

TAB 2

**AGREEMENT FOR INVESTMENT PERFORMANCE MONITORING  
AND ADVISORY SERVICES**

**This Agreement** entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2010, between **Morgan Stanley Smith Barney LLC through Its Graystone Consulting Business** (hereinafter referred to as the "Monitor"), and **The Board Of Trustees Of the City of Palmetto General Employees' Retirement System** (hereinafter called the "Client").

**W I T N E S S E T H:**

**WHEREAS**, Monitor is in the business of providing investment performance monitoring and advisory services, and

**WHEREAS**, Client is vested with the authority and responsibility for the investment and administration of the assets of the City of Palmetto General Employee Pension Fund (hereinafter referred to as the "Plan") and;

**WHEREAS**, Client desires Monitor to provide investment performance monitoring and advisory services with respect to the Plan;

**NOW, THEREFORE**, in consideration of the premises and mutual promises herein contained, the parties agree as follows:

**A. SERVICES OF MONITOR**

Monitor shall provide the following services to the Client as shown below:

1. Investment Policy/Guideline Development.
2. Investment Policy/Guideline Review.
3. Asset Allocation Consulting.
4. Investment Manager Search.
5. Measurement by Objective/Performance Analysis with written reports and oral presentation to the Board on a quarterly basis.
6. Monitor and report on investment manager's compliance with the plan documents and investment policy on a quarterly basis.
7. Monitor and report on execution of trades and transaction costs on a quarterly basis.

8. Recommendations regarding passive investment strategies and investment vehicles.

**B. RESPONSIBILITIES OF CLIENT**

Client agrees to provide or cause its accountants, trustees, investment managers and legal advisors to provide information regarding income, investment performance, and other pertinent matters relating to the Plan as requested by Monitor from time to time. Client, through its authorized representative, also agrees to communicate the Plan's needs and goals to Monitor and to keep Monitor informed of changes in Client's situation, needs and goals. Monitor shall not be required to verify any information obtained from Client, Client's or Plan's accountants, actuaries, trustees, investment managers and legal advisors and is expressly authorized to rely thereon.

**C. CONFIDENTIALITY**

All information and advice furnished by either party to the other, including their agents and employees, shall be treated as confidential and not disclosed to third parties except as agreed upon in writing or required by law. Monitor is herein given absolute authority by Client to disclose, provide copies of, and communicate information obtained from Client or developed by Monitor to Client's investment manager and Client's attorney.

**D. BASIS OF ADVICE**

Client acknowledges that Monitor obtains information from a wide variety of publicly available sources and certain private sources. The advice provided by Monitor to Client is based upon its analysis of such information.

**E. REPRESENTATIONS OF MONITOR**

Monitor hereby represents that:

1. Monitor is not the Client's investment manager nor is Monitor in any way compensated by nor does Monitor have any affiliation whatsoever with any Plan investment manager, except as disclosed herein, and
2. Monitor will make all calculations according to the Bank Administration Institute method of calculating time weighted rate of return; and
3. Monitor has at least three (3) years experience in the public sector monitoring pension plan performance.

**F. FEES TO MONITOR**

In consideration of the services rendered by Monitor, Client shall pay to Monitor the fee as outlined in Exhibit A. The fee shall remain in effect for a minimum of three (3) years from the effective date of this Agreement

#### **G. TERMINATION**

Client shall have the right to termination of this Agreement and full refund of any fees paid for five (5) business days after the signing of this Agreement. Client shall give Monitor written notice of termination. After the initial five (5) day period, Client may terminate this Agreement at any time on thirty (30) days written notice or Monitor may terminate this Agreement at any time on ninety (90) days written notice and charges for services completed will be prorated based on the total fees as set forth in Paragraph F.

#### **H. MISCELLANEOUS.**

1. By execution of this Agreement, the Monitor acknowledges that it is a fiduciary of the Plan within the meaning of Section 112.656, Florida Statutes. Although the Plan is not covered by the Employee Retirement Income Security Act of 1974 (ERISA), the Monitor shall be a fiduciary of the Plan as if the Plan were subject to ERISA.

2. Neither party hereto may assign, convey, or otherwise transfer any of its rights, obligations, or interest herein without the prior express written consent of the other party.

3. This Agreement represents the complete agreement of the parties with regard to the subject matter and supersedes any prior understanding or agreement, oral or written.

4. This Agreement may be amended or revised only by an instrument in writing signed by Client and Monitor.

5. The validity of this Agreement and of any of its terms or provisions, as well as the rights and duties of the parties hereunder, shall be governed by the laws of the State of Florida.

6. This Agreement may be executed in several counterparts, each of which shall be deemed an original.

7. Any action arising under this Agreement shall be brought exclusively in Volusia County.

8. This Agreement shall become effective and shall replace and supersede all prior agreements between the parties, upon execution.

9. Monitor agrees to obtain and maintain in full force and effect under the terms of this Agreement, errors and omission liability insurance with minimum limits of coverage of

\$1,000,000 per occurrence. Monitor agrees to annually provide a certificate of insurance to the Board evidencing the required coverage.

10. In the event that a plan manager elects to trade through Monitor, Monitor shall only be entitled to be paid for commissions generated from trades made on a “best execution” basis within the meaning of ERISA Technical Release No. 86-1 (i.e. competitive commission cost as well as quality and reliability of execution).

**I. REQUIRED DISCLOSURES.**

1. Monitor is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Monitor shall deliver information providing disclosures regarding the Monitor's background and business practices along with Part II of Monitor's Form ADV filed with the S.E.C. Client acknowledges receipt of a copy of the Graystone Consulting and Morgan Stanley Smith Barney Consulting Group Descriptive Brochure (Schedule H of Form ADV). Monitor shall provide Client with a copy of the required disclosure on an annual basis.

2. Client understands that MSSB is affiliated with Morgan Stanley and Citigroup and thus SB has a conflict of interest to recommend Morgan Stanley and Citigroup affiliated mutual funds or other investment products. Client understands that Monitor, and its affiliates may perform, among other things, investment banking research, brokerage, and investment advisory services for other clients. Client recognizes that Monitor may give advice and take action in the performance of their duties to such clients (including those who may also be participants in the Consulting Group Institutional Services program) which may differ from advice given, or in the timing and nature of action taken, with respect to Client. Moreover, Monitor or any of its affiliates may advise or take action with respect to itself or themselves differently than with respect to Client. Nothing in this Agreement shall be deemed to impose on Monitor or any of its affiliates any obligation to recommend any investment manager or to purchase or sell, or recommend for purchase or sale, or recommend for purchase or sale, for its or their own account, or for the account of any other client, nor shall anything on this Agreement be deemed to impose upon Monitor or any of its affiliates any obligation to give Client the same advice as may be given to any other clients. Client further understands that any investment manager may from time to time and as it deems advisable, consistent with applicable law, effect securities transaction with or through Monitor for the accounts of other clients and that Monitor may earn brokerage commissions or other compensation in connection with those transactions. Monitor, its affiliates, employees, including Financial Advisors may invest with any investment manager.

By reason of its investment banking or other activities, Monitor and its affiliates may from time to time acquire confidential information and information about corporations and other entities and their securities. Clients acknowledges and agrees that Monitor will not be free to divulge to Client or any Advisor, or to act upon, such information with respect to its or their activities, including its or their activities with respect to this Agreement.

Client understand that Monitor's Financial Advisors may receive a financial benefit from any investment manager in the form of compensation for trade executions for the accounts of the investment manager or accounts that are managed by such investment manager, or through referrals of brokerage or investment advisory accounts to the Financial Advisor by such investment manager. Moreover, Monitor may have trading, investment banking or other business relationships with such investment manager. These investment managers may include an investment manager recommended to clients by the Financial Advisor in any of the Consulting Group programs.

Global Transactions Services ("GTS"), a business unit of Citigroup's Corporate and Investment Banking Group, receives compensation for providing administrative and back office services to investment management firms. These investment management firms may include Managers and Mutual Funds that are recommended pursuant to this Agreement.

3. Monitor hereby acknowledges that the above-mentioned disclosures and potential conflicts of interest will not affect the integrity of Monitor's investment advisor research or recommendations, nor will it reduce or alter Monitor's obligations or responsibilities as a fiduciary to the plan as set forth in Paragraph H.1., above. Monitor will act and provide unbiased investment advice that is in the best interest of the Client. Monitor will make every effort to disclose or mitigate any conflict of interest that affects the integrity of Monitor's investment advisor research or recommendations, or causes the firm to render advice that is not disinterested and will avoid any departures from the fiduciary standard. In addition, Monitor acknowledges that Graystone Consulting Institutional Consulting Director, Charlie Mulfinger, and all local team members assigned to Client will not be compensated for any such aforementioned activity.

**J. PUBLIC ENTITY CRIMES BILL.**

Section 287.133, Florida Statutes, provides that a person or affiliates who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not submit a bid on a contract with a public entity for the construction or repair of a public building or public work, may not submit bids on leases of real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and

may not transact business with any public entity in excess of the threshold amount provided in Section 284.017, Florida Statutes, for CATEGORY TWO for a period of thirty-six (36) months from the date of being placed on the convicted vendor list.

**IN WITNESS WHEREOF**, the Client has signed duplicates hereof, and Morgan Stanley Smith Barney LLC, through its Graystone Consulting business, has caused its corporate name to be signed to said duplicates by its proper officers thereunto duly authorized on the day and in the year first above written.

Morgan Stanley Smith Barney LLC  
Through its Graystone Consulting business

City of Palmetto  
City of Palmetto General Employees'  
Retirement System

By: \_\_\_\_\_  
Henry Kaplan, Managing Director  
Associate Director of Consulting Group  
2000 Westchester Avenue  
2<sup>nd</sup> Floor  
Purchase, New York 10577

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

ATTEST:

ATTEST:

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

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

**Exhibit A**  
**to**  
**Institutional Services Agreement**

**Asset Based Fee**

Client shall pay Graystone for its services quarterly (on a calendar quarter basis) in arrears an annual fee as a percent of the market value of the Account based on the following schedule (the "Fee"). The Fee includes all fees or charges of Graystone and MSSB (including brokerage commissions, compensation to MSSB Financial Advisors and CGM custodial charges) except certain costs or charges associated with the Account or certain securities transactions, including dealer mark-ups or mark-downs, auction fees, certain odd-lot differentials, exchange fees, transfer taxes, electronic fund and wire transfer fees; charges imposed by custodians other than CGM; fees imposed in connection with MSSB Financial Management Accounts; certain fees in connection with custodial, trustee and other services rendered by a MSSB affiliate; SEC fees on securities trades; any other charges mandated by law; and certain fees in connection with the establishment or administration or termination of retirement or profit sharing plans or trust accounting. In addition, brokerage commissions and other fees and charges imposed because an Advisor chooses to effect securities transactions for the Account with or through a broker-dealer other than CGM will be separately charged to the Account. The Fee does not include any fees or charges of any affiliated or unaffiliated advisor retained by Client or CGM. If an affiliate of MSSB (including CGMI or Morgan Stanley is a member of the underwriting syndicate from which a security is purchased, MSSB or its affiliates may indirectly benefit from such purchase.

The initial Fee payment will cover the period from the opening date through the last business day of the next full calendar quarter and shall be pro-rated accordingly. The Fee shall be paid quarterly in arrears based on the Account's market value on the last business day of the previous calendar quarter and shall become due the following business day.

A final fee will be determined based on the account value on the date of termination, pro-rated based on the number of days from the first day of the immediately preceding quarter through the date of termination.

In computing the market value of any securities or other investments in the Account, securities listed on any national securities exchange shall be valued, as of the valuation date, at the composite closing price (at the consolidated trade price). Any other securities or investments in the Account shall be valued in a manner determined in good faith by CGM, in its sole discretion, to reflect market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets in the Account.

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**FEE SCHEDULE**

<b>Account Asset Value</b>	<b>Annual Graystone Fee to Client</b>
On the first \$10,000,000	0.55%
On the next \$10,000,000	0.40%
On the next \$20,000,000	0.30%
On the next \$60,000,000	0.20%
On amounts over \$100,000,000	0.10%



**GRAYSTONE CONSULTING  
INSTITUTIONAL SERVICES AGREEMENT  
EXHIBIT B  
AGENCY TRADING ACKNOWLEDGEMENT**

Investment Advisor Name: \_\_\_\_\_

Client Name: \_\_\_\_\_

Investment Advisor Address: \_\_\_\_\_

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

As you know, \_\_\_\_\_ ("Client") has entered into an Investment Advisory Agreement ("Agreement") with Morgan Stanley Smith Barney LLC, through the Graystone Consulting business ("Graystone"), to provide our account(s) with investment consulting services. These services are outlined in our separate Agreement with Graystone. Graystone has requested to us to request that our managers acknowledge this Agency Trading notification.

As you may also know, on June 1, 2009, Morgan Stanley and Citigroup announced the combination of the Global Wealth Management Group of Morgan Stanley & Co. Incorporated ("Morgan Stanley" or "MS") and the Smith Barney and Graystone divisions of Citigroup Global Markets Inc ("CGMI") into a new joint venture. The joint venture will own Morgan Stanley Smith Barney LLC ("Morgan Stanley Smith Barney" or "MSSB"), a newly formed investment advisor and broker-dealer that will be registered with the Securities and Exchange Commission. In connection with the formation of the joint venture, we are required to update our policy on trading, and Morgan Stanley Smith Barney is instituting a new policy around the purchase of MSSB-affiliated securities (e.g., stocks or notes) in our accounts, in part to avoid potential or perceived conflicts as well as to prevent the possibility that transactions could be alleged to be prohibited under the Employee Retirement Income Security Act (ERISA) and/or section 4975 of the Internal Revenue Code.

Agency Trading Notification:

We understand that as a fiduciary you are obligated to execute transactions in a most efficient and beneficial manner on behalf of Client. In our Agreement, Graystone and MSSB have acknowledged that they will act as a fiduciary to Client as that term is defined under Florida law. Accordingly, you are directed *NOT* to engage in any prohibited principal transactions with CGMI or Morgan Stanley for the Client's account(s), and you will take all proper measures to ensure that no transactions for the Client's account(s) are executed on such a principal basis. In order to comply with this request, you may take any of the following actions (i) you can prohibit the use of CGMI and MS as brokers for any brokerage transactions on behalf of Client; (ii) you can submit all your orders to CGMI or MS marked for "agency only" executions (which means no principal transactions are allowed); (iii) you can separate orders that you send on behalf of Client and on behalf of other of your clients and then separately submit those orders to CGMI or MS, and indicate that CGMI and MS must execute orders on behalf of Client on an "agency only" basis (no principal transactions allowed); or (iv) you may place trades for accounts through one or more electronic communication networks, alternative trading systems or similar execution systems (collectively, "ECNs"), including ECNs in which MSSB or its affiliates (including Citigroup and Morgan Stanley) have an ownership interest (such as LavaFlow), subject to and in accordance with section 408(b)(16) of ERISA. Should a prohibited principal transaction occur in any Client account(s) due to your failure to provide proper instruction to CGMI or MS, you agree to cover any and all costs associated with correcting the principal transaction.

MSSB Affiliated Securities Policy:

Please see the attached policy regarding restrictions relating to Fixed Income and Convertible Securities issued by affiliates of MSSB (e.g., Morgan Stanley, Mitsubishi or Citi debt or notes) and MSSB-affiliated Closed End Fund Securities (e.g., Morgan Stanley or Citi closed end funds).

Please acknowledge your receipt of this letter and agreement to comply with these directions by signing and dating this letter below, and returning it to Thomas McAuliffe, Institutional Product Manager, Graystone Consulting, 2000 Westchester Avenue 2<sup>nd</sup> Floor, Purchase, New York 10577.

Sincerely yours,

\_\_\_\_\_  
Client Signature and Title

Acknowledged by: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Company Name: \_\_\_\_\_

**THE MORGAN STANLEY SMITH BARNEY JOINT VENTURE**  
**TREATMENT OF AFFILIATED SECURITIES IN RETIREMENT ACCOUNTS MANAGED BY THIRD PARTY INVESTMENT MANAGERS/SUB-ADVISORS**

As you know, Morgan Stanley and Citi have announced the formation of a new joint venture creating an industry-leading wealth management firm to be named Morgan Stanley Smith Barney (MSSB). In connection with the formation of the joint venture, the Smith Barney channel of MSSB has determined to institute a new policy around the purchase of MSSB-affiliated securities (e.g., stocks or notes) in any investment advisory retirement (e.g., IRA or ERISA) account, in part to avoid potential or perceived conflicts as well as to prevent the possibility that transactions could be alleged to be prohibited under the Employee Retirement Income Security Act (ERISA) and/or section 4975 of the Internal Revenue Code.

**Policy**

The policy for investment managers/sub-advisors made available within advisory programs under the Smith Barney channel of MSSB is as follows:

- **Affiliated Equity (Common and Preferred) Securities (Morgan Stanley, Mitsubishi or Citi equity) Are Permitted in All Accounts:** As an investment manager/sub-advisor within our managed account programs, you have sole discretion and ultimate responsibility over the investment model/portfolio of the accounts you manage. Thus, should you decide to invest in equity securities issued by affiliates of MSSB (for example, as a part of a model or other investment strategy consistently applied to clients), that decision is yours alone, and should be based solely on appropriate independent research and diligence, in accordance with the applicable requirements of the Advisers Act, ERISA and/or section 4975 of the Code. MSSB's decision to offer your investment product within its managed account program(s) should have no bearing on your decision to buy, hold or sell equity securities issued by its affiliates.
- **Affiliated Fixed Income and Convertible Securities (e.g., Morgan Stanley, Mitsubishi or Citi debt or notes) Are Not Permitted in Retirement Accounts:** -- New purchases of fixed income and convertible securities issued by affiliates of MSSB are prohibited for investment advisory retirement accounts. In addition, we ask that you liquidate existing positions as soon as practicable, but no later than December 31, 2009. Investment Managers/Sub-Advisors may continue to buy and hold these securities in taxable accounts only.
- **Affiliated Closed End Fund Securities (e.g., Morgan Stanley or Citi closed end funds) Are Not Permitted in Retirement Accounts:** -- New purchases of closed end fund securities issued by affiliates of MSSB are prohibited for investment advisory retirement accounts. In addition, we ask that you liquidate existing closed end fund positions as soon as practicable. Investment Managers/Sub-Advisors may continue to buy and hold these securities in taxable accounts only.

The list of securities of MSSB affiliates will include:

- Affiliated security issues of Morgan Stanley.
- Mitsubishi and Mitsubishi-affiliated securities. (In March 2009, Morgan Stanley signed a memorandum of understanding to combine Mitsubishi UFJ Securities and Morgan Stanley Japan Securities into a joint venture.)
- Securities issued by Citigroup Inc. and its affiliates (collectively, "Citi"), including Student Loan Corporation.

**Please note:** A complete list of affiliates will be provided to you at a later date.

**Your Role**

Please adhere to the following instructions:

1. Review your portfolios and holdings in these programs to determine whether any affiliated securities are included in the models that affect retirement accounts.
2. Cease any purchases of MSSB-affiliated fixed income, convertible, and closed end fund securities and begin a prudent liquidation of existing positions for investment advisory retirement accounts to ensure compliance with our policy.
3. Continue to periodically review your portfolios and holdings in these programs to ensure that you remain in compliance with our policies and procedures.

**Exhibit C**  
**to**  
**Citigroup Institutional Consulting**  
**Institutional Services Agreement**  
**(Erisa/ Retirement)**  
**Alternative Investments**

**Addendum.** The undersigned have executed a Graystone Consulting business Institutional Services Agreement ("Agreement") dated \_\_\_\_\_, which is hereafter incorporated by reference as if fully set forth herein. In furtherance of that Agreement, the undersigned agree to the following terms and conditions of this Addendum.

**1. Additional Consulting Services provided by Graystone with respect to Alternative Investments).**

(a) Graystone shall provide Client with a periodic review showing historical performance of each of Client's holdings of one or more alternative investment vehicles offered to clients by Smith Barney Alternative Investments, and identified below ("Alternative Investment"). Client understands and acknowledges that the performance information provided in a periodic review is based upon information provided to Graystone by the Alternative Investment, or its sponsor, investment manager or administrator, and that Graystone does not independently verify such information. Graystone shall not be liable for any misstatement or omission made by an Alternative Investment, or its sponsor, investment manager or administrator, for any loss, liability, claim, damage or expense arising out of such misstatement or omission.

(b) Graystone shall identify, evaluate and propose to Client Alternative Investment(s) for the investment of funds held in the Account. Graystone or an affiliate shall review, or shall cause to be reviewed, each Alternative Investment that it proposes and may or may not, in its sole discretion, create and make available a written report of such review. Graystone shall base its proposal on information conveyed to it in writing by the Client and such additional information as is reasonably required by Graystone to provide an appropriate proposal.

(c) Both parties agree that Client shall be solely responsible for determining whether to invest in, subscribing and qualifying for a participation interest in any Alternative Investment in respect of each proposal for the Account.

(d) In the case of Alternative Investments that permit redemptions, if Graystone makes a determination that a particular Alternative Investment previously proposed to, and subscribed to by, Client is no longer an appropriate investment ("Terminated Alternative Investment") for Client, Graystone or an affiliate shall propose, or cause to be proposed, a replacement Alternative Investment for the Account pursuant to section 1(b) above. Depending upon the specific circumstances, client may or may not have the option to change or continue to participate in the Terminated Alternative Investment. However, in the event Client is permitted and wishes to continue to participate in the Terminated Alternative Investment, all terms of section 1(b) above shall be null and void, and Graystone will (i) make no further representations concerning the Terminated Alternative Investment and (ii) not continue to provide any proposal or services regarding such Terminated Alternative Investment. However, Client shall continue to pay Graystone the Fee contained in Section 2 below in recognition of the proposals provided by Graystone and other services provided in connection with the Client's continued participation therein, such as reporting and the periodic review described in Section 1(e), unless Client's investment is redeemed when the Alternative Investment terminates.

(e) In the case of Alternative Investments that do not permit redemptions, Client should be aware that such investments may not be liquidated at the time of Client's choosing due to restrictions imposed by the terms of the investment and the lack of a secondary market. These funds may restrict the liquidation or termination of the investment for periods of several years or for the life of the investment. Client hereby undertakes to review the offering materials for such illiquid investments in which the Client invests pursuant to this Agreement, in particular the terms of any restrictions on the premature termination or liquidation of Client's investment. Client hereby holds Morgan Stanley Smith Barney ("MSSB"), Graystone, and their officers, affiliates, agents, or directors harmless for any liability, loss or damages resulting from the imposition of a "lock-up", or liquidation restriction, by any Alternative Investments for the Account. However, Client shall continue to pay Graystone the Fee contained in Section 2 below in recognition of the proposals provided by Graystone and other services provided in connection with the Client's continued participation therein, such as reporting and the periodic review described in Section 1(a), unless Client's investment is redeemed when the Alternative Investment terminates.

Client represents and warrants that the information provided to Graystone in connection with Alternative Investments is accurate and complete and acknowledges that Graystone has no responsibility to ensure that such information is accurate and remains current.

**2. Fees.** The Fee charged to Client pursuant to this Agreement shall not include any fees or charges for services in connection with Client's participation in any Alternative Investment not listed herein, for which Client shall be separately and solely responsible.

Client acknowledges and agrees that the market value of the Account shall be calculated based upon then then-currently information provided to Graystone by the Alternative Investment, or its sponsor, investment manager or administrator, and that Graystone does not independently verify such information. Graystone shall not be liable for any mistake or miscalculation made by an Alternative Investment, its sponsor, investment manager or administrator in valuing client's investment in the Alternative Investment, or any loss, liability, claim, damage or expense arising out of such mistake or miscalculation. The Fee shall not be charged on capital committed, but not yet funded.

Client acknowledges and agrees that Graystone may enter into separate selling or participation agreements with the Alternative Investment Products, their sponsors or their managers which Client selects for use with the Account, and that Graystone may be separately compensated by the Alternative Investment Products, their sponsors or their managers for the placement of Account assets with the Alternative Investment Products. Client also acknowledges and agrees that Graystone may receive a portion of the management fee paid by Client to an Alternative Investment manager with respect to Account assets invested in such Alternative Investment. In the event that Graystone shares in the management fee or other compensation, paid by the Client, from the Alternative Investment Products, their sponsors or their managers under separate agreement, Graystone shall credit a Graystone account in the name of the Client by a corresponding amount in a one to one ratio.

Client acknowledges and agrees that Graystone may enter into brokerage arrangements with any of the Alternative Investment, their sponsors or their

managers, according to which Graystone and its agents may receive additional compensation for the execution of transactions for the Alternative Investment.

**Further Liability of MSSB, its officers, affiliates, agents, or directors.** Client acknowledges that an investment's past performance is not necessarily indicative of future performance. Graystone makes no representations or warranty under this Agreement with respect to the present or future level of risk or volatility in the Account, or any Alternative Investment Product's future performance or activities. Client understands that Graystone will perform no discretionary trading acts with respect to the Alternative Investment.

\_\_\_\_\_  
Name(s) of Alternative Investments:  
  
\_\_\_\_\_

This Addendum may be executed in counterparts and shall be binding on the parties hereto as if executed in one document.

AGREED to this \_\_\_\_\_ day of \_\_\_\_\_

Title of Account: **City of Palmetto General Employees' Retirement System**

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

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

(If more than one, all principals to the account must sign. If any signatory is a fiduciary, the capacity in which the fiduciary is acting must also be indicated.)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ACCEPTED as of the \_\_\_\_\_ day of \_\_\_\_\_

**MORGAN STANLEY SMITH BARNEY LLC**  
through its **GRAYSTONE CONSULTING BUSINESS**

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

Henry Kaplan, Managing Director  
Associate Director of Consulting Group  
2000 Westchester Avenue – 2<sup>nd</sup> Floor  
Purchase, New York 10577

**AMENDMENT TO CITIGROUP GLOBAL MARKETS INC.  
FIDUCIARY SERVICES UNAFFILIATED MANAGER PROGRAM AGREEMENT**

WHEREAS, Citigroup Global Markets Inc. through its Smith Barney division ("SB"), together with **the City of Palmetto General Employees' Retirement System** ("Client"), have entered into an agreement dated 6/1/09 ~~2008~~ as amended (the "Agreement").

WHEREAS, on June 1, 2009 Citigroup Inc. and Morgan Stanley announced the creation of a new joint venture, in which they formed a new investment advisory firm named Morgan Stanley Smith Barney LLC ("MSSB"), and as a result of such joint venture, the Agreement was transferred to the new entity; and

WHEREAS, the Agreement sets forth, among other things, the consulting services to be provided to Client and the compensation paid to MSSB by Client for such services; and

WHEREAS, MSSB and Client hereby desire to amend the Agreement, but retain all other terms, conditions, provisions and sections of the Agreement;

NOW THEREFORE, Paragraph 6 is stricken and replaced with the following:

**"Fiduciary Status.** By execution of this Agreement, the Monitor acknowledges that it is a fiduciary of the Plan within the meaning of Section 112.656, Florida Statutes. Although the Plan is not covered by the Employee Retirement Income Security Act of 1974 (ERISA), the Monitor shall be a fiduciary of the Plan as if the Plan were subject to ERISA.

Client acknowledges receipt of a copy of the MSSB Consulting Group Descriptive Brochure (Schedule H of Form ADV) dated June 2009.

All other terms, conditions, provisions and sections of the Agreement remain in effect and are hereby incorporated herein by reference.

Agreed to this \_\_\_\_\_, day \_\_\_\_\_, 2010.

City of Palmetto General Employees' Retirement System

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

Its: \_\_\_\_\_

Accepted this \_\_\_\_\_, day \_\_\_\_\_, 2010.

**MORGAN STANLEY SMITH BARNEY, LLC**

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

Henry Kaplan, Managing Director  
Associate Director of Consulting Group  
2000 Westchester Avenue - 2<sup>nd</sup> Floor  
Purchase, New York 10577

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City of Palmetto General Employees' Retirement System

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

Its: \_\_\_\_\_

Accepted this \_\_\_\_\_, day \_\_\_\_\_, 2010.

**MORGAN STANLEY SMITH BARNEY, LLC**

By: \_\_\_\_\_  
Henry Kaplan, Managing Director  
Associate Director of Consulting Group  
2000 Westchester Avenue - 2<sup>nd</sup> Floor  
Purchase, New York 10577

**AMENDMENT TO CITIGROUP GLOBAL MARKETS INC.  
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WHEREAS, on June 1, 2009 Citigroup Inc. and Morgan Stanley announced the creation of a new joint venture, in which they formed a new investment advisory firm named Morgan Stanley Smith Barney LLC ("MSSB"), and as a result of such joint venture, the Agreement was transferred to the new entity; and

WHEREAS, the Agreement sets forth, among other things, the consulting services to be provided to Client and the compensation paid to MSSB by Client for such services; and

WHEREAS, MSSB and Client hereby desire to amend the Agreement, but retain all other terms, conditions, provisions and sections of the Agreement;

NOW THEREFORE, Paragraph 6 is stricken and replaced with the following:

**"Fiduciary Status.** By execution of this Agreement, the Monitor acknowledges that it is a fiduciary of the Plan within the meaning of Section 112.656, Florida Statutes. Although the Plan is not covered by the Employee Retirement Income Security Act of 1974 (ERISA), the Monitor shall be a fiduciary of the Plan as if the Plan were subject to ERISA.

Client acknowledges receipt of a copy of the MSSB Consulting Group Descriptive Brochure (Schedule H of Form ADV) dated June 2009.

All other terms, conditions, provisions and sections of the Agreement remain in effect and are hereby incorporated herein by reference.

**Agreed** to this \_\_\_\_\_, day \_\_\_\_\_, 2010.

City of Palmetto General Employees' Retirement System

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

Its: \_\_\_\_\_

**Accepted** this \_\_\_\_\_, day \_\_\_\_\_, 2010.

**MORGAN STANLEY SMITH BARNEY, LLC**

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

Henry Kaplan, Managing Director  
Associate Director of Consulting Group  
2000 Westchester Avenue - 2<sup>nd</sup> Floor  
Purchase, New York 10577

Paul F. Gallagher  
Executive Director  
Associate General Counsel

222 Delaware Avenue, 7th Floor  
Wilmington, DE 19801  
rel 302-888-4177  
fax 302-691-1143  
paul.f.gallagher@citi.com

March 25, 2010

Scott Christiansen, Esq.  
Christiansen & Dehner  
63 Sarasota Center Blvd.  
Suite 107  
Sarasota, FL 34240-9385

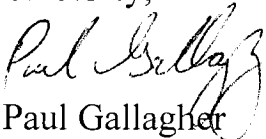
Subject: City of Palmetto General Employees' Retirement System

Dear Mr. Christiansen,

This will confirm our discussion of earlier this morning with respect to the contracts between Morgan Stanley Smith Barney, LLC ("MSSB") and the City of Palmetto General Employees Retirement System.

Specifically, MSSB represents that it is not its intent to construe or extend the provisions of the wrapper agreements with respect to PA Stable Value Fund, LTD. to the relationships governed by the previously executed agreements with the City of Palmetto General Employees Retirement System (which has one agreement in place for our Fiduciary Services program and one for our institutional consulting program). Each of the previously executed contracts stands on its own and will be governed by the terms and conditions set forth therein. Please call me at (302) 888-4177 if you would like to discuss this issue in greater detail.

Sincerely,



Paul Gallagher  
Executive Director, Legal Department

RECEIVED  
175 123 777  
Consulting Group

BY:.....

MorganStanley  
SmithBarney



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: Partner

PA STABLE VALUE FUND, LTD.

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

Accepted and Agreed to:

The City of Palmetto General Employees' Retirement System

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