



Office of the State Treasurer

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State Treasurer

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SECURITY AGREEMENT

This Security Agreement, dated as of _____ by and among _____ hereafter (the “Depository”), a duly-organized banking or other type of financial institution in the State of Georgia, the Office of the State Treasurer (hereafter the Treasurer), and any administrator to whom said Treasurer has delegated duties pursuant to O.C.G.A. section 45-8-13.1(d), as now or hereafter amended, on his own behalf and/or the behalf of other Public Bodies (as hereinafter defined) whose funds are required to be collateralized in accordance with Chapter 8 of Title 45 of the Official Code of Georgia Annotated, as now or hereafter amended,

WHEREAS, the Depository desires to be and/or remain an official depository of Public Funds deposited by the Treasurer and/or other Public Bodies; and

WHEREAS FURTHER, the Depository is required by the laws of the State of Georgia to collateralize the uninsured public deposits of the Treasurer and/or other Public Bodies and has elected to do so through the pooling method as specified in Title 45 (as hereinafter defined); and

WHEREAS FURTHER, the Depository desires to grant to the Treasurer a security interest in all securities and other investment property at any time constituting, held in, or arising out of that certain Securities Account (as hereinafter defined) currently designated as account number _____, maintained by a Custodian (as hereinafter defined), for the purpose of securing the Depository’s financial obligations with respect to Public Funds (as hereinafter defined) on deposit with the Depository,

NOW, THEREFORE, it is mutually agreed between the parties as follows:

1. **Definitions.** Unless otherwise provided in this Agreement, the following terms and phrases shall have the following respective meanings for the purposes of this Agreement:

“**Administrator**”: shall mean the GBA Services, Inc. and its officers, directors, employees, agents, successors, and assigns.

“**Aggregate Deposits**” shall mean the aggregate amount of deposits of Public Funds that the Treasurer and/or other Public Bodies have elected to collateralize through the pooling method as specified in Title 45.

“**Approved Securities**” shall mean those securities identified in that list of securities contained in Exhibit A of this Agreement as now or hereafter amended.

“**Approved Securities List**” shall mean that written list of securities prepared by the Treasurer of the Office of the State Treasurer of the State of Georgia and contained in Exhibit A of this Agreement; the Treasurer hereby reserves the right to modify, with 30 days’ notice, the Approved Securities List by written notification to the Administrator and subsequently provided by written notification by the Administrator to the Depositories and Custodians.

“Custodian” shall mean the Treasurer or any depository, savings association, or trust company that meets all of the requirements of O.C.G.A. section 45-8-1(3).

“Depositor or Depositors” shall mean any state or local entity with deposits of public funds.

“Depository” shall mean _____ and its agents, successors, and assigns.

“Event of Default” shall mean any of the following events or conditions: (a) The Depository fails to make any return or repayment of Public Funds to the Treasurer or any Public Body from accounts held by the Depository as and when due or wrongfully dishonors any draft presented upon such accounts; or (b) the Depository breaches any covenant made in this Security Agreement; or (c) any bankruptcy case, assignment for the benefit of creditors, receivership, or other state, federal, or foreign insolvency proceeding is commenced by or against the Depository or any of its respective properties; or (d) the Depository becomes insolvent or is generally not paying its debts as they become due; or (e) the Treasurer determines that any material misrepresentation of financial condition has been made by the Depository in any oral or written statement to the Treasurer or the Administrator; or (f) the Depository discontinues its usual business, commences to dissolve, wind-up, or liquidate itself; or (g) the Depository’s financial condition falls below the minimum capital ratios required to be considered “adequately capitalized,” as measured under the risk-based capital regulations of the Office of the Comptroller of the Currency, 12 CFR §3.100, Appendix a, as now or hereafter amended.

“Georgia UCC” shall mean the Uniform Commercial Code as enacted in the State of Georgia, O.C.G.A. §11-1-101, *et seq.*, as now or hereafter amended.

“Fair Market Value” shall mean the value of the Pledged Securities as determined by any independent service that regularly furnishes such information to financial institutions in the United States as of the applicable date of transaction or report; provided however, should such method of valuation be inapplicable or unacceptable to the Treasurer in respect to any Pledged Security, Fair Market Value shall mean the value placed thereon by the Treasurer.

“FDIC” shall mean the Federal Deposit Insurance Corporation, a federally chartered public corporation of the United States of America.

“Pledge Amount” unless modified by the Treasurer as allowed in O.C.G.A. §45-8-13.1(f), shall mean the difference between the amount of Aggregate Deposits of public funds in a Depository and any FDIC insurance applicable to said funds (as identified in O.C.G.A. §50-17-59(c)), multiplied by 110%; $\text{Pledge Amount} = (\text{Aggregate Deposits} - \text{any applicable FDIC insurance}) \times 1.10$; as allowed in OCGA §45-8-13.1(f)(1) the Treasurer has determined that the depository may not deduct the face amount of direct loans from deposits in determining the Pledge Amount;

“Pledged Securities” shall mean those Approved Securities as to which the Depository has granted a security interest to the Treasurer and as to which the Custodian has taken physical possession or, in the case of un-certificated securities, which the Custodian has registered to the Treasurer.

“Public Body” shall mean the same meaning as that given in O.C.G.A. section 45-8-1(10), as now or hereafter amended, which currently means the State of Georgia and its municipalities, counties, school districts, drainage districts and other districts created for special purposes, every other political subdivision of the State, and every board, bureau, commission, and department of the State or any subdivision thereof, as the context may require.

“Public Funds” shall mean monies of a Public Body deposited in a Depository as defined in O.C.G.A. section 45-8-1(6) as now or hereafter amended.

“Qualified Depository” shall mean a depository that meets the criteria established by the State Depository Board.

“**Securities Account**” shall mean the account established with and held by the Custodian for the benefit of the Treasurer containing Pledged Securities, and any successor account thereto.

“**Securities Entitlements**” shall mean rights and property interests as defined in O.C.G.A. §11-8-102(a)(17) as now or hereafter amended.

“**State Depository Board**” shall mean and refer to the board created by O.C.G.A. section 50-17-50.

“**Title 45**” shall mean Chapter 8 of Title 45 of the Official Code of Georgia Annotated, as now or hereafter amended.

“**Treasury**” shall mean The Office of the State Treasurer of the State of Georgia.

2. **Secured Obligation.** The Depository hereby pledges and grants a security interest in the Depository’s present and future right, title, and interest in and to the Pledged Securities and the Securities Account to the Treasurer, to secure payment and delivery of Public Funds deposited by the Treasurer and/or other Public Bodies with the Depository in excess of FDIC insurance coverage limits. The Pledged Securities shall be held by the Custodian Securities Account.

3. **Representations.** The Depository warrants and represents that: (a) all of the Pledged Securities are of the type described in the Approved Securities List attached hereto as Exhibit A and as amended by the Treasurer; (b) the Depository is the sole and exclusive owner of the Pledged Securities; (c) the Pledged Securities are free and shall remain free for so long as the Pledged Securities are held in the Securities Account of any lien, claim, encumbrance, or restriction of any kind; (d) the Depository has the authority and capacity to pledge the Pledged Securities and to execute this Agreement; and (e) the address set forth below in section 13 is the Depository’s chief executive offices. The Depository waives any rights of first refusal or other restrictions on the sale or transfer of the Pledged Securities.

4. **No Liens or Sale; Substitution Privileges and Release.** The Depository agrees that, as long as the Treasurer or any Public Body has Public Funds on deposit with the Depository, unless the Depository shall have received the prior written consent of the Administrator , the Depository shall not sell or offer to sell or otherwise transfer, dispose of, or encumber the Pledged Securities, or any interest therein; provided, however, subject to prior written approval by the Administrator, that the Administrator authorizes the Depository to substitute additional Approved Securities for any or all of the Pledged Securities and release certain of the Pledged Securities, provided, further, that at all times the Fair Market Value of the Pledged Securities is equal to at least the Pledge Amount. Prior to any such substitution or release, the Depository shall provide to the Administrator a written request for substitution and/or release, showing the Fair Market Values of the Pledged Securities to be released and of the replacement Approved Securities to be pledged (if any).

5. **Covenant as to Pledge Amount.** The Depository shall not retain any deposit of Public Funds that unless, within three (3) business days after receipt of such deposit , the Depository has deposited Approved Securities in the Securities Account or within five (5) days the Depository has deposited a Federal Home Loan Bank Letter of Credit, whose Fair Market Value as of the date of the deposit of such Approved Securities along with the Fair Market Value of the other Approved Securities in the Securities Account equals or exceeds the Pledge Amount. In order for a Depository to be granted five (5) days to remedy the deficiency, the Depository must send a copy of the Federal Home Loan Bank application to the Administrator within (3) business days of the deficiency to document their intent to use a Letter of Credit. The Depository agrees that, as long as the Treasurer or any Public Body has Public Funds on deposit with the Depository, the Depository shall maintain at all times Pledged Securities with an aggregate Fair Market Value equal to at least the Pledge Amount. The Depositories shall monitor the Pledge Amount on a daily basis. Any noncompliance (as defined as a day where the Fair Market Value of the Approved Securities does not equal or exceed the Pledge Amount) will be reported, in an electronic format, to the Administrator and Treasury within three (3) business days. The Depository shall also deposit additional Approved Securities in the Securities Account maintained by the Custodian within three (3) business days (or five (5) business days in the case where the Depository intends to use a Federal Home Loan Bank Letter of Credit) of the date of noncompliance if necessary to reach and maintain the Pledge Amount. In order for a Depository to be granted five (5) days to remedy the deficiency,

the Depository must send a copy of the Federal Home Loan Bank application to the Administrator within (3) business days of the deficiency to document their intent to use a Letter of Credit.

6. **Perfection of Treasurer's Security Interest in Pledged Funds.** Upon the Treasurer's request, and at the Depository's sole expense, the Depository shall promptly execute, deliver, and record any documents, instruments, agreements, and amendments, and take all such further action, as the Treasurer may reasonably deem desirable in obtaining the full benefits of this Agreement, including financing statements or amendments under the Georgia UCC, all in form and substance satisfactory to the Treasurer. The Depository authorizes the Treasurer to file any such financing statement without the signature of the Depository, or with a copy, PDF file or fax of the Depository signature, to the extent permitted by applicable law, or to execute any financing statement or amendment thereof on behalf of the Depository as the Depository's attorney-in-fact. If any amount payable under or in connection with the Pledged Securities shall be or become evidenced by any promissory note or other instrument or any certificated security that is not held by the Custodian in the Securities Account, such note, instrument, or certificate shall be immediately pledged and delivered to the Treasurer hereunder, duly endorsed in a manner satisfactory to the Treasurer. The Depository will promptly notify the Treasurer of any change in the Depository's name or address and will cooperate in ensuring that any action necessary or advisable to continue the perfection of the security interests granted hereunder has been duly taken. Without limiting the foregoing, the following items (all in form and substance satisfactory to the Treasurer) must be provided by the Depository upon execution of this Agreement:

(a) A Custodial Agreement signed by the Treasurer, the Depository, and the Custodian, in the Treasurer's form, containing (among other things) the Custodian's agreement to act upon instructions and entitlement orders from the Treasurer, without notice to or consent of the Depository, to deliver copies of all reports with respect to the Pledged Securities to the Treasurer, and not to permit any other liens (including its own) on the Securities Account or the Pledged Securities.

(b) UCC-1 financing statements describing the Pledged Securities, executed by the Depository and in form appropriate to be filed in all applicable UCC filing offices.

7. **Receipt of Pledged Securities; Interest and Dividends.** As long as no Event of Default has occurred, the Depository shall be entitled to receive all interest and cash dividends arising from the Securities Account (but not any underlying securities or other Pledged Securities other than as a result of a substitution approved by the Administrator), to be delivered to the Depository by the Custodian. Upon the occurrence of an Event of Default, the Depository's right to receive such interest and dividends shall immediately and automatically terminate, with no further notice to the Depository, unless and until reinstated in writing by the Treasurer. The Treasurer's remedies upon an Event of Default shall include the right to notify the Custodian to cease immediately delivering such interest and dividends to the Depository and to deliver all or any portion thereof to the Treasurer.

Any portions of the Pledged Securities received by the Depository in violation of this Agreement shall remain subject to the Treasurer's security interest and lien hereunder, shall be immediately delivered to the Treasurer, in the same form as received except for any necessary endorsements, and pending such delivery, shall be held in trust for the Treasurer by the Depository and kept separate from the Depository's other assets.

8. **Reporting.** The Depository agrees to submit information as required by the Administrator for reports to be submitted to the Treasurer.

9. **Public Posting of Depositors.** The Administrator shall maintain a list of current depositors on its website. This list will be updated by the Administrator on a monthly basis. The Depository shall verify that Depositors are correctly listed on the Administrator's website.

10. **Remedies.** (a) Upon an Event of Default, the Treasurer shall have and may exercise any or all of the rights and remedies of a secured party under the Georgia UCC, and as otherwise agreed herein or under any other applicable law or any other agreement, including without limitation: (1) the right to immediately withdraw or liquidate any and all contents of the Securities Account and to endorse and cash any instruments included in the Pledged Securities,

without regard to maturity thereof or penalties for early withdrawal and without notice of default first being given to the Depository; (2) the right to notify the Custodian to make payments from or on the Pledged Securities directly to the Treasurer, to transfer the Pledged Securities to the Treasurer or the Treasurer's account, and/or to sell the Pledged Securities, all without notice of default first being given to the Depository and without the consent of the Depository. The Treasurer may apply the proceeds of the Pledged Securities toward payment of any costs and expenses and reasonable attorneys' fees and legal expenses thereby incurred by the Treasurer and toward the repayment of Public Funds of the Treasurer or any Public Body that the Depository has failed to deliver as and when due in such order or manner as the Treasurer may elect. The Depository agrees to pay the Treasurer all expenses and charges (including reasonable attorneys' fees and other legal fees and expenses) that the Treasurer may incur in enforcing or protecting the Treasurer's rights hereunder or with respect to the Public Funds on deposit with the Depository.

(b) Without limiting the generality of the foregoing provisions of subsection (a) above, it is expressly agreed that, upon the occurrence of an Event of Default, the Treasurer may take any or all of the following actions: (1) cause the Pledged Securities to be transferred to its name or to the name of its nominee or nominees and thereafter to exercise with respect to the Pledged Securities all the rights, powers, and remedies of any owner; (2) collect by legal proceedings or otherwise all dividends, interest, principal payments, and other sums now or hereafter payable on account of the Pledged Securities and to hold the same as collateral, or apply the same to any balance owed by the Depository to the Treasurer or to any Public Body, with the manner and distribution of the application to be in the sole discretion of the Treasurer; (3) enter into any extension, subordination, reorganization, deposit, merger, or consolidation agreement, or any other agreement relating to or affecting the Pledged Securities, and, in connection therewith, deposit or surrender control of such Pledged Securities, and/or accept other property in exchange therefore and hold and apply such property or money so received in accordance with the provisions of this Agreement. This Agreement constitutes a bond transfer power, which is hereby granted in favor of the Treasurer, and the Depository authorizes any and all registrars, transfer agents, and issuer's officials to transfer any securities and investment property included in the Pledged Securities to the name of the Treasurer or his designee.

The Depository acknowledges that no notice of sale will be required, as the Pledged Securities are of a type customarily sold in recognized markets. The Depository agrees that, if any notice of sale or other disposition of the Pledged Securities is required by law, such notice shall be deemed reasonable notice of sale and shall fully satisfy any requirement of giving notice if it is mailed, postage prepaid, or sent by email or fax, to the Depository before the time of the proposed sale or disposition.

Nothing contained herein shall be deemed to limit, delay, or impair the Treasurer's right to withdraw immediately and close the Securities Account or any other Pledged Securities regardless of maturity of any of the Pledged Securities following the occurrence of an Event of Default, and nothing herein shall impair, as between the Treasurer and the Custodian, the Treasurer's right to control the Securities Account and the Pledged Securities.

11. **Treasurer's Limited Duties.** The Treasurer shall be under no duty to pursue collection of any amount due on or under any of the Pledged Securities, to realize on Pledged Securities, to collect principal, interest, or dividends, to keep the same insured, to make any presentments, demands, or notices of protest in connection with any of the Pledged Securities, to monitor or act upon the maturity of any of the Pledged Securities, to avoid or prevent any early withdrawal penalties or other penalties, or to preserve any rights against prior parties to any instruments, contacts, or securities included in the Pledged Securities. Without limiting the generality of the foregoing, the Treasurer's duty with respect to the Pledged Securities shall be solely to use reasonable care in the custody and preservation of any physical Pledged Securities in the Treasurer's actual possession, and the Treasurer shall be in no way liable to or responsible for any diminution in the value of, or reduction in the proceeds realized from, the Pledged Securities from any cause whatsoever.

12. **Voluntary Withdrawal.** A depository, upon failing to meet the State Depository Board's criteria for a Qualified Depository, may be asked to voluntarily withdraw from the pledging pool. If a depository is asked to voluntarily withdraw by the Treasurer or the Administrator, the Depository agrees the Depository will withdraw in accordance with the procedures adopted by the Administrator.

13. **Approval of Board or Loan Committee of Depository.** The Depository represents and warrants that it is duly authorized, by resolution of the board of directors or of the loan committee of the Depository, and has full right, power, and authority to execute this Agreement and to pledge and grant a security interest with respect to the Pledged Securities. The Depository has furnished a certified copy of the authorizing resolution, attached hereto as Exhibit B.

14. **Continuously Maintain Agreement as Official Record.** The Depository agrees that it will immediately, upon execution, keep and continuously maintain, as part of its official records, an executed copy of this Agreement and such other customary writings and records sufficient to identify those securities that have been pledged to the Treasurer.

15. **Successors and Assigns.** This Agreement is continuing and binding upon the Depository, its agents, successors, and assigns and shall inure to the benefit of the Treasurer and his successors and assigns.

16. **Communications.** Unless otherwise provided herein, all written communications sent to the respective parties to this Agreement shall be sent to the respective addresses given below via first class United States Mail, postage prepaid:

To the Treasurer: Office of the State Treasurer
 Attention: Jeff Carman
 200 Piedmont Avenue, SE
 Suite 1204 West Tower
 Atlanta, GA 30334
 Phone: 404-651-8974
 Email: jcarman@treasury.ga.gov

Copy to: Georgia Bankers Association
 Attention: David Oliver
 50 Hurt Plaza, Suite 1050
 Atlanta, Georgia 30303
 Phone: 404-420-2035
 Email: doliver@gabankers.com

To the Depository:

Phone: _____
Email: _____

A party hereto may from time to time designate a new address to which all written communications are to be sent by notifying the other party of such designation in writing as provided above.

17. **Georgia and Federal Law to Govern; Choice of Forum.** This Agreement shall be deemed to have been made in the State of Georgia and shall be construed, and the rights and liabilities of the parties determined, in accordance with the laws of the State of Georgia except as to choice of law provisions. With respect to regulatory matters, all transactions under this Agreement shall be subject to all applicable laws and rules and regulations of all federal, state, and self-regulatory agencies, including but not limited to the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the United States Treasury, and the Georgia Department of Banking and

Finance. Any action brought to assert any right or remedy pertaining to this Agreement shall be brought exclusively in the Superior Court of Fulton County, Georgia.

18. **Conduct of the Parties.** Conduct of the parties shall not in any matter constitute a waiver of any right, duty, or obligation imposed by this Agreement upon either party hereto.

19. **Time of the Essence.** Time is of the essence of this Agreement.

20. **Headings.** The headings of the sections hereof are for descriptive purposes only and do not modify or qualify any of the rights or obligations set forth in this Agreement.

21. **Construction.** Should any provision of this Agreement require judicial interpretation, it is agreed and stipulated by and between the parties hereto that the court interpreting or construing the same shall not apply a presumption that the terms, conditions, and provisions hereof shall be more strictly construed against one party by reason of the rule of construction that an instrument is to be construed more strictly against the party who prepared the same.

22. **Severability.** Notwithstanding any provisions hereof, if any provision herein is or should become inconsistent with any present or future law, rule, or regulation of any sovereign government or regulatory body having jurisdiction over the subject matter of this Agreement, such provision shall be deemed to be rescinded or modified in accordance with any such law, rule, or regulation; in all other respects, this Agreement shall continue to remain in full force and effect.

23. **Amendment.** Except as otherwise provided herein, this Agreement may be modified only by the prior written agreement of the parties.

24. **Counterparts.** This Agreement is executed in two counterparts each of which is deemed an original of equal dignity with the other and which is deemed one and the same instrument as the other.

25. **References.** All references to any number or gender shall include all others, and all references to documents and agreements shall also refer to amendments thereof.

26. **Whole Agreement.** This Agreement contains the entire agreement between the Treasurer and the Depository and supersedes all prior agreements and understandings relating to the subject matter hereof.

27. **Termination.** This agreement may be terminated by the Treasurer or the Depository with thirty (30) days' written notice to the other party and to the Administrator.

IN WITNESS WHEREOF, the Treasurer, Administrator and the Depository have caused this Agreement to be executed as of the date first written above.

TREASURER:

**OFFICE OF THE STATE TREASURER
STATE OF GEORGIA**

DEPOSITORY:

Name of Depository

By: _____

Lynne Riley
Treasurer

By: _____

Name:
Title:

ADMINISTRATOR:

GBA SERVICES INC.

By: _____

Joe Brannen
President & CEO

CERTIFICATE

I, the undersigned, hereby certify to the Treasurer of the Office of the State Treasurer of the State of Georgia, who is the pledgee of collateral securities to secure funds of public bodies under the pooling method in accordance with Chapter 8 of Title 45 of the Official Code of Georgia Annotated, that I am the Secretary (Assistant Secretary) of _____ (the "Depository"), a banking or other type of financial institution in Georgia; that the following is a true copy of the resolution duly adopted by the [Board of Directors / duly-established Loan Committee] of the Depository, at a meeting held on the _____ day of _____, 20____, at which a quorum was present; and that such resolutions have not been rescinded or modified.

SO CERTIFIED, this _____ day of _____, 20____.

Secretary or (Assistant Secretary)

(SEAL)

EXHIBIT B

RESOLUTION OF THE _____
Board of Directors / Loan Committee
OF

Name of Depository

WHEREAS, the Federal Deposit Insurance Corporation’s Statement of Policy Regarding Treatment of Security Interests After Appointment of the FDIC as Conservator or Receiver dated March 31, 1993, (the “FDIC Policy Statement”) specifies that all security agreements pertaining to public deposits be approved by the financial institution’s _____,
Board of Directors / Loan Committee

NOW, THEREFORE, BE IT RESOLVED THAT:

1. the Chairman, President, Treasurer, or any Vice-President of _____ be
Name of Depository
and hereby is authorized and directed to execute and deliver to the Treasurer of the Office of the State Treasurer of the State of Georgia (the “Georgia Treasurer”) the “Security Agreement” contained herewith; and
2. the Chairman, President, Treasurer, or any Vice President be and hereby is authorized to act as agent to _____
Name of Depository
under said Agreement, said acts including but not limited to the execution of any required securities account control agreement or escrow agreement; and
3. this resolution shall remain in full force and effect until written notice of its amendment or rescission shall have been given to the Georgia Treasurer, and that receipt of such notice shall not affect any action taken by the Georgia Treasurer or affect the security of any deposits that may be or may have been on deposit with _____;
Name of Depository and
4. the Secretary or Assistant Secretary is authorized and directed to certify to the Georgia Treasurer that this resolution has been duly adopted and that the provisions thereof are in conformity with the Charter, Articles of Incorporation, and By-Laws of _____,
Name of Depository
and that there is no provision in those documents or in any other authorizing document that limits the power of the _____
Board of Directors / established Loan Committee to pass the foregoing resolution.

ADOPTED this _____ day of _____, 20____.

Board of Directors / Designee

Name of Depository

By: _____
Name:
Title: