



COLLATERAL AGREEMENT

This Collateral Agreement (“Agreement”) is made this _____ day of _____, 20____ by and between _____ (“Depository”) and the Office of the Honorable Michael W. Frerichs, Treasurer of the State of Illinois (“Treasurer”), to collateralize deposit funds of the State of Illinois (the deposit and all interest earned thereon are hereinafter referred to as the “Deposit[s]”) in accordance with the terms and conditions contained in the Deposit Agreement (“Deposit Agreement”), made by and between Treasurer and Depository.

Depository agrees, for the purpose of collateralizing Deposits in excess of the deposit insurance limitations applicable to Treasurer as “public unit accounts” as provided in 12 CFR Part 330, as may be amended from time to time, to pledge “financial assets” (as defined in Section 8-102(a)(9) of the Illinois Uniform Commercial Code, as amended from time to time (the “UCC”)) with a market value equal to the percentage requirements as set forth in Treasurer’s “List of Financial Assets Qualified for Collateral to Secure Deposits and Repurchase Agreements,” attached hereto as Exhibit A, in current form or as hereafter amended. The financial assets shall be marked to market and adjusted, if necessary, to the appropriate level on a weekly basis.

Depository agrees unconditionally and irrevocably that any and all financial assets now or at any time held or hereafter pledged by Depository, be held by Treasurer’s designated “securities intermediary” (as defined in Section 8-102(a)(14) of the UCC).

For valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged, Depository hereby pledges, transfers, delivers and grants to Treasurer a security interest in and assigns to Treasurer, all of Depository’s rights, title and interest in and to the financial assets delivered to Treasurer’s securities intermediary, together with all interest and proceeds of such financial assets, all substitutions therefore and all additions thereto as collateral security for the repayment of the Deposits.

Depository represents and warrants that the ownership of the financial assets to be pledged by Depository is exclusive and absolute; that such financial assets were purchased by Depository in good faith; and such financial assets are genuine and held free and clear of any liens, security interests, safekeeping or other charges, demands or other claims.

If Treasurer, in his sole discretion, determines that the value of the financial assets are insufficient to secure repayment of the Deposits, or if any of the statutory requirements of the Deposit of State Moneys Act, 15 ILCS 520/11 and 11.1, are not satisfied, then Treasurer may require Depository to pledge additional financial assets of such kind and value in order to satisfy any statutory requirements. Depository shall upon demand by Treasurer, pledge, transfer and deliver such further financial assets to Treasurer’s securities intermediary. If Depository fails to pledge such additional financial assets or such additional financial assets shall be unsatisfactory to secure the Deposits, Treasurer, in his sole discretion, may declare such Deposits and interest earned thereon, or any part thereof, to become immediately due and payable, notwithstanding any agreement to the contrary.

The term: “Event of Default” means the occurrence of any one or more of the following:

- a. any default, failure or breach in the observance or performance by Depository of any of its obligation, duties or requirements hereunder or under the Deposit Agreement;
- b. any representation or warranty of Depository made herein be incorrect or untrue as of the date hereof or any date hereafter;
- c. any default, failure, or refusal to pay to Treasurer any Deposit and all interest earned thereon, in full, or any part thereof when due and payable to the Treasurer; or
- d. any failure or suspension of active operations of Depository, including but not limited to insolvency, bankruptcy or unsatisfactory financial or safety and soundness conditions.

Upon the occurrence of an Event of Default, Treasurer may, at Treasurer's option and sole discretion, take any or all of the following actions:

- a. without further notice to Depository, Treasurer may sell or otherwise dispose of any or all of the financial assets; provided that with respect to an Event of Default described in Paragraphs 6(a) or 6(b) hereof, Treasurer agrees to provide Depository with twenty-four (24) hours prior notice of sale or other disposition; and
- b. without further notice to Depository, Treasurer may exercise any and all rights and remedies afforded to Treasurer under the UCC, the Deposit of State Moneys Act, and any and all other applicable provisions of law or equity; provided that with respect to an Event of Default described in Paragraphs 6(a) or 6(b) hereof, Treasurer agrees to provide Depository with twenty-four (24) hours prior notice of any such exercise of such rights and remedies.

The net proceeds of any amounts collected by virtue of the exercise by Treasurer of any of the remedies set forth herein may be applied, at the option of Treasurer, to payment of all attorney fees, charges, costs and expenses relating to the exercise of said remedies, the Deposits, interest earned on the Deposits, then to payment of Depository, if applicable. In the event that the proceeds from the sale of said financial assets are insufficient to repay all of such Deposits, interest thereon, attorney fees, costs and expenses, Depository agrees to pay to Treasurer any deficiency with interest thereon from the date of sale or disposal of the financial assets.

Upon the occurrence of an event of Default, Depository hereby agrees to be bound by the foregoing affirmations, acknowledgements, admissions and waivers, and further agrees and consents to the admission of any or all of such affirmations, acknowledgments, admissions and waivers in any judicial proceeding in connection with such Deposits.

If Treasurer and Depository mutually agree that the amount of the financial assets pledged exceeds the amount which would be sufficient to secure repayment of the Deposits, Treasurer shall at the request of Depository, return such excess financial assets to Depository.

This Agreement shall be continuing and binding upon the undersigned Depository, its successors and assigns, and shall inure to the benefit of Treasurer and Treasurer's securities intermediary, and each of their respective successors and assigns.

Depository agrees that it will comply with all federal and state laws and regulations now or hereinafter in effect and with the Deposit of State Moneys Act, and with all administrative rules prescribed by Treasurer.

Depository agrees that all of the foregoing statements and any statements contained in documents executed pursuant to this Agreement, are made to induce Treasurer to deposit funds in Depository with the knowledge that Treasurer will rely on these statements.

This Agreement is made pursuant to due authorization by the Board of Directors of said Depository.

All notices, demands, consents or other communications hereunder shall be in writing, and shall be deemed effective when delivered personally, or sent by telegraph or telecopy, or three (3) business days after being sent by registered or certified mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses or to such other parties as may be specified in writing by the parties hereto:

TREASURER:

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Springfield, IL 62704

DEPOSITORY:

IN WITNESS WHEREOF, Treasurer and Depository have executed this Collateral Agreement as of the date first written above.

**0 ,&+ \$ (/ :) 5 (5 ,&+ 6, TREASURER
OF THE STATE OF ILLINOIS**

By: _____
Michael W. Frerichs, Treasurer of the
State of Illinois

DEPOSITORY:

By: _____
Its: _____

Acceptable Collateral Listing: List of Financial Assets Qualified for Collateral to Secure Deposits and Repurchase Agreements

Financial institutions receiving state or Illinois Funds deposits or repurchase agreements may collateralize from the following list of instruments, subject to the discretion of the Treasurer. Particular securities may be unacceptable due to the administrative difficulties in pricing.

Please note that any security including a floating, variable, inverse, structured, or step-up feature is unacceptable.

REPURCHASE AGREEMENTS/DEMAND DEPOSIT ACCOUNTS – 102%/MBS - 103%¹

Government Securities having the meaning set out in the Government Securities Act of 1986, as may be amended, which include but are not limited to:

Direct Obligations of the United State Government (Bills, Notes and Bonds), Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Student Loan Marketing Association, Financing Corporation, Commodity Credit Corporation, Export-Import Bank, Farm Credit System, Federal Home Loan Bank Board, Federal Home Loan Banks, Tennessee Valley Authority, or the U.S. Postal Service.

TIME DEPOSITS

U.S. Treasury Obligations – 105%

Direct Obligations of the United States Government (Bills, Bonds and Notes)

U.S. Agency Obligations – 105% / MBS – 110%

- Agency for International Development (AID)
- Federal Housing Administration (FHA)
- General Services Administration (GSA)
- Government National Mortgage Association (GNMA)
- Private Export Funding Corporation
- Small Business Administration (SBA) Debentures (non-amortizing)
- Tennessee Valley Authority (TVA) Notes and Bonds

U.S. Instrumentality Securities & Obligations – 105% / MBS – 110%

- Federal Farm Credit System
- Federal Credit Consolidated Systemwide Discount Notes
- Farmers Home Administration (FmHA) Insured Notes (non-amortizing)
- Federal Farm Credit Bank (FFCB) Consolidated Systemwide Bonds
 - Federal Intermediate Credit Banks

¹ Illinois Funds only

- Banks for Cooperatives
- Federal Land Banks
- Federal Home Loan Banks (FHLB) Consolidated Notes and Bonds
- Federal Home Loan Mortgage Corporation (FHLMC)
- Federal National Mortgage Association (FNMA)
- Financing Corporation Bonds (FICO)
- Resolution Funding Corporation (REFCORP)
- Student Loan Marketing Association (SLMA) Notes
- U.S. Postal Service Bonds and Notes (No Bonds issued recently or currently outstanding)

Obligations of the State and its Agencies rated “A” or better by Moody’s unless otherwise noted – 105%

- General Obligations of the State of Illinois
- Revenue bonds of the State of Illinois or any authority, board, commission, or similar agency thereof
- Illinois Building Authority Notes or Bonds
- Illinois Environmental Facilities Financing Authority Pollution Control Revenue Bonds (if they are guaranteed by the U.S. Small Business Administration and if that guarantee is full faith and credit obligation of the United States)
- Illinois Housing Development Authority (IHDA) Bonds
- Illinois State Scholarship Bonds
- Illinois Toll Highway Authority Bonds
- Public Housing Authority Bonds or Notes
- Bonds issued by State of Illinois Colleges or Universities

Local and Municipal Obligations rated “A” or better by Moody’s unless otherwise noted – 105%

- Chicago School Finance Authority Bonds
- General Obligation Municipal Bonds (including school districts) within the State of Illinois rated Mig 1 or 2 by Moody’s
- Public Building Commission Bonds
- Revenue and Special Obligation Bonds of Illinois Municipalities that are payable from an escrow consisting of direct U.S. Government Obligations and rated “AAA” by Moody’s

TIME DEPOSITS/DEMAND DEPOSIT ACCOUNTS – 102%/

- MBIA Certificates (issued by the Municipal Bond Investors Assurance Corporation)
- Letters of Credit (issued by Federal Home Loan Bank (FHLB))
- Share Certificates (issued by credit unions)