

PLEDGE AND SECURITY AGREEMENT TO COLLATERALIZE PUBLIC FUND DEPOSITS

V1.0_12_14_15

THIS PLEDGE AND SECURITY AGREEMENT ("Agreement") is entered into as of October 30, 2019 by and between STATE OF DELAWARE (the "Customer"), and JPMorgan Chase Bank, N.A. (the "Bank").

RECITALS

- A. The Customer has designated the Bank as depository for certain of its funds and from time to time the Customer may make deposits of public funds with the Bank, and the Bank has agreed to act as the depository of those public funds; and
- B. Although such deposits are generally eligible for Federal Deposit Insurance Corporation ("FDIC") insurance coverage, such coverage is limited to a maximum deposit insurance amount as described in applicable law; and
- C. In consideration of and to secure the deposits made by the Customer with the Bank, the Customer and the Bank desire to enter this Agreement granting the Customer a security interest in certain Collateral (hereinafter defined) to secure the deposited public funds in accordance with applicable law.

NOW, THEREFORE, in consideration of the mutual agreements set forth hereafter and for other good and valuable consideration, the parties agree as follows:

1. **PUBLIC FUNDS.** The deposits subject to this Agreement, hereinafter referred to as "Public Funds", are the deposited public funds of the Customer held in accounts at the Bank, inclusive of accrued interest.
2. **GRANT OF SECURITY INTEREST.** To secure the Public Funds, the Bank hereby grants to the Customer a security interest in, and assigns and pledges to the Customer certain collateral of the type permitted under applicable law, as specifically described in the Cash Management Policy Board Statement of Objectives and Guidelines for the Investment of State of Delaware Funds (the "Guidelines"), hereinafter referred to as the "Collateral", inclusive of instruments in substitution for or in addition to any or all of the then existing Collateral.
3. **LOCATION OF COLLATERAL.** The Bank agrees to deliver and place the Collateral with the Federal Reserve Bank as a book entry item for the benefit of the Customer, and the Customer consents to the use of such custodian, hereinafter referred to as the "Custodian". The Customer shall provide such documents or other information as the Custodian may reasonably require to establish an account. Until such documentation is received the Bank shall pledge Collateral to its account at the Custodian in the name of the Customer as shown on Bank's books and records. If a letter of credit is included in the Collateral, the Customer or its agent shall be named as the beneficiary thereof, and acceptance and approval by the Customer of such letter of credit shall be evidenced by the beneficiary's receipt of the letter of credit.
4. **BANK REPRESENTATIONS AND WARRANTIES.** The Bank further represents and warrants, as follows:
 - a) The Bank is a national banking association organized under the laws of the United States and has full power and authority to enter into this Agreement.
 - b) The Collateral is free and clear of all liens and claims, pledged pursuant to this Agreement, and, except to the extent that the Collateral is comprised of letters of credit, the Bank is the legal owner of the Collateral.
 - c) The Bank agrees that the total aggregate market value of the Collateral pledged to the Customer, pursuant to this Agreement, shall be in an amount not less than the amount described in the Guidelines or other applicable law, and if no amount is described will be in an amount not less than the Public Funds which exceed the sum of FDIC and any other such applicable insurance coverage (the "Collateral Ratio"). The Bank utilizes an independent, third-party pricing information service in order to provide market values hereunder. The market value of the letter of credit shall be deemed to equal the undrawn balance of the face amount thereof. The Customer shall notify Bank in advance of anticipated and significant increases in, or withdrawals or payments from, the Customer's deposits, at which time Bank will pledge additional Collateral or seek the release of excess Collateral, as applicable. The Bank will monitor the market value of pledged Collateral on business days and pledge and deliver Collateral as needed to maintain the Collateral Ratio or as otherwise instructed or agreed to by the parties.
 - d) If the aggregate market value of pledged Collateral exceeds the Collateral Ratio, the Bank may withdraw such excess Collateral provided that following the withdrawal of any such excess Collateral the remaining Collateral would equal or exceed the Collateral Ratio. In addition, the Bank may substitute Collateral for such Collateral previously provided pursuant to this Agreement; provided, however, that the aggregate market value of all pledged Collateral hereunder following such substitution shall equal or exceed the Collateral Ratio. The Customer agrees, if needed, to promptly furnish the Custodian with any needed withdrawal approval.
 - e) The Bank shall be entitled to income and other payments on the pledged Collateral held by the Custodian, and the Custodian may provide such income and other payments as directed by the Bank, provided an event of default under this Agreement does not exist.
 - f) The Bank shall furnish to the Customer or its agent a collateral statement which lists the pledged Collateral and market value thereof, with such frequency as described in the Guidelines or other applicable law, or monthly, if not otherwise agreed by the parties.

- g) The Bank's Board of Directors has passed a resolution authorizing and approving the execution and delivery of contracts with the United States, individual states, and any political subdivisions thereof, the District of Columbia, possessions and territories of the United States and Indian Tribes or agencies thereof having official custody of tribal funds ("Public Units") providing for the deposit of public funds with the Bank and the pledge of collateral by the Bank to the Public Units or their agents and further authorizing and approving the Bank's execution and delivery of all related contracts between the Public Units or their agents and the Bank, including without limitation, assignments, pledge agreements and security agreements. Such resolution is reflected in the minutes of the Bank's Board of Directors.
- h) This Agreement will continuously, from the time of its execution, remain part of the official records of the Bank.
- 5. EVENTS OF BANK DEFAULT.** The Bank shall be in default under this Agreement upon the occurrence of any one or more of the following events or conditions. For clause a) only, an event of default will occur ten (10) business days after the Customer has provided the Bank with a notice generally describing said default.
- a) The Bank shall, without cause, refuse to pay to the Customer the Public Funds when due.
- b) The Bank has been closed, seized or declared insolvent by a federal regulator having jurisdiction over the Bank.
- c) The Bank has had a receiver, conservator or other such official appointed to conduct the affairs of the Bank.
- 6. RIGHT OF CUSTOMER UPON BANK'S DEFAULT.** In the event of a Bank default, in addition to all the rights and remedies provided in Article 9 of the Uniform Commercial Code and any other applicable law pursuant to which the Customer is a secured party, the Public Funds shall become due and payable and the Customer or its agent will have the right to: (a) in the case of Collateral that are securities, demand delivery of the Collateral and liquidate same, or sell, assign and deliver the whole, or any part of the Collateral or any substitutes thereof or additions thereto, in a commercially reasonable manner and with a right to purchase the Collateral at public or private sale; or (b) in the case of Collateral consisting of a letter of credit, draw upon such letter of credit in the amount necessary to cover the Public Funds. The Customer shall apply the proceeds of the sale of Collateral, net of its reasonable costs and expenses incurred in such sale, and the amount paid on the letter of credit, if any, to the Public Funds in a corresponding amount. If applicable, the Customer or its agent shall remit to Bank, its receiver or conservator the remainder, if any, of such sale proceeds or Collateral remaining unsold or unused. Should the Customer obtain Collateral or, in the case of a letter of credit, draw upon such letter of credit, when the Bank is not in default as described in Section 5, the Bank may exercise any rights available to it under law and following such sale of Collateral or draw upon the letter of credit and payment thereon by the issuer, the Public Funds may be correspondingly reduced by the amount of the sales proceeds less the value of returned Collateral, if any, or, in the case of letter of credit draws, the amount paid under the letter of credit.
- 7. CUSTOMER REPRESENTATIONS AND WARRANTIES.** The Customer further represents and warrants, which representations and warranties shall be deemed to be continuing, as follows:
- a) The Customer has full power and authority to enter into this Agreement.
- b) This Agreement has been legally and validly entered into, does not and will not violate any law or regulation applicable to it, and is enforceable against the Customer in accordance with its terms.
- c) The Bank has been designated a depository for the Customer's funds in the manner required by applicable law.
- d) The Customer will comply with the applicable account agreements it may have with the Bank which govern the Public Funds.
- e) The Customer or its agent shall promptly respond to requests by the Bank to release Collateral, up to the amount that the aggregate market value thereof exceeds the Collateral Ratio (the "Release Amount"). If the Customer fails to provide Bank or Custodian its written consent to release of the Collateral in the Release Amount within ten (10) business days after Bank's request, Bank will have the right to charge the Customer an excess collateral fee at a rate determined by the Bank at the time the Bank requested the release, based on all unreleased Collateral covered by the Release Amount.
- f) All acts, conditions, and things required to exist, happen or to be performed on its part precedent to and in the execution and delivery of the Agreement exist or have happened or have been performed.
- 8. LAW GOVERNING.** This Agreement and the rights and obligations of the parties hereunder, shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to its conflicts of laws principles. The Customer and Bank consent to jurisdiction of a state or federal court located in such state in connection with a dispute arising hereunder.
- 9. TERMINATION OF THE AGREEMENT.** This Agreement shall continue in full force and effect for as long as the Bank holds the Customer's Public Funds that are required to be collateralized under the Guidelines and applicable law. Notwithstanding the foregoing, the Customer or the Bank may terminate this Agreement by giving at least thirty (30) days written notice of termination to the other party. Such notice shall not affect or terminate the Customer's security interest in the Collateral, or entitlement to draw upon any unexpired letter of credits that comprise the Collateral and the rights and liabilities of the parties under this Agreement shall survive any termination of the Agreement until all Public Funds have been satisfied in full and Collateral returned.

10. MISCELLANEOUS.

a) All notices and other communications shall be sent to the:

CUSTOMER:

Name: STATE OF DELAWARE
Address: 820 SILVER LAKE BLVD STE 100

City/State: DOVER, DE, 199042464, USA
Attn:

BANK:

Name: JPMorgan Chase Bank, N.A.
Address: 300 Carnegie Center, Floor 01

City/State: Princeton, NJ, 08540, United States
Attn: Valeria D Cappucci
Government Banking

With a copy to:

Name: JPMorgan Chase Bank, N.A.
Address: 1111 Polaris Parkway, Mail Code: OHI-0138
City/State: Columbus, Ohio 43240
Attn: National Collateral Management Group

or such other address as shall be designated by a party to the other party.

- b) This Agreement and all rights and liabilities hereunder and in and to any and all Collateral shall inure to the benefit of the Customer and the Bank and their respective permitted successors and assigns, subject to any limitations upon assignability contained within letters of credit that may comprise the Collateral. No portion of this Agreement may be assigned without the express written consent of the other party.
- c) The Public Funds are subject to the applicable account agreements in effect from time to time.
- d) It is the express purpose of this Agreement to comply with the provisions of applicable law, including 12 USC 1823(e).
- e) 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.
- f) In the event that any provision or clause of this Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Agreement, which shall be given effect without the conflicting provision. To this end the provisions of this Agreement are declared to be severable.

[Signature page follows]

IN WITNESS WHEREOF the parties have signed this Agreement as of this day and year first above written.

CUSTOMER:

STATE OF DELAWARE

By: Colleen C. Davis
Name: Colleen C. Davis
Title: Delaware State Treasurer

BANK:

JPMorgan Chase Bank, N.A.

By: Michael Pressman
Name: Michael Pressman
Title: Authorized Officer