

TAB 2

First State Trust Company  
Attention: James Robinson  
2 Righter Parkway, Ste. 250  
Wilmington, DE 19803

January 6, 2012

Re: City of Palmetto General Employees' Retirement System

To Whom It May Concern:

We hereby authorize you to debit our Morgan Stanley Smith Barney Branch house account number \_\_\_\_\_ for all First State Trust Company (FSTC) trust and custody fees, and any other applicable FSTC fees for the above referenced client accounts. As of the date of this agreement, FSTC fees for City of Palmetto General Employee's Retirement System are as follows:

Annual asset-based fee on all individually managed account assets: **.0125%**

Other Fees (if applicable):  
Disbursement Fees

|   |                    |
|---|--------------------|
| Repetitive Payments (i.e. pension payroll)  | \$1.75 per payment |
| <b>*Repetitive Payment (i.e. pension payroll) fees will be waived for the period of January 1, 2012 thru December 31, 2012*</b> |                    |
| Non-repetitive Participant payment requiring a 1099R:   | \$10.00            |
| Non-repetitive payment not requiring a 1099R  | \$5.00             |
| Stop Pays and Re-issues   | \$18.00            |
| Fed Wire  | \$10.00            |

We understand that the entire charge for the agreed upon portion will be debited from the Branch house account and the branch will be responsible for determining and allocating this cost between the Branch office and the Financial Advisor.

It is the Morgan Stanley Smith Barney Branch/FA's responsibility to inform the client should this agreement be terminated. We understand that if FSTC is directed to change the Branch account number on the above referenced accounts that the new number will be charged accordingly. Written notification to FSTC is required to alter this arrangement at least 30 days prior to requested change.

Thank you,

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Branch Manager

Date

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Financial Consultant

Date

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

**AND**

First State Trust Company

**CUSTODIAL AGREEMENT**

This Agreement made, executed and delivered, in triplicate, this \_\_\_ of \_\_\_\_\_, 2012, effective \_\_\_\_\_, 20\_\_, by and between the Board of Trustees of the City of Palmetto General Employees' Retirement System (the "Plan") and First State Trust Company ("Custodian").

**WITNESSETH:**

**WHEREAS**, there is an established Trust Fund known as the City of Palmetto General Employees' Retirement System; and

**WHEREAS**, the Plan desires to appoint and designate First State Trust Company as the custodian for certain the assets of the Plan, and additions thereto or changes therein, and Custodian agrees to so act; and

**WHEREAS**, the Plan wishes to deposit into a separate account maintained with Custodian (the "Account") certain assets of the Plan and, at its discretion, to make additional deposits into the Account of cash or other property (the "Additional Assets"), as well as to confer the other duties and obligations set forth herein. The Plan's assets, the Additional Assets and all the property which may be held in the Account from time to time shall sometimes be referred to herein collectively as the "Assets"; and

**WHEREAS**, the Plan may, from time to time, direct the Custodian to segregate the Account into several separate investment funds (referred to herein individually as an "Investment Fund" and collectively as the "Investment Funds") and further shall, for each Investment Fund, identify the investment manager (each an "Investment Manager" and collectively the "Investment Managers") which shall have acknowledged that it is a fiduciary, who is authorized to direct the investment of the Assets of the Plan; and

**WHEREAS**, the Custodian has agreed to accept the deposit of the Account and to accept the duties and obligations hereinafter set forth, and otherwise agrees to the terms and conditions set forth herein; and

**WHEREAS**, the Plan trustees represent that they have all requisite authority under the Plan to enter into this Agreement, including the authority to designate custodians, and the Plan represents that all actions required for the execution of this Agreement by the Plan and the appointment of Custodian have been duly taken:

**NOW, THEREFORE**, in consideration of the mutual covenants herein contained, it is hereby AGREED between the parties hereto as follows:

**1. APPOINTMENT OF FIRST STATE TRUST COMPANY.** The Plan hereby designates First State Trust Company as the "custodian" of the Account, and Custodian hereby accepts such appointment and agrees to marshal the Account and carry out the Plan's directions regarding the investment and reinvestment of assets of the Account.

a. Custodian is hereby appointed as the custodian of all Assets received by it and held in the Investment Funds. Custodian may cause any stock certificates and other forms of securities held as Assets hereunder either to be held in its name, in the name of the Plan, in bearer form, or to be registered in the name of its nominee without disclosing or referring to the agency. When using a nominee registration, the liability or responsibility of Custodian shall neither increase nor decrease solely as a result of the use of such nominee name.

b. Custodian may hold securities in bulk with certificates of the same class and issuer constituting assets of other accounts, and may use depositories for securities.

c. Custodian shall be directed in writing or confirmed in writing by each Investment Manager of an Investment Fund as to the investment of short and intermediate term investments of cash awaiting investment or distribution, which investment must comply with the Plan document.

d. The Investment Manager responsible for the investment of the Investment Fund holding an Asset which is the subject of a tender, exchange, or proxy,

shall retain the right to exercise voting rights and to exercise all other rights pertaining to tenders, exchanges, or proxies in connection with all Assets held thereunder, including without limitation any stock or other securities held thereunder, and to give Custodian written instructions as to how these rights shall be exercised.

e. The Plan shall have the following authorities and responsibilities concerning any Investment Manager which it may appoint hereunder:

(i) From time to time the Plan may designate one or more Investment Managers, who shall have the powers and authorities hereafter defined.

(ii) The Plan may, by similar notice, modify or terminate such designation and authority from time to time.

(iii) So long as, and to the extent that, any such designation is in effect, Custodian (i) shall establish a separate fund for each Investment Manager and shall invest, reinvest and retain the portion of the Assets assigned to that Investment Manager, and (ii) with respect to Assets in such Investment Fund shall follow any instructions received by it from such Investment Manager in accordance with the instructions received from such Investment Manager.

f. Each Investment Manager is authorized to place the buy or sell orders with the brokers or other persons, through whom such transactions shall be accomplished, pertaining to the Assets which are subject to the direction of the Investment Manager.

g. Payment of the costs of the acquisition, sale or exchange of any security or other property shall not be considered a charge to the Custodian.

h. All instructions from an Investment Manager (or from persons authorized by an Investment Manager) to the Custodian shall be in writing and shall be complete in all reasonable and necessary details. The Custodian may, in its discretion, accept directions by telephone or electronic communication confirmed in writing, or by any other means of communication which it believes to be genuine (including communications received through the facilities of an institutional delivery system of a depository).

## **2. CUSTODIAN'S ACCOUNTING AND RECORDKEEPING SERVICES**

The Custodian shall be accountable for the shadow posting to the Custodian's trust accounting system all Assets maintained by each Investment Manager duly appointed by the Plan and authorized to maintain and direct the investment of the Assets of the Plan. With respect to each such Investment Manager and the Investment Fund to which it has been appointed to maintain, the Custodian shall:

- a. accept daily data transmission from the Investment Manager, or its authorized agent, containing account positions and transactions and post the data to the Custodian's trust accounting system;
- b. prepare and make available electronically monthly accountings of each Account maintained on the Custodian's trust accounting system;
- c. render an annual report on all transactions during the twelve (12) month period, plus statements of income and principal transactions if required;
- d. maintain a "cash" account for purpose of making payments as directed in writing by the Plan
- e. accept cash deposits from the Plan or the Investment Manager to the "cash" account;
- f. sweep monies deposited into the "cash" account to a money funds investment vehicle as directed by the relevant Investment Manager or the Plan;
- g. withhold required federal and state taxes related to payments made from the "cash" account ;
- h. report tax information to parties receiving payments from the "cash" account;
- i. provide access to view account holdings, transactions and statements via the Custodian's internet access service;

- j. produce worksheets to support Plan's filing of applicable tax documents;
- k. provide ongoing support of the relationship by assignment of a Custodian/Trust Administrative Officer;
- l. exercise diligence in all matters under this Agreement.

### **3. ADDITIONAL AGREEMENTS**

a. The Plan and the Custodian each agree to protect the confidentiality of the other party's confidential information. In the case of the Plan, its confidential information shall include non-public personal information and any other information that it has marked confidential or by its nature or circumstances of disclosure should reasonably be understood to be confidential. In the case of the Custodian, its confidential information shall include any information concerning its procedures or computer systems, including without limitation any SAS 70 (SSAE 16) audit and any other information that it has marked confidential or by its nature or circumstances of disclosure should reasonably be understood to be confidential. In addition, the Custodian agrees to abide by its "Privacy Promise", which is incorporated herein by reference <http://www.fs-trust.com/privacy.html>.

b. The Plan may retain a custodial relationship with one or more Investment Managers, which are not the Custodian, to perform custodial duties with respect to all or any portion of the Assets which are shadow posted by the Custodian; and any compensation paid to such Investment Managers shall be paid by the Plan and not by the Custodian.

c. The Plan will comply with and will take all necessary steps to assist the Custodian to comply with all applicable laws, including without limitation, the USA Patriot Act of 2001 and the Bank Secrecy Act.

**4. CUSTODIAN'S DUTIES AND OBLIGATIONS.** Custodian agrees to hold and safely keep such cash, stocks, certificates, bonds and other securities as may be delivered to it by or for the Account of the Plan, and to collect the income, interest and dividends paid in cash on the property held by it pursuant to this Agreement and credit same to the Account. Matured bonds and other securities shall be presented for payment by Custodian on the maturity date and the principal and income paid thereon shall be credited to the Account.

a. Custodian agrees to hold, deal with and dispose of the Assets and the income derived therefrom in the manner as provided for herein.

b. Custodian agrees to make such sales, subscriptions, investments and reinvestments as any Investment Manager may from time to time direct in writing.

c. Custodian agrees to hold the assets in safekeeping.

d. Custodian shall bear no risk, responsibility or financial exposure as to the value or suitability of any assets acquired or disposed by the Plan.

e. Custodian agrees to collect and credit to the Account all dividends, interest or other income or principal due or received by it in regard to the assets held hereunder and all proceeds from the sale of redemption of all Assets.

f. Custodian agrees to submit on a timely basis debt obligations which may be redeemed by the issuer provided that Custodian received adequate actual notice of such premature redemption.

g. Custodian agrees to deliver to the Investment Manager responsible for the investment of an Investment Fund holding an Asset which is the subject of a tender, exchange, or proxy, all materials relating to the exercise of that tender, exchange, or proxy, and to follow the written instructions given by the Investment Manager. Custodian agrees to follow the instructions which are received by it at least two full business days prior to the expiration of the period in which such tenders or exchanges may be exercised. Custodian will follow such instructions not received by it at least two full business days prior to the expiration of such period, but shall not be liable for damages if action on such instructions cannot be taken prior to the expiration of such period.



h. Custodian shall make distributions to participants, including benefit payments. All requests will be directed to the Custodian in writing and signed by the Plan setting forth the amount, method and time of payment, date of commencement, date of termination, social security number, last known address, and any other information necessary for the Custodian to carry out its responsibilities under applicable state and federal laws. The Custodian shall make the necessary filings with the Internal Revenue Service and appropriate state taxing agencies and shall timely provide each participant receiving payments with an appropriate IRS form.

i. Pursuant to SEC Rule 14B-1, the Custodian shall furnish the Plan the name, address and share position to companies which issue securities held as Assets. Custodian is authorized to disclose the Trust Fund's name, address and share position.

j. Custodian agrees to provide, as systems allow, electronic access to account information to the Plan, investment managers, consultant and other parties as the Plan may direct. The Plan directs that the parties designated by it to receive printed custody statements, are also authorized to have electronic access to account information.

**5. PRINCIPAL CASH AND DIVIDENDS IN KIND.** All principal cash or dividends in cash or in kind received or collected with respect to the property in this Account will be credited to the Account.

**6. STATEMENTS.** Statements of receipts, disbursements, other transactions and an inventory of all assets, will be submitted to the Plan, its investment managers and consultant on a monthly basis. Custodian shall transmit and certify the accuracy of the information of the Account within forty-five (45) days after the plan year-end.

**7. INVESTMENT VALUATION.** Custodian will prepare and furnish to the Plan a report of the assets in this Account showing units, description, carrying values, estimated income and estimated market values on a monthly basis. Such information will be on the form used for this purpose by Custodian and will show valuations as of the end of the month prior to date prepared.

**8. AMENDMENT AND MODIFICATION.** This Agreement may be altered, amended or modified at any time in such manner as may be mutually agreed upon between Custodian and the Plan.

**9. WITHDRAWAL AND TERMINATION.** The Plan may withdraw any or all of the property held hereunder by Custodian and either party hereto may terminate this Agreement upon receipt by the other party of written notice. Custodian agrees to provide not less than 90 days notice to the Plan if this Agreement is to be terminated or not renewed. The Plan agrees to provide to Custodian not less than 30 days notice if this Agreement is to be terminated or not renewed. Upon termination and the tender to Custodian of a proper receipt, Custodian shall transfer and deliver to the Plan or its designee all property then held hereunder.

**10. AUTHORIZATION.** The names and specimen signatures of individuals authorized by the Plan to execute and direct Custodian under this Agreement are set forth in the Certification of Authorized Signatures as attached hereto as Exhibit A and to be amended from time to time by the Retirement Plan. Custodian will rely on the so authorized individuals for all direction.

In addition to the individuals named above, Custodian will also sell and purchase property in and for the Account as directed, in writing, by the Plan's Investment Managers only after receiving written authorization from the Plan authorizing said Investment Managers to give such direction on behalf of the Plan. The Plan may also authorize, in writing, Custodian to act upon the telephone instructions of the Plan's Investment Managers, to be confirmed in writing by the Investment Manager.

**11. AGENTS AND COUNSEL.** Custodian upon prior authorization by the Plan shall be entitled to employ suitable agents and counsel and to pay their reasonable expenses and compensation.

**12. INDEMNITY.** Custodian shall be responsible for any liability arising out of this Agreement that is caused by Custodian's own negligence or willful misconduct. Custodian may rely upon and shall be protected in acting upon any written direction from the Plan or any Investment Manager in accordance with this Agreement, or any other written notice, request, consent, certificate, or other instrument reasonably believed by the Custodian to be genuine and to have been properly executed.

**13. FEES AND EXPENSES.** Custodian shall be entitled to fees for its services which shall be paid by Morgan Stanley Smith Barney as the primary Investment Consultant and fiduciary of the Plan. In addition, Morgan Stanley Smith Barney shall reimburse the Custodian for any reasonable expenses, including counsel and agent expenses and compensation, incurred by it as custodian.

The Custodian certifies that no contingent fee or commission has been or will be received or paid to any individual or organization as a result of the establishment of this relationship with the Plan.

**14. FIDELITY BOND AND ERRORS AND OMISSIONS INSURANCE.** Custodian shall maintain errors and omissions insurance of at least \$2 million and a Fidelity Bond of at least \$5 million and shall annually provide the Trust Fund with proof that such insurance is in force and effect.

**15. INVESTMENTS.** The Account shall be fully invested at all times and no cash balances shall be held without interest if received before 1 PM Eastern Time. Investments in money market funds and other short-term investments shall comply with the investment restrictions and limitations of the Plan document and the Plan shall direct the Custodian as to any restrictions or limitations.

**16. QUALIFIED PUBLIC DEPOSITORY.** Custodian warrants the assets will be held by its trust department and that as a trust company, Custodian meets the exemption under Chapter 280.03(2) and may serve as a custodian under Chapter 112 of the Florida Statutes. Custodian warrants that it will promptly notify the Plan, in writing, should its status change during the term of this Agreement.

**17. FIDUCIARY STATUS.** Custodian acknowledges that in accordance with this agreement, it is a fiduciary with respect to the Board of Trustees and the Plan and is both a fiduciary and a "named fiduciary" within the meaning of Section 112.656, Florida Statutes.

**18. GOVERNING LAW AND VENUE.** This agreement is made in the City of Palmetto, Florida and the laws of the State of Florida shall govern this agreement. Venue for any legal action shall be MANATEE COUNTY, Florida.

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

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

Name  
Address

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

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

WITNESSES:

\_\_\_\_\_

**FIRST STATE TRUST COMPANY**

\_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

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

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

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

**Exhibit A**

**Authorized Agents**

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

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

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

First State Trust Company will rely on the following individuals for all direction until notified otherwise:

| <u>PRINTED NAME</u> | <u>SIGNATURE</u> |
|---------------------|------------------|
| _____               | _____            |
| _____               | _____            |
| _____               | _____            |
| _____               | _____            |

Number of Signatures Required: \_\_\_\_\_

As Chairman of the Board of Trustees of The City of Palmetto General Employees' Retirement System, I certify that the above individuals are authorized to direct First State Trust Company under the terms of the current agreement.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Chairman