

**STATE OF ALABAMA
OFFICE OF THE STATE TREASURER
SAFE DIVISION**

COLLATERAL AGREEMENT

Purpose. The purpose of this Agreement is to secure public deposits pursuant to the Security for Alabama Funds Enhancement Act, Sections 41-14A-1, et seq., Code of Alabama 1975, as amended from time to time (hereinafter the "SAFE Act") and any and all rules and regulations promulgated by the SAFE Board of Directors (hereinafter "Board") to implement the SAFE Act, as amended from time to time (hereinafter the "SAFE Rules"); the SAFE Act, the SAFE Rules, and Board authorized forms and agreements are being referred to hereinafter as the "SAFE Program."

Definitions. Terms used herein shall have the definitions given them in Section 41-14A-2, Code of Alabama 1975, as amended from time to time, and the SAFE Rules.

Parties. The parties (hereinafter "Parties") to this agreement (hereinafter "Agreement") are the State Treasurer (hereinafter "Treasurer"), and _____ of (city, state) _____ (hereinafter "Depository"), and _____ of (city/state) _____ (hereinafter "Custodian").

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

- (1) Depository represents that it is authorized to receive or hold Public Deposits pursuant to the SAFE Act.
- (2) Custodian represents that it is a bank, savings association, or trust company that meets all legal requirements to be a Custodian and, is organized under Alabama law, or the laws of any other state of the United States, or of the United States, and that it has executed all forms required under the SAFE Program. Custodian hereby agrees to be subject to the jurisdiction of the courts of Alabama, or of the courts of the United States, which are located within Alabama, for the purpose of any litigation arising out of the SAFE Program, and represents that it has been approved by the Board to act as a Custodian. Custodian is responsible and liable to Treasurer for any action of its agents used to hold and service Collateral.
- (3)
 - (a) Depository shall pledge Eligible Collateral (hereinafter "Collateral") to secure Public Deposits held to satisfy the Depository's Required Collateral. The Collateral, less Collateral withdrawn with the consent of Treasurer, are hereinafter referred to as the "Pledged Collateral."
 - (b) A Depository may execute one or more Federal Home Loan Bank Letters of Credit ("FHLB LOC") as Eligible Collateral. The use of FHLB LOCs as Eligible Collateral by Depository will be subject to all of the provisions, requirements, conditions, limitations and restrictions of the FHLB LOC approved by the Treasurer and FHLB, and in compliance with the requirements of SAFE Program Rule 892-X-1-.19...
 - (c) The Pledged Collateral shall be held for the benefit of the Loss Payment Fund and all Pledged Collateral other than FHLB LOC shall be pledged to the State Treasurer.
- (4) Depository represents, warrants and covenants that at no time will the market value of the Pledged Collateral be less than the Depository's Required Collateral.
- (5) Custodian shall have no responsibility to ascertain whether the market value and the amount of Pledged Collateral is equal to or greater than Depository's Required Collateral, nor whether the Pledged Collateral is comprised of Eligible Collateral.
- (6) Depository grants to Treasurer a security interest in Pledged Collateral (other than FHLB LOCs, which will be issued directly to Treasurer). The security interest shall be deemed automatically perfected pursuant to the SAFE Act and 12 U.S.C §1823, or applicable section, as of the date of the acceptance of the deposit of Collateral with the Custodian without the necessity of further action. Because FHLB LOCs are issued to Treasurer as sole beneficiary thereof, the FHLB LOCs are owned by Treasurer rather than owned by Depository and pledged to Treasurer.

- (7) Custodian shall hold Pledged Collateral for the benefit of Treasurer. Any Collateral so held will be described on safekeeping or trust receipts issued by Custodian (hereinafter "Receipts") and attached to the pledge transaction within the SAFE Program Portal. If Custodian allows partial release of Pledged Collateral, Custodian shall issue and attach a Receipt for the par amount of the security that remains pledged. No Collateral, including partial releases, shall be considered pledged until the Receipt is attached by the Custodian and confirmed by the Treasurer. Such Receipts shall be deemed a part of this Agreement.
- (8) Depository shall not grant Custodian, and Custodian shall not accept, any lien attached to Pledged Collateral in favor of Custodian that is superior or equal to the security interest or other rights of Treasurer.
- (9) Depository and Custodian shall be bound by any provisions necessary for Treasurer to have a perfected security interest in all Pledged Collateral (other than FHLB LOCs). Depository recognizes Treasurer's rights as sole beneficiary of any FHLB LOCs used in connection with satisfying Depository's Required Collateral.
- (10) Depository shall agree that Treasurer may, without notice to or consent by Depository, require Custodian to comply with and perform any and all written requests and orders directly from Treasurer. This shall include, but will not be limited to, liquidating all Collateral and submitting the proceeds directly to Treasurer in the name of Treasurer only, or transferring all Collateral into an account designated solely by the Treasurer. Custodian shall comply with and perform any and all written requests and orders of the Treasurer.
- (11) Except in the case of any FHLB LOCs and otherwise as necessary for Treasurer to enforce the security interest of the Treasurer, Depository shall not be deemed to have transferred ownership of any Pledged Collateral to Treasurer, but Depository's ownership of the Pledged Collateral shall be subject to a valid and enforceable lien and security interest in favor of the Treasurer. When a sale is made pursuant to the provisions of the SAFE Program and the purchase price paid, title to the securities sold will be transferred to the purchaser, and the purchaser is authorized to have the securities registered in the name of the purchaser or its nominee.
- (12) All interest, dividends, other income or principal payments from the Pledged Collateral (other than any FHLB LOCs) shall be the property of the Depository and shall be payable thereto provided the Custodian has not received written notice from Treasurer to hold such payments for the benefit of Treasurer.
- (13) In accordance with the terms of the FHLB LOC issued to and held by the Treasurer, proceeds received by or payable to the Treasurer upon any draw under any FHLB LOCs, shall be paid to the Treasurer for deposit to the Loss Payment Fund under the SAFE Program or shall be deposited with an independent custodian designated by the Treasurer (the "Treasurer's Designated Custodian") for such purpose.
- (14) Depository agrees to enter and submit a pledge of Collateral or a withdrawal of Collateral in the SAFE Program Portal
- (15) Custodian shall not permit Depository to withdraw or transfer Pledged Collateral without the approval of Treasurer within the SAFE Program Portal. Withdrawal transactions include maturity or call proceeds.
- (16) If Depository withdraws Collateral or Custodian permits withdrawal of Collateral in violation of the Safe Program, the Depository or the Custodian, or both, shall be subject to the penalties provided in section 41-14A-7, Code of Alabama 1975, as amended.
- (17) Custodian agrees to provide, upon request from Treasurer, written confirmation of Pledged Collateral by each Depository. The confirmation shall be made within fifteen (15) business days of the request in a format approved by the Board and shall require no special identification other than the Depository name and location.
- (18) Depository shall be responsible for all costs and expenses necessary to the functioning of the Agreement or associated with Pledged Collateral and acknowledges that these costs and expenses shall not be a charge against the SAFE Program or Treasurer.
- (19) Depository and Custodian are responsible and liable to Treasurer for any action of agents authorized to execute collateral transactions or to hold and service Pledged Collateral. Depository shall notify the Treasurer of any such agents by submitting the required form.
- (20) Depository and Custodian agree that any information, forms, or reports electronically submitted to Treasurer pursuant to the SAFE Program shall have the same enforceability as a signed writing.

- (21) Physical securities shall not be eligible to be Pledged Collateral, except FHLB LOC.
- (22) The responsibility of Custodian for the safekeeping of the Pledged Collateral shall be limited to the diligence and care usually exercised by a banking or trust institution toward its own property.
- (23) Depository represents and warrants to Treasurer that this Agreement has been formally authorized, approved and adopted by its Board of Directors, that it constitutes an official record of the Depository, and that it shall be in continuous effect until rescinded in writing.
- (24) Depository shall designate the person(s) who are empowered and authorized to represent and act on behalf of Depository in any and all matters of every kind arising under the Safe Program, including any agents. The Authorized Representative(s) Certification is incorporated into this Agreement, as well as Authorized QPD Agent form, if applicable.
- (25) All notices and communications provided for hereunder shall be in writing and addressed as follows:

- (1) If to the Treasurer:
SAFE Division
Office of State Treasurer
P.O. Box 302510
Montgomery, AL 36130-2510
Phone: (334) 242-7508
E-mail: safe.treasury@treasury.alabama.gov

- (2) If to the Depository:

- (3) If to the Custodian:

[Remainder of this page left blank intentionally]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date written below. This Agreement becomes effective when accepted and signed by the Treasurer, and will be available in the SAFE Program portal.

DEPOSITORY _____

Acknowledged and Agreed to by:

Attest by:

Signature of Authorized Officer

Signature of Authorized Officer

Printed Name

Printed Name

Title

Title

Date _____

Date _____

CUSTODIAN _____

Acknowledged and Agreed to by:

Attest by:

Signature of Authorized Officer

Signature of Authorized Officer

Printed Name

Printed Name

Title

Title

Date _____

Date _____

STATE TREASURER

Signature of State Treasurer

Printed Name of State Treasurer

Date _____