

TAB 3

Law Offices

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April 12, 2010

Mr. Raymond Dielman, Chairman  
Palmetto General Employees' Retirement System  
516 8th Avenue West  
Palmetto, Florida 34220-1209

Re: PA Stable Value Fund, Ltd.

Dear Ray:

I have reviewed the information provided to me regarding the PA Stable Value Fund, Ltd. (Fund). Private Advisors, LLC is the investment manager. (Manager). Based on my review of the documents provided to me, the City of Palmetto General Employees' Retirement System is legally permitted to make this investment under the current provisions of the plan document adopted by city ordinance.

Since I am not an investment professional, I recommend that the Board of Trustees' consultant, Morgan Stanley Smith Barney, be asked to render an opinion about the appropriateness of this investment based on the permissible investments which the PA Stable Value Fund, Ltd. can make pursuant to the confidential memorandum and related documents and the consultant should confirm that it will monitor the investment to insure compliance with the Plan's investment restrictions and objectives. In determining whether this investment in the Fund by the Plan meets prudence requirements, the Consultant should consider all facts and circumstances relevant to the investment, including without limitation the role the investment will play in the Plan's investment portfolio. Before investing in the Fund, the Consultant should conclude that the investment is reasonably designed, as part of such portfolio, to further the purposes of the Plan, taking into account the risk of loss and opportunity for gain or other return on the investment. In reaching its conclusion, the Consultant should consider, among other relevant matters, the composition of the Plan's portfolio with regard to diversification, the liquidity and current return of the Plan and the potentially illiquid nature of an investment in the Fund, and the projected return in light of the funding objectives of the Plan. Issues such as fees, liquidity, class of shares and any other relevant considerations should be considered by the consultant in making its recommendation.

The following observations are provided:

1. The Manager will not be a fiduciary to the plan, but will be a fiduciary to the Fund.
2. The Fund is created as a legal entity under the laws of the Cayman Islands. I do not know the law of the Cayman Islands as I am a Florida lawyer. I cannot advise as to any pitfalls which might exist under Caymanian law, but I can relate that many of these types of investments are created as Caymanian entities.

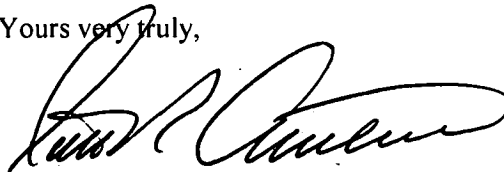
Mr. Raymond Dielman, Chairman  
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3. The Manager is fully indemnified for its actions unless a loss results from willful misfeasance, bad faith or gross negligence.
4. This investment will require the Board to commit the investment amount for a period of at least one year. Redemptions can only be made on December 31 of any year and only if notice of the redemption is given by October 31. Redemptions may be suspended indefinitely if the Manager deems it necessary to the operation of the Fund.
5. The Manager will invest in shares of other hedge funds selected by the Manager. These funds can be formed as various legal entities. No opinion can be expressed regarding the funds that the Manager will invest in and we cannot assure ourselves as to how the assets in these underlying funds will be invested or valued.
6. The Trustees may wish to individually review the confidential memorandum and subscription agreement (which I am e-mailing to Diane Ponder) to more fully inform themselves regarding the various risks involved with this investment.

I have negotiated a "side letter" with the fund to further clarify the documents and further protect our pension plan. Be sure to get a signed copy of this letter before finalizing and transmitting the subscription agreement.

I am e-mailing to Diane Ponder, the documents which must be completed in order to make this proposed investment. A copy of the pension plan must also be provided to the Fund. Please speak with the contact for this investment, myself or the consultant with your questions.

Yours very truly,



Scott R. Christiansen

SRC/dm  
Enclosures

cc: Mike DeGenova  
Charlie Mulfinger  
Diane Ponder

Private Advisors, LLC  
1800 Bayberry Court, Suite 300  
Richmond, VA 23226

March 19, 2010

Board of Trustees

The City of Palmetto General Employees' Retirement System  
c/o Ray Dielman, Chairman of the Board  
Palmetto General Employees' Retirement System  
Post Office Box 1209  
Palmetto, Florida 34220-1209

Board of Trustees:

This letter agreement is written in connection with your investment in PA STABLE VALUE FUND, LTD, a Cayman Islands exempted company incorporated in 2004 (hereinafter the "Fund"). Capitalized terms used in this letter agreement but not defined herein shall have the meaning set forth in the Amended and Restated Confidential Memorandum of the Fund date January 1, 2007 (the "Offering Memorandum"). The Fund is structured as part of a master/feeder structure, with the Fund being one of two feeders with identical investment strategies that invest their assets into the Private Advisors Stable Value Master Fund, Ltd. (hereinafter the "Master Fund"), a Cayman Islands exempted company. It is understood that Private Advisors, LLC, a Virginia limited liability company, is the investment manager of the Master Fund (the "Investment Manager") and thus responsible for the management of the investments of the Fund pursuant to its investment management agreement with the Fund. In connection with such investment the The City of Palmetto General Employees' Retirement System ("Retirement System"), the INVESTMENT MANAGER and the FUND agree as follows:

1. Public Disclosure. The Investment Manager and the Fund understand that the Retirement System was established pursuant to ordinances of the City of Palmetto, Florida for the purpose of providing benefits to certain municipal employees. This letter confirms that the Investment Manager and the Fund acknowledge that the Retirement System is a public entity pursuant to Florida state law. The Investment Manager specifically acknowledges that the Retirement System is a governmental entity in the State of Florida. The Investment Manager acknowledges that the Retirement System may be obligated under state disclosure law to periodically publicly disclose all information regarding its investment in the Fund including but not limited to: (i) the name of the Fund, (ii) the date of the Retirement System's admission to the Fund, (iii) the amount of the Retirement System's Capital Contributions, (iv) the distributions made to the Retirement System by the Fund, (v) the management fees paid by the Retirement System and (vi) the market value of the Retirement System's investment in the Fund, the

net internal rate of return to the Retirement System and the investment multiple of the Retirement System's investment in the Fund, each as determined by the Retirement System using information provided by the Fund. The Fund consents in advance to such ordinary course disclosure of the information set forth above with respect to the Fund and further agrees that such disclosure or any disclosures by the Retirement System required by law shall not constitute a breach of the Subscription Agreement or any other Fund offering documents including the Offering Memorandum, the Memorandum of Association of the Fund, the Articles of Association of the Fund, and/or any other offering document relating to Retirement System's investment with the Fund (the "Fund Documents"), and the Fund and the Investment Manager waive any prohibition against such disclosure otherwise contained in the Fund Documents solely to the extent required by applicable disclosure laws. Notwithstanding the foregoing, the Retirement System hereby agrees to provide reasonably prompt written notice to the Investment Manager of any request for information received by the Retirement System under applicable disclosure laws and the nature of the information requested.

2. Fund Disclosures:

(a) To the extent permitted by law, the Investment Manager shall promptly notify Retirement System of each of the following matters to the extent it becomes aware of the matter and to the extent the matter constitutes, in the reasonable judgment of the Investment Manager, a material adverse effect on the Fund which jeopardizes its ability to conduct business:

(i) The institution of any litigation against the Fund and/or Investment Manager in connection with its management of the Fund with amounts in controversy in excess of \$500,000, and the basis of the claims made in such litigation;

(ii) Any settlement, decree, judgment, award or other material development relating to litigation with regards to the Fund identified above; and

(iii) Any material breach of any representation or warranty of the Fund or the Investment Manager set forth in this letter agreement or in the Fund Documents.

3. Most Favored Nation. For so long as this Agreement remains effective, the Investment Manager agrees to promptly advise Retirement System of any fee agreement or arrangement between the Investment Manager and any other investor of the Fund (with respect to such investor's investment in the Fund) whose investment in the Fund is equal to or less than the amount of Retirement System's investment in the Fund, that contains terms more favorable than those set forth in the Offering Memorandum and/or the "Management Fee" provisions described in the Fund Documents. Retirement System shall automatically receive the benefit of any such more favorable terms at its sole option.

4. Representations. The Fund Documents and each other written document, certificate or instrument furnished to the Retirement System or its representatives by or on behalf of the Fund or the Fund in connection with the transactions contemplated hereby, do not to the best of the knowledge of the Fund and the Investment Manager, taken together, make any untrue statement of material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which they are or were made. In addition, as of the date hereof, the Fund and Investment Manager each represents and warrants (solely on its behalf) as follows:

(a) That none of the execution and delivery of this Agreement, or any agreements found in any of the Fund Documents, or the consummation of the transactions contemplated hereby or thereby results in the breach of any agreement or instrument to which the Fund or the Investment Manager is a party;

(b) That none of the execution and delivery of this Agreement, or any agreements found in any of the Fund Documents, or the consummation of the transactions contemplated hereby or thereby results in the breach of any license, permit, franchise or certificate to which the Fund or Investment Manager are parties or by which either of them is bound;

(c) That none of the execution and delivery of this Agreement, or any agreements found in any of the Fund Documents or the consummation of the transactions contemplated hereby or thereby violate any law, statute, regulation, order, writ, injunction, judgment or decree to which the Fund or Investment Manager is subject;

(d) That neither the Fund nor Investment Manager is in default in the performance of any material obligation, agreement or condition to which it is bound or subject in relation to the Fund;

(e) That neither the Fund nor Investment Manager has violated, or is in violation of, any material statute, regulation, law, order, writ, injunction, judgment or decree to which it is subject which might adversely affect its respective business or financial condition or impair its ability to carry out its respective obligations under this letter agreement or the Fund Documents;

(f) All governmental approvals that are required to enable the Fund or Investment Manager to operate in accordance with the Fund Documents have been received;

(g) During the past five years, there has been no litigation or governmental investigation resulting in a finding or admission that the Fund or Investment Manager were guilty of fraud, willful misconduct, or breach of fiduciary duty, or violation of the securities laws;

(h) Neither the Fund nor Investment Manager is or has been the subject of, or a defendant in: (i) an enforcement action or prosecution (or

settlement in lieu thereof) brought by a governmental authority relating to a violation of securities, tax, fiduciary or criminal laws or (ii) a civil action (or settlement in lieu thereof) brought by investors in a common investment vehicle for violation of duties owed to the investor. The Investment Manager shall notify Retirement System within a reasonable period of time in the event any such action or prosecution is initiated during the time Retirement Systems is a participant in the Fund;

(i). The Fund is not registered as, and does not presently intend to register as, (i) a closed-end investment company under the Investment Company Act of 1940, as amended, or (ii) a public utility holding company under the Public Utility Holding Company Act of 1935, as amended; and the Shares of the Fund are not registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

5. U.S. Corrupt Practices Act. As long as the Retirement System is a participant in the Fund, the Investment Manager shall not make any payment to any person that is, to the Investment Manager's knowledge, in violation of the U.S. Foreign Corrupt Practices Act, as amended.

6. AML Laws. The Investment Manager acknowledges that the Fund is in compliance with applicable United States laws and regulations relating to anti-money laundering, including, as applicable, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "Patriot Act") and the Bank Secrecy Act, as amended by the Patriot Act (collectively the "U.S. AML Laws and Regulations"). The Fund represents and warrants that, in order to facilitate compliance with U.S. AML Laws and Regulations, a written anti-money laundering prevention program reasonably designed to comply with the requirements of the U.S. AML Laws and Regulations has been developed and implemented and will be maintained to the extent required by law or regulation, with respect to the Fund.

7. Listed Transactions. The Investment Manager shall not knowingly cause the Fund to directly engage in a transaction that, as of the date the Fund enters into a binding contract to engage in such transaction, is a "listed transaction" as defined in Treas. Reg. § 1.6011-4(b)(2). If the Investment Manager receives notice from any Portfolio Manager that such Portfolio Manager has reasonably determined that the underlying fund managed by such Portfolio Manager has engaged in a transaction that is a listed transaction, the Investment Manager shall notify the Retirement Systems of such determination.

8. Contingent Fee, Incentive Payment. The Investment Manager represents and warrants to Retirement System that the Fund has not entered into any contingent fee or similar relationship with any person associated with the Retirement System concerning its investment in the Fund for the purpose of obtaining its participation in the Fund and neither the Fund, the Investment Manager, nor Retirement System or persons associated

with Retirement System (whether directly or indirectly through affiliates) will receive any incentive or special payments associated with or resulting from the Retirement System's investment in the Fund except as otherwise expressly referenced in the Fund Documents.

9. GAAP and Topic ASC 820 Compliance. The Fund confirms that (i) the audited financial statements of the Fund required to be delivered to the Retirement System will be prepared in accordance with U.S. generally accepted accounting principles and in compliance with the requirements of Topic ASC 820, as in effect from time to time, and (ii) the unaudited financial statements required to be delivered to the Retirement System will be prepared in accordance with U.S. generally accepted accounting principles and will reflect valuations of investments of the Portfolio Managers that are prepared utilizing the guidelines contained in Topic ASC 820, as in effect from time to time.

10. Lawsuits. Notwithstanding anything to the contrary in any of the Fund Documents, and subject to the following, each of the Fund and the Investment Manager agrees with the Retirement System that any legal proceeding brought solely by the Retirement System against it alleging a breach of fiduciary duties (and wherein the sole parties to such action during the pendency and until final resolution of such action remain solely the Retirement System and the Fund and/or the Investment Manager), may be brought and enforced in accordance with Florida state law in the courts of the state of Florida, with venue in Manatee County, without regard to principles of conflicts of law, and it irrevocably submits to the jurisdiction of such courts in respect of any such action or proceeding.

11. Indemnification by the Investment Manager. In the event a Covered Person (as defined in the Fund Documents) is indemnified under the Fund Documents for: (i) losses resulting from such Covered Person's fraud, negligence, willful misconduct, bad faith or reckless disregard for or material breach of the Offering Memorandum, the Subscription Agreement or this Agreement; (ii) losses resulting from the Fund, the Investment Manager, or any of their affiliates making a claim against each other; the Retirement System shall be indemnified by the Investment Manager for the Retirement System's direct or indirect pro rata share of such indemnified amount.

12. Governmental Plan. The Retirement System represents and warrants that it is a "government plan". The Investment Manager acknowledges that it will adhere to the same standards as if it was a fiduciary, as defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with respect to the Retirement System's assets invested in the Fund and shall discharge its fiduciary duties in accordance with the standards and provisions set forth in Section 403(c)(1) and Section 404(a) of ERISA, as though it applied.

13. Counterparts. This letter may be executed in counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute one instrument.



14. PUBLIC ENTITY CRIMES BILL. The Investment Manager acknowledges that Section 287.133, Florida Statutes, provides that a person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract with a public entity for the construction or repair of a public building or public work, may not submit bids on leases of real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, Florida Statutes, for CATEGORY TWO for a period of 36 months from the date of being placed on the convicted vendor list.

**[Signature Page to Follow]**

Very truly yours,

PRIVATE ADVISORS, LLC  
as INVESTMENT MANAGER

By: *Charles M. Johnson III*  
Name: Charles M. Johnson III  
Title: Attorney

PA STABLE VALUE FUND, LTD.

By: *Charles M. Johnson III*  
Name: Charles M. Johnson III  
Title: Authorized Signatory

Accepted and Agreed to:

The City of Palmetto General Employees' Retirement System

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_