

**Contract For Security of
Local Agency Deposit**

Depositor: _____

Deposit Account Name: _____

Account Number: _____

This contract is entered on the date last written below between the Treasurer of the Local Agency ("Treasurer") acting for the Depositor whose name is first listed above ("Depositor"), and Mechanics Bank ("Depository") (together, the "Parties").

WHEREAS, the Treasurer proposes to deposit in the Depository from time to time, funds ("Funds") in an aggregate amount on deposit that may exceed the limits of insurance afforded by the Federal Deposit Insurance Corporation; and

WHEREAS, the Depositor desires to enter into an ancillary contract with the Depository setting forth additional security and collateral requirements which supplement the basic terms and conditions upon which the Funds are deposited; and

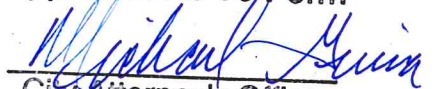
WHEREAS, in the judgment of the Treasurer, the contract is to the public advantage;

NOW, THEREFORE, the Parties agree as follows:

1. This contract supersedes all prior contracts between the Depositor and the Depository relating to the method of handling and collateralization of the Funds pertaining to the specific Deposit Account referenced above.
2. This contract, but not the deposit Funds then held under this contract, shall be subject to termination by the Depositor or the Depository at any time upon 30 days' written notice. Deposits may be withdrawn in accordance with the Depository's Account Agreement or any other agreement of the parties and applicable federal and state statutes, rules and regulations. This contract is subject to modification or termination upon enactment of any statute, rule or regulation, state or federal, which in the opinion of the California Administrator of Local Agency Security, is inconsistent herewith.
3. If interest may legally be paid on the Funds, then the Funds shall bear interest at a rate agreed upon by the Depositor and the Depository.
4. The Depository shall provide the Depositor with disclosures of the terms governing the funds, including any interest to be paid, the term of each deposit, the frequency of any interest payments, and restrictions on withdrawals. Depository's receipts and Account Agreement and other disclosures are by reference made a part of this contract.
5. As security for the Funds, the Depository shall at all times maintain with the Agent of Depository named herein ("Agent") eligible securities having a market value of at least 10% in excess of the actual total amount of Funds on deposit with the Depository. If any eligible security is determined by the California Administrator of Local Agency Security in accordance with Applicable Law not to be qualified to secure public deposits, the Depository shall immediately substitute additional security, as necessary, to comply with the requirements of this paragraph.

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6. Eligible securities are those listed in Applicable Law and may include readily marketable debt obligations of the U.S. Government or U.S. Government Agencies or State and Local Municipalities.
7. The Agent, authorized by the Depository and the California Administrator of Local Agency Security, to serve as a third party custodian and hold the eligible securities posted as collateral under this contract, is determined to be Union Bank, N.A., Institutional Trust Custody Department.
8. Authority is hereby granted to the Agent to maintain pooled custody of pledged securities in a specifically designated and segregated safekeeping account that is held under the control of the California Administrator of Local Agency Security, in accordance with Applicable Law.
9. If the Depository fails to pay all or part of the Funds upon maturity or when ordered to do so in accordance with the terms of withdrawal set forth in the agreement between the Depositor and the Depository, the Depositor will immediately notify, in writing, the Administrator of Local Agency Security. Applicable Law governs the Administrator's actions in converting the collateral required by Paragraph 5 above for the benefit of the Depositor.
10. The Depository may add, substitute or withdraw eligible securities being used as security for the Funds in accordance with Applicable Law, provided the requirements of Paragraph 5 above are met.
11. The Depository shall have the right to collect the interest and any principal cash flows on the pledged securities provided the requirements of Paragraph 5 above are met.
12. This contract, the parties hereto, and all deposits governed by this contract shall be subject in all respects to Applicable Law, and of all other state and federal laws, statutes, rules and regulations applicable to the deposit of Funds, whether now in force or hereafter enacted or promulgated, all of which are by this reference made a part hereof.

Agreed and accepted for:**Depositor's Name** _____**Treasurer's Signature** _____**Print Treasurer's Name** _____**Date** _____**and by:****Mechanics Bank****Signature** _____**Print Name** _____**Title** _____**Date** _____**Approved As To Form**

City Attorney's Office