

PLEDGE AGREEMENT
(Securing Deposit of Public Funds)

THIS PLEDGE AGREEMENT (“**Agreement**”) is executed and delivered as of the ____ day of _____, 201__ by and between _____, a State of Indiana designated depository eligible to accept public funds on deposit with its main office in _____ (“**Pledgor**”) and the **INDIANA BOARD FOR DEPOSITORIES** (“**Secured Party**”).

WHEREAS, in order to satisfy its obligations arising under Indiana Code § 5-13-13-7 and Articles 3, 4 and 5 of the Indiana Board for Depositories: Rules for Collateralization (the “**Rules**”) adopted by Secured Party, Pledgor desires, pursuant to the terms of this Pledge Agreement, to elect to (i) post a Letter of Credit (as defined hereinbelow) with respect to Public Funds (as defined hereinbelow) on deposit at Pledgor in accordance with and in the amount required under any Indiana Board for Depositories’ Order for a Depository’s Collateral Requirement (the “**Order**”), (ii) pledge or pledge and deliver Eligible Assets (as defined hereinbelow) in accordance with and in the amount required under any Order issued by Secured Party, or (iii) voluntarily pledge and deliver Eligible Assets in an amount equal to at least One Hundred Percent (100%) of Public Funds on deposit at Pledgor (the “**100% Collateralization Level**”).

NOW THEREFORE, in consideration of the premises and their mutual covenants herein, Pledgor and Secured Party agree as follows:

1. **Recitals.** The foregoing Recitals are affirmed as true and correct and are incorporated herein by this reference. The Recitals are a substantive, contractual part of this Agreement.

2. **Definitions.** As used in this Agreement, the following terms shall have the meanings ascribed to them below:

“**Business Day**” means any day other than a Saturday, Sunday or holiday or a day on which Pledgor or Secured Party are required or authorized by law to be closed.

“**Current Market Value**” means, with respect to the Pledged Collateral, Pledged Investment Property, Letter of Credit and Replacement Securities, the amount determined in the manner set forth below:

- (a) with respect to the Pledged Collateral, Pledged Investment Property, Letter of Credit and Replacement Securities, other than cash, the closing bid for such Pledged Collateral, Pledged Investment Property, and/or Replacement Securities as quoted by *The Wall Street Journal* or another national recognized printed or electronic pricing service selected by Secured Party, plus accrued interest; or the maximum available draw value of any Letter of Credit; and
- (b) with respect to cash proceeds of the Pledged Collateral, Pledged

Investment Property, Letter of Credit and Replacement Securities, the amount thereof, plus accrued interest.

“Eligible Assets” means United States dollars or unencumbered book-entry debt securities and other rights, valued at market value, eligible for pledging and/or delivery to Secured Party, which shall include only the following:

- (1) United States Treasury securities (the **“Treasury Securities”**);
- (2) Federal agency securities (the **“Agency Securities”**);
- (3) Securities of government-sponsored enterprises, including securities from:
 - a. farm credit banks;
 - b. federal land banks;
 - c. the Federal Home Loan Bank and its district banks;
 - d. federal intermediate credit banks;
 - e. the Federal Home Loan Mortgage Corporation (Freddie Mac);
 - f. the Federal National Mortgage Association (Fannie Mae);
 - g. the Government National Mortgage Association (Ginnie Mae); and
 - h. the Federal Agricultural Mortgage Corporation (Farmer Mac) (collectively, the **“Enterprise Securities”** and together with the Treasury Securities and Agency Securities, the **“Eligible Asset Securities”**); and
- (4) Irrevocable letters of credit issued by a Federal Home Loan Bank if:
 - a. the Federal Home Loan Bank issuing the irrevocable letter of credit maintains a rating of at least the third highest level from at least one (1) of the nationally recognized rating agencies;
 - b. the rights and proceeds to the letter of credit are expressly assigned to Secured Party in a security agreement acceptable to Secured Party; and
 - c. the irrevocable letter of credit provides that Secured Party may draw on the letter of credit when necessary to prevent and/or satisfy losses or claims to the Public Deposit Insurance Fund, or to protect the Public Deposit Insurance Fund from incurring any loss (collectively, the **“Letter of Credit”**).

The definition of Eligible Assets specifically excludes preferred stock.

“Event of Default” the term “Event of Default” shall have the meaning ascribed to such term in Paragraph 10 of this Agreement.

“Obligations” means the amount of collateral (*i.e.*, Eligible Assets) required by Secured Party to be pledged by Pledgor to Secured Party which includes the maximum draw amount of a Letter of Credit to be issued with Secured Party as beneficiary as it relates to securing Public Funds on deposit at Pledgor.

“Pledged Account” means that/those certain safekeeping account(s) established or to be established with the Safekeeping Agent for the benefit of Secured Party pursuant to the Safekeeping Agreement for the purpose of segregating the Pledged Investment Property from other assets of Pledgor.

“Pledged Collateral” means (i) all Pledged Investment Property and all Eligible Assets pledged by Pledgor and contained in, credited to and/or deposited in the Pledged Account as security and for the benefit of Secured Party; (ii) all right, title and interest of Pledgor in, to and under the Pledged Account and the Pledged Investment Property; (iii) all time to time substitutions, additions, rollovers and replacements of any of the foregoing in (i) and (ii) above; (iv) all property rights as may now or hereafter derive from or accrue to the foregoing in (i), (ii) and (iii) above including, without limitation, interest accruing on the Pledged Account; (v) any Letter of Credit delivered to Secured Party as security or surety with respect to the Public Funds on deposit with Pledgor or made in favor of Secured Party and maintained elsewhere; and (vi) all “proceeds” (as such term is defined in the UCC) of the foregoing in (i), (ii), (iii), (iv) and (v) above including, but not limited to, from the sale, exchange, redemption, exercise or other disposition of any of the foregoing including, but not limited to, any dividend, interest, payment or other distribution of cash or property in respect to any of the foregoing.

“Pledged Investment Property” means (i) any Eligible Asset Securities contained in, credited to and/or deposited in the Pledged Account, now or in the future, including Replacement Securities (as defined in Paragraph 4(c) below); and (ii) any rights incidental to the ownership of any such Eligible Asset Securities including, but not limited to, voting, conversion and registration rights and rights of recovery for violations of applicable securities laws.

“Public Deposit Insurance Fund” means the fund created and maintained according to Indiana Code § 5-13-12.

“Public Funds” means all fees and funds of whatever kind or character coming into the possession of any Indiana public officer by virtue of such officer’s office; provided, however, it shall not include (i) support payments made to the clerk of a circuit court under Indiana Code § 31-16-9 (or Indiana Code § 31-1-11.5-13 before its repeal) or (ii) proceeds of bonds payable exclusively by a private entity.

“Safekeeping Agent” means, as applicable, (i) The Bank of New York Mellon, as safekeeping agent and custodian under a Safekeeping Agreement, and any successor safekeeping agent and/or custodian with respect to the Pledged Account, Pledged Collateral, and Pledged Investment Property, (ii) Pledgor under a Safekeeping Agreement in the event that Pledgor is required to segregate, pledge and hold Pledged Collateral and/or Pledged Investment Property in a Pledged Account at Pledgor’s institution, or (iii) in the event of a voluntary collateralization by a Bank of 100% of its Public Funds on deposit, as mutually agreed to, in writing, by and between Pledgor and Secured Party in connection with an acceptable Safekeeping Agreement.

“Safekeeping Agreement” means the Custody and Control Agreement executed and entered into by Pledgor, Secured Party, and Safekeeping Agent in a form acceptable to Secured Party in its sole and absolute discretion on even date herewith and pursuant to this Agreement.

“UCC” means the Indiana Uniform Commercial Code, Indiana Code § 26-1 et seq., as amended.

3. **Election of Type of Pledge of Eligible Assets.** In order to comply initially with Indiana Code § 5-13-13-7, the Rules and any Order, Pledgor hereby elects to (please check and complete all that apply):

- Post a Letter of Credit in the amount of \$ _____;
- Pledge Eligible Asset Securities in the amount of \$ _____; and/or
- Pledge Eligible Asset Securities in the amount of \$ _____ in order to voluntarily reach the 100% Collateralization Level.

4. **Security Interest and Pledge.**

(a) **Grant.** In the event Pledgor elects to pledge Eligible Asset Securities, whether for the purpose of complying with any Order or for the purpose of voluntarily electing to reach the 100% Collateralization Level, Pledgor hereby delivers, pledges, and assigns to Secured Party and grants to Secured Party a continuing lien on and perfected security interest in all of Pledgor’s right, title and interest in and to the Pledged Account, the Pledged Collateral and the Pledged Investment Property as collateral security for the full and prompt payment and performance by Pledgor of the Obligations. In the event that any Eligible Asset Securities are being pledged hereunder, concurrently with the execution of this Agreement, Pledgor, Secured Party, and the Safekeeping Agent shall execute and shall deliver the Safekeeping Agreement. Upon execution and delivery of the Safekeeping Agreement, Pledgor shall immediately establish the Pledged Account and deposit in it the Pledged Investment Property.

(b) **Collateral Coverage.** At all times the Current Market Value of the Pledged Investment Property and/or Letter of Credit must equal or exceed the greater of (i) the amount required under the Order, or (ii) the principal amount of the Obligations (the **“Required Value”**). In the event Pledgor, Secured Party or the Safekeeping Agent determines that the Current Market Value of the Pledged Investment Property and/or Letter of Credit is less than the Required Value,

Pledgor shall either (i) deposit in the Pledged Account additional Eligible Asset Securities sufficient to cause the Current Market Value of the Pledged Investment Property to be at least equal to the Required Value or (ii) post a Letter of Credit or increase a current Letter of Credit in an amount sufficient to cause the Current Market Value of the Pledged Collateral to be at least equal to the Required Value by noon (prevailing eastern time) on the Business Day following the date of such deficiency determination. In the event Pledgor determines that the Current Market Value of the Pledged Collateral exceeds the Required Value, Pledgor, only upon written authorization from Secured Party, shall be entitled to withdraw from the Pledged Account a portion of the Pledged Investment Property having a Current Market Value not greater than the amount of the excess of the Required Value, and Secured Party's security interest in such withdrawn Pledged Investment Property shall terminate and be released without the necessity of any further action on the part of Pledgor, Secured Party, or the Safekeeping Agent; and/or reduce any Letter of Credit in an amount not greater than the amount in excess of the Required Value.

(c) **Substitution of Collateral.** Pledgor shall have the right to substitute for any Eligible Assets constituting Pledged Investment Property other Eligible Assets (“**Replacement Securities**”) by depositing Replacement Securities with the Safekeeping Agent to be held in the Pledged Account and instructing the Safekeeping Agent to release the Eligible Assets for which they are substituted, provided that (i) no Event of Default has occurred and is continuing, (ii) such Replacement Securities constitute Eligible Assets, and (iii) as of the date of such substitution, the Current Market Value of the Replacement Securities is equal to or greater than the Current Market Value of the Pledged Investment Property for which they are substituted; provided, however, if The Bank of New York Mellon is the Safekeeping Agent under subsection (i) of the definition of Safekeeping Agent, Replacement Securities are permitted to be deposited into the Pledged Account without any further authorization or direction from Secured Party, but Eligible Assets for which the Replacement Securities are substituted shall not be released by Safekeeping Agent (i.e., The Bank of New York Mellon) without written authorization from Secured Party. Upon replacement of Pledged Investment Property with Replacement Securities meeting the requirements stated above, Secured Party's security interest in the replaced Pledged Investment Property shall terminate and be released without the necessity of any further action on the part of Pledgor, Secured Party, or the Safekeeping Agent, and the continuing lien and perfected security interest granted by Pledgor to Secured Party as well as the delivery, pledge and assignment by Pledgor to Secured Party more fully set forth in Paragraph 4(a) hereof shall automatically apply and attach to and be granted with respect to the Replacement Securities. Upon request by Secured Party from time to time, Pledgor shall immediately provide to Secured Party a written confirmation identifying the Pledged Investment Property and Pledged Collateral.

(d) **Reliance by Safekeeping Agent.** If the Order requires Pledgor to pledge Pledged Collateral in the amount of fifty percent (50%) of Public Funds on deposit at Pledgor and the Safekeeping Agent is created under subsection (ii) of the definition of Safekeeping Agent, or if Pledgor voluntarily pledged Pledged Collateral in the amount of one hundred percent (100%) of Public Funds on deposit at Pledgor and the Safekeeping Agent is created under subsection (iii) of the definition of Safekeeping Agent, then the foregoing Paragraph 4(c) constitutes written consent by Secured Party to the substitution of Replacement Securities on which the Safekeeping Agent shall be entitled to rely pursuant to the Safekeeping Agreement. For the avoidance of doubt, this paragraph 4(d) does not apply if The Bank of New York Mellon is the Safekeeping Agent under subsection (i) of the definition of Safekeeping Agent.

5. **Reporting Procedures.** In addition to any other reporting requirements in this Agreement, Pledgor shall, upon request of Secured Party, report to Secured Party by sending an e-mail to Patrick W. Hastings at phastings@tos.in.gov, or his designee, the total Public Funds on deposit at Pledgor on the day(s) requested by Secured Party; provided, however, if the Order provides that Pledgor is required to pledge Pledged Collateral in the amount of one hundred percent (100%) of Public Funds on deposit, Pledgor shall report to Secured Party by sending an e-mail to Patrick W. Hastings at phastings@tos.in.gov, or his designee at the close of business on each Business Day the total Public Funds on deposit at Pledgor.

6. **Deficiency.** If a deficiency exists, Pledgor shall either (i) deposit in the Pledged Account additional Eligible Asset Securities sufficient to cause the Current Market Value of the Pledged Investment Property to be at least equal to the Required Value or (ii) post a Letter of Credit sufficient to cause the Current Market Value of the Pledged Collateral to be at least equal to the Required Value to cure any such deficiency by noon (prevailing eastern time) on the Business Day following the date of such deficiency determination.

7. **General Provisions.**

(a) Unless an Event of Default has occurred and is continuing, Pledgor shall be entitled to receive all sums paid and all cash dividends, interest, and other distributions made upon or in respect of the Pledged Investment Property. If an Event of Default occurs and for as long as it is continuing, Secured Party may direct the Safekeeping Agent to hold such sums on its behalf in the Pledged Account as additional collateral for the Obligations or to distribute such sums to Secured Party. Unless an Event of Default has occurred and is continuing, Pledgor may exercise any voting or consensual rights that Pledgor may have as to any of the Pledged Investment Property for any purpose which is not inconsistent with this Agreement. If an Event of Default occurs and for as long as it is continuing, Secured Party may exercise all voting or consensual rights as to any of the Pledged Investment Property, and Pledgor shall deliver to Secured Party all notices, proxies, and other information and instruments relating to the exercise of such rights received by Pledgor from the issuers of any of the Pledged Investment Property promptly upon receipt thereof and shall at the request of Secured Party execute and deliver to Secured Party any proxies or other instrument(s) which are, in the judgment of Secured Party, necessary for Secured Party to validly exercise such voting and consensual rights.

(b) All items of income, gain, expense and loss recognized in the Pledged Account shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of Pledgor.

(c) Pledgor shall not take, and shall not direct or authorize the Safekeeping Agent to take any action with respect to the Pledged Collateral that would impair the interests or rights of Secured Party or Pledgor in, to or with respect to any of the Pledged Collateral.

8. **Representations and Warranties.** Pledgor warrants and represents to Secured Party that:

(a) In the event that Eligible Asset Securities are being pledged as collateral, Pledgor has either (i) complied with the Order, or (ii) notified Secured Party of its election to maintain a 100% Collateralization Level in writing, and signed by an authorized officer of Pledgor;

(b) In the event that Pledgor has elected to maintain a 100% Collateralization Level, Pledgor has maintained, or intends to maintain, whichever is appropriate, a 100% Collateralization Level for the immediately preceding twelve (12) months;

(c) Pledgor is the sole owner of all legal and beneficial interest and title in and to the Pledged Account, the Pledged Collateral and the Pledged Investment Property, if any such property is being pledged as collateral, free and clear of all liens, restrictions, claims, pledges, encumbrances and interests whatsoever;

(d) Pledgor has the right to deliver, pledge and assign to Secured Party and grant to Secured Party a continuing lien on and perfected security interest in the Pledged Account, the Pledged Collateral and the Pledged Investment Property, if any such property is being pledged as collateral, without obtaining the consent of any third party;

(e) Pledgor will defend its title to the Pledged Account, the Pledged Collateral and the Pledged Investment Property against the claims of all persons and entities and indemnify and defend Secured Party with respect to any such claims;

(f) No financing statement covering all or any part of the Pledged Account, the Pledged Collateral or the Pledged Investment Property, if any such property is being pledged as collateral, is on file in any public office, except for filings in favor of Secured Party;

(g) Pledgor authorizes Secured Party to file one or more financing statements in form satisfactory to Secured Party; and

(h) Pledgor shall execute and deliver, or cause to be executed and delivered, such other documents as Secured Party may from time to time request to perfect or to further evidence the security interest created in the Pledged Account, the Pledged Collateral or the Pledged Investment Property by this Agreement, if any such property is being pledged as collateral, including: (i) a notice of security interest and/or a control agreement with respect to any Pledged Account, the Pledged Collateral or the Pledged Investment Property from persons or entities considered necessary or desirable by Secured Party, all in form and substance satisfactory to Secured Party in its sole and absolute discretion; (ii) a notice to and acknowledgment from any bailee or other person who possesses or controls any of the Pledged Account, the Pledged Collateral or the Pledged Investment Property, all in form and substance satisfactory to Secured Party in its sole and absolute discretion; and (iii) any consent to the assignment of proceeds of any Letter of Credit all in form and substance satisfactory to Secured Party in its sole and absolute discretion.

9. **Rights of Secured Party.** In the event Pledgor fails or refuses to perform any of its covenants and obligations under this Agreement, Secured Party may, but shall have no

obligation to, do all things deemed necessary or appropriate by it to fulfill such covenants and obligations, and sums reasonably paid and reasonable expenses incurred by Secured Party in connection therewith (including, without limitation, reasonable attorneys' fees and expenses) shall be reimbursed by Pledgor on demand by Secured Party and shall constitute a part of the Obligations.

10. **Events of Default.** The occurrence of any of the following events shall constitute an Event of Default under this Agreement (“**Event of Default**”):

(a) Pledgor shall fail to perform any covenant, provision or term of this Agreement binding upon Pledgor, and such breach shall remain uncured for a period of two (2) Business Days following written notice thereof by Secured Party to Pledgor;

(b) Any Letter of Credit posted by Pledgor in order to achieve compliance with Indiana Code § 5-13-13-7, the Rules, any Order or this Agreement shall be terminated, shall be cancelled or shall fail to be renewed;

(c) Any representation or warranty of Pledgor in this Agreement shall prove to be false or misleading in any material respect as of the date hereof; or

(d) Pledgor is dissolved, makes an assignment for the benefit of creditors, or enters into any composition or arrangement with creditors, is adjudged insolvent or generally fails to pay debts as they come due, or a receiver is appointed for Pledgor, or any levy, seizure or attachment is made against the Pledged Collateral.

11. **Remedies.** Upon the occurrence of any Event of Default which remains uncured, Secured Party shall have, in addition to any other remedies available to it under the law, in equity or any agreement, the rights and remedies of a secured party under the UCC. Secured Party can exercise any and all remedies it has under this Agreement and under applicable law after all required notices have been given and after all cure periods have expired without any further notice, demand or presentment, and Secured Party shall have an absolute right to immediately draw on any Letter of Credit or recoup or setoff all Obligations against the Pledged Account, the Pledged Collateral and/or the Pledged Investment Property without any additional or further notice, demand or presentment, which notice, demand and presentment are hereby waived by Pledgor. Any cash held by or on behalf of Secured Party as Pledged Collateral and all cash proceeds of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be applied as follows: first, to the payment or reimbursement to Secured Party of all reasonable fees, costs and expenses incurred by Secured Party in connection with the exercise of its remedies (including, without limitation, reasonable attorneys' fees and expenses); second, to the payment of the Obligations; and third, to Pledgor or any other person or entity entitled thereto. All remedies of Secured Party shall be cumulative to the full extent provided by law. Pursuit by Secured Party of certain judicial, equitable or other remedies with respect to all or some of the Pledged Collateral and with respect to the Pledged Account and/or the Pledged Investment Property shall not bar other remedies with respect to the Obligations or to other portions of the Pledged Collateral. Secured Party may exercise its rights to and upon the Pledged Account, the Pledged Collateral and the Pledged Investment Property without resorting or regard to other collateral or sources of security or reimbursement for the Obligations secured hereby.

No delay on the part of Secured Party in exercising any rights hereunder or failure to exercise the same shall operate as a waiver of such rights.

12. **Appointment of Secured Party as Attorney-in-Fact.** Pledgor hereby constitutes and appoints Secured Party, through any of its officers, as its true and lawful attorney-in-fact, with full power of substitution and authority in the place and stead of Pledgor and in the name of Pledgor or in its own name, from time to time, for the purpose of carrying out the terms of this Agreement from and after the occurrence of an Event of Default and the expiration of all applicable cure periods, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purpose of this Agreement including, but not limited to, filing any UCC financing statements. Such power of attorney is coupled with an interest and shall be irrevocable until this Agreement is terminated.

13. **Expenses.** Pledgor agrees that it will forthwith upon demand pay to Secured Party the amount of any and all reasonable out-of-pocket expenses, including the fees and disbursements of attorneys and of any brokers, investment brokers, appraisers or other experts, that Secured Party may incur in connection with (i) the enforcement of this Agreement, (ii) the collection, sale or other disposition of any of the Pledged Collateral, (iii) the exercise by Secured Party of any of the rights conferred upon it hereunder, or (iv) any action or proceeding to enforce its rights under this Agreement or in pursuit of any non-judicial remedy hereunder including the sale of the Pledged Collateral or any part thereof.

14. **Waiver; Amendment.** None of the terms or provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by Secured Party and Pledgor.

15. **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of Pledgor and Secured Party and their respective successors and assigns.

16. **Governing Law.** The laws of the State of Indiana shall govern this Agreement and any extensions or renewals thereof, including execution, interpretation, performance and enforcement, without regard to principles of conflicts of law.

17. **Notices.** Any and all notices or other communications required or permitted under this Agreement to be in writing shall be sufficiently given if delivered in person to, or sent by certified or registered mail, postage prepaid to the addresses set forth below their signatures on this Agreement, or to such other address or person as shall be designated from time to time by written notice. However, all collateral deficiency notices may be sent to Pledgor via electronic mail or other electronic means.

18. **Board Approval.** The terms of this Agreement have been approved by the Board of Directors of Pledgor by resolutions duly adopted and in full force and effect on _____, which resolutions are duly recorded in the official minutes of such Board of Directors.

IN WITNESS WHEREOF, Pledgor and Secured Party have executed this Agreement as of the date first written above.

[SIGNATURE PAGES FOLLOW]

**SIGNATURE PAGE OF SECURED PARTY
TO PLEDGE AGREEMENT**

INDIANA BOARD FOR DEPOSITORIES

By: _____
Signature

Print Name

Title

Secured Party Address:
Indiana Board for Depositories
Indiana State Treasurer's Office
242 State House
Indianapolis IN 46204
Attention: Patrick W. Hastings