

March 28, 2018

Supervisor's Memo regarding the Depository Pledge Agreement with Busey Bank

Cunningham Township has been receiving a modest .15% interest rate on its savings, producing a mere \$4,358 last year in interest income. After evaluating our options, I have been able to negotiate with our current bank, Busey Bank, a rate of 1.35% using a daily balance method, by changing how we collateralize our funds. If approved, Busey would transition the collateral for the Township accounts from the bonds they are currently using, to Federal Home Loan Bank letters of credit through the Federal Reserve Bank of Chicago. This is approved under the Illinois Public Funds Act and is a much simpler form of collateral. This new interest rate is higher than what we could secure from the Illinois Fund rate. This agreement does not bind the Township for an any specific period of time, so if we find better terms elsewhere, we can consider moving. I expect a significant increase in interest income from this move. I am requesting authorization to sign the attached agreement with Busey Bank.

- Danielle Chynoweth

RESOLUTION No. 2018-04-002R

RESOLUTION AUTHORIZING THE CUNNINGHAM TOWNSHIP SUPERVISOR TO SIGN A DEPOSITORY PLEDGE AGREEMENT WITH BUSEY BANK

WHEREAS, the Investment Policy of the Town of Cunningham Township states: “All investment of funds under the control of the Cunningham Township Supervisor is the direct responsibility of the Cunningham Township Supervisor” and “The Cunningham Township Board of Trustees will have the responsibility to select which financial institutions will be depositories for Cunningham Township funds. The Cunningham Township Supervisor will take into consideration security, size, location, condition, service, fees and the community relations involvement of the financial institution when choosing a financial institution.” And “The highest interest rate available will always be the objective of this policy combined with safety of principal, which is left to the discretion of the Cunningham Township Supervisor, which includes whether or not the Cunningham Township Supervisor will require collateralization of any deposits.”

WHEREAS, Cunningham Township is currently receiving .15% interest rate on its savings;

WHEREAS, by collateralizing Cunningham Township funds with the Federal Reserve Bank of Chicago, the Township can realize a greater interest rate of 1.35% on its savings; and

WHEREAS the Illinois Public Funds Investment Act allows for such a change;

NOW, THEREFORE BE IT RESOLVED by the Township Board of the Town of Cunningham in the County of Champaign, State of Illinois authorizes Danielle Chynoweth as Cunningham Township Supervisor to sign the attached Depository Pledge Agreement with Busey Bank.

Approved this second day of April, 2018 by the Township Board of the Town of Cunningham, Champaign County, State of Illinois.

Charles A. Smyth, Township Clerk

Diane Wolfe Marlin, Chair

DEPOSITORY PLEDGE AGREEMENT

THIS DEPOSITORY PLEDGE AGREEMENT (this "Agreement") is made effective as of April 2, 2018, by and between Cunningham Township ("Pledgee") and BUSEY BANK, an Illinois banking corporation ("Pledgor").

RECITALS:

WHEREAS, Pledgee has selected Pledgor as a depository for certain of its funds and Pledgor has agreed to act as the depository for those funds in accordance with applicable laws, which permit Pledgee to request that Pledgor secure the deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation ("FDIC"), by pledging collateral (the "Eligible Collateral") of any type permitted by the provisions of the Public Funds Investment Act, 30 ILCS 235 et. seq., as in effect from time to time (the "Act"), which Eligible Collateral may include Book-Entry Securities (as defined in the below-defined Circular 7).

WHEREAS, Pledgor and Pledgee have selected **The Federal Reserve Bank of Chicago** ("Custodian") to hold the pledged Book-Entry Securities in custody and safekeeping pursuant to the terms of (a) the Act, (b) Federal Reserve Banks Operating Circular No. 7, "Book-Entry Securities Account Maintenance and Transfer Services", as in effect from time to time ("Circular 7"), and (c) the Custody Agreement for Book-Entry Securities, Appendix C to Circular 7 (the "Custody Agreement").

NOW, THEREFORE, in consideration of the mutual promises and covenants in this Agreement, Pledgee and Pledgor agree as follows:

1. **Grant of Security Interest; Instructions Regarding Securities Collateral.** Pledgor hereby grants to Pledgee a security interest in all Book-Entry Securities held by Custodian and reflected on Custodian's records as being pledged to Pledgee (the "Securities Collateral"). Addendum "A" contains the names and specimen signatures of individuals authorized to act on behalf of Pledgee, and Addendum "B" contains the names and specimen signatures of individuals authorized to act on behalf of Pledgor ("Authorized Representatives"). Either Pledgee or Pledgor may add or remove Authorized Representatives without consent of the other at any time by providing notice to Custodian.

2. **Amount of Collateral.** The Pledged Collateral Value (as defined below) at all times during the term of this Agreement must be in an amount not less than **one hundred percent (100%)** of (a) the amount of Pledgee's collected funds on deposit with Pledgor, plus (b) the amount of accrued but uncredited interest on such deposited funds, minus (c) that portion of such deposited funds that is insured by the FDIC. Such amount is hereinafter called the "Required Collateral Value". The "Pledged Collateral Value" shall mean, at any time, the sum of (a) (i) the aggregate market value of the Securities Collateral divided by (ii) 100% plus (b) the aggregate amount of all letters of credit issued for the account of Pledgor in favor of Pledgee by a federal home loan bank, calculated as set forth on Addendum "C".

3. **Substitutions and Withdrawals of Securities Collateral.** If the Pledged Collateral Value at any time exceeds the Required Collateral Value, Pledgor may withdraw any excess Collateral by providing Custodian with a withdrawal notice signed by an Authorized Representative of both Pledgor and Pledgee. Pledgee agrees to promptly sign the withdrawal notice if the Pledged Collateral Value after giving effect to such withdrawal equals or exceeds the Required Collateral Value. Additionally, Pledgor may substitute Book-Entry Securities for any of the Securities Collateral held by Custodian at any time by providing Custodian

with a substitution notice signed by an Authorized Representative of Pledgor alone; provided that the Pledged Collateral Value after giving effect to such substitution would equal or exceed the Required Collateral Value. This paragraph constitutes Pledgee's written standing instructions, within the meaning of Section 4.3 of the Custody Agreement, to permit substitutions of like par value amounts of pledged Book-Entry Securities without the consent of Pledgee. Substitutions of Book-Entry Securities not of like par value shall require Pledgee's written consent. To the extent that Pledgee's consent is required for any substitution of Securities Collateral, Pledgee shall upon Pledgor's request promptly furnish such consent in the form required by Custodian, so long as the requested substitution will not reduce the Pledged Collateral Value below the Required Collateral Value.

4. **Pledgor's Obligations.** Pledgor shall perform all of the duties and obligations required of a depository under applicable law with respect to collateralization of the funds of Pledgee on deposit with Pledgor, including the duties and obligations required under the Act. At the expiration of the term of this Agreement, Pledgor shall promptly turn over to any successor depository designated by Pledgee all funds held by Pledgor as depository. Upon request, Pledgor will furnish to Pledgee a monthly statement listing a description of the Securities Collateral.

5. **Custodian's Obligations.** The duties and obligations of Custodian with respect to the Collateral shall be set forth in the Custody Agreement.

6. **Default and Remedies.** If Pledgor fails to perform its obligations under Paragraph 4 above, or if Pledgor is declared insolvent or if a receiver is appointed for Pledgor (each an "Event of Default"), Pledgee may instruct Custodian to dispose of the Securities Collateral in accordance with the provisions of the Custody Agreement, but only after Pledgee has provided Pledgor written notice of such Event of Default and at least ten (10) business days after such notice to cure such Event of Default. If, after receipt of such notice, Pledgor fails to cure such Event of Default within the required period of time, Pledgee shall thereupon become authorized to certify in writing to Custodian that Pledgor is in default under this Agreement, and to instruct Custodian to dispose of an amount of Securities Collateral sufficient to satisfy any indebtedness owed by Pledgor to Pledgee, in accordance with Pledgee's instructions.

7. **Termination of Agreement.** Any party to this Agreement may terminate this Agreement by giving thirty (30) days prior written notice of termination to the other party.

8. **Applicable Law; Other Agreements.** This Agreement is governed by the laws of the State of Illinois. All deposit agreements of Pledgee will be subject to Pledgor's applicable deposit account agreement, as in effect from time to time.

9. **Waiver of Jury Trial.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH OF THE PARTIES HERETO REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING CONSULTATION WITH LEGAL COUNSEL ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

10. **Miscellaneous.** The headings in this agreement are for convenience of reference only and should not be used in interpreting this Agreement. If any provision of this agreement is illegal or unenforceable under applicable law, that provision should be deemed reformed so as to be enforceable to the extent permitted by applicable law, or if that is not possible, then this Agreement should be read as if that provision was never a part of it, and the remainder of the Agreement will be enforceable. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT OF THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS OF THE PARTIES. Notices given under this Agreement must be addressed as set forth below the signature of each party, and will be effective upon actual receipt by the addressee or upon refusal of delivery during the normal business hours of the addressee.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have hereunto set their hand to this Depository Pledge Agreement as of the day and year first above written.

PLEDGEE: Cunningham Township

By: _____

Name: Danielle Chynoweth

Title: Supervisor

Address: Cunningham Township

Attn: Supervisor

205 W Green St

Urbana, IL 61801-3219

PLEDGOR: BUSEY BANK, an Illinois banking corporation

By: _____

Name: Edward G. Paine

Title: Senior Vice President, Director Treasury Management

Address: Busey Bank

Attn: Finance/Treasury

100 W. University Ave.

Champaign, Illinois 61820

ADDENDUM "A"

Authorized Officers of Pledgee

One (1) signature of any of the following authorized officers of Pledgee is required to authorize actions to be taken pursuant to the foregoing Depository Pledge Agreement:

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| 1. Print Name: Danielle Chynoweth

Phone/Fax: (217) 384-4144 | Signature: _____

Email: Supervisor@CunninghamTownship.org |
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| 2. Print Name: Charles A. Smyth

Phone/Fax (217) 384-2362 | Signature: _____

Email: casmyth@urbaillinois.us |
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| 3. Print Name: Wayne Williams

Phone/Fax: (217) 367-7059 | Signature: _____

Email: wtwilliams@urbaillinois.us |
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ADDENDUM "C"

Calculation of Pledged Collateral Value

Column A	Column B	Column C	Column D
Type of Eligible Collateral	Market Value/Stated Amount	Collateral Valuation Adjuster	Pledged Collateral Value (Column B/Column C)
Book-Entry Securities¹			
U.S. Government Full Faith and Credit (including but not limited to U.S. Treasury and GNMA)	\$ _____	100%	\$ _____
U.S. Government agencies and instrumentality (including but not limited to FNMA, FHLMC, FHLB and FFCB)	\$ _____	100%	\$ _____
Letters of Credit²			
Federal Home Loan Bank Irrevocable Letters of Credit	\$ _____	100%	\$ _____
Pledged Collateral Value (sum of Column D)			\$ _____

¹ See 30 ILCS 235/6(d)(1) – Bonds, notes, or other securities constituting direct and general obligations of the United States, the bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, the interest and principal of which is unconditionally guaranteed by the United States, and bonds, notes, or other securities or evidence of indebtedness constituting the obligation of a U.S. agency or instrumentality.

² See 30 ILCS 235/6(d)(8) – In an amount equal to at least market value of that amount of funds deposited exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer: (i) securities, (ii) mortgages, (iii) letters of credit issued by a Federal Home Loan Bank, or (iv) loans covered by a State Guarantee under the Illinois Farm Development Act, if that guarantee has been assumed by the Illinois Finance Authority under Section 845-75 of the Illinois Finance Authority Act, and loans covered by a State Guarantee under Article 830 of the Illinois Finance Authority Act.