

**COLLATERAL SECURITY AGREEMENT**  
**(For Use with Agency Depository Contract Only)**

**THIS COLLATERAL SECURITY AGREEMENT** (the “Agreement”) is made and entered into by and between the Maryland State Treasurer’s Office (the “Office”), on behalf of itself and the various agencies and public entities of the State (each, a “Depositor”), and \_\_\_\_\_ (the “Bank”), a national banking association, organized under the laws of the United States and authorized by law to do banking business in the State of Maryland.

**Background**

Each Depositor, in accordance with Maryland State law, has selected the Bank as a depository for public funds of the Depositor under the Agency Depository Contract dated as of \_\_\_\_\_, 20\_\_ (the “Depository Agreement”). During the term of this Agreement, each Depositor will designate the officer, or officers, who singly or jointly will be authorized to represent and act on behalf of the Depositor in any and all matters of every kind arising under this Agreement. This Agreement incorporates the terms of the Depository Agreement between the Office and the Bank for all purposes; however, to the extent that any provision in the Depository Agreement conflicts with any provision in this Agreement, this Agreement will control.

Except as otherwise permitted under Sections 6-211 and 6-212 of the State Finance and Procurement Article, Annotated Code of Maryland, as may be amended from time to time (the “Linked Deposit Laws”) with respect to funds deposited with the Bank in connection with Bank’s participation in a Linked Deposit Program established under the Linked Deposit Laws (“Linked Deposit Funds”), all funds on deposit with the Bank to the credit of a Depositor are required to be secured by deposit insurance or by collateral of the kind and character permitted by Section 6-202 of the State Finance and Procurement Article of the Annotated Code of Maryland, as may be amended from time to time (“SFP §6-202”). With respect to collateral to be pledged under Section 6-209 of the State Finance and Procurement Article of the Annotated Code of Maryland, as may be amended from time to time (“SFP §6-209”), only certain collateral pledged by the Bank is required to be held by a custodian. For purposes of this Agreement, permissible collateral under SFP §6-202 shall be referred to as “Collateral” and any Collateral that is required to be held by a custodian under SFP §6-209 shall be referred to as “Securities Collateral.” Permissible collateral under the Linked Deposit Laws shall be referred to as “Linked Deposit Collateral.”

To perfect the security interest of the Office in Securities Collateral pledged by the Bank, a Federal Reserve Bank or a third party financial institution, acceptable to the Office, will hold the Securities Collateral in a custody account for the benefit of the Office. For purposes of this Agreement, such Federal Reserve Bank or third party financial institution shall be referred to as the “Trustee.”

In consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, it is agreed as follows:

1. Under the terms of this Agreement, the Bank pledges to the Office, and grants to the Office a security interest in, the Securities Collateral owned by the Bank and held by the

Trustee for the benefit of the Office, to secure the deposits held by the Bank for each Depositor as provided in SFP §6-209.

2. The total market value of the Securities Collateral held by the Trustee (which includes accrued interest or income to the extent it is not included in the market price) will be in an amount at least equal to such amount as is required under SFP §6-209, taking into account any other acceptable Collateral properly delivered to the Office, and, with respect to Linked Deposit Funds, taking into account any Linked Deposit Collateral properly obtained for the benefit of the Office. The market value of any security held as Securities Collateral will be obtained from a primary dealer. The Bank will provide a monthly collateral report to the Office at no charge. The report includes the market value and description of each item of Collateral and Linked Deposit Collateral pledged as of the last business day of the month.

3. The Bank has previously or will immediately deliver to the Trustee Securities Collateral of the kind and character permitted by SFP §6-202 of sufficient amount and market value to provide adequate collateral under SFP §6-209 and the Linked Deposit Laws, taking into consideration any other acceptable Collateral properly delivered to the Office, for the funds of each Depositor deposited with the Bank, and, with respect to Linked Deposit Funds, taking into account any Linked Deposit Collateral properly obtained for the benefit of the Office. For so long as the depository relationship between a Depositor and the Bank shall exist hereunder, the Securities Collateral or substitute Securities Collateral shall be kept and retained by the Trustee in trust, as provided for below, in an amount and market value sufficient to provide adequate Collateral or Linked Deposit Collateral, taking into consideration any other acceptable Collateral properly delivered to the Office, and, with respect to Linked Deposit Funds, taking into account any Linked Deposit Collateral properly obtained for the benefit of the Office.

4. The Bank shall cause the Trustee to accept the Securities Collateral and hold the same in trust for the purpose stated in this Agreement.

5. Should the Bank fail at any time to pay and satisfy, when due, any check, draft, or voucher lawfully drawn against any deposit, or in case the Bank becomes insolvent or in any manner breaches its contract with the Office, the Office shall give written notice of such failure, insolvency or breach to the Bank, and the Bank shall have ten days to cure such failure, insolvency or breach. In the event the Bank shall fail to cure such failure, insolvency or breach within ten days, it shall be the duty of the Trustee, upon demand of the Office (supported by proper evidence of any of the above-listed circumstances), to surrender the Securities Collateral to the Office. The Office may sell all or any part of the Securities Collateral and out of the proceeds of such sale pay the Office all damages and losses sustained by it, together with all expenses of any and every kind incurred by it on account of such failure or insolvency, or sale. Following any sale, the Office shall provide an accounting to the Bank for the remainder, if any, of the proceeds or Securities Collateral remaining unsold.

6. Any sale of all or part of the Securities Collateral made by the Office under this Agreement may be either at public or private sale; provided, however, the Office shall give to the Bank ten days' written notice of the time and place where such sale shall take place, and such sale

shall be to the highest bidder for cash. The Office and the Bank shall have the right to bid at such sale.

7. If the Bank shall desire to sell or otherwise dispose of all or part of the Securities Collateral deposited with the Trustee, it may substitute other Securities Collateral of at least the same market value. Alternatively, the Bank may substitute other acceptable Collateral properly delivered to the Office, or, with respect to Linked Deposit Funds, the Bank may substitute Linked Deposit Collateral properly obtained for the benefit of the Office, in an amount equal to the market value of the Securities Collateral to be sold or otherwise disposed of. Such rights of substitution shall remain in full force and may be exercised by the Bank as often as it may desire; provided, however, that the aggregate market value of all Collateral pledged to the Office, shall be at least equal to the amount of Collateral required under SFP §6-209, except with respect to Linked Deposit Funds, which may be collateralized with Linked Deposit Collateral. If at any time the aggregate market value of Securities Collateral deposited with the Trustee, taken together with any other acceptable Collateral properly delivered to the Office, and, with respect to Linked Deposit Funds, taken together with Linked Deposit Collateral properly obtained for the benefit of the Office, is less than the total amount required under SFP §6-209, the Bank shall, upon request of the Office, deposit with the Trustee such additional Securities Collateral as may be necessary to cause the market value of such Securities Collateral, taken together with any other acceptable Collateral properly delivered to the Office, and, with respect to Linked Deposit Funds, taken together with Linked Deposit Collateral properly obtained for the benefit of the Office, to equal the total amount of required Collateral. The Bank shall be entitled to income on securities held by the Trustee, and the Trustee may dispose of such income as directed by the Bank without approval of the Office.

8. The Bank shall cause the Trustee promptly to forward to the Office copies of safekeeping or trust receipts and/or activity reports covering all of the Collateral and Linked Deposit Collateral, including substitute Collateral as provided for herein.

9. If at any time the Securities Collateral in the hands of the Trustee shall have a market value, taking into account any other acceptable Collateral properly delivered to the Office, and, with respect to Linked Deposit Funds, taking into account Linked Deposit Collateral properly obtained for the benefit of the Office, that exceeds the required amount of Securities Collateral, the Office shall authorize the withdrawal of a specified amount of Securities Collateral, and the Trustee may deliver this amount of Securities Collateral (and no more) to the Bank. Once the Bank receives the redelivered Securities Collateral, the Trustee shall have no further liability for such Securities Collateral.

10. Each of the Office and the Bank shall have the right to terminate this Agreement by advance written notice to the other of its election to do so. This Agreement shall be void from and after the expiration of sixty days after the receipt of such notice, provided all provisions of this Agreement have been fulfilled.

11. When depositor-bank relationship ceases to exist between a Depositor and the Bank, and when the Bank has properly paid out all deposits of the Depositor, the Office shall give

the Trustee written notice to that effect and the Trustee shall, with the approval of the Office, redeliver to the Bank all Securities Collateral then in its possession belonging to the Bank.

12. A. Any notice required to be given to the Bank in writing shall be sufficient if delivered to the following address:

Bank Contact Name:  
Bank Name:  
Address:  
Tel. & Fax Numbers:

The Bank may change the above address by notifying the Office by facsimile or by such other means as is consistent with the Bank's usual means of notification to the Office.

B. Any notice to be given to the Office shall be sufficient if delivered to the following address:

Maryland State Treasurer's Office  
Attn: Director of Treasury Management  
Louis L. Goldstein Treasury Building  
80 Calvert Street  
Annapolis, Maryland 21401  
Tel: (410) 260-7270 – Fax: (410) 974-2076

The Office may change the above address by notifying the Bank by facsimile or by such other means as is consistent with the Office's usual means of notification to the Bank.

13. This Agreement shall be binding upon, and shall insure to the benefit of, the parties hereto and their respective corporate successors.

14. No amendments or modification of this Agreement or waiver of any right under this Agreement shall be binding on any party unless it is in writing and is signed by all of the parties.

[Signatures Appear on the Following Page]

Executed by the undersigned duly authorized officers of the parties as of the date of this Agreement.

**ATTEST**

\_\_\_\_\_

**BANK NAME:**

By: \_\_\_\_\_  
Name:  
Title:

**WITNESS**

\_\_\_\_\_

**MARYLAND STATE TREASURER'S OFFICE**

By: \_\_\_\_\_  
Nancy K. Kopp  
State Treasurer

**WITNESS**

\_\_\_\_\_

By: \_\_\_\_\_  
Bernadette T. Benik  
Chief Deputy Treasurer

Approved as to form and legal sufficiency  
for the Maryland State Treasurer's Office:

\_\_\_\_\_  
Assistant Attorney General