

**SECURITY AGREEMENT**

This **SECURITY AGREEMENT**, dated \_\_\_\_\_, is between **[name of bank]** (the "*Bank*"), a **[bank and trust company, national banking association, state banking corporation, savings bank or savings and loan association]** having an address at \_\_\_\_\_, and the **State Treasurer of the State of New Jersey**, having an address at State House, Trenton, New Jersey, (the "*Public Depositor*").

**WITNESSETH:**

**WHEREAS**, the Bank is a national bank located in the State of New Jersey (the State) or is an institution authorized by the State to carry on a banking or savings and loan business; and

**WHEREAS**, the Bank is therefore eligible to receive deposits of public moneys pursuant to the provisions of **N.J.S.A. 52:18-16.1** (the "*Act*"); and

**WHEREAS**, Public Depositor from time to time makes deposits, as said term is defined in the Act, in the Bank (its "*Public Deposits*"), which Public Deposits shall from time to time aggregate in excess of FDIC Insurance coverage; and

**WHEREAS**, the Public Depositor desires to have its Public Deposits secured by collateral in the amounts required by the Act and the Policy Statement issued by the State Treasurer dated July 1, 2007 entitled Collateralization for State Held Deposits (the "*Policy*"); and

**WHEREAS**, the Bank has agreed to secure the Public Depositor's Public Deposits by granting to the Public Depositor a security interest in certain collateral ("*Eligible Collateral*") owned by the Bank, which collateral meets the requirements described in the Act and the Policy, as permitted by 12 U.S.C. § 90 and the Act and the Policy;

**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:

1. Pursuant to the Act and the Policy and in order to secure the Public Depositor's Public Deposits the Bank hereby pledges, assigns, transfers and grants to the Public Depositor a perfected first priority security interest in (a) such amounts of the Eligible Collateral to meet the collateral ratios and other requirements described in the Act and the Policy, and (b) the Custody Account (as defined in Section 9 below) and any and all investment property and security entitlements 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*"). If at any time the ratio of the market value of the Eligible Collateral to the Public Depositor's Public Deposits, plus accrued interest, is less than required by the Act and the Policy, the Bank shall immediately, within no more than 24 hours, make such additions to the Eligible Collateral in such amounts such that the ratio of the market value of the Eligible Collateral to the Public Depositor's Public Deposits, plus accrued interest, shall be at least equal to that required by the Act and the Policy. Such additions to the Eligible Collateral shall constitute an assignment, transfer, pledge, and grant

## Addendum #1 Exhibit a

to the Public Depositor of a security interest in such additional Eligible Collateral pursuant to this Agreement , the Act and the Policy.

2. The security interest granted herein (as described in Section 1 above) 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.

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 Federal Deposit Insurance Corporation or any private insurance carried by the Bank for the purpose of protecting the claims and rights of its depositors.

4. 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.

5. The Bank hereby represents that (i) it is a **[state banking corporation]** duly organized and validly existing under the laws of **[state] or a national bank organized under the laws of the United States**; (ii) it is a public depository eligible to receive public deposits under the Act; (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 Loan Committee as designated by the Bank's Board of Directors at its meeting of (date), and the approval of the Board of Directors is reflected in the minutes of that meeting , certificate of which resolution and relevant portion of the minutes of said meetings and attached hereto as Exhibit A and made part here of; (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. 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. 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.

7. At any time that the Bank is not in default under this Agreement, the Bank may substitute Eligible Collateral, provided that (a) the total market value of Eligible

## Addendum #1 Exhibit a

Collateral held in the Custody Account shall meet the requirements of the Act and the Policy and this Agreement, and (b) the Public Depositor shall have approved such actual substitution or substitution process and all documentation relating to such substitution before it becomes effective.

8. 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.

9. The Bank agrees to place the Collateral with a Federal Reserve Bank, a trust department of a commercial bank, or a trust company (the "*Custodian*"), to hold in a custody account (the "*Custody Account*") for the benefit of the Public Depositor, as required by the Act and the Policy. Any such commercial bank or trust company shall be a securities intermediary that in the ordinary course of its business regularly maintains securities accounts for its customers. The Bank shall execute a custodial trust agreement with the Custodian ("*Custodial Trust Agreement*") for the custody of the Eligible Collateral consistent with the terms of this Agreement. The Custodial Trust 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 Trust Agreement is attached hereto as Exhibit B. The execution by the Bank of the Custodial Trust Agreement shall in no way relieve it of any of its duties or obligations hereunder or under the Act and the Policy.

10. Upon the initial transfer of Eligible Collateral 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 Eligible Collateral being held in the Custody Account for the benefit of the Public Depositor.

11. The Bank has heretofore or will immediately hereafter deliver to the Custodian for immediate deposit in the Custody Account Eligible Collateral of sufficient value to meet the terms of this Agreement. Said Eligible 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.

12. 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 as determined by the appropriate regulatory authority, 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

## Addendum #1 Exhibit a

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 the Bank.

13. In the event of default as described in Section 12, the Public Depositor shall give written notice of such failure, insolvency or breach to Bank, and Bank shall have three (3) days to cure such failure, insolvency or breach. In the event Bank shall fail to cure such failure, insolvency or breach within three days, it shall be the duty of Custodian, upon demand of Public Depositor (supported by proper evidence of any of the above-listed circumstances), to surrender the Collateral to the Public Depositor. 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.

14. During the term of this Agreement, the Public Depositor will designate the officer, or officers, who singly or jointly will be authorized to represent and act on behalf of the Public Depositor in any and all matters arising under this Agreement.

15. 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.

16. 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.

17. 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.

18. This Agreement shall be governed by and construed in accordance with the laws of **the State** 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 **State** law is not preempted by laws of the United States, **State** law shall govern.

19. 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.

20. In the event that any provision or clause of this Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Security Agreement,

**Addendum #1 Exhibit a**

which shall be given effect without the conflicting provision. To this end the provisions of this Agreement are declared to be severable.

21. 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.

22. The Bank hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission (“ELEC”) pursuant to N.J.S.A. 19:44A-20.13 (L. 2005, c. 271, section 3) if the Bank enters into agreements or contracts such as this Agreement, with a public entity, and receives compensation or fees in excess of \$50,000 or more in the aggregate from public entities, such as the Authority, in a calendar year. It is the Bank’s responsibility to determine if filing is necessary. Failure to so file can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at [www.elec.state.nj.us](http://www.elec.state.nj.us).

23. The Bank represents and warrants that all information, certifications and disclosure statements previously provided in connection with L. 2005, c. 51, are true and correct as of the date hereof and all such statements have been made with full knowledge that the State of New Jersey (the “State”) will rely upon the truth of the statements contained herein in engaging the Bank as a depository for public funds. The Bank agrees that it shall maintain continued compliance with L. 2005, c. 51 and regulations promulgated thereunder while it holds moneys subject to the terms of this Agreement. The Bank acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder, the Public Depositor may withdraw all moneys under this Agreement and any remedies available to the Public Depositor may be exercised against the Bank at law or in equity.

**[Public Depository Bank]**

By:

Its:

Date: \_\_\_\_\_

**TREASURER, STATE OF NEW JERSEY**

By:

Its:

Date: \_\_\_\_\_