

DEPOSITORY COLLATERAL AGREEMENT

This Depository Collateral Agreement (“*Agreement*”), dated _____, is between _____ (the “*Bank*”), having an address at _____, and _____ (the “*Public Depositor*”), having an address at _____.

WITNESSETH:

WHEREAS, the Bank is authorized to accept public funds for deposit under Arkansas law; and

WHEREAS, Public Depositor from time to time makes deposits in the Bank (its “*Public Deposits*”), which Public Deposits shall from time to time aggregate in excess of Federal Deposit Insurance Corporation (“*FDIC*”) insurance coverage; and

WHEREAS, the Public Depositor desires to have its Public Deposits secured by eligible collateral (“*Eligible Collateral*”) as provided in Rule 2012-A, Management and Collateralization of Cash Funds (“*Rule 2012-A*”); and

WHEREAS, the Bank has agreed to secure the Public Deposits by granting to the Public Depositor a security interest in certain collateral owned by the Bank, as permitted by 12 U.S.C. § 90 and Arkansas Code Annotated § 23-47-203;

NOW THEREFORE, in consideration of the Public Depositor depositing its Public Deposits as herein described, and for other good and valuable consideration, hereby acknowledged as received, it is hereby agreed between the Public Depositor and the Bank as follows:

Section 1. Pledge of Collateral.

1.1 In order to secure the Public Deposits the Bank hereby pledges, assigns, transfers, and grants to the Public Depositor a first priority security interest in (a) such amounts of the Eligible Collateral to this Agreement to meet the collateral ratios and other requirements described in Rule 2012-A; (b) any Eligible Collateral that is delivered directly to the Public Depositor; and (c) the custody account (as provided in Section 3), any substitute account(s), and any and all investment property, as that term is defined in the Arkansas Uniform Commercial Code, from time to time held in, by, or for the benefit of the custody account (including without limitation the Eligible Collateral) and all proceeds thereof (collectively, the “*Collateral*”). The Collateral pledged to the Public Depositor and subject to the security interest granted by this Agreement is specified in Attachment A attached hereto, and as supplemented from time to time, and sets forth the type of Eligible Collateral pledged.

Exhibit B

1.2 The security interest granted herein shall secure not only such Public Deposits and accrued interest of the Public Depositor as are held by the Bank at the time of this Agreement, but also any and all subsequent Public Deposits made by the Public Depositor in the Bank regardless of the accounts in which such funds may be held or identified by the Bank.

1.3 The pledge of Collateral by the Bank shall be in addition to, and shall in no way eliminate or diminish, any insurance coverage to which the Public Depositor may be entitled under the rules and regulations of the FDIC or any private insurance carried by the Bank for the purpose of protecting the claims and rights of its depositors.

1.4 Bank agrees to take all actions necessary to provide a security interest in the pledge of Collateral and confirm the same to the Public Depositor.

Section 2. Delivery and Possession of Collateral. The following procedures shall be followed for pledging Collateral to the Public Depositor.

2.1 Letters of credit, surety bonds, and private deposit insurance policies shall be delivered to Public Depositor. The instrument must identify the issuer of the instrument and the coverage amount. The instrument must permit Public Depositor to make a claim directly on the issuer of the instrument in the event of default, financial failure, or insolvency of Bank. Any surety bond pledged as collateral is irrevocable and absolute. The issuer of the surety bond cannot provide surety bonds for any one financial institution in an amount that exceeds 10 percent (10%) of the surety bond insurer's policyholders' surplus and contingency reserve, net of reinsurance. These instruments, when issued, must be delivered to Public Depositor at the address specified in this Agreement. The risk of loss is with the Bank until the instrument is actually received by Public Depositor. The Bank shall also require the company or agency issuing the instrument to forward a copy of notification of coverage or insured limit to the Public Depositor.

2.2 Certificated securities in bearer form must be delivered to the Public Depositor or other person acting on behalf of the Public Depositor other than a securities intermediary. Certificated securities in registered form must be delivered to the Public Depositor or other person acting on behalf of the Public Depositor other than a securities intermediary, and indorsed to the Public Depositor or in blank by an effective indorsement or registered in the name of the Public Depositor, upon original issue or registration of transfer by the issuer. A securities intermediary acting on behalf of the Public Depositor may acquire possession of the security certificate if the security is (i) registered in the name of the Public Depositor, (ii) payable to the order of the Public Depositor, or (iii) specially indorsed to the Public Depositor by an effective indorsement and has not been indorsed to the securities intermediary or in blank.

2.3 For uncertificated securities and security entitlements, the custodian shall authenticate a record setting forth the securities pledged and acknowledging it holds them for the benefit of the Public Depositor, or a written confirmation that the issuer will comply with instructions by the Public Depositor without further consent by the Bank. In addition, the Bank shall identify on its books and records the pledge of such securities to the Public Depositor and the financial intermediary shall identify on its books and records the pledge of such securities to the Public Depositor.

2.4 Securities held for account of the Bank by another financial intermediary must be delivered to a custodian (as provided in Section 3), in accordance with a custodial services agreement (as provided in Section 3) to hold under joint safekeeping receipts for the benefit of the Public Depositor. Delivery of the pledged securities to the custodian shall provide for the “control” of the pledged securities and the perfection of the security interest of the Public Depositor as provided in the Arkansas Uniform Commercial Code.

Section 3. Custody Account and Custodial Service Agreement.

1.1 The Bank agrees to place the Collateral with a Federal Reserve Bank, a Federal Home Loan Bank, a bankers’ bank, a trust department of a commercial bank, or with a trust company (the “*Custodian*”) to hold in a joint custody account for the benefit of the Public Depositor. The Custodian must be unaffiliated with the Bank as defined in Rule 2012-A. The Bank grants a first priority continuing interest in favor of the Public Depositor in any and all of the Bank’s existing and hereafter acquired rights to the following custody account(s) and any substitute account(s) into which any investment property is deposited:

Account Title and Number

Name/Location of Account

[Additional accounts may be listed on separate paper and attached to this Agreement] (Collectively, the “*Custody Account(s)*”).

1.2 The Bank shall execute a custodial services agreement with a custodian (“*Custodial Services Agreement*”) for the custody of the Collateral consistent with the terms of this Agreement. Any entity acting as a Custodian shall be a securities intermediary as defined in the Arkansas Uniform Commercial Code. The Custodial Services Agreement shall contain the Custodian’s agreement to hold all Collateral in the Custody Account for the benefit of the Public Depositor and subject to the Public Depositor’s direction and control and to comply with entitlement orders originated by the Public Depositor without the Bank’s further consent. The executed Custodial Services Agreement is attached hereto as Attachment C. The execution by the Bank of the Custodial Services Agreement shall in no way relieve it of any of its duties or obligations hereunder.

1.3 The Bank has heretofore or will immediately hereafter deliver to the Custodian for immediate deposit into the Custody Account Collateral of sufficient value to meet the terms of this Agreement. Said Collateral, or substitute collateral, as herein provided for, shall be retained by the Custodian in the Custody Account so long as the Bank holds deposits of the Public Depositor. The Custodian should forward any letters of credit, surety bonds, or private deposit insurance policies to the Public Depositor.

1.4 Collateral held by any Custodian, as herein described, shall be deemed to be under the “control” and in possession of Public Depositor as provided in the Arkansas Uniform Commercial Code.

Section 4. Value of Collateral and Changes in Collateral.

1.1 The Bank shall recalculate the fair value of individual securities comprising Collateral at least monthly.

4.2 If at any time the ratio of the fair value of the Collateral to the Public Depositor's Public Deposits, plus accrued interest, is less than required by this Agreement, the Bank shall immediately, within twenty-four (24) hours, make such additions to the Collateral in such amounts such that the ratio of the fair value of the Collateral to the Public Depositor's Public Deposits, plus accrued interest, shall be at least equal to that required in Rule 2012-A. Such additions to the Collateral shall constitute an assignment, transfer, pledge, and grant to the Public Depositor of a security interest in such additional Collateral pursuant to this Agreement and Rule 2012-A.

4.3 At any time that the Bank is not in default under this Agreement, the Bank may substitute Eligible Collateral, provided that (a) the total fair value of Eligible Collateral held in the Custody Account shall meet the requirements of this Agreement and Rule 2012-A, and (b) the Public Depositor shall have approved the substitution and all documentation relating to such substitution before it becomes effective. *(Note: If other substitution procedures are used that would not require prior approval of the Public Depositor, they should be substituted for (b).)*

4.4 Any additional pledge of Collateral hereunder, substitution of Collateral, or release of Collateral shall be approved by an officer of the Bank duly authorized by resolution of the Board of Directors to approve such additional pledges, substitutions, or releases of Collateral under this Agreement.

Section 5. Reports. Bank will provide Public Depositor with a periodic statement of collateral, to verify the adequacy of the pledged collateral. The periodic statement of collateral must identify the deposit secured by the collateral, include a description and market value of the Collateral as determined within five business days prior to the report date, and provide or cite an independent source to verify the reported value. The fair value must be obtained from a securities pricing service, a primary dealer in securities, a publication recognized as a reliable source of securities valuation or any other reliable source of securities valuation. If Collateral is held in a Custody Account, upon the initial transfer of Collateral to a Custody Account under this Agreement and monthly thereafter, the Bank shall cause the Custodian to report to the Public Depositor specifying the type and market value of Collateral being held in the Custody Account for the benefit of the Public Depositor. *(Note: The parties should agree upon the frequency and cost of the reports and memorialize that in this section, as appropriate.)*

Section 6. Representations, Warranties, and Covenants.

6.1 The Bank hereby represents that (i) it is duly organized and validly existing under the laws of the State of Arkansas; (ii) it is authorized to accept public funds for deposit under Arkansas law; (iii) it has, or will have as of the time of delivery of any securities as Collateral under this Agreement, the right, power and authority to grant a security interest therein with priority over any other rights or interests therein; (iv) the execution and delivery of this Agreement and the pledge of securities as Collateral hereunder have been approved by resolution of the Bank's Board of Directors at its meeting on __, and the approval of the Board of Directors is reflected in the minutes of that meeting, copies of which resolution and relevant portion of the minutes of said meeting are attached hereto as Attachment B and made a part hereof; (v) the execution and delivery of this Agreement and the pledge of securities as Collateral hereunder will not violate or be in conflict with the Articles of Incorporation or By-laws of the Bank, any agreement or instrument to which the Bank may be a party, any rule, regulation or order of any banking regulator applicable to

the Bank, or any internal policy of the Bank adopted by its Board of Directors; and (vi) this Agreement shall be continuously maintained, from the time of its execution, as an official record of the Bank.

6.2 The Bank warrants that it is the true and legal owner of all Collateral pledged under this Agreement, that the Collateral is free and clear of all liens and claims, that no other person or entity has any right, title or interest therein, and that the Collateral has not been pledged or assigned for any other purpose. Bank represents and warrants that no financing statement covering all or any part of the Collateral is on file at any public office. Should an adverse claim be placed on any pledged Collateral, the Bank shall immediately substitute unencumbered Collateral of equivalent value that is free and clear of all adverse claims.

Section 7. Event of Default.

7.1 In the event the Bank shall (a) fail to pay the Public Depositor any funds which the Public Depositor has on deposit, (b) fail to pay and satisfy when due any check, draft, or voucher lawfully drawn against any deposit of the Public Depositor, (c) fail or suspend active operations, (d) become insolvent, or (e) fail to maintain adequate Collateral as required by this Agreement, the Bank shall be in default, the Public Depositor's deposits in such Bank shall become due and payable immediately, the Public Depositor shall have the right to unilaterally direct the Custodian to liquidate the Collateral held in the Custody Account and pay the proceeds thereof to the Public Depositor and to exercise any and all other security entitlements with respect to the Custody Account and the other Collateral, to withdraw the Collateral, or any part thereof, from the Custody Account and deliver such Collateral to the Public Depositor or to transfer the Collateral or any part thereof into the name of the Public Depositor or into the name of the Public Depositor's nominee, and ownership of the Collateral shall transfer to the Public Depositor. The Bank authorizes the release, withdrawal, and delivery of the Collateral to the Public Depositor upon default by the Bank, and authorizes the Custodian to rely without verification on the written statement of the Public Depositor as to the existence of a default and to comply with entitlement orders originated by the Public Depositor without further consent of that Bank.

7.2 In the event of default as described in Paragraph 7.1, the Public Depositor shall also have the right to sell Collateral at any public or private sale at its option without advertising such sale, upon not less than three (3) days' notice to the Bank and the Custodian. In the event of such sale, the Public Depositor, after deducting all legal expenses and other costs, including reasonable attorney's fees, from the proceeds of such sale, shall apply the remainder on any one or more of the liabilities of the Bank to the Public Depositor, including accrued interest, and shall return the surplus, if any, to the Bank, or its receiver or conservator.

Section 8. Continuing Security Interest/Termination. The security interest granted hereby shall continue to exist until either: (a) Bank provides written notification to Public Depositor of its intent to no longer act as a depository for Public Funds and termination of all accounts of Public Depositor with Bank and returns all funds deposited by Public Depositor; or (b) Public Depositor provides written notification to Bank of its intent to terminate its customer relationship with Bank and the removal of all of its Public Funds from deposit with Bank.

Section 9. General Terms.

9.1 During the term of this Agreement, the Public Depositor will, through appropriate action of its governing board, designate the officer, or officers, who individually or jointly will be authorized to represent and act on behalf of the Public Depositor in any and all matters arising under this Agreement.

9.2 The Public Depositor is under no obligation to maintain its deposits with the Bank and may withdraw them at any time without notice. It is agreed that when the Bank shall have paid out and accounted for all or any portion of the Public Depositor's Public Deposits, any Collateral pledged under this Agreement to secure such paid out Public Deposits shall be released from the security interest created hereunder.

9.3 All parties to this Agreement agree to execute any additional documents that may be reasonably required to effectuate the terms, conditions, and intent of this Agreement.

9.4 All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

9.5 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.

9.6 This Agreement shall be governed by and construed in accordance with the laws of Arkansas and the laws of the United States, and it supersedes any and all prior agreements, arrangements, or understandings with respect to the subject matter hereof. In the event that any conflict of law issue(s) should arise in the interpretation of this Agreement, the parties agree that when Arkansas law is not preempted by laws of the United States, Arkansas law shall govern.

9.7 No provision of this Agreement may be waived except by a writing signed by the party to be bound thereby and any waiver of any nature shall not be construed to act as a waiver of subsequent acts.

9.8 In the event that any provision or clause of this Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Agreement, which shall be given effect without the conflicting provision. To this end the provisions of this Agreement are declared to be severable.

9.9 Unless applicable law requires a different method, any notice that must be given under this Agreement shall be given in writing and sent by certified mail, return receipt requested or third party overnight priority mail carrier to the address set forth herein or such other place as may be designated by written notice in the same manner from one party to the other.

BANK:

Address for Notices:

By: _____ Title: ____

Signature: _____

Date: _____

DEPOSITOR: Department of Finance and

Administration Address for Notices:

By: _____ Title: _____

Signature: _____

Date: _____