

COLLATERAL SECURITY AGREEMENT

FOR ARIZONA PUBLIC DEPOSITS SECURED UNDER POOLED COLLATERAL PROGRAM

This COLLATERAL SECURITY AGREEMENT ("Agreement"), to accept and collateralize public funds deposits, is made and entered into on the date last herein written by and between the State of Arizona's Office of the Arizona State Treasurer ("Treasurer") acting as the Statewide Collateral Pool Administrator ("Administrator") for and on behalf of the participants in the Statewide Collateral Pool ("Pool"), and _____, hereinafter called ("Depository") with its principal place of business in _____ and authorized by law to do banking business in the State of Arizona.

WHEREAS, Title 35, Chapter 10 of the Arizona Revised Statutes (A.R.S.) (hereinafter with Chapter 2 of Title 35 A.R.S., collectively referred to as the "Public Funds Law") establishes the Administrator in the Office of the Treasurer; and

WHEREAS, the Depository desires to act as a depository for public funds as described in A.R.S. 35-321; and

WHEREAS, the Depository has certain types of bonds, securities and/or letters of credit issued by a federal home loan bank or other eligible collateral authorized pursuant to subsection G of A.R.S. 35-323 (Collectively "Collateral") which may be pledged for the benefit of the Treasurer on behalf of the Pool with any insured state or national bank, federal reserve bank or insured state or federal credit union or savings and loan association or trust company other than the Depository or an affiliation thereof, as collateral to secure uninsured public deposits with the Depository; and

WHEREAS, the Depository has or intends by agreement to transfer said Collateral to a third party qualified escrow agent or in the case of a letter of credit, name the Treasurer as the beneficiary pursuant to the Public Funds Law (hereinafter referred to as "Custodian"), which will accept and hold said Collateral in trust for the use and benefit of the Treasurer on behalf of the Pool to secure uninsured public deposits so deposited with the Depository; and

WHEREAS, the Treasurer oversees the program to monitor collateral as described in the Public Funds Law; and

WHEREAS, this Agreement shall become effective as of July 1, 2014; ("Effective Date");

NOW THEREFORE, in consideration for the foregoing, and for other consideration, the receipt and sufficiency of which are hereby acknowledged, effective as of the Effective Date, it is mutually agreed as follows:

1. Subject to Arizona Law. All uninsured public funds on deposit shall be collateralized in accordance with the provisions of the Public Funds Law and subsequent amendments thereof. To the extent any terms of this Agreement are inconsistent with the provisions of

A.R.S. Title 35 Chapters 2 and 10, the provision of A.R.S. Title 35, Chapters 2 and 10 shall control.

2. Depository Representations. The Depository represents and warrants, as required by the Public Funds Law, it is an insured state or national bank or insured state or federal credit union or savings and loan association, with offices in the state of Arizona. The Depository agrees to hold acceptable collateral authorized and approved in accordance with applicable Arizona law, including but not limited to the Public Funds Law as the law currently exists and as may be amended from time to time.

3. Approval. The Depository represents that it is duly authorized and has the full right, power and authority to execute this Agreement and to pledge and grant a security interest with respect to the Collateral, by approval and resolution of its Board of Directors or Loan Committee, which approval and resolution is reflected in the minutes of a meeting of that body, certification of which is attached to this Agreement as Exhibit A and incorporated herein by this reference.

4. Pledge of Collateral. The Depository agrees to deliver and place Collateral with a Custodian pursuant to the Public Funds Law. The Depository hereby further pledges and grants for the benefit of the Treasurer on behalf of the Pool a continuing security interest in said Collateral placed with the Custodian to secure uninsured deposits of public funds held in the Depository pursuant to the Public Funds Law under this Agreement, or in the case of book entry securities, agrees that it will instruct the Custodian to make the necessary book entries on the Custodian's book or cause the appropriate federal reserve bank Custodian to make such entries on its books and identifying the eligible Collateral as being pledged to the Treasurer. The Depository shall be entitled to income on any and all interest, dividends, distributions and sums distributed or payable from such Collateral, and all proceeds and profits of any of said Collateral, unless the Depository is in default of this Agreement, as described in paragraph 11. The Depository shall provide the Treasurer with evidence of pledged Collateral by reporting to the Treasurer as described in the Policies and Procedures adopted by the Administrator and posted on the Treasurer's webpage from time to time.

5. Minimum Collateral. At all times during the term of this Agreement, the Depository agrees:
 - a. To maintain on deposit with the Custodian, for the benefit of the Treasurer on behalf of the Pool, acceptable Collateral having a fair market value that is at least 102 percent of the amount of uninsured ledger balances of the public funds of the public depositors held by the Depository.
 - b. Should the Depository not maintain the minimum level of Collateral required to be held by the Custodian as described in paragraph (a), the Depository must pledge additional collateral to meet the requirements described in paragraph (a) on or before the close of market on the same business day that the Depository fails to maintain the minimum level of Collateral required by paragraph (a).

- c. Depository agrees that at no time will the Depository hold public money in an amount exceeding twice its capital structure as outlined in the last call of condition of the superintendent of financial institutions per A.R.S. 35-323 (C).
6. Ownership, Additions, Release or Substitution of Collateral. The Depository represents and warrants that it is the owner of the Collateral and that such Collateral is and will remain free and clear of any and all security interests, liens and claims of any other person, except for the security interest and pledge granted in this Agreement to the Treasurer. The Depository shall be deemed to repeat such representation with respect to Collateral delivered in addition to or in substitution of the existing Collateral. The Depository shall have the right at any time to substitute acceptable Collateral of equal or greater fair market value. No Collateral may be substituted when the substitution is less than the existing fair market value without written approval of the Treasurer. No Collateral may be released without written approval of the Treasurer and such consent shall not be unreasonably withheld.
7. Maintenance of Collateral. The Depository agrees to take all steps required by it under applicable law to create, maintain and perfect the Treasurer's security interest in the Collateral granted by this Agreement. The Depository agrees to execute any additional documents or take whatever other action is requested by the Treasurer to perfect and continue the Treasurer's security interest in the Collateral.
8. Continuously Maintain Agreement. The Depository agrees that it will immediately upon execution of this Agreement keep and continuously maintain an executed copy of this Agreement, and any other agreements that are required to perfect the Treasurer's security interest in the Collateral on behalf of the Pool, as provided for in this Agreement, and such other customary writings and records sufficient to identify the Collateral which has been pledged to the Treasurer.
9. Termination. This Agreement shall continue in full force and effect for as long as the Depository holds deposits of public funds that are required to be collateralized as described in the Public Funds Law. Notwithstanding the foregoing, either party may terminate its participation under this Agreement for any reason by giving written notification of termination to the other. Termination becomes effective ninety (90) days after the date the non-terminating party receives such written notice of termination.
10. Successors and Assigns. This Agreement is continuing and binding upon the Depository, its successors and assigns, and shall inure to the benefit of the Treasurer, and his successor and assigns.
11. Default and Remedies. The Depository shall be in default of this Agreement upon: (i) appointment of a receiver for the Depository or the Depository is declared insolvent by a

federal or state banking regulator having jurisdiction over Depository; or, subject to notice and cure provisions set forth below; (ii) Depository's failure to place required levels of Collateral with the Custodian; (iii) Depository's failure to repay public funds deposited with the Depository in accordance with the terms of the deposit; or (iv) failure to perform any of the material terms of this Agreement; In the event of default, the Treasurer on behalf of the Pool shall have all the rights and remedies of a secured party provided for at law or in equity, by the Public Funds Law. Administrator shall comply with the requirements of A.R.S. 35-1210 in taking possession of the Collateral, liquidating the Collateral, and remitting the Collateral and/or its proceeds to public depositors of the Depository for reimbursement of uninsured portions of their public deposits as authorized by the Public Funds law.

12. Service Fees. The Depository acknowledges and agrees that the Depository shall compensate the Treasurer for services under this Agreement pursuant to a pro rata assessment as provided for in the Public Funds Law. Any service charge or other compensation of any kind or nature whatsoever which is to be paid to the Custodian for the safekeeping of the Collateral as provided for in this Agreement shall be done exclusively by the Depository.
13. Attorney's Fees. In the event either party is required to commence any suit or action to enforce the terms of this Agreement, the prevailing party is entitled to recover its reasonable attorney's fees and costs.
14. Amendments or Modifications. No alteration, variation, amendment, modification or waiver of any provision of this Agreement or waiver of any right hereunder shall be valid or binding on any party hereto unless it is reduced to writing and is signed by all of the parties.
15. Governing Law. This Agreement shall be governed by the laws of the state of Arizona and, whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under said laws; provided, however, if any provision of this Agreement shall be construed to be prohibited or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions in this Agreement.
16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS THEREOF, the parties have executed this Agreement as of the _____ Effective Date by the undersigned duly authorized officers of the parties hereto.

ACCEPTED:
FOR TREASURER:

(Signature)

(Date)

(Title)

FOR DEPOSITORY:

(Signature)

(Date)

(Printed Name)

(Title)

(Name of Institution)