

**EXHIBIT C**

**COLLATERAL PLEDGE AND  
BAILMENT AGREEMENT**

**COLLATERAL PLEDGE AND BAILMENT AGREEMENT  
FEDERAL RESERVE BANK OF CHICAGO CUSTODIAL SERVICES**

This Collateral Pledge and Bailment Agreement (the "Agreement"), by and between the City of Milwaukee, a municipal corporation ("City"), and, \_\_\_\_\_ a banking association organized under the laws of \_\_\_\_\_ ("Bank"), dated as of this \_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_.

**WITNESSETH**

**WHEREAS**, City wants to make deposits with Bank and to have those deposits be collateralized; and

**WHEREAS**, Bank, to induce City to make deposits with it, is willing to collateralize City's deposits; and

**WHEREAS**, City and Bank want City, Bank, and the Federal Reserve Bank of Chicago ("Fed") to act under Fed's Operating Circular 7 and Fed's Appendix C thereto (that circular and appendix, as the same, from time-to-time, may be unilaterally amended by Fed, are herein jointly and individually called "Circular") with respect to the Fed's providing custodial services concerning a Restricted Securities Account that exists or that will be established for the benefit of City to collateralize City's funds that City has or will have on deposit with Bank; and

**WHEREAS**, while the Circular sets forth certain details of the respective duties of City, Bank, and Fed, and the relationship among City, Bank, and Fed, with respect to such collateralization and custodianship, City and Bank wish to elaborate and further agree as to certain details; and, City and Bank wish to agree to certain other matters between themselves;

**NOW THEREFORE**, for good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Certain Definitions in Circular and Wisconsin Law.** Any term not otherwise defined herein shall have the meaning ascribed in Fed's Circular (the Circular is hereby incorporated herein by reference), and, if not defined in the Circular, then the meaning ascribed in the Wisconsin Uniform Commercial Code and Chapter 34, Wisconsin Statutes.
2. **Bank.** Bank warrants and represents to City that:
  - A. Its principal banking office is located at: \_\_\_\_\_.
  - B. It is a Public Depository as defined in Wis. Stat. § 34.01(5); and, authorized to receive and hold Public Deposits as defined in Wis. Stat. § 34.01(3).
  - C. It is a Participant and Pledgor as defined in the Circular.
  - D. It maintains with Fed, and will maintain with Fed during the term of this Agreement, a Master Account in Bank's own name, and, for holding Book-Entry Securities pledged by Bank to City as collateral, a Restricted Securities Account for the City's benefit (that Restricted Securities Account for the City's

benefit is herein and in the Circular referred to as the "Restricted Securities Account").

- E. It has \_\_\_\_\_ [here, specify On-Line or Off-Line Access] with Fed.
- F. The Administrative Reserve Bank for purposes of Circular § 3.2 is Fed (i.e. the Federal Reserve Bank of Chicago).
- G. It will act in good faith in carrying out its duties hereunder and under the Circular and fulfill its obligations hereunder and thereunder.
- H. It will promptly provide to City: (1) copies of any notice that it sends to Fed or gets from Fed under the Circular with respect to the Restricted Securities Account or any assets held in custody by Fed for City's benefit (including, but not limited to, any Transfer Message, reversal instruction, Transfer instruction, substitution instruction, request for adjustment, Collateral Transaction request, notice with respect to credits or debits to the Restricted Securities Account, and/or notice of termination under § 10.1 of App. C to the Circular); (2) copies of any notice that it gets from Fed limiting, terminating, or restricting Bank's: (i) accounts with Fed; (ii) right to maintain accounts with Fed; (iii) right to access accounts it has with Fed; or (iv) transfer authority with respect to accounts it has with Fed; and (3) copies of any summary or account statement that Fed sends or issues to Bank with respect to the Restricted Securities Account or any assets held in custody by Fed for City's benefit.
- I. It will pay any fee or charge of Fed that may be due under, or that Fed may impose with respect to, the Circular or Fed's acting thereunder or as contemplated herein.
- J. It will promptly provide to City notice of any amendment that may be made by Fed or the United States Federal Reserve Board to the Circular.
- K. It does not and will not use the services of a third-party service provider (as referred to in §5.1 of the Circular) without City's prior written consent.
- L. It is not, and that it will take such steps to ensure that it will not during the term of this Agreement, be limited by Fed: (i) to only be a Sender or Receiver of Free Transfers (Circular §5.2 and §5.3); and (ii) with respect to Transfers Against Payment (Circular §5.2).
- M. It is authorized to enter into and execute this Agreement.

**3. Fed Limitation of Liability Not Applicable to Limit Bank's Liability to City; City Not Required to Indemnify Fed.** Nothing contained in the Circular, including, but not limited to, any provision in § 16.0 thereof or in § 8.0 of App. C thereof, attempting to limit the liability of Fed, shall be construed as limiting Bank's liability to City with respect to any matter, or any wrongdoing, negligence, breach, insolvency, misconduct, mistake, or default by Bank (or by any of Bank's directors, officers, employees, agents, contractors, or related entities). And, notwithstanding §8.1 of App. C to the Circular, as between Bank and City, Bank and City intend that City not have indemnification duties to Fed under said §8.1. Consequently, Bank shall indemnify City (and hold City harmless) with respect to any claim, expense or liability that Fed may assert against, or attempt to impose upon, City with respect to, or under, said §8.1.

4. **Certain Copies Not Required.** Notwithstanding sections 2H or 5D hereof, there is no requirement to send copies to the other party of notices that Fed sends to both City and Bank (see, e.g., Circular, App. C, § 4.4 -Fed issues confirmation to Pledgor/Bank and to Pledgee/City of each Collateral Transaction).
5. **City.** City warrants and represents to Bank that:
  - A. It is: a Public Depositor as defined in Wis. Stat. § 34.01(4); and, authorized to deposit Public Moneys as defined in Wis. Stat. § 34.01(6).
  - B. It is a Pledgee as defined in the Circular.
  - C. It will act in good faith in carrying out its duties hereunder and under the Circular and fulfill its obligations hereunder and thereunder.
  - D. It will promptly provide to Bank: (1) copies of any notice that it sends to or gets from Fed under the Circular; (2) copies of any Pledgee authorization or standing instruction that it sends to Fed; (3) copies of any written certification or written instruction that City may send to Fed under § 5.1 or § 6.1 of App. C to the Circular; and (4) copies of any notice of termination under § 10.1 of App. C to the Circular.
  - E. It is authorized to enter into and execute this Agreement.
6. **City's Deposits.** The parties understand that City wishes to deposit from time to time Public Moneys with Bank (the "Deposits") and receive statements of account from Bank with respect to the Deposits evidencing Bank's obligations to pay the Deposits to the City in accordance with the terms of the City's deposit, account or similar agreements with Bank. City will not deposit moneys in excess of 100% of the outstanding stockholder's equity of Bank as reported by Bank from time to time in its consolidated reports of condition filed with the Federal Deposit Insurance Corporation. Upon issuance of a certificate of deposit to City, Bank agrees and warrants that the advice slip and safekeeping receipt issued to City in connection with the transaction shall bear language "Collateralized Public Deposits" or words of similar effect.
7. **Percentage and Collateral Coverage Requirement.** So long as City maintains Deposits with Bank, Bank and City agree that all Deposits in excess of the amount of any deposit insurance actually provided by an agency of the United States and the coverage actually provided under Wis. Stat. § 34.08(2), and the Bank's obligation to repay the Deposits to the City (which Deposits and the Bank's obligation to repay the Deposits to the City are referred to in this Agreement individually and collectively as the "Obligations"), shall be secured by collateral having a market value not less than the product that shall at any time be obtained by multiplying the total Deposits that exist at that time times the percentage ("Percentage") set forth on **Schedule A** to this Agreement. Such product shall be referred to herein as the "Collateral Coverage Requirement." City and Bank may change the Percentage from time to time solely in writing signed by both parties by executing a replacement **Schedule A** setting forth the revised Percentage. Upon execution by Bank and City, the "Percentage" for purposes of this Agreement shall be the Percentage as set forth on the replacement **Schedule A**.
8. **Security Interest.** In accordance with Wis. Stat. §§ 34.07 and 409.304, and as contemplated by the Circular (see, e.g., Circular App. C, § 2.3), Bank hereby pledges and grants to City a first priority security interest in those securities owned by Bank and described by general type on **Schedule B** hereto, any other securities from time to time

added to, or substituted for the securities listed on **Schedule B**, and all the proceeds of the foregoing (herein together and individually called the "Collateral," and sometimes also referred to herein and in the Circular as "Pledged Securities") as security for the Obligations. For purposes of determining the amount of Deposits secured by the Collateral, demand deposits shall be calculated on a "collected" basis.

9. **Bank Warranties re: Collateral.** Bank agrees, and warrants and represents to City that: (a) each item of Collateral does and will satisfy the restrictions on Collateral set forth herein, and is and will be a Pledged Security as defined in App. C to the Circular; (b) Bank is the sole owner of the Collateral and has complete authority and full legal right and power to pledge the same in accordance herewith; (c) so long as any Obligations to City are outstanding, Bank will deliver and maintain with Fed, securities and/or assets which meet the restrictions herein for Collateral and to the extent necessary to at all times maintain the Collateral Coverage Requirement; and in connection therewith, Bank will execute and deliver to Fed or City such instruments or agreements as may be reasonably required by City or Fed to perfect or evidence City's interest in the Collateral; and (d) the Collateral is and will be free from all liens, encumbrances, and security interests (other than City's security interest arising as a result hereof). The foregoing qualifications and warranties regarding items of Collateral shall likewise apply to assets which, in the future, may be added to or substituted for existing Collateral.
10. **Restrictions on Collateral.** To qualify as Collateral, the asset must satisfy the following conditions: (a) it must be a Book-Entry Security as defined in the Circular; (b) it must be a Pledged Security as defined in App. C to the Circular; (c) it must be a security of the type described in Wis. Stat. § 66.0603(lm); and (d) if it is an asset other than as described in subsections (a), (b), and (c) above, it must be expressly agreed to by Bank and City in a writing signed by Bank and City, it must be an asset that Fed will accept and hold in custody for the benefit of City under the Circular, and Bank and City must enter into an appropriate amendment to this Agreement with respect to perfection of City's security interest in such asset and Fed's duties regarding such asset, and any other matters deemed necessary and appropriate by City and Bank.

City may, from time to time, upon reasonable notice to Bank and Fed, and following the provisions of Circular, App. C, § 4.0, require that particular classes or categories of items of Collateral be excluded from Collateral or substituted for other items of Collateral. Bank agrees that, upon its receipt of any such notification requiring exclusion of particular items, no further of such items will be added to Collateral, and that it will take appropriate steps to ensure that existing such items that are already Collateral will be removed or replaced as soon as it is reasonably practicable to do so.

11. **Fed as Custodian Under Circular.** Bank and City intend that Bank, City, and Fed, act under and in accordance with the Circular such that Fed is and will be the custodian and bailee of the Collateral.
- A. **Restricted Securities Account.** As per Bank's warranties to City in section 2 above, Bank maintains with Fed a Master Account and, for the benefit of City, a Restricted Securities Account.
- B. **"Joint Custody Account Agreement and Pledgee Authorization List".** Bank and City agree to complete and sign, and provide to Fed, Fed's form of "Joint Custody Account Agreement and Pledgee Authorization List" (see sample attached as **Schedule C**) together with such further documentation as Fed may request in order: to establish a Restricted Securities Account for the benefit of City; to

establish the Fed-custodianship arrangement for City's benefit as contemplated by the Circular; and/or to further perfect, or establish in City a perfected security interest in the Collateral.

- C. **Bank Cooperation.** Bank shall authorize Fed to perform such tasks as may be necessary to evidence, effect and/or perfect City's security interest in the Collateral and to carry out Fed's duties hereunder or under the Circular.
12. **Perfection; Transfer of Collateral, and Notice to Fed.** In accordance with Wis. Stat. § 409.305 and § 2.3 of App. C to the Circular, Bank shall promptly notify Fed, as custodian/bailee, that Bank has granted a security interest in the Collateral to City, and request Fed to mark City's security interest on Fed's books. Bank shall promptly Transfer to the Restricted Securities Account for the benefit of City Collateral, and initiate the requisite Collateral Transaction to pledge Book-Entry Securities to City for holding by Fed.
13. **Bank's Ability to Deal With Collateral.** Unless City (as Pledgee), in accordance with Circular, App. C, § 4.3, provides Fed with written standing instructions to permit substitutions of like par value amounts of Pledged Securities without City's consent, Bank may not withdraw from, or substitute securities or other assets that are in the Collateral or in the Restricted Securities Account without City's prior written consent. In no event, may Bank make, or cause Fed or anyone else to make, any additions, withdrawals or substitutions that would cause the aggregate outstanding market value of the Collateral to be less than the Collateral Coverage Requirement as of the effective date of such additions, withdrawals, or substitutions. And, in any event: (a) each item of Collateral must satisfy the restrictions on Collateral set forth herein, and (b) Bank must give City and Fed prior written notice of any substitution or withdrawal.
14. **Bank Duty to Monitor.** Notwithstanding anything to the contrary that may be in the "Joint Custody Account Agreement and Pledgee Authorization List," Bank shall monitor the Collateral and the Obligations and not allow additions, withdrawals, or substitutions of Collateral items in violation of this Agreement and the Collateral Coverage Requirement.
15. **Bank Record Keeping.** Bank agrees to maintain records of the assets that have been transferred to and from Collateral and the Restricted Securities Account, and will furnish copies of such records to City upon request. Bank shall, in any event, provide updated records of Collateral assets prior to addition to, withdrawal from, or substitution of, any asset in Collateral.
16. **Bank's Monthly Certifications to City.** Bank shall provide to City, within five business days following the end of each month during the term hereof, a written report whereby Bank certifies to City:
- A. The total dollar amount of Deposits and Obligations as of the close of business on the last business day of each month during the term of this Agreement (the "Report Day");
  - B. The product of the Percentage times the Deposit reported as of the Report Day;
  - C. The total outstanding market value of the Book- Entry Securities (i.e. Collateral) in the Restricted Securities Account at the Fed on the Report Day;
  - D. That at all times during the preceding month: (1) the Collateral Coverage Requirement was satisfied; (2) Fed had possession and control of the Collateral

and was responsible for safekeeping the same under the terms of the Circular; and (3) Bank was not in default under the Circular, and, to the best of Bank's knowledge, Fed was not in default under the Circular.

17. **If Bank Defaults On Obligations.** Upon the occurrence of a default by Bank on the payment of any Obligation to City, or in the event of any Loss as defined in Wis. Stat. § 34.01(2) (any such default or Loss is herein individually and collectively called a "Default"), in addition to (and not in lieu of) any other right that may be available to City at law or in equity, City may, under Circular, App. C, § 5.0 and § 6.0, provide written certification to Fed of City's allegation of Bank's Default and written instruction to Fed directing Fed to hold interest payments and/or to transfer specific amounts and issues of Pledged Securities, and specific amounts of interest payments and other proceeds of Pledged Securities not previously credited to Bank or otherwise released, to City or to accounts for the benefit of City and City's exclusive and unencumbered withdrawal. In such case, Fed is hereby expressly authorized, as a third-party beneficiary to this Agreement, to forthwith transfer and deliver possession of the Collateral (or proceeds therefrom) to City, and take such steps as are or may be necessary to effectuate such transfer and delivery, including, but not limited to, executing documents of transfer, and/or, liquidating all or part of the Collateral with the proceeds therefrom being paid to, transferred, and delivered to City. It is the intent of City and Bank that the City shall have all the rights and remedies with respect to the Collateral provided herein, and in the Circular, as well as by the Wisconsin Uniform Commercial Code, and other applicable law, and that this Agreement be viewed as an "underlying pledge or security agreement between the Pledgor and the Pledgee" as per Circular, App. C § 5.1 and § 6.1.

Prior to a Default, subject to City's security interest and City's and Fed's rights hereunder and under the Circular, Bank shall have exclusive right to service or otherwise deal with any securities or other assets that constitute Collateral, including the right to retain all dividends, interest or other distributions made on or with respect to the Collateral; providing, however, that the Collateral Coverage Amount is maintained.

18. **Bank's Blanket Bond.** Bank warrants and agrees that it shall, at all times during the term of this Agreement, maintain a standard banker's blanket bond providing coverage: (a) at least as broad as that offered by Standard Financial Institution Bond form No. 24; (b) including loss to others' property in Bank's care and custody; and (c) including protection against fraud (including computer fraud) perpetrated by an employee or nonemployee. The coverage must have a limit in excess of \$\_\_\_\_\_. Bank agrees to provide to City upon its request evidence of the above required coverage.
19. **Bank Year-End Reports to City.** Bank shall provide to City, within 120 days after each of Bank's fiscal year-ends during the term hereof, a copy of Bank's consolidated and audited financial statements, and a copy of the auditor's letters relating thereto. In the event there are no audited financial statements of Bank, Bank shall provide to City, within each of the same 120 day time periods, copies of Bank's holding company's or Bank's parent corporation's audited financial statements and auditor's letters relating thereto.
20. **Term and Right to Terminate.** The term of this Agreement shall commence effective with the date hereof and terminate upon the sooner of: (a) mutual written agreement of Bank and City; or (b) as contemplated by Circular, App. C, § 10.1, the effective termination date under the Circular and effective closing date of the Restricted Securities Account; providing, however, that, in the event City has provided written

notice to Bank and Fed of City allegation of Bank Default, then Fed's duties and City's rights shall survive any attempt by Bank to terminate this Agreement.

In the event Bank attempts to terminate this Agreement under the terms hereof or if Bank attempts to terminate the Circular and close the Restricted Securities Account for the benefit of City, Bank shall first provide City and Fed at least 30 calendar days advance written notice of such, and understand that, no such termination or attempted termination by Bank shall be effective, until and unless Bank first provides City the right to withdraw all of its funds on deposit with Bank, including all accrued interest to the date of City's withdrawal, without cost or penalty. In the event of such a termination by Bank and its withdrawal of Collateral and closure of the Restricted Securities Account, so long as City shall not have sent notice to Bank and Fed of Default, Fed shall deliver all of the Collateral to Bank.

21. **Assignment Of Fed's Duties.** Neither Bank nor City shall consent to Fed's assigning its duties and obligations hereunder or under the Circular to any other without the prior written consent of Bank and City.

22. **Notice Addresses.** Notices hereunder shall be sent to the following addresses and numbers by United States Mail and simultaneously by facsimile (or to such other addresses and numbers as Bank, Fed, or City may respectively provide in the future by notice):

A. **If to Bank:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Phone No: \_\_\_\_\_  
Facsimile No: \_\_\_\_\_

B. **If to Fed:**

Federal Reserve Bank of Chicago  
Attn: Pledge Custodian  
230 South LaSalle Street  
Chicago, IL 60604-1413  
Phone No: 312-322-5128  
Facsimile No: 312-322-4415

C. **If to City:**

Treasurer  
City of Milwaukee  
Room 103, City Hall  
200 East Wells Street  
Milwaukee, WI 53202  
Phone No: (414) 286-2242  
Facsimile No: (414) 286-3186

23. **Wisconsin Law; Severability.** Except as may otherwise be required by the Circular, the validity, construction, and enforcement of this Agreement are governed by the laws



of Wisconsin. Invalidity of any provision of this Agreement shall not affect the validity of any other provision.

24. **Counterparts and Facsimile Signatures.** This Agreement may be executed in one or more counterparts which, when taken together, shall constitute one and the same document. Facsimile signatures shall be accepted as originals.

IN WITNESS WHEREOF, the parties hereto have caused this document to be executed as of the date and year first written above.

**CITY: The City of Milwaukee**

By: \_\_\_\_\_  
Wayne F. Whittow, City Treasurer

Countersigned: \_\_\_\_\_  
W. Martin Morics, City Comptroller  
(Charter Ord. § 3-18-2)

City Attorney's Office  
Approved by: \_\_\_\_\_  
Gregg C. Hagopian, Assistant City Attorney  
(Ord. § 304-21)

**BANK:** \_\_\_\_\_

By: \_\_\_\_\_

Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_

Attest: \_\_\_\_\_

Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_

Schedule A: the Percentage

Schedule B: Collateral Description

Schedule C: Form of Fed's "Joint Custody Agreement and Pledgee Authorization List"

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