

CITY COUNCIL AGENDA ITEM COVER MEMO

Agenda Item Number _____

Meeting Type: Regular

Meeting Date: 3/13/2014

Action Requested By:
Finance

Agenda Item Type
Resolution

Subject Matter:

Investment Custody Agreement

Exact Wording for the Agenda:

Resolution authorizing the Mayor to execute a investment custodial agreement with U.S. Bank.

Note: If amendment, please state title and number of the original

Item to be considered for: Action

Unanimous Consent Required: No

Briefly state why the action is required; why it is recommended; what Council action will provide, allow and accomplish and; any other information that might be helpful.

Public Financial Asset Management, LLC is providing investment management services to the City, but cannot serve as custodian of purchased investments. The City has arranged with U.S. Bank to act as custodian on the City's behalf.

Associated Cost: approx \$2,000

Budgeted Item: Yes

MAYOR RECOMMENDS OR CONCURS: Yes

Department Head: _____



Date: _____

3/3/14

ROUTING SLIP CONTRACTS AND AGREEMENTS

Originating Department: **Finance**

Council Meeting Date: ~~2/27/2014~~ **3/13/14**

Department Contact: **Randy Taylor**

Phone # **5062**

Contract or Agreement: **U.S. Bank investment custodial account**

Document Name: **20140227 US Bank Agreement.docx**

City Obligation Amount: **approx 2,000**

Total Project Budget: **n.a.**

Uncommitted Account Balance: **n.a.**

Account Number: **01-6900-0511-4404**

Procurement Agreements

Not Applicable	Not Applicable
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Grant-Funded Agreements

Not Applicable	Grant Name:

Department	Signature	Date
1) Originating	<i>RST</i>	3/3
2) Legal	<i>Mary C. Cates</i>	3/6/2014
3) Finance	<i>RST</i>	3/3
4) Originating		
5) Copy Distribution		
a. Mayor's office (1 copies)		
b. Clerk-Treasurer (Original & 2 copies)		

RESOLUTION NO. 14-_____

BE IT RESOLVED by the City Council of the City of Huntsville, Alabama, that the Mayor be, and he is hereby authorized to enter into an Agreement by and between the City of Huntsville and U.S. BANK NATIONAL ASSOCIATION, on behalf of the City of Huntsville, a municipal corporation in the State of Alabama, substantially in the form as that attached hereto as Exhibit "A" and made a part hereof by reference, an executed copy of said document shall be permanently kept on file in the Office of the City Clerk-Treasurer of the City of Huntsville, Alabama.

ADOPTED this the 13th day of March, 2014.

President of the City Council
Of the City of Huntsville,
Alabama

APPROVED this the 13th day of March, 2014.

Mayor of the City of Huntsville,
Alabama

CUSTODY AGREEMENT

This custody agreement (the "Agreement") dated as of _____, 2014, is between U.S. BANK NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States of America, as Custodian (the "Custodian") and the City of Huntsville (the "Customer") a municipality organized under the laws of the State of Alabama.

The parties agree as follows:

1. Appointment and Acceptance.

1.1 Customer hereby appoints Custodian as its agent to provide custody and other services in connection with securities, cash and other property delivered from time to time to Custodian hereunder by, or at the direction of, Customer, and income, distributions and payments received by Custodian with respect thereto (collectively the "Assets"); and Custodian hereby agrees to act in such capacity, and perform such services, and hold the Assets in a custody account established in the name of Customer (the "Account"), upon the terms and conditions set forth below.

1.2 For purposes of this Agreement, all references contained herein to actions, directions and responsibilities (other than the obligations set forth in Sections 12 and 14) of Customer shall include, apply to and be binding upon the Customer's agents, including any investment manager or advisor, appointed and authorized by Customer to direct Custodian or otherwise take actions on behalf of Customer in connection with Custodian's services and responsibilities hereunder. Customer shall provide written notice to Custodian of the identity of all such appointed agents and the scope of their authority to act hereunder. Customer hereby certifies to Custodian, that PFM Asset Management LLC has been appointed as investment manager for Customer with respect to the assets under this agreement with authority over all assets hereunder (Custodian may rely on this certification until such time as it receives written notice to the contrary from Customer).

1.3 In the event that Customer requires Custodian to establish one or more sub-accounts within the Account under this Agreement ("Sub-Accounts"), Custodian shall open such accounts pending proper account opening procedures. Further, for such situations, the term "Account" as used in this Agreement shall refer to one or all of the Sub-Accounts established by Customer, as the context of this Agreement shall require.

1.3.1 In no event shall Customer open Sub-Accounts for entities having different tax identification numbers than Customer.

2. Asset Delivery, Transfer, Custody and Safekeeping.

2.1 Customer will from time to time deliver, or cause to be delivered, Assets to Custodian. Custodian shall receive and accept such Assets for the Account upon appropriate directions from the Customer. Custodian shall keep records of all transactions involving the Account and Assets belonging to the Account.

2.2 Upon receipt of Appropriate Instructions, (defined in Section 11.1) Custodian shall return Assets to Customer, or deliver to such location or third party as Appropriate Instructions may indicate, provided that in connection therewith it is the sole responsibility of Customer to provide any transfer documentation as may be required by the Depository (defined in Section 3.3 below) or third party recipient. Custodian shall have no power or authority to assign, hypothecate, pledge or otherwise dispose of any Assets, except as provided herein or pursuant to Appropriate Instructions.

2.3 Custodian shall furnish Customer, as part of the services for which Custodian charges its basic fee hereunder, with monthly Account statements reflecting all Asset transactions in the Account during the reporting period and ending Asset holdings. If Customer wishes Custodian to report on Assets

that are not in control of the Custodian, Customer shall execute the Custodian's CLIENT CONTROL ADDENDUM, which shall be provided to the Customer upon request.

2.4 Custodian shall forward to Customer, or Customer's designated agent identified in Section 17.4 (or as identified in a separate written designation by Customer that is received by Custodian) all information it receives with respect to any of the Assets concerning redemption rights that are exercisable at Customer's option, tender or exchange offers, all proxy material it receives with respect to securities included among the Assets and all other special matters or shareholder rights. This Section 2.4 is subject to the following exceptions:

2.4.1 Exception: If Custodian receives a class action litigation proof of claim in respect to any of the Assets, Custodian shall file such claim on behalf of Customer.

2.4.2 Exception: Custodian will not forward so-called "mini-tenders" to Customer or its designated agent, as applicable. Mini-tenders are tender offers for a small amount of the outstanding securities of a "target" company, generally with an offer price at or below market value. For equity issues, unless a tender offer is made for 5% or greater of the outstanding securities, and is subject to Securities and Exchange Commission ("SEC") review, the tender offer will not be forwarded by Custodian.

2.4.3 Exception: No tender offer will be forwarded by Custodian for a debt issue if:

2.4.3.1 It is not registered with the SEC;

2.4.3.2 It has a "first received, first buy" basis with no withdrawal privilege and includes a guarantee of delivery clause; and

2.4.3.3 The offer includes the statement that "the purchase price includes all accrued interest on the note and has been determined in the sole discretion of the buyer and may be more than or less than the fair market value of the notes" or similar language.

2.5 Absent specific investment directions to the contrary from Customer, Custodian is hereby authorized and directed by Customer to hold all cash and all checks and drafts (when collected funds are received) in a First American Funds money market fund, identified in Section 17.5, below. Customer acknowledges receipt of the current prospectus for the applicable, designated money market fund to be held in the Account.

2.6 Customer also understands and acknowledges the following information about the First American Funds:

2.6.1 The First American family of funds (the "First American Funds") is offered through the funds' distributor identified in the current prospectuses for the funds.

2.6.2 Custodian or an affiliate of Custodian serves as the funds' investment advisor, custodian, distributor, administrator and other service provider as disclosed in the prospectuses for the funds.

2.6.3 Compensation paid to Custodian and its affiliates by the First American Funds as well as other fees and expenses of the funds are detailed in the prospectuses.

2.6.4 Mutual funds, including the First American Funds, are not guaranteed by, or deposits of, any bank including Custodian, nor are such funds insured by the FDIC or any other agency. Investments in mutual funds involve risks, including the possible loss of principal.

2.6.5 This authorization and direction shall continue in effect with respect to the designated fund should the fund be merged with or into another fund.

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

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

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

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

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

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

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

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

4. Purchases.

4.1 Upon the receipt of Appropriate Instructions from Customer, Custodian shall purchase securities for Customer on a contractual settlement basis. Customer hereby agrees that it shall not instruct Custodian to sell any Asset until such Asset has been fully paid for by Custodian. Nor shall Customer

engage in a practice whereby Customer relies on the proceeds from the sale of an Asset to pay for the earlier purchase of the same Asset.

4.2 Notification by Agreement. Unless Customer and Custodian have entered into a separate written agreement that expressly makes Custodian either an investment manager or a discretionary trustee, the Account statements described above (including their timing and form) will serve as the sole written notification to Customer of any securities transaction effected by Custodian for the Account. Even so, Customer has the right to demand that the Custodian provide written notification of such transactions pursuant to 12 CFR Sections 12.4(a) or (b) at no additional cost to Customer.

5. Sales.

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

6. Settlements.

6.1 Custodian shall provide Customer with settlement of all purchases and sales of Assets in accordance with Custodian's then prevailing settlement policies provided that:

- 6.1.1 Appropriate Instructions for purchases and sales are received by Custodian in accordance with Custodian's then current published instruction deadline schedule;
- 6.1.2 Custodian has all other information necessary to complete the transaction.
- 6.1.3 To avoid a deficiency in the Account, Customer agrees that it shall not initiate any trade without sufficient Assets to settle such trade, nor shall it notify a separate financial institution that it intends to settle purchases out of the Account without sufficient Assets to do so.

6.2 Custodian shall not be liable or responsible for or on account of any act or omission of any broker or other agent designated by Customer to purchase or sell securities for the Account of Customer. Custodian shall not be responsible for loss occasioned by the acts, neglects, defaults or insolvency of any broker, bank, trust company or other person with whom Custodian may deal in the absence of bad faith on the part of Custodian.

7. Corporate Actions.

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

8. Collections.

8.1 Custodian shall collect all income, principal and other distributions due and payable on Assets held either by Custodian or a Depository but shall be under no obligation or duty to take action to

effect collection of any amount if the Assets upon which such payment is due are in default, or if payment is refused after due demand and presentation. Custodian shall have no responsibility to notify Customer in the event of such default or refusal to pay, but if Custodian receives notice of default or refusal to pay from an issuer or transfer agent, Custodian shall so advise Customer.

8.2 Collections of monies in foreign currency, to the extent possible, are to be converted into United States dollars at customary rates through customary banking channels, including Custodian's own banking facilities, and in accordance with Custodian's prevailing policies for foreign funds repatriation. All risk and expense incident to such foreign collection and conversion is the responsibility of the Account and Custodian shall have no responsibility for fluctuations in exchange rates affecting such collections or conversion.

9. No Discretionary Authority; Standard of Care.

9.1 Customer and Custodian acknowledge that, except to the extent set forth in any separate instrument signed by the parties with respect to this Agreement, Custodian is not a fiduciary with respect to any Asset and the duties of Custodian hereunder do not include discretionary authority, control or responsibility with respect to the management or disposition of any Asset; or authority or responsibility to render investment advice with respect to any Asset. In addition, it is agreed that:

- 9.1.1 Custodian shall have no duty to make any evaluation or to advise anyone of the suitability or propriety of action or proposed action of Customer in any particular transaction involving an Asset or the suitability or propriety of retaining any particular investment as an Asset. Custodian shall have no duty or authority to review, question, approve or make inquiries as to any investment instructions given pursuant hereto. Custodian shall be under no duty or obligation to review the securities or other property held in the Account with respect to prudence or diversification.
- 9.1.2 Custodian shall not be liable for any loss or diminution of Assets by reason of investment experience or for its actions taken in reliance upon a direction or other instruction from Customer or Customer's agent.
- 9.1.3 Custodian shall have no duty or responsibility to monitor or otherwise investigate the actions or omissions of Customer.
- 9.1.4 Custodian shall have no responsibility for the accuracy of Asset valuations quoted by outside services or sources in cases involving assets under the control of Customer.
- 9.1.5 Custodian shall only be responsible for the performance of such duties as are expressly set forth herein or in Appropriate Instructions received by Custodian from Customer or Customer's agent which are not contrary to the provisions of this Agreement. Custodian shall exercise reasonable care in the performance of its services hereunder. In no event shall Custodian be liable for indirect, special or consequential damages.
- 9.1.6 Custodian shall not be liable for a failure to take an action required under this Agreement in the event and to the extent that the taking of the action is prevented or delayed by war (whether declared or not and including existing wars), revolutions, insurrection, riot, civil commotion, acts of God, accident, fire explosion, stoppage of labor, strikes or other differences with employees, laws regulations, orders or other acts of any governmental authority or any other cause beyond its reasonable control; nor shall any such failure or delay give Customer the right to terminate this Agreement, except as provided in Section 15 of this Agreement.

10. Books, Records and Accounts.

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

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

11. Instructions and Directions.

11.1 Custodian shall be deemed to have received appropriate instructions ("Appropriate Instructions") upon receipt of written instructions:

11.1.1 Given by any person whose name is listed on the most recent certificate delivered by Customer to Custodian which lists those persons authorized to give orders, and instructions in the name of and on behalf of the Customer or

11.1.2 Given by any other person duly authorized by Customer to give instructions or directions to Custodian hereunder or who Custodian reasonably believes to be so authorized (such as an investment adviser or other agent designated by Customer, for example).

11.2 Appropriate Instructions shall include instructions sent to Custodian or its agent by letter, memorandum, telegram, cable, facsimile, internet e-mail or similar means of written communication. The parties to this Agreement assume full responsibility for the security of electronically transmitted communications they send.

11.3 Any communication addressed and mailed shall be deemed to be given when received; and any communication sent by electronic transmission shall be deemed to be given when receipt of such transmission is acknowledged; and any communication delivered in person shall be deemed to be given when actually received by an authorized officer of Custodian or Customer.

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

12. Compensation, Security.

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

12.2 If any advance of funds is made by Custodian on behalf of Customer to purchase, or to make payment on or against delivery of securities or there shall arise for whatever reason an overdraft in Customer's account, or if Customer is for any other reason indebted to Custodian, including, but not limited to, any advance of immediately available funds to Customer with respect to payments to be received by Custodian in next-day funds (which Customer acknowledges Customer is liable to repay if

Custodian does not receive final payment), Customer agrees to repay Custodian on demand the amount of the advance, overdraft or other indebtedness and accrued interest at a rate per annum (based on a 360-day year for the actual number of days involved) equal to the Federal Funds effective rate in effect from time to time.

12.3 In the event of an advance of funds by Custodian, or if any overdraft is created by Account transactions, or if Customer is otherwise in default of any obligation to Custodian, Custodian may directly charge the Account and receive such payment therefrom.

12.4 In the event that a compensation payment due Custodian is past due by more than 30 days, such amount may also be charged to the Account and Custodian may receive such payment therefrom

12.5 To secure such payment obligations as are set forth under this Section 12, Customer does hereby grant to Custodian a security interest in all Assets up to the amount of any deficiency or other indebtedness to the Custodian.

12.6 None of the provisions of this Agreement shall require Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers hereunder, if Custodian shall have reasonable grounds for believing that repayment of such funds, or indemnity satisfactory to Custodian against such risk or liability is not assured.

13. Customer Responsibility.

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

14. Indemnification.

14.1 To the extent authorized by and subject to limitations of state law, Customer hereby agrees to fully and promptly indemnify Custodian and its affiliates, officers, directors, employees and agents (each a "Custodian Indemnified Party") and hold each Custodian Indemnified Party harmless from and against any cost, losses, claims, liabilities, fines, penalties, damages and expenses (including reasonable attorneys' and other professionals' fees) (collectively, a "Claim") arising out of:

14.1.1 Customer's actions or omissions or

14.1.2 Custodian's action taken or omitted hereunder in reliance upon Customer's directions or instructions, or upon any information, order, indenture, stock certificate, power of attorney, assignment, affidavit or other instrument delivered hereunder to Custodian, reasonably believed by Custodian to be genuine or bearing the signature of a person or persons authorized by Customer to sign, countersign or execute the same;

14.1.3 However Customer shall not indemnify a Custodian Indemnified Party for any Claim arising from the Custodian Indemnified Party's judicially determined willful misfeasance, bad faith or gross negligence in the performance of its duties under this Agreement.

14.2 Custodian hereby agrees to indemnify Customer and its controlling person, officers, directors, employee and agents ("Customer Indemnified Parties") and hold each of them harmless from and against any and all Claims arising out of:

14.2.1 Custodian's breach of this Agreement, willful misfeasance, bad faith or gross negligence in the performance of its duties under this Agreement, or

14.2.2 Any loss of Assets, including theft or destruction thereof but expressly excluding investment losses or other diminution of Assets resulting from the Custodian's proper performance of its duties hereunder.

14.3 Custodian shall not indemnify a Customer Indemnified Party for any Claim arising from the Customer Indemnified Party's breach of this Agreement, willful misfeasance, bad faith or gross negligence with respect to its duties and responsibilities under this Agreement.

14.4 This Section 14 shall survive the termination of this Agreement.

15. Termination.

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

15.2 Upon termination of this Agreement, Custodian shall follow such reasonable Customer instructions concerning the transfer of Assets' custody and records, provided:

15.2.1 Custodian shall have no liability for shipping and insurance costs associated therewith;

15.2.2 Custodian shall not be required to make any such delivery or payment until (a) full payment shall have been made by Customer of all liabilities constituting a charge on or against Custodian and (b) full payment shall have been made to Custodian of all its compensation, costs, including special termination costs, if any, and expenses hereunder; and

15.2.3 Custodian shall have been reimbursed for any advances of monies or securities made hereunder to Customer. If any Assets remain in the Account, Customer acknowledges and agrees that Custodian may designate Customer as successor Custodian hereunder and deliver the same directly to Customer.

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

16. Binding Obligations.

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

17. General Provisions.

17.1. Tax Responsibility. Unless indicated below in this section or required by law, Custodian shall not undertake any federal, state, or local tax reporting in connection with Assets, the Account or transactions therein, notwithstanding any other terms or conditions contained herein

In addition to those required by law, the Custodian shall perform the following additional services: _____ (if no additional services are to be performed, leave blank or mark NA)

17.2. Tax Lot Methods. For the purpose of complying with Internal Revenue Service regulations requiring cost basis reporting, please select the tax lot selection method you wish for your account. *We recommend that you consult with your tax advisor if you are unsure of the option that is best for you.*

- Minimize Gain** - Shares are sold from tax lots having the highest per unit federal tax cost with a holding period of more than one year.
- First In First Out (FIFO)** – Shares are sold from tax lots having the earliest federal tax acquisition date.
- Last In First Out (LIFO)** – Shares are sold from tax lots having the most recent federal tax acquisition date.
- Highest Federal Cost First Out (HIFO)** – Shares are sold from tax lots having the highest federal tax cost per share.
- Lowest Federal Cost First Out (LOFO)** – Shares are sold from tax lots having the lowest federal tax cost per share.
- Specify Tax Lot** – Shares are sold from tax lots that you specify.
- Average Federal Tax Cost** - Shares are sold across all tax lots using the average cost. If your account(s) holds investments for which this method is not permitted, the First-In First-Out default method will be used, unless you direct otherwise.
- Maximize Gain** - Shares are sold from tax lots having the lowest per unit federal tax cost.

If you do not specify a particular tax lot or method, the First-In First-Out method will be used. If you wish to use a tax lot selection method that is different from what you selected above, on an individual investment or transaction basis, you may make that selection when you execute your trade.

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

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

Designated Agent: _____
Address: _____
Telephone Number: _____

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

Taxable Money Market Funds

First American Prime Obligations Fund – Class _____

First American Government Obligations Fund – Class _____

First American Treasury Obligations Fund – Class Z

Federal Tax-Exempt Money Market Fund

First American Tax-Free Obligations Fund – Class _____

Other

_____ Fund – Class _____
(Must indicate correct fund name and class for election to be valid.)

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

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

17.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama applicable to agreements made and to be performed in Alabama.

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

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

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

17.12 Counterparts and Duplicates. This Agreement may be executed in any number of counterparts, each of which shall be considered an original, but all of which together shall constitute the same instrument. This Agreement and any administrative form under the Agreement may be proved

either by a signed original or by a reproduced copy thereof (including, not by way of limitation, a microfiche copy or an electronic file copy).

17.13 Legal Actions Affecting Account. If Custodian is served with a subpoena, restraining order, writ of attachment or execution, levy, garnishment, search warrant or similar order relating to the Account, (a "Legal Action") Custodian will comply with that Legal Action and shall be held harmless therefrom. Customer will reimburse Custodian for any fees or expenses Custodian incurs in responding to any Legal Action affecting the Account (including but not limited to attorneys' fees and other professionals' fees).

17.14 Abandoned Property. Any Assets remaining unclaimed or abandoned by Customer shall be delivered to the proper public official pursuant to applicable state's abandoned property, escheat or similar law and Custodian shall be held harmless therefrom. This Section 17.14 shall survive the termination of the Agreement.

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

_____ (Customer)

**U.S. BANK NATIONAL ASSOCIATION,
as Custodian**

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Address:

Address:

EXHIBIT A: COMPENSATION

**U.S. Bank Custody Fee Schedule
For PFM Asset Management LLC
Managed Fixed Income Accounts**

Asset Based Fees	
Total Market Value	0.40 basis points annually
Portfolio Transaction Fees	
Book Entry Transactions - DTC or Fed	\$8.00 per
Wire Transactions	\$4.50 per
Repurchase agreements	\$10.00 per
Annual Fees	
Flat fee	\$250.00 per account
TrustNow or TrustNow Essentials (on-line)	\$0.00
TrustNow Customized (separately bid)	\$0.00