECK SIGNING

CHECK AMOUNT	# OF SIGNERS	AUTHORIZED SIGNERS	SIGNER COMBINATION
Any Amount	Two (2)	Laura Torrence Michael Cleary Chair (Charlie Clary) Vice Chair (Dan Dannenhauer)	Any two (2) authorized signers (Facsimile signatures permitted for payroll purposes only)

ACH's - Payment via Online Banking System *

PAYMENT AMOUNT	# OF SIGNERS	AUTHORIZED SIGNERS	SIGNER COMBINATION
Any Amount	Three (3) Steps	Initial Set Up Initiator Authorization	Laura Torrence Kathy Coyne Laura Lopez

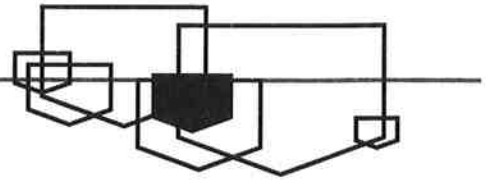
INVOICES & CHECK REQUESTS

INVOICE AMOUNT	# OF SIGNERS	AUTHORIZED SIGNERS	SIGNER COMBINATION
\$0.00 - \$1,000.00	One (1)	Laura Torrence Michael Cleary Laura Reay Lopez Marc Babin Kathy Coyne Lisa Robertson	Any Authorized Signer
\$1,000.01 - \$5,000.00	One (1)	Laura Torrence Michael Cleary Laura Reay Lopez	Any Authorized Signer
\$5,000.01 & Over	Two (2)	Laura Torrence Michael Cleary Laura Reay Lopez	Any Authorized Signer

EXPENSE REPORTS

EXPENSE REPORTS FOR:	# OF SIGNERS	APPROVAL AUTHORITY (<i>Preference Listed in Order</i>)
Board Members & all others not specifically mentioned in this table	One (1)	Laura Torrence
Laura Torrence	One (1) Officer	Laura Reay Lopez Michael Cleary Chair (Charlie Clary)
Michael Cleary	One (1)	Laura Torrence Laura Reay Lopez
Laura Reay Lopez	One (1)	Laura Torrence Michael Cleary
Marc Babin Kathy Coyne Lisa Robertson	One (1)	Laura Torrence Michael Cleary Laura Reay Lopez
Employee	One (1) <i>Preferably Direct Supervisor</i>	Laura Torrence Michael Cleary Laura Reay Lopez Marc Babin Kathy Coyne Lisa Robertson

*** Currently payments can only be sent electronically to Travelers, Benfield and US Bank (Investment Custodian) upon initiation from the FWCJUA. Paychex and Ameriflex can debit the FWCJUA's accounts according to their agreements. In regards to US Bank / Evergreen Investments, money can only be sent to and from these accounts via the FWCJUA's SunTrust Operating Account only and requires 2 signatures for withdrawals.**



Authorized Signature Form

Account Name: Florida Workers Compensation Joint Underwriting Association, Inc.

Account Numbers: 2691000228, 2691000230, 2691000241, 2691000252, 2691000263, and subsequent sub accounts.

In accordance with the provisions of the above referenced accounts, the following individuals are authorized on behalf of Florida Workers Compensation Joint Underwriting Association, Inc., to give instructions to U.S. Bank, N.A., with regard to these accounts and hereby authorize and direct U.S. Bank, N.A. to act on any of the directives signed by two (2) of the below individuals. However if the directives are regarding distributions or withdrawals –then all funds MUST and CAN ONLY be sent to the Florida Workers Compensation Joint Underwriting Association, Inc.'s operating account with SunTrust Bank: ACH 061000104, Account #0316008953732 :

Name: Laura S. Torrence

Title: Secretary

Signature: *Laura S. Torrence*

Name: Michael K. Cleary

Title: Assistant Secretary

Signature: *Michael K. Cleary*

Name: _____

Title: _____

Signature: _____

Name: _____

Title: _____

Signature: _____

Authorized by:

I hereby acknowledge and represent that I am authorized on behalf of the Account to provide this authorized signature form to U.S. Bank, N.A. This form shall remain in effect until it is changed or revoked in writing by the Account. Any change or revocation of this form shall be effective upon U.S. Bank's receipt of such written notice.

Name: *Laura S. Torrence* Signature: *Laura S. Torrence*

Title: *Secretary & Exec. Director* Date Signed: *6/10/2008*



FINANCIAL SERVICES
COMMISSION

CHARLIE CRIST
GOVERNOR

ALEX SINK
CHIEF FINANCIAL OFFICER

BILL MCCOLLUM
ATTORNEY GENERAL

CHARLES BRONSON
COMMISSIONER OF
AGRICULTURE

OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
COMMISSIONER

VIA E-MAIL

June 9, 2008

Laura Reay Lopez
6003 Honore Ave., Suite 204
Sarasota, FL 34238

RE: December 31, 2007 Annual Quarter Financial Statement
Florida Workers Compensation Joint Underwriting Association, Inc.

The Office of Insurance Regulation has completed its review of the Company's December 31, 2007 Annual Financial Statement. Based upon the review, the following areas need additional information.

1. The custodian Agreements with South Trust Estate & Trust Company of Florida (now US Bank/Evergreen Investment) and Sun Trust Capital Markets, Inc did not meet all the requirements of 690-143, F.A.C.:

Sun Trust Capital Markets, Inc needs to be amended and state the following requirements:

1. The Securities are held in a fungible bulk by the custodian or securities held by a clearing corporation in Federal Reserve book-entry system, are the securities separately identified on the custodian's official records as being owned by the insurance company.
2. The said records should identify which custodian securities are held by the custodian or by its agent and which securities are in a clearing corporation or in the Federal Reserve book-entry system.
3. If the securities are in a clearing corporation or in a Federal Reserve book-entry system, the records should identify where the securities are and if in a clearing corporation the name of the Clearing Corporation and if through an agent, the name of the agent.

• • •

4. The custodial securities held subject to the instructions of the insurance company and shall be withdraw able upon the demand of the insurance company unless the securities are used to meet the deposit requirements set forth in Section 624.411 F.S.
5. The custodian arranged to send or cause to be sent to the insurance company confirmation of all transfers of custodian securities to or from the account of the insurance company.
6. The agreement provides for the examination of records of the custodian's records, in relation to the custodian securities, by an officer or appointee of the insurance company utilizing written instructions by an appropriate officer of the company.
7. The custodian shall maintain records sufficient to determine and verify information relating to custodied securities that may be reported in the insurance company's Annual Statements and supporting schedules and information required in any audit of the financial statements of the insurance company.
8. The custodian provided that upon written request for the Insurance Commissioner or from an appropriate officer of the insurance company, that the custodian shall supply the appropriate affidavits on Forms D14-341 (A), (b), and (C), entitled "Custodian Affidavit".
9. The custodian agrees that they shall be obligated to indemnify the insurance company for any loss of custodian securities occasioned by the negligence or dishonesty of the custodian officers or employees, or burglary, robbery, holdup, theft, or mysterious disappearance, including loss by damage or destruction.
10. The custodian should provide in the agreement, that in the event of a loss of the custodied securities, the custodian shall promptly replace the securities or the value thereof and the value of any loss of rights or privileges resulting from said loss of securities.
11. The Agreement should state that the agreement must be terminable by the insurance company on no more than 30 days notice.

South Trust Estate & Trust Company of Florida (now US Bank/Evergreen Investment) needs to be amended to include and state the following requirements:

1. The certified securities held by the custodian separate from the securities of the custodian separate from the securities of the custodian and all of its customers or in a fungible bulk of securities as part of a Filing of Securities by Issue (FOSBI) arrangement.
2. The Securities are held in a fungible bulk by the custodian or securities held by a clearing corporation in Federal Reserve book-entry system, are the securities separately identified on the custodian's official records as being owned by the insurance company.
3. The said records should identify which custodian securities are held by the custodian or by its agent and which securities are in a clearing corporation or in the Federal Reserve book-entry system.
4. If the securities are in a clearing corporation or in a Federal Reserve book-entry system, the records should identify where the securities are and if in a clearing corporation the name of the Clearing Corporation and if through an agent, the name of the agent.
5. The custodial securities held subject to the instructions of the insurance company and shall be withdraw able upon the demand of the insurance company unless the securities are used to meet the deposit requirements set forth in Section 624.411 F.S.
6. The agreement provides for the examination of records of the custodian's records, in relation to the custodian securities, by an officer or appointee of the insurance company utilizing written instructions by an appropriate officer of the company.
7. The custodian shall provide for the sending of all reports to the insurance company, upon reasonable request from the insurance company, reports which they receive from a clearing corporation, Federal Reserve book-entry system or independent auditor of their respective system of internal accounting controls of custodian securities.
8. The custodian provided that upon written request for the Insurance Commissioner or from an appropriate officer of the insurance company,

that the custodian shall supply the appropriate affidavits on Forms D14-341 (A), (b), and (C), entitled "Custodian Affidavit".

9. The custodian agrees that they shall be obligated to indemnify the insurance company for any loss of custodian securities occasioned by the negligence or dishonesty of the custodian officers or employees, or burglary, robbery, holdup, theft, or mysterious disappearance, including loss by damage or destruction.
10. The custodian should provide in the agreement, that in the event of a loss of the custodied securities, the custodian shall promptly replace the securities or the value thereof and the value of any loss of rights or privileges resulting from said loss of securities.
11. The agreement should provide that the custodian will not be liable for any failure to take any action required to be taken under the agreement in the event and to the extent that the taking of such action is prevented or delayed by war, revolution, insurrection, riot, civil commotion, act of God, or any other cause beyond reasonable control,

Please provide the information no later than June 23, 2008, through REFS using filing #57500. Please feel free to contact me if you have any questions.

Sincerely,

Angela Davis

Angela Davis

CUSTODY AGREEMENT

This AGREEMENT made as of the _____ day of _____, 200__ by and between **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized under the laws of the United States of America ("Custodian") and _____

_____ ("Customer")
a _____ organized under the laws of the State or Commonwealth of _____.

In consideration of the premises, undertaking and covenants herein, the parties agree as follows:

1. **Appointment and Acceptance.** Customer hereby appoints Custodian as its agent to provide custody and other services in connection with securities, cash and other property delivered from time to time to Custodian hereunder by, or at the direction of, Customer, and income, distributions and payments received by Custodian with respect thereto (collectively the "Assets"); and Custodian hereby agrees to act in such capacity, and perform such services, and hold the Assets in a custody account established in the name of Customer (the "Account"), upon the terms and conditions set forth below. For purposes of this Agreement, all references contained herein to actions, directions and responsibilities (other than the obligations set forth in Sections 12 and 14 below) of Customer shall include, apply to and be binding upon the Customer's agents, including any investment manager or advisor, appointed and authorized by Customer to direct Custodian or otherwise take actions on behalf of Customer in connection with Custodian's services and responsibilities hereunder. Customer shall provide written notice to Custodian of the identity of all such appointed agents and the scope of their authority to act hereunder. Customer shall be responsible for providing to each such agent a copy of this Agreement and all written policies and procedures of Custodian governing its performance of services hereunder that Customer shall receive from time to time. In the event that Customer requires Custodian to establish one or more sub-accounts within the Account under this Agreement ("sub-Accounts"), Customer shall identify such sub-Accounts on a separate Exhibit A attached hereto, and which may be amended from time to time. In such event, Customer shall deposit or direct the transfer of Assets to or among the separate sub-Accounts. Further, for such situations, the term "Account" as used in this Agreement shall refer to one or all of the sub-Accounts established by Customer, as the context of this Agreement shall require.

2. **Asset Delivery, Transfer, Custody and Safekeeping.**

2.1. Customer will from time to time deliver (or cause to be delivered) Assets to Custodian, which Custodian shall receive and accept for the Account upon appropriate directions from the Customer. All transactions involving Assets shall be recorded in the Account.

2.2. Upon receipt of appropriate directions, Custodian will release and return Assets to Customer, Customer's Depository (as that term is defined in Section 3.3 below) account or accounts, or otherwise deliver Assets to such location or third party, as such directions may indicate, provided that, in connection therewith it is the sole responsibility of Customer to provide any transfer documentation as may be required by the Depository or third party recipient. Custodian shall have no power or authority to assign, hypothecate, pledge or otherwise dispose of any Assets, except as provided herein or pursuant to appropriate directions.

2.3. Custodian shall furnish Customer, as part of the services for which Custodian charges its basic fee hereunder, with periodic Account statements (not less frequently than annually) reflecting all Asset transactions in the Account during the reporting period and ending Asset holdings.

2.4. Custodian shall forward to Customer, or Customer's designated agent identified in Section 17.10, below (or as identified in a separate written designation by Customer that is received by Custodian), all information it receives with respect to any of the Assets concerning redemption rights that are exercisable at Customer's option, tender or exchange offers, class action lawsuits and other special matters or shareholder rights. Custodian shall follow Customer's or Customer's designated agent's, as applicable, written directions with respect thereto consistent with Custodian's governing policies and procedures and in the absence of such directions Custodian shall take no action. Custodian shall forward to Customer or Customer's designated agent, as applicable, all proxy material it receives with respect to securities included among the Assets. The registered holder of the securities shall execute proxies so forwarded, if

registered in the name of the Custodian or its nominee, but without indicating the manner in which such proxies are to be voted. Exception: Customer expressly acknowledges that Custodian will not forward so-called "mini-tenders" to Customer or its designated agent, as applicable. Mini-tenders are tender offers for a small amount of the outstanding securities made on "target" company, generally with an offer price at or below market value. For equity issues, unless a tender offer is made for 5% or greater of the outstanding issue, and therefore subject to Securities Exchange Commission ("SEC") review, the tender offer will not be forwarded by Custodian. For debt issues, the actual terms of the offer will serve as the notification parameters. Therefore, no tender offer will be forwarded by Custodian for a debt issue if: (a) it is not registered with the SEC, (b) it has a "first received, first buy" basis with no withdrawal privilege and includes a guarantee of delivery clause, or (c) the offer includes the statement that "the purchase price includes all accrued interest on the note and has been determined in the sole discretion of the buyer and may be more than or less than the fair market value of the notes" or similar language.

2.5. Absent specific investment directions to the contrary from Customer, Custodian is hereby authorized and directed by Customer to hold all cash and all checks and drafts (when collected funds are received) in a First American Funds money market fund, identified in Section 18.11, below. Customer acknowledges receipt of the current prospectus for the applicable, designated money market fund to be held in this Account. Customer also understands and acknowledges the following information about the First American Funds: The First American family of funds (the "First American Funds") are offered through the funds' distributor identified in the current prospectuses for the funds. U.S. Bank National Association ("U.S. Bank") or an affiliate of U.S. Bank serves as the funds' investment advisor, custodian, distributor, administrator and other service provider as disclosed in the prospectuses for the funds. Compensation paid to U.S. Bank and its affiliates by the First American Funds as well as other fees and expenses of the funds are detailed in the prospectuses. Mutual funds, including the First American Funds, are not guaranteed by, or deposits of, any bank including U.S. Bank, nor are such funds insured by the FDIC or any other agency. Investments in mutual funds involve risks, including the possible loss of principal. This authorization and direction shall continue in effect with respect to the designated fund should the fund be merged with or into another money market fund.

2.6. Customer hereby authorizes and approves Custodian's performance of its services and duties hereunder consistent with the terms and conditions of the Custodian's duly adopted policies and procedures, as established and modified from time to time, related to the subject matter hereof.

2.7. If any of the Assets received and held by Custodian hereunder shall be "plan assets" with respect to any "employee benefit plan" (as those terms are defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Custodian shall not be deemed to be, and shall not exercise any discretionary powers or control over such "plan" or "plan assets" so as to be a fiduciary with respect to the plan. Furthermore, Customer shall notify Custodian in writing whenever any Assets do constitute such "plan asset," and thereafter, all subcontracts, agreements or other arrangements between Custodian and any subsidiary or affiliate thereof for services or products paid for from any assets of the said plan and utilized in the performance of Custodian's duties hereunder shall be subject to the advance approval of Customer.

2.8. Any additional services and/or performance requirements applicable to the Assets shall be set forth on Schedule I attached hereto.

3. **Powers of Custodian.** In the performance of its duties hereunder, Custodian shall have the following powers:

3.1. To register any of the Assets in the name of Customer or in the Custodian's name or in the name of a nominee of Custodian or in the name of the Custodian's agent bank or to hold any of the Assets in unregistered form or in such form as will pass title by delivery, provided that such Assets shall at all times be recorded in Customer's Account hereunder as one of the Assets. In consideration of Custodian's registration of any securities or other property in the name of Custodian or its nominee or agent, Customer agrees to pay on demand to Custodian or to Custodian's nominee or agent the amount of any loss or liability for Stockholders' assessments, or otherwise, claimed or asserted against Custodian or Custodian's nominee or agent by reason of such registration.

3.2. To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any or all other instruments that may be necessary or appropriate to carry out the duties described and powers granted herein.

3.3. To maintain qualifying Assets in any registered clearing agency or in a Federal Reserve Bank (collectively a "Depository"), as Custodian may select, and to permit such deposited Assets to be registered in the name of Custodian or Custodian's agent or nominee on the records of such Federal Reserve Bank or such registered clearing agency or the nominee of either, and to employ and use securities depositories, clearing agencies, clearance systems, sub-Custodians or agents located outside the United States in connection with transactions involving foreign securities.

3.4. To employ agents and to delegate duties to them as it sees fit and to employ or consult with experts, advisors and legal counsel (who may be employed also by Customer) and to rely on information and advice received from such agents, experts, advisors, and legal counsel.

3.5. To perform any and all other ministerial acts deemed by Custodian necessary or appropriate to the proper discharge of its duties hereunder.

3.6. To hold uninvested reasonable amounts of cash whenever it is deemed advisable to do so to facilitate disbursements or for other operational reasons, and to deposit the same, with or without interest, in the commercial or savings departments of the Custodian serving hereunder or of any other bank, trust company or other financial institution including those affiliated with the Custodian, notwithstanding the Custodian's or other entity's receipt of "float" from such uninvested cash.

4. **Purchases.** Upon availability of sufficient funds and receipt of appropriate directions from Customer, Custodian shall pay for and receive Assets purchased for the Account, payment for which is to be made in the amount specified in such instructions and only upon receipt by Custodian of the Assets in satisfactory form for transfer.

5. **Sales.** Upon receipt of appropriate directions from Customer, Custodian will deliver Assets held by it as Custodian hereunder and sold by or for Customer against payment to Custodian of the amount specified in such directions in accordance with the then current securities industry practices and in form satisfactory to Custodian. Customer acknowledges that the current securities industry practice is delivery of physical securities against later payment on delivery date. Custodian agrees to use its best efforts to obtain payment therefore during the same business day, but Customer confirms its sole assumption of all risks of payment for such deliveries. Custodian may accept checks, whether certified or not, in payment for securities delivered on Customer's direction, and Customer assumes sole responsibility for the risks of collectability of such checks.

6. **Settlements.**

6.1. Custodian shall provide Customer with settlement of all purchases and sales of Assets in accordance with Custodian's then prevailing settlement policies provided that (a) appropriate directions for purchases and sales are received by Custodian in accordance with Custodian's then current published instruction deadline schedule, and (b) Custodian has all other information, funds and/or Assets necessary to complete the transaction.

6.2. Custodian shall not be liable or responsible for or on account of any act or omission of any broker or other agent designated by Customer to purchase or sell securities for the Account of Customer.

7. **Corporate Actions.** In connection with any mandatory conversion of Asset securities pursuant to their terms, reorganization, recapitalization, redemption in kind, consolidation, or other exchange transaction that does not require or permit approval by the owner of the affected Assets, Custodian will tender or exchange securities held for other securities, for other securities and cash, or for cash alone.

8. **Collections.** Custodian shall collect all income, principal and other distributions due and payable on securities held either by Custodian or a Depository but shall be under no obligation or duty to take action to effect collection of any amount if the Assets upon which such payment is due are in default, or if payment is refused after due demand and presentation. Custodian shall have no responsibility to notify Customer in the event of such default or refusal to pay, but if Custodian receives notice of default or refusal to pay from an issuer or transfer agent, Custodian shall so advise Customer. Collections of monies in foreign currency, to the extent possible, are to be converted into United States dollars at customary rates through customary banking channels, including Custodian's own banking facilities, and in accordance with Custodian's prevailing policies for foreign funds repatriation. All risk and expense incident to such foreign collection and conversion is the responsibility of the Account and Custodian shall have no responsibility for fluctuations in exchange rates affecting such collections or conversion.

9. **No Discretionary Authority; Standard of Care.** Customer and Custodian acknowledge that, except to the extent set forth in any separate instrument signed by the parties with respect to this Agreement, Custodian's duties hereunder do not include any discretionary authority, control or responsibility with respect to the management or disposition of any Asset; that Custodian has no authority or responsibility to render investment advice with respect to any Asset; and that Custodian is not a fiduciary with respect to Customer. In addition, it is agreed that:

9.1. Custodian shall have no duty to make any evaluation or to advise anyone of the suitability or propriety of action or proposed action of Customer in any particular transaction involving an Asset or the suitability or propriety of retaining any particular investment as an Asset. Custodian shall have no duty or authority to review, question, approve or make inquiries as to any investment instructions given pursuant hereto. Custodian shall be under no duty or obligation to review the securities or other property held in the Account with respect to prudence or diversification.

9.2. Custodian shall not be liable for any loss or diminution of Assets by reason of investment experience or for its actions taken in reliance upon a direction or other instruction from Customer or Customer's agent.

9.3. Custodian shall have no duty or responsibility to monitor or otherwise investigate the actions or omissions of Customer.

9.4. Custodian shall only be responsible for the performance of such duties as are expressly set forth herein or in directions or other instructions of Customer or Customer's agent which are not contrary to the provisions of this Agreement. Custodian shall exercise reasonable care in the performance of its services hereunder. In no event shall Custodian be liable for indirect or consequential damages.

Custodian shall not be responsible or liable for any failure or delay in performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by directions or other instructions, actions or omissions of Customer or by circumstances beyond Custodian's reasonable control, including, without limitation, loss or malfunctions of utility, transportation, computer (hardware and software) or communication service; nor shall any such failure or delay give Customer the right to terminate this Agreement, except as provided in section 15 of this Agreement.

10. **Books, Records and Accounts.**

10.1. Custodian will make and maintain proper books of account and complete records of all Assets and transactions in the Account maintained by Custodian hereunder on behalf of Customer. Custodian will preserve for the periods prescribed by applicable federal statute or regulation all records required to be maintained.

10.2. On at least four (4) business days' notice, Custodian will make available to and permit inspection during Custodian's regular business hours by Customer and its auditors of all books, records, and accounts retained by Custodian (or, to the extent practicable, its agents) in connection with its duties hereunder on behalf of Customer.

11. **Instructions and Directions.**

11.1. Custodian shall be deemed to have received appropriate "instructions" or "directions" upon receipt of written instructions or directions, or in the case of cash movement, written or oral instructions or directions, (a) signed or given by any person(s) whose name(s) and signature(s) are listed on the most recent certificate delivered by Customer to Custodian which lists those persons authorized to give orders, corrections and instructions in the name of and on behalf of the Customer or (b) signed or given by any other person(s) duly authorized by Customer to give instructions or directions to Custodian hereunder or whom Custodian reasonably believes to be so authorized (such as an investment adviser or other agent designated by Customer, for example).

11.2. Appropriate instructions or directions shall include instructions or directions sent to Custodian or its agent by letter, memorandum, telegram, cable, telex, facsimile, video (CRT) terminal, internet e-mail or other "on-line" system, or similar means of communication, or in the case of cash movement, given orally over the telephone or in person. Customer assumes full responsibility for the security of electronically transmitted communications, whether sent by Customer or Custodian.

11.3. In the event that Custodian is directed to deliver Assets to any party other than Customer or Customer's agent, appropriate directions shall include, and Customer shall supply, customary transfer documentation as required by such party, and, to the extent that such documentation has not been supplied, Custodian shall not be deemed to have received appropriate directions.

12. **Compensation; Security.**

12.1. Customer shall pay to Custodian fees for its services under this Agreement and shall reimburse Custodian for costs incurred by it hereunder as set forth in Custodian's then current applicable fee schedule or such other fee arrangement as Custodian and Customer may otherwise agree in writing.

12.2. If any advance of funds is made by Custodian on behalf of Customer to purchase, or to make payment on or against delivery of securities or there shall arise for whatever reason an overdraft in Customer's account, or if Customer is for any other reason indebted to Custodian, including, but not limited to, any advance of immediately available funds to Customer with respect to payments to be received by Custodian in next-day funds (which Customer acknowledges Customer is liable to repay if Custodian does not receive final payment), Customer agrees to repay Custodian on demand the amount of the advance, overdraft or other indebtedness, reserve requirements and accrued interest at a rate per annum (based on a 360-day year for the actual number of days involved) equal to the Federal Funds effective rate in effect from time to time.

12.3. In the event of an advance of funds by Custodian, or if any overdraft is created by Account transactions, Custodian may directly charge the Account and receive such payment therefrom. In the event that a compensation payment due Custodian is past due by more than thirty (30) days, such amount may also be charged to the Account and Custodian may receive such payment therefrom. To secure such payments obligations, Customer does hereby grant to Custodian a security interest in all Assets held in the Account from time to time.

13. **Customer Responsibility.** Customer shall be responsible for the review of all reports, accountings and other statements provided thereto by the Custodian, and shall within ninety (90) days following receipt thereof notify the Custodian of any mistakes, defects or irregularities contained or identified therein, after which time all such matters shall be presumed to be ratified, approved and correct and shall not provide any basis for claim or liability against the Custodian.

14. **Indemnification.** Customer hereby agrees to fully and promptly indemnify Custodian and its affiliates, officers, directors, employees and agents (each an "Indemnified Party") and hold each Indemnified Party harmless from and against any cost, losses, claims, liabilities, fines, penalties, damages and expenses (including reasonable attorneys' and accountants' fees (collectively, a "Claim") arising out of (i) Customer's actions or omissions or (ii) Custodian's action taken or omitted hereunder in reliance upon Customer's directions or instructions, or upon any information, order, indenture, stock certificate, power of attorney, assignment, affidavit or other instrument delivered hereunder to Custodian, reasonably believed by Custodian to be genuine or bearing the signature of a person or persons authorized by Customer to sign, countersign or execute the same; provided, that Customer shall not indemnify an Indemnified Party for any Claim arising from the Indemnified Party's judicially determined willful misfeasance, bad faith or gross negligence in the performance of its duties under this Agreement. Custodian hereby agrees to indemnify Customer and its Indemnified Parties (i.e., the Customer and its controlling person, officers, directors, employee and agents) and hold each of them harmless from and against any and all Claims arising out of (i) Custodian's breach of this Agreement, willful misfeasance, bad faith or gross negligence in the performance of its duties under this Agreement, or (ii) any loss of Assets, including theft or destruction thereof but expressly excluding investment losses or other diminution of Assets resulting from the Custodian's proper performance of its duties hereunder; provided, that Custodian shall not indemnify an Indemnified Party for any Claim arising from the Indemnified Party's breach of this Agreement, willful misfeasance, bad faith or gross negligence with respect to its duties and responsibilities under this Agreement. This section 14 shall survive the termination of this Agreement.

15. **Termination.**

15.1. This Agreement will remain in effect until terminated by either party giving written notice thirty (30) days in advance of the termination date.

15.2. Upon termination of this Agreement, Custodian shall follow such reasonable Customer instructions concerning the transfer of Assets' custody and records; provided, that (a) Custodian shall have no liability for shipping and insurance costs associated therewith; (b) Custodian shall not be required to make any such delivery or payment until full payment shall have been made by Customer of all liabilities constituting a charge on or against Custodian and until full payment shall have been made to Custodian of all its compensation, costs, including special termination costs, if any, and expenses hereunder; and (c) Custodian shall have been reimbursed for any advances of monies or securities made hereunder to Customer. If any Assets remain in the Account, Customer acknowledges and agrees that Custodian may designate Customer as successor Custodian hereunder and deliver the same directly to Customer.

15.3. Upon termination of this Agreement, all obligations of the parties to each other hereunder shall cease, except that all indemnification provisions herein shall survive with respect to any Claims arising from events prior to such termination.

16. **Binding Obligations.** Customer and Custodian each hereby represent that this Agreement constitutes its legal, valid and binding obligation enforceable in accordance with the terms hereof; subject, as to enforcement of remedies, to applicable bankruptcy and insolvency laws, and to general principles of equity.

17. **Insurance Regulatory Requirements.** In the event of any conflict between the provisions of this part 17 and any other provisions of this Agreement, the provisions of this part 17 shall control.

17.1. **Custodian's Responsibility.** Custodian shall indemnify the Customer against any loss of the Customer's securities in the custody of Custodian if the loss is occasioned by the negligence or dishonesty of Custodian, its officers or employees, or through burglary, robbery, holdup, theft or mysterious disappearance, including loss by damage or destruction. In the event of any loss of securities for which Custodian is obligated to indemnify the Customer, Custodian shall promptly replace the securities or the value of the securities and shall also promptly replace the value of any loss of rights or privileges that are a part of, or were issued in connection with, such lost securities.

Custodian shall not be liable for any failure to take any action required to be hereunder in the event, and to the extent, that the taking of such action is prevented or delayed by war (whether declared or not and including existing wars), revolution, insurrection, riot, civil commotion, act of God, accident, fire, explosion, labor stoppage, strikes or other differences with employees, laws, regulations, orders or other acts of any governmental authority, or any other cause whatever beyond its reasonable control.

17.2. **Agreements with Certain Agents.** If Custodian gains entry to a clearing corporation through an agent, Custodian shall enter into a written agreement with such agent providing that the agent shall be subject to the same liability for loss of securities as Custodian as set forth in the foregoing Section 9.1.

17.3. **Notice to the Insurance Commissioner.** If this Agreement is terminated, or if all of the Assets in the custody account governed by this Agreement are withdrawn, Custodian shall provide written notification of such occurrence, within three (3) business days' after such termination or withdrawal, to the insurance commissioner of the State in which the Customer is domiciled.

17.4. **Examinations, Records and Reports.**

a. During regular business hours, and upon reasonable advance request, Custodian, any subcustodian and agents, shall permit an authorized officer or employee of the Customer, an independent accountant selected by the Customer, and a representative of an appropriate insurance regulatory body to examine, on Custodian's premises, Custodian's records relating to the Assets, if Custodian is given written instructions to that effect by an authorized representative of the Customer.

b. Custodian and its agents shall be required to send to the Customer all reports received by Custodian and its agents, from a clearing corporation or the Federal Reserve book-entry system with regard to their respective systems of internal accounting control and reports prepared by outside auditors on Custodian and its agents' internal accounting control of custodied securities that the Customer may reasonably request.

c. If and to the extent that certain information maintained by Custodian in its role as Custodian is relied upon by the Customer for the preparation of the Customer's annual statement and

supporting schedules Custodian shall maintain such records created as Custodian sufficient to determine and verify such information.

d. Securities held in fungible bulk by Custodian and securities in a clearing corporation or in the Federal Reserve book-entry system shall be separately identified on Custodian's official records as being owned by the Customer. Said records shall identify which Assets are held by Custodian or by its authorized sub-custodian and which securities are in a clearing corporation or in the Federal Reserve book-entry system. If the securities are in a clearing corporation or in the Federal Reserve book-entry system, said records shall also identify where the securities are and if in a clearing corporation, the name of the clearing corporation and if through a sub-custodian, the name of the sub-custodian.

e. Upon reasonable advance written request from an appropriate insurance regulatory body or an authorized representative of the Customer, Custodian shall provide affidavits with respect to the Customer's Assets held by Custodian under this Agreement.

f. Custodian shall be required to send or cause to be sent to the Customer a confirmation of all transfers of Assets to or from the account of the Customer. In addition, Custodian shall be required to furnish the Customer with reports of holdings of Assets at such times and containing such information as may be reasonably requested by the Customer.

17.5. Insurance. Custodian shall secure and maintain insurance protection in an adequate amount with respect to its custodial activities.

17.6. Instructions.

a. Assets shall be held subject to the instructions of the Customer and shall be withdrawable upon the demand of the Customer, except that Assets used to meet the deposit requirements set forth in Section 624.411, Florida Statutes, shall to the extent required by the section, be under the control of the Insurance Commissioner and shall not be withdrawn by the Customer without the approval of the Insurance Commissioner.

b. Custodian shall arrange for execution of transaction in Assets in accordance with the Customer's instructions and shall not exercise discretionary authority in effect transactions in Assets except in such limited or special circumstances as the Customer may authorized.

18. General Provisions.

18.1. Notice. Except as provided in paragraph 11 above, any notice or other communication under this Agreement shall be in writing and shall be considered given when delivered by certified mail, return receipt requested, to the parties at the addresses set forth on the execution page hereof (or at such other address as a party may specify by notice to other). Notice shall be effective upon receipt if by mail, or on the date of personal delivery (by private messenger, courier service or otherwise) or telex or facsimile, whichever occurs first, to the addressee indicated below. The below addresses and individuals may be changed at any time by an instrument in writing executed by the party giving same and given to the other party, in accordance with the procedure set forth above.

18.2. No Tax Responsibility. Unless expressly indicated otherwise below in this section and notwithstanding any other terms or conditions contained herein, Custodian shall not be responsible for, and Customer does hereby waive all duties or functions of Custodian (imposed by law or otherwise) relating to, the withholding and government deposit of any and all taxes, or amounts with respect thereto, that may be incurred or payable in connection with the Account established hereunder, income or gain realized on Assets held therein or transactions undertaken with respect thereto. Except as required by law in such manner that cannot be delegated to or assumed by Customer, Custodian shall have no responsibility to undertake any federal, state, or local tax reporting in connection with Assets, the Account or transactions therein. (Check only one below.)

____ Custodian shall have no duty to provide tax information.

____ Custodian shall provide tax information as reasonably requested by Customer, including Form 1099.

18.3. Complete Agreement; Modification. This Agreement contains a complete statement of all the arrangements between the parties with respect to its subject matter, supersedes all existing agreement(s) between them concerning the subject, and cannot be amended or modified in any manner except by a written agreement executed by both parties. Notwithstanding the foregoing, if at any time Custodian is holding assets or property of Customer pursuant to any other custodial, pledge or other agency agreement with Customer (or which Customer has acknowledged in instructions to Custodian) and one or more third parties that involves Custodian's duties or obligations to a third party (which may be affiliates to Custodian) with respect to Assets, the terms and requirements of the other agreement(s) concerning such Assets shall supersede and control the provisions and duties set forth herein.

18.4. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

18.5. Assignment. No party may assign any of its rights hereunder without the consent of the other, which consent shall not be unreasonably withheld. The foregoing consent requirement does not apply if either party shall merge or consolidate with or sell substantially all of its assets to another corporation, provided that such other corporation shall assume without qualification or limitation all obligations of that party hereunder either by operation of law or by contract.

18.6. Separability. If any provision of this Agreement is invalid or unenforceable, the balance of the Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstances, it shall nevertheless remain applicable to all other persons and circumstances.

18.7. No Third Party Rights. In performing its services hereunder, Custodian is acting solely on behalf of Customer. No agency, contractual or service relationship shall be deemed to be established hereby between Custodian and any other persons.

18.8. Counterparts and Duplicates. This Agreement may be executed in any number of counterparts, each of which shall be considered an original, but all of which together shall constitute the same instrument. This Agreement and any administrative form under the Agreement may be proved either by a signed original or by a reproduced copy thereof (including, not by way of limitation, a microfiche copy or an electronic file copy).

18.9. Shareholder Communications Act Authorization. The Shareholder Communications Act of 1985, as amended, requires Custodian to make an effort to permit direct communications between a company that issues securities and the shareholder that exercises shareholder rights with respect to those securities. Unless Customer specifically directs Custodian in writing not to release Customer's name, address and security position to requesting companies, Custodian is required by law to disclose Customer's name and address to such companies. Therefore the Customer hereby responds to the following question [no response will mean "yes"]. Does Customer authorize Custodian to provide its name, address and security position to requesting companies whose stock is owned in this Account?
_____ Yes / _____ No

18.10. Customer's Agent – Shareholder Rights. Should Customer require that a designated agent for the Account, such as an investment advisor, be responsible for proxy voting and other special matters and shareholder rights as specified in Section 2.4, above, the Customer shall provide the name and address of that agent below. Such agent shall be removed upon Custodian's receipt of a written removal from Customer. Customer may designate more than one agent to be responsible for separate sub-Accounts or investment accounts under this Agreement by providing a clear, written designation to that effect to Custodian. Custodian hereunder has no authority or responsibility with regard to proxy voting or any similar special matters. Therefore, it may not be designated below unless it has separately agreed in writing to act as investment advisor for the Account.

Designated

Agent:

Address: _____

Telephone Number: _____

18.11. Money Market Fund. Pursuant to Section 2.5, above, the First American Funds money market fund designated for this Account shall be (check one – if none is checked, the Customer hereby directs that the First American Prime Obligations Fund shall be designated):

Taxable Money Market Funds

___ First American Prime Obligations Fund –Class _____

___ First American Government Obligations Fund –Class _____

___ First American Treasury Obligations Fund –Class _____

Federal Tax-Exempt Money Market Fund

___ First American Tax-Free Obligations Fund –Class _____

Other

___ (Must indicate correct fund name and class for election to be valid.)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative as of the date and year first above written.

_____(Customer)

**U.S. BANK NATIONAL ASSOCIATION
(Custodian)**

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Address:

Address:

U.S. Bank National Association

Attn: _____

SCHEDULE I

Custodian shall perform the specific services with respect to the assets as specified below:

FIRST AMENDMENT TO CUSTODY AGREEMENT

THIS FIRST AMENDMENT TO CUSTODY AGREEMENT (this "Amendment") dated as of _____, 2008 is entered into by and between Customer Name of City, State ("Client" and/or "we" or "us") and SUNTRUST BANK ("Bank" and/or "you").

WHEREAS, Client and Bank are parties to that certain Custody Agreement dated as _____, 2008 (the "Custody Agreement") wherein Bank agreed to open and maintain a Custody Account in the name of the Client; and

WHEREAS, Client and Bank have agreed to modify the Custody Agreement based upon the terms and conditions set forth in this Amendment; and

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00) and for other good and valuable consideration, the receipt and sufficiency of which is hereby conclusively acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Subject to the terms and conditions hereof, the Custody Agreement is amended as follows:

Section 3 of the Custody Agreement is hereby deleted in its entirety, and the following is hereby inserted in lieu thereof:

3. Indemnification:

- a. You shall be obligated to indemnify us for any loss of securities belonging to us in your care, whether in your vault or in your account identified as belonging to us with another bank, trust company or registered open-end management investment company, except that, unless domiciliary state law, regulation or administrative action otherwise require a stricter standard, you shall not be so obligated to the extent that such loss was caused by other than burglary, robbery, holdup, theft or mysterious disappearance, including loss by damage or destruction, or the negligence or dishonesty of you, your agents or of any other bank, trust company or registered open-end management investment company with which you are holding securities for us.
- b. If the domiciliary state law, regulation or administrative action requires a stricter standard of liability for custodians of insurance company securities than that set forth in Section 3.a., then such stricter standard shall apply.
- c. In the event that there is a loss of the securities for which you are obligated to indemnify us, the securities shall be promptly replaced or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced.
- d. You shall not be liable for any failure to take any action required to be taken hereunder in the event and to the extent that the taking of such action is prevented or delayed by war (whether declared or not and including existing wars), revolution, insurrection, riot, civil commotion, act of God, laws, regulations, orders or other acts of any governmental or judicial authority, or any other cause beyond your reasonable control.
- e. In addition to the preceding requirements of this Section 3, your standard of responsibility hereunder shall be that of a bailee for hire under statutory and case law of the State of Utah. Without limiting the generality of the foregoing, it is agreed and understood that you are not acting as a trustee and further that you are in no way responsible or liable for any decline in value of any securities.

2. A new Section 10. shall be added to the Custody Agreement as follows:

10. Custody of assets

You shall hold assets deposited with and accepted by you for our benefit, and at our direction.

- a. You, as a member of the Federal Reserve System, may utilize the Federal Reserve book-entry program. You may hold such securities on deposit in an account with Bankers Trust Company. You, on your accounting system, will designate any securities so deposited as belonging to us.
 - b. You may hold any securities not eligible for book-entry at Bankers Trust Company in the following manner:
 - 1) items eligible for book-entry at the Depository Trust Company (“DTC”) – an account directly with DTC or in an account with another bank or trust company who has an account at DTC and
 - 2) items not eligible for book-entry at DTC – in an account with another bank, trust company, or registered open-end management investment company or in your own vault in either registered or bearer form.
- Securities so deposited will at all times be kept separate and apart from other such deposits with you so that they may be identified as belonging to us. The records of any other bank, trust company or registered open-end management investment company, with which you may hold the securities (either at DTC or otherwise), shall be designated under our name, for whom it is being held.
- c. Upon request from the Department of Commerce and Insurance, you shall provide verification of securities on deposit. Examples of appropriate verification documents are Custodian Affidavit Forms A, B, and C.
 - d. The collection of principal cash shall be made by you in accordance with your usual and customary business practice and in accordance with the usual and customary business practices for the banking and securities industries.
3. Upon and after the effective date of this Amendment, all references to the Custody Agreement shall mean the Custody Agreement as amended by this Amendment. Except as expressly provided in this Amendment, the execution and delivery of this Amendment does not and will not amend, modify or supplement any provision of or constitute a consent to a waiver of noncompliance with the provisions of the Custody Agreement or any amendments thereto, and except as specifically provided in this Amendment, the Custody Agreement shall remain in full force and effect.
4. This Amendment shall be binding on, and shall inure to the benefit of the parties hereto and their respective successors and assigns.
5. This Amendment reflects the entire understanding of the parties with respect to the subject matter hereof and any further amendment or modification to this Amendment or the Custody Agreement shall be in writing and signed by each of the parties hereto.
6. This Amendment shall be governed by, and construed in accordance with the laws of the State of Georgia. This Amendment shall not be effective until such time as executed counterparts hereof are delivered by both parties in Atlanta, Georgia. Unless otherwise provided in this Amendment, capitalized terms used herein shall have the meanings ascribed to such terms by the Custody Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

**Customer Name
City and State**

[CORPORATE SEAL]

By: _____

Name: _____
Title: _____

By: _____

Name: _____
Title: _____

SunTrust Bank

[CORPORATE SEAL]

By: _____

Name: _____
Title: _____

FINANCIAL AUDITOR APPOINTMENT PROCESS

The Committee shall consider the future auditor appointment process for 2009 and beyond given the procurement requirements that became effective July 1, 2007 as a result of the enactment of Senate Bill 1894.

At its November 30, 2007 meeting, the Audit Committee was updated on the procurement requirements that became effective July 1, 2007 (*summarized on the next page*) as a result of the enactment of Senate Bill 1894 and considered the future auditor appointment process. The Committee also reviewed the procurement policy and procedures staff implemented in July and found them to be reasonable. It then recognized the fact that auditing services were exempt from the competitive solicitation requirements of the procurement provisions of the law, and agreed it would be in the best interest of the FWCJUA to maintain its current auditor/tax adviser for the 2007 and 2008 years given both the recent Board transition as well as the on-going transition of the organization to a federal income tax exempt entity.

In considering the goals and objectives for the 2009 Business Plan, the Audit Committee shall consider their preference in selecting and appointing the FWCJUA's financial auditor. While auditing services are exempt from competitive solicitation, an alternative may be a simple price comparison or a request for qualifications.

The Committee shall provide direction with respect to the procurement of auditing services for year-end 2009 and beyond.

Summary of Senate Bill 1894 Procurement Requirements Effective July 1, 2007

1. Purchases that equal or exceed \$2,500 but are less than or equal to \$25,000, shall be made by receipt of written quotes, telephone quotes, or informal bids, whenever practical.
2. The procurement of goods or services valued over \$25,000 are subject to competitive solicitation, except in situations in which the goods or services are provided by a sole source or are deemed an emergency purchase, or the services are exempted from competitive-solicitation requirements under section 287.057(5)(f), Florida Statutes. Justification for the sole-sourcing or emergency procurement must be documented.
3. Contracts for goods or services valued at or over \$100,000 are subject to board approval.

The following services are exempted from competitive-solicitation requirements under section 287.057(5)(f), Florida Statutes:

1. Artistic services.
2. Academic program reviews.
3. Lectures by individuals.
4. **Auditing services.**
5. Legal services, including attorney, paralegal, expert witness, appraisal, or mediator services.
6. Health services involving examination, diagnosis, treatment, prevention, medical consultation, or administration.
7. Services provided to persons with mental or physical disabilities by not-for-profit corporations which have obtained exemptions under the provisions of section 501(c)(3) of the United States Internal Revenue Code or when such services are governed by the provisions of Office Management and Budget Circular A-122. However, in acquiring such services, the agency shall consider the ability of the vendor, past performance, willingness to meet time requirements, and price.
8. Medicaid services delivered to an eligible Medicaid recipient by a health care provider who has not previously applied for and received a Medicaid provider number from the Agency for Health Care Administration. However, this exception shall be valid for a period not to exceed 90 days after the date of delivery to the Medicaid recipient and shall not be renewed by the agency.
9. Family placement services.
10. Prevention services related to mental health, including drug abuse prevention programs, child abuse prevention programs, and shelters for runaways, operated by not-for-profit corporations. However, in acquiring such services, the agency shall consider the ability of the vendor, past performance, willingness to meet time requirements, and price.
11. Training and education services provided to injured employees pursuant to section 440.491(6), Florida Statutes.
12. Contracts entered into pursuant to section 337.11, Florida Statutes. *(Note: This section addresses the contracting authority of the department of public transportation related to the construction and maintenance of all roads designated as part of the State Highway System or the State Park Road System or of any roads placed under its supervision by law. It also provides the department with authority to enter into contracts for the construction and maintenance of rest areas, weigh stations, and other structures, including roads, parking areas, supporting facilities and associated buildings used in connection with such facilities.)*
13. Services or commodities provided by governmental agencies.