RKN
04/19/12
Item 20 A

AN ORDINANCE 2012-04-19-0287

AUTHORIZING THE CITY MANAGER OR THE CHIEF FINANCIAL OFFICER TO EXECUTE A CONTRACT WITH THE FROST NATIONAL BANK TO PROVIDE DEPOSITORY BANKING AND LOCKBOX SERVICES AND RELATED FINANCIAL SERVICES TO THE CITY OF SAN ANTONIO FOR A PERIOD OF THREE (3) YEARS, COMMENCING ON JULY 1, 2012 AND ENDING JUNE 30, 2015, WITH AN OPTION TO RENEW FOR ONE (1) ADDITIONAL TWO (2) YEAR PERIOD; AND AUTHORIZING OTHER MATTERS INCIDENT AND RELATED THERETO.

* * * * *

WHEREAS, the City of San Antonio ("City") City Charter and the Texas Local Government Code each requires that all funds of the City be deposited into a depository designated by City Council; and

WHEREAS, The Frost National Bank ("Frost") currently serves as the City's depository bank; and

WHEREAS, a Request for Proposal ("RFP"), soliciting proposals for the provision of depository banking services, lockbox services and merchant banking services was released on November 15, 2011; and

WHEREAS, five (5) banks submitted proposals for provision of depository services and two (2) banks submitted proposals for lockbox services, which were received and evaluated by a Selection Committee; and

WHEREAS, the evaluation involved, among other inquiries, assessment of the services to be provided, including collection services, disbursement services, currency services, account reconciliation services, cash management services, financial safeguards, disaster preparedness, collateral requirements, trust services, safekeeping services, on-line banking capabilities, training and lockbox services; and

WHEREAS, in addition to evaluating the proposals, the Selection Committee conducted oral interviews of and observed software demonstrations by each of the five (5) banks submitting proposals, in order to address any outstanding issues and to gain a clear perspective of each bank's ability to service the City's unique and varied requirements; and

WHEREAS, as a result of the evaluation process, City staff recommends that the City enter into a contract with Frost to provide depository banking services, lockbox services and related financial services to the City, for an initial term of three (3) years commencing July 1, 2012 and ending June 30, 2015, with an option to renew for one (1) two (2) year term; and

WHEREAS, the City Council desires to accept the City staff recommendation setout above, and authorization of all matters incident and related thereto is needed; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Manager or the Chief Financial Officer is authorized to execute a contract with The Frost National Bank, to provide depository banking services, lockbox services and related financial services to the City of San Antonio, for a period of three (3) years, commencing on July 1, 2012 and ending June 30, 2015, with an option to renew for one (1) additional two (2) year period, contingent upon City Council approval to exercise the option. A copy of said contract, in substantially final form, is attached hereto and incorporated herein by reference, for all purposes as **Attachment I.** The City Manager or the Chief Financial Officer is authorized forty-five (45) business days from the effective date of this ordinance within which to negotiate and execute a contract, substantially according to the terms and conditions set forth in **Attachment I.** If said contract is not negotiated and executed within said forty-five (45) business days, or if the parties cannot agree to terms as substantially set forth in the attached contract within such time, then there shall be no authority to execute said contract unless there is subsequent City Council approval.

SECTION 2. It is hereby specifically provided that fully executed copies of **Attachment I** shall not be made available as public information. The City Clerk is authorized to make available to the public, in conformance with the Public Information Act, a copy of said **Attachment I,** without account numbers, the specimen signatures, PIN numbers or other security devices contained therein. The City Council hereby finds that disclosure of such information would compromise the security of City funds.

SECTION 3. Payment of fees due to Frost under the provisions of the contract authorized by this Ordinance will be paid through interest earned on a compensating balance held at Frost; therefore, no fiscal ordinance language is required.

SECTION 4. This Ordinance is effective immediately upon the receipt of eight affirmative votes; otherwise, it is effective ten days after passage.

PASSED and APPROVED this 19th day of April, 2012.

M A Y O R
Julián Castro

ATTEST:

Leticia M. Vacek, City Clerk

APPROVED AS TO FORM:

Michael D. Bernard, City Attorney

Request for COUNCIL ACTION

City of San Antonio

Agenda Voting Results - 20A

Name:	5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19A, 19B, 20A, 21A, 21B, 21C, 22A, 22B, 22C, 22D, 23
Date:	04/19/2012
Time:	10:12:15 AM
Vote Type:	Motion to Approve
Description:	An Ordinance authorizing the City Manager or her designee to execute a contract with Frost National Bank to provide depository banking and lockbox services and related financial services to the City of San Antonio for a period of three years, commencing on July 1, 2012, and ending on June 30, 2015, with an option to renew for one additional two-year period; and authorizing other matters incident and related thereto.
Result:	Passed

Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Julián Castro	Mayor		x				
Diego Bernal	District 1		x				x
Ivy R. Taylor	District 2		x				
Leticia Ozuna	District 3		x				
Rey Saldaña	District 4		x			x	
David Medina Jr.	District 5	x					
Ray Lopez	District 6		x				
Cris Medina	District 7		x				
W. Reed Williams	District 8		x				
Elisa Chan	District 9		x				
Carlton Soules	District 10		x				

A T T A C H M E N T I

A T T A C H M E N T I

DEPOSITORY BANKING SERVICES
AND
LOCKBOX SERVICES
CONTRACT

STATE OF TEXAS §
§
COUNTY OF BEXAR §

This Depository Banking Services and Lockbox Services Contract (hereinafter referred to as "Depository and Lockbox Contract" or "Contract") is made and entered into by and between the **CITY OF SAN ANTONIO, TEXAS** (hereinafter referred to as "CITY"), political subdivision and home rule municipality of the State of Texas, acting by and through its City Manager or its Chief Financial Officer pursuant to Ordinance No. 2012-04-19-_____, passed and approved on April 19, 2012, and **THE FROST NATIONAL BANK** (hereinafter referred to as "DEPOSITORY"), a national banking association operating pursuant to the laws of the United States that has its main office or branch office in the State of Texas and is authorized to perform depository and lockbox services in the State.

WITNESSETH:

For valuable consideration, the parties hereto severally and collectively agree, and by the execution hereof are bound, to the mutual obligations herein contained and to the performance and accomplishment of the tasks hereinafter described.

I. GENERAL PURPOSE

CITY requires a variety of banking/financial services, some of which reside as the primary responsibility of DEPOSITORY. CITY retains the right to select and utilize those services deemed most appropriate to be provided by DEPOSITORY and shall, within the scope of the law, solicit other banking/financial services as CITY determines will best satisfy the needs of, and be most advantageous to CITY.

CITY's primary Depository Banking Services pertain to the secure processing of CITY's collections and disbursements, and provision of timely and reader-friendly reports. The accounts to be serviced include CITY's active working accounts and specialty accounts. The number of accounts is subject to change during the term(s) of this Contract.

Integral to the efficient accounting of CITY's collections and disbursements is the reconciliation process. CITY seeks to enhance its current reconciliation process through improved technology. CITY currently utilizes partial account reconciliation.

Compliant with CITY's fiduciary responsibilities is the utilization of improved technological security mechanisms and processes to safeguard financial resources. CITY intends to review additional and/or modified security measures offered by DEPOSITORY to protect CITY's financial resources from

fraudulent acts. CITY currently utilizes positive pay services on all check disbursement accounts and ACH blocking.

An integral component of CITY's financial operation is the ability to resolve collection and disbursement issues as they occur during times of emergency as well as during the normal course of business. It is imperative that DEPOSITORY assign a primary contact for all operational aspects of Depository Banking Services. The assigned primary contact must have sufficient authority to solve routine problems, command the resources necessary to address complex problems, and be accessible twenty-four (24) hours per day, seven (7) days per week, including holidays, if necessary.

CITY routinely reviews its cash management and long-term investment strategies. Services provided by DEPOSITORY must include cash management techniques that enhance CITY's short-term investment earnings options and provide liquidity as needed without incurring losses.

Other services required by CITY include, but are not limited to, custodial and escrow services. CITY requires custodial services related to investment securities transactions. These services include maintaining security asset accounts, settlements of trades, on-line reporting, and periodic valuation of securities in CITY's investment portfolio. CITY requires escrow services for certain equipment lease purchase financing transactions which include investment of funds in escrow.

CITY's primary Lockbox Services include collecting, processing and depositing receivables directly from a designated post office box. All items collected during the business day must be deposited on a same-day basis, with same-day reporting available through electronic transmission.

II. DEFINITIONS

2.01 Account Reconciliation: The term "Account Reconciliation", as used herein, shall mean the comparison and verification of CITY's records with DEPOSITORY's records for financial transactions and activity.

2.02 Business Day: The term "Business Day", as used herein, shall mean a day on which the DEPOSITORY is open to the public for carrying on substantially all of its business (other than a Saturday, Sunday or bank holiday).

2.03 Cash Management: The term "Cash Management", as used herein, shall mean CITY's utilization of DEPOSITORY services, information, products, processes, methodologies, vehicles and devices which will assist CITY in maximizing the utilization of its monetary resources.

2.04 CITY: The term "CITY", as used herein, shall refer to the City of San Antonio, Bexar County, Texas.

2.05 Collateral Requirements: The term "Collateral Requirements", as used herein, shall refer to the combination of Federal Deposit Insurance Corporation ("FDIC"), or other federal insurance coverage and collateral, acceptable to CITY, at the levels specifically required by Section 3.08.01 of this Contract, in accordance with requirements of Chapter 2257 of the Texas Government Code (Public Funds Collateral Act) and Chapter 105 of the Local Government Code, as now or hereafter amended, and required to be provided by DEPOSITORY to secure fully CITY's funds.

2.06 Collection Services: The term "Collection Services", as used herein, shall include, but not be limited to, receipts in the form of Currency, Checks, Centralized Collection (Lockbox), Automated

Clearing House (ACH), Transfers of monetary receipts, Credit Card Transactions, or receipt of any other negotiable instrument or vehicle which conveys monetary receipts to CITY.

2.07 Controlled Disbursements: The term "Controlled Disbursements", as used herein, shall mean a cash management service which enables DEPOSITORY timely to transfer the exact amount of funds to the disbursement account, from the operating account, to cover accounts payable checks which are presented for payment on a daily basis. DEPOSITORY shall provide a report to CITY by 11:00 a.m. on each Business Day, detailing the amount disbursed on that Day, thus enabling CITY to invest the remaining funds in the operating account on such Business Day.

2.08 Currency Services: The term "Currency Services", as used herein, shall mean supplying CITY's cash collection and point-of-sale sites with appropriate amounts of cash and coins to conduct cash transactions.

2.09 DEPOSITORY: The term "DEPOSITORY", as used herein, shall refer to The Frost National Bank, of San Antonio, Bexar County, Texas.

2.10 Disbursement Services: The term "Disbursement Services", as used herein, shall include, but not be limited to, the disbursement of CITY funds in the form of Checks, ACH, Transfers, or any other negotiable instrument(s) or vehicle(s) utilized to make payment for goods, services and obligations. Specifically included within Disbursement Services is prompt release of all outgoing wires even if such a release would create a ledger/collected overdraft position.

2.11 Electronic Check Presentation ("ECP"): The term "Electronic Check Presentation" or "ECP", as used herein, shall refer to an electronic transmission of data obtained from checks presented for payment and drawn on other banks. The bank that is presented the check transmits the check data to the bank upon which the check is drawn.

2.12 Financial Safeguards: The term "Financial Safeguards", as used herein, shall refer to the state-of-the-art security measures to protect CITY from fraudulent or negligent acts, and shall include, but not be limited to, special signatures, data transmission, electronic and On-Line security measures, as well as positive pay and other security mechanisms.

2.13 Institutional Trust Services: The term "Institutional Trust Services", as used herein, shall refer to all services (i) necessary to effectuate payment for purchased securities; (ii) necessary to provide custodial service for the delivery of securities purchased and/or sold by CITY; and (iii) in connection with escrow services.

2.14 Magnetic Ink Character Recognition ("MICR"): The term "Magnetic Ink Character Recognition" or "MICR", as used herein, shall refer to a description of numbers and symbols printed in magnetic ink on documents for automated processing. For checks, the MICR line appears at the bottom thereof.

2.15 On-Line Data System: The term "On-Line Data System", as used herein, shall refer to the DEPOSITORY's web-based reporting system utilized to obtain balance reporting, effectuate wire transfers, transmit Positive Pay files, transmit ACH files, view scanned images of checks, generate reports and issue stop payments.

2.16 Online Exception Decisioning: The term "online exception decisioning" as used herein, shall refer to web-based access to review and authorize same-day handling (deposit or pass to CITY without depositing) of exception remittances through the Retail Lockbox.

2.17 Parties: The term "Parties" as used herein shall refer to both the City of San Antonio and The Frost National Bank.

2.18 Positive Pay: The term "Positive Pay", as used herein, shall mean cash disbursements services utilized to prevent fraudulent check cashing activity. Data on checks issued by CITY is transmitted electronically to DEPOSITORY. As checks are presented for payment, they are compared to data on the list of checks previously submitted to DEPOSITORY by CITY. Checks not on that list will be returned unpaid.

2.19 Reports: CITY uses, and shall continue to use, various types of reporting and data storage mediums. The term "Reports" as used herein shall refer to all such reporting and storage mediums.

2.20 Rules: The term "Rules", as used herein, shall refer to the rules of the Southwestern Automated Clearing House Association ("SWACHA") and the National Automated Clearing House Association ("NACHA"). SWACHA provides facilities for the exchange of electronic funds transfers, among its members and other automated clearinghouse associations within the United States, by utilizing the capabilities of the NACHA. The rules of NACHA have been adopted as the rules of SWACHA.

2.21 Safekeeping: The term "Safekeeping", as used herein, shall include, but not be limited to, physical storage of certain instruments, such as canceled checks and other occasional safekeeping or storage services.

2.22 Training: The term "Training", as used herein, shall refer to the training services and mechanisms required to be provided by DEPOSITORY to implement the modifications that have been either explicitly mentioned or alluded to in this Contract.

III. SCOPE OF DEPOSITORY BANKING SERVICES

DEPOSITORY agrees to provide the following services to CITY:

3.01 Collection Services: DEPOSITORY shall enhance the efficiency of the CITY's financial operation by providing effective collection services. DEPOSITORY will provide for timely processing of collections, implementation and exercise of prudent security measures, provision of easily reconcilable data and information, and prompt reporting to the City.

3.01.01 Cash and Coin Deposit Deadline for Same Day Credit: DEPOSITORY shall provide cash deposit deadlines for same day credit for commercial vault deposits of Monday through Thursday from 7:00 a.m. to 3:00 p.m. and Friday from 7:00 a.m. to 3:20 p.m.

3.01.02 Check Deposit Deadline for Same Day Credit: DEPOSITORY shall provide deposit deadlines for same day credit for lobby deposits of Monday through Friday from 9:00 a.m. to 5:00 p.m., and 6:00 p.m. at drive in tellers and the Processing Center.

3.01.02 Enhanced Processing: DEPOSITORY shall provide

(i) Remote Deposit Capture check deposit services for City to electronically deposit paper checks with a deposit deadline of 9:00 p.m. Monday through Friday.

(ii) Electronic Image Cash Letter for the City to electronically deposit paper checks with a deposit deadline of 4:00 p.m. Monday through Friday.

(iii) Other available technology: DEPOSITORY and CITY will review the possible implementation of Back Office Conversion (BOC) of paper checks to ACH drafts and other possible ACH origination of check-by-phone and checks-by-WEB transactions. CITY and DEPOSITORY acknowledge that any requirements, procedures, and any other actions necessary on behalf of CITY and DEPOSITORY to initiate these services may be phased-in during the term of this Contract, or during the extension and renewal hereof, if any, at the sole discretion of CITY.

3.01.03 Electronic Funds Transfers through the Automated Clearing House Services (ACH) Collections and Disbursements: CITY may deliver data and information, via Electronic Data Transmission, to DEPOSITORY (hereinafter referred to as "Entries") on a Business Day during operating hours. DEPOSITORY shall (i) process Entries received from CITY which are prepared and submitted in compliance with the formatting and other requirements as set forth in the Rules; (ii) transmit such Entries, in accordance with instructions provided by CITY, to the SWACHA through the Federal Reserve Bank of Dallas, acting as the ACH processor; (iii) settle for such Entries as provided herein and in the Rules, and (iv) provide deposit deadlines for same day credit at 6:00 p.m.

(a) Authorization of Entries: CITY shall obtain authorization from the person or entity whose account is to be debited or credited (hereinafter referred to as "Receiver") through an authorization agreement, as required by the Rules. CITY may obtain and store the authorization by electronic methods a long as: (i) the electronic record accurately reflects the information in the document, (ii) the electronic authorization is similarly authenticated (i.e., through the use of a digital signature, personal identification number ("PIN"), password, shared secret, etc.), and (iii) it is capable of being accurately reproduced for future reference, whether by transmission, printing or other reproduction.

DEPOSITORY shall retain each such authorization agreement for so long as same remains in effect and for a period of two (2) years after the termination or revocation of such authorization agreement.

Notwithstanding anything to the contrary contained in the Rules, CITY or DEPOSITORY shall provide positive notice to each Receiver that a pre-authorized entry has been initiated or a correcting entry has been made, and, upon request from DEPOSITORY or any Receiving Depository Financial Institution ("RDFI"), CITY shall provide DEPOSITORY or such RDFI with a copy of such authorization agreement, in accordance with the Rules.

(b) Re-presented Check Entries: With respect to any Entry that is a Re-presented Check Entry ("RCK") for an item drawn on a consumer account, CITY represents and warrants to DEPOSITORY as follows, to the extent not already represented and warranted herein: (i) CITY has good title to the item; (ii) all signatures on the item are authentic and authorized; (iii) the item has not been altered; (iv) the item is not subject to a defense or claim; (v) CITY has no knowledge of any insolvency of the maker of the item; (vi) any restrictive endorsement placed on the item is void or ineffective; and (vii) CITY will provide DEPOSITORY a front and back copy of the item within six (6) Business Days upon written request from DEPOSITORY.

(c) Internet-Initiated Debit Entries: With respect to any Debit Entry to a consumer account pursuant to an authorization obtained from the Receiver via the Internet (Internet-Initiated Debit Entry ("WEB"), CITY represents and warrants to DEPOSITORY as follows, to the extent not already represented and warranted herein: (i) CITY has employed a commercially reasonable fraudulent detection system to screen such Entry; (ii) CITY has used commercially reasonable procedures to verify routing numbers provided by the Receiver are valid; and (iii) CITY has established a secure Internet session with each

Receiver utilizing a commercially reasonable security technology, at a minimum equivalent to 128-bit encryption technology prior to the Receivers key entry of any banking information, including, but not limited to, the Receivers routing number, account number, and PIN number or other identification symbol.

(d) Lockbox/Dropbox-Initiated Debit Entries: With respect to any Debit Entry to a consumer account pursuant to an authorization consisting of CITY's receipt of a check via a lockbox facility or at a dropbox location Accounts Receivable Debit Entry ("ARC"), CITY represents and warrants to DEPOSITORY as follows, to the extent not already represented and warranted herein: (i) The amount of the Entry, routing number, account number and check serial number reflected in the Debit Entry are in accordance with the check serving as the source document; (ii) CITY will maintain a reproducible, legible image, microfilm or copy of the front and back of the source document for two (2) years from the Settlement Date; (iii) CITY will provide a copy of the source document for the Debit Entry within six (6) Business Days upon a written request from DEPOSITORY, and such copy will indicate that it is a copy on its face; (iv) the source document used for the Debit Entry will not be presented or returned such that any person will be required to make payment based on the source document; and (v) the source document will be destroyed within fourteen (14) days of the Settlement Date.

(e) Point of Purchase Debit Entries: With respect to any Debit Entry to a consumer account authorized pursuant to the Rules at a point-of-purchase Point of Purchase Entry ("POP"), CITY represents and warrants to DEPOSITORY as follows, to the extent not already represented and warranted herein: (i) CITY has provided the Receiver a receipt containing the information required in the Rules, including without limitation the city and state in which the electronic terminal for the point-of-purchase transaction was located; and (ii) the source document provided to CITY for use in obtaining the Receiver's routing number, account number, and check serial number for the initiation of the POP Entry has been returned voided to the Receiver after use by CITY and has not been provided by the Receiver for use in any prior POP Entry.

(f) CITY Representatives: The following individuals are authorized by CITY to initiate Entries, give instructions/authorization for debit/credit of CITY demand deposit account ("CITY Account") to be used for settling the transactions, make requests for cancellation or amendment of Entries and sign written requests therefore and authorize matters on CITY's behalf. These individuals are herein called "CITY Representatives":

	Authorization By Title
1	Chief Financial Officer
2	Finance Director
3	Assistant Finance Director-Accounting
4	Controller
5	Disbursements & Receivables Administrator
6	Financial Reporting Manager
7	Financial Reporting Manager

The above-CITY Representatives are also authorized to receive, on behalf of CITY, notification of returned or rejected Entries and any other notifications to be given by DEPOSITORY to CITY.

(g) Delivery of Entries by CITY: Entries shall be delivered to DEPOSITORY no later than 10:30 a.m. one (1) Business Day prior to their Effective Entry Date for One-Day Settlement, and no later than 6:00 p.m. two (2)

Business Days prior to their Effective Entry Date for Two-Day Settlement (in each case, the "Cutoff Time"). If Entries are delivered to DEPOSITORY after the Cutoff Time on a Business Day, DEPOSITORY may treat such Entries as having been received on the next following Business Day. Entries delivered to DEPOSITORY shall be prepared and submitted in compliance with the formatting and other requirements as set forth in the Rules.

CITY shall specify the date on which it desires each batch of Entries to be Settled (the "Effective Entry Date"). The Effective Entry Dates specified for all Entries must be Business Days. Entries shall be deemed delivered to DEPOSITORY when the applicable security procedures provided for with respect to submission as set forth herein have been complied with and the submission to DEPOSITORY is completed.

DEPOSITORY shall accept ACH transactions delivered via DEPOSITORY's On-Line Data System for next Business Day settlement up to 6:00 p.m. Transactions accepted after 6:00 p.m. shall be settled on the next following Business Day or a later date specified by CITY.

(h) Security Procedures: CITY and DEPOSITORY shall comply with the security procedures with regard to the delivery/transmittal of Entries and requests for cancellation or amendment of Entries by CITY to DEPOSITORY, as provided herein. DEPOSITORY reserves the right to enhance security procedures upon notice to CITY. Written notice must be given to CITY as soon as changes in security procedures occur.

(i) Customer Identification Code: DEPOSITORY will assign CITY a unique Customer Identification Code ("CIC"), which shall be used to verify communications from CITY to DEPOSITORY. DEPOSITORY will verify the CIC on all CITY ACH files transmitted to DEPOSITORY prior to release. In the event of any discrepancy in CITY's CIC, DEPOSITORY shall call a CITY Representative to verify the CIC.

(j) Transmittal Procedures: The following procedures shall be followed in transmitting Entries from CITY to DEPOSITORY:

(i) Transmittal by On-Line Data System Transmission to DEPOSITORY:

a. DEPOSITORY shall provide CITY access to the On-Line Data System for the transmission of ACH Entries.

(ii) Transmittal by Electronic Data Transmission to DEPOSITORY:

a. With respect to each file of Entries to be originated, CITY shall provide a transmittal letter to DEPOSITORY's Treasury Management Services Unit, via fax, and signed by a CITY Representative, containing the following: (1) CITY's name; (2) the total number of Entries to be originated; (3) the corresponding total dollar amount of such Entries; (4) the Settlement Date; and (5) CITY Account to be used for settling the transactions provided on the written authorization. The above information shall be delivered to the Treasury Management Services Unit on the date the Entry data is transmitted.

b. CITY shall send the transmission of Entry data to DEPOSITORY's Treasury Management Services Unit.

c. DEPOSITORY's Treasury Management Services Unit will call back CITY Representative, at the designated telephone number, to confirm and verify: (1) CITY's name; (2) the total number of Entries to be originated; (3) the corresponding total dollar amount of such Entries; (4) the Settlement Date; and (5) CITY Account to be used for settling the transactions included in the Entry data transmission, match the corresponding information shown in the written authorization.

DEPOSITORY shall also verify that the signature of CITY Representative appearing on the written authorization matches the specimen signature for that CITY Representative.

d. The Entry Data will be deemed delivered to DEPOSITORY when above steps have been complied with and the transmission is completed.

(k) Rejection of Entries: DEPOSITORY may reject any Entry (or group of Entries) which does not comply with, and/or is not delivered in accordance with, the requirements hereof, or which contains an Effective Entry Date more than five (5) Business Days after the Business Day such Entry is received by DEPOSITORY. DEPOSITORY shall have the right to reject any Entry for any reason for which an Entry may be returned under the Rules. DEPOSITORY shall have the right to reject any Entry if the Institution has failed to comply with its account balance obligations as provided herein. DEPOSITORY will notify CITY of any such rejection by any method of notification authorized under the Agreement, no later than the Business Day such Entry would otherwise have been transmitted by DEPOSITORY to the SWACHA. DEPOSITORY shall have no liability to CITY by reason of the rejection of any such Entry or the fact that such notice is not given at an earlier time than that provided for herein.

(l) Cancellation, Amendment or Correction of Entries: DEPOSITORY shall use reasonable efforts to act on a request for cancellation or amendment of an Entry received from CITY prior to DEPOSITORY's transmission of the Entry to the SWACHA or, in the case of an On-Us Entry, prior to DEPOSITORY's debit/credit of the Entry to a Receiver's account. If CITY discovers that an Entry initiated by or on its behalf was in error, CITY shall notify DEPOSITORY within twenty-four (24) hours after discovery of the error. If CITY requests correction of an erroneous Entry within four (4) Business Days following the Settlement Date of such Entry, DEPOSITORY shall initiate a correcting Entry through the SWACHA on behalf of CITY, in accordance with the Rules, however DEPOSITORY does not guarantee return of the subject funds. If CITY requests correction of an erroneous Entry more than four (4) Business Days following the Settlement Date of such Entry, DEPOSITORY shall utilize reasonable efforts to obtain return of the subject funds on behalf of CITY, consistent with the Rules, however DEPOSITORY does not guarantee return of the subject funds. All requests for cancellation, amendment of correction of Entries must be made by CITY in compliance with the security procedures for such requests as follows:

(i) CITY Representative shall call DEPOSITORY's Treasury Management Services Unit to give the instructions for cancellation or amendment of Entries or to give an authorization to DEPOSITORY; or DEPOSITORY's Treasury Management Services Unit may call a CITY Representative for an authorization. DEPOSITORY shall request, and CITY Representative shall provide CITY CIC, which shall be verified by DEPOSITORY.

(ii) Immediately thereafter, CITY shall transmit, to DEPOSITORY's Treasury Management Services Unit, a fax copy of a written request for such cancellations or amendments, or a written authorization of the matter authorized, signed by a CITY Representative.

(iii) DEPOSITORY shall verify that the signature of CITY Representative appearing on the faxed written request or authorization matches the specimen signature for that CITY Representative.

(iv) The request or authorization will be deemed received by DEPOSITORY when the aforementioned procedures have been performed.

(m) Returned Entries: DEPOSITORY will notify CITY of DEPOSITORY's receipt of a returned Entry (or group of Entries) from the SWACHA by faxing and mailing notice thereof to CITY no later than one (1) Business Day after the Business Day of such receipt, and will debit/credit, as applicable, the appropriate CITY Account for the returned Entry(s) and provide confirmation thereof to CITY. With respect to entries originated by DEPOSITORY for CITY which result in a credit to the Receiver's account and a debit to CITY Account ("Credit Entries"), DEPOSITORY will also notify CITY of such

returned Entry(s), by telephone, no later than one (1) Business Day after the Business Day DEPOSITORY receives the returned Entry(s) from the SWACHA. CITY and DEPOSITORY shall resubmit such Entry(s) in accordance with the procedures herein.

(n) Debits/Credits to CITY Account: CITY authorizes DEPOSITORY to debit CITY Account designated in the written authorization for the amounts of Credit Entries processed and transmitted for CITY on the designated Settlement Date for such Entries.

For Entries originated by DEPOSITORY which result in a debit to the Receiver's account ("Debit Entries"), DEPOSITORY shall credit the designated CITY Account for the amounts of Debit Entries processed for CITY on the Settlement Date for such Entries. Each credit to CITY's Account resulting from a Debit Entry is provisional until DEPOSITORY receives final settlement for such Entry, and DEPOSITORY may charge-back to CITY's Account the amount of any Debit Entry credited to CITY's Account for which DEPOSITORY does not, for any reason, receive final settlement.

CITY authorizes DEPOSITORY to credit CITY's Account for any amount received by DEPOSITORY by reason of the return or cancellation of any Credit Entry transmitted by DEPOSITORY for which DEPOSITORY has previously received payment (such credit to CITY's Account to be made on the date DEPOSITORY receives such amount), and to debit CITY's Account for the amount of any returned Debit Entry (such debit to CITY's Account to be made upon receipt by DEPOSITORY of the returned Entry), and to debit or credit, as applicable, CITY's Account for any amendments made to Entries or corrected Entries resubmitted.

(o) Software: DEPOSITORY and CITY acknowledge that DEPOSITORY offers a personal computer software program to assist CITY in transmitting transaction data in the proper format. CITY may use such software for formatting data or may use other data formatting software. If CITY chooses to use DEPOSITORY's software, it will be distributed to CITY as formatting directions, or shall be installed from a digital media. All use of DEPOSITORY's software is governed by the terms of this Contract. CITY agrees to erase such software relating to the services to the extent such software is stored in CITY's computers, and, at the request of DEPOSITORY, to return all copies of all items relating to the software which are in the possession of CITY. At DEPOSITORY's option, CITY may destroy all copies of all items relating to such software.

(p) Notifications of Change: DEPOSITORY shall notify CITY of all notifications of change received by DEPOSITORY relating to Entries transmitted by CITY by faxing or e-mailing as an attachment and mailing a copy of such notification of change to CITY no later that one (1) Business Day after DEPOSITORY's receipt thereof.

(q) Pre-Notification: Notwithstanding anything to the contrary in the Rules, CITY shall provide to DEPOSITORY, six (6) Business Days prior to initiation of any new Entry, a pre-notification record which shall include Receiver's name, identification number, account number, RDFI's routing transit number, and zero-dollar amount. If CITY's pre-notification record is rejected by a RDFI and CITY is so notified, CITY must correct the reason for rejection, resubmit another pre-notification record, and wait the prescribed six (6) Business Days before submitting any further Entries for the Receiver(s) in question.

(r) Data Retention: CITY shall retain data on file adequate to permit the remaking of Entries for one (1) year following the date of their transmittal by DEPOSITORY as provided herein, and shall provide such data to DEPOSITORY upon its request.

(s) Balance Requirement: CITY shall maintain in CITY's Account designated for settling transactions a balance of collected funds sufficient at any time to cover the amounts then to be debited to CITY's Account pursuant to this Contract. If there are not sufficient collected funds on deposit in CITY Account to cover the total amount then to be debited for such Entry(s), then DEPOSITORY may, but is not obligated to, debit CITY Account into overdraft, and CITY agrees to remunerate DEPOSITORY for fees DEPOSITORY may assess in the event of an overdraft not to exceed the amount of the overdraft plus interest (as shown in Exhibit I) for the period of time that the overdraft is in effect. Such remuneration for

the overdraft shall be paid by means of the compensating balance and reported on the monthly account analysis statement.

(t) Account Reconciliation and Reporting of Discrepancies: The amounts of Debit Entries and/or Credit Entries transmitted by DEPOSITORY or debited/credited to a Receiver's account at DEPOSITORY will be reflected on the periodic statements issued by DEPOSITORY with respect to CITY's Account. CITY shall notify DEPOSITORY promptly of any discrepancy between CITY's records and the information shown on any periodic statement.

3.01.04 Incoming Wires: DEPOSITORY shall provide for the receipt of wire transfers Monday through Friday, with a deadline of 5:00 p.m. central time for same day credit.

3.01.05 Internal Account Transfers: DEPOSITORY shall provide for the execution of internal account transfers via the online data system Monday through Friday, with a deadline of 5:00 p.m. central time.

3.01.06 Alternative Centralized Collection: DEPOSITORY and CITY will review the possible implementation of alternative centralized collection services should the need arise. CITY and DEPOSITORY acknowledge that any requirements, procedures, and any other actions necessary on behalf of CITY and DEPOSITORY to initiate these services may be phased-in during the term of this Contract, or during the extension and renewal hereof, if any, at the sole discretion of CITY.

3.01.07 Deposit Supplies: DEPOSITORY shall provide supplies, and/or process for ordering supplies through the dedicated contact representative. Frost will pay the invoice and charge the expense to the account analysis. Deposit bags and endorsement stamps are free for the entire Contract term.

3.01.08 Virtual Banking: DEPOSITORY and CITY will review the possible implementation of Virtual Banking. CITY and DEPOSITORY acknowledge that any requirements, procedures, and any other actions necessary on behalf of CITY and DEPOSITORY to initiate these services may be phased-in during the term of this Contract, or during the extension and renewal hereof, if any, at the sole discretion of CITY.

3.02 Disbursement Services: CITY utilizes various mechanisms to make payment on its various obligations. As with the collections process, the efficiency of CITY's financial operation is enhanced by the effective disbursement services provided by DEPOSITORY. DEPOSITORY's responsibilities will include, but not be limited to, the timely processing of disbursements, implementation and exercising of prudent security measures, provision of easily reconcilable data and information and prompt reporting to CITY.

3.02.01 Check Disbursements: DEPOSITORY acknowledges that all checks deposited are converted to image documents.

3.02.02 Funds Transfer Services (Wire Transfers): CITY may send to DEPOSITORY, on a Business Day during operating hours, requests to transfer funds. DEPOSITORY (i) shall transmit funds transfer requests in accordance with instructions provided by CITY and the security procedures contained herein; and (ii) accept and deposit to CITY's credit transfers designated for receipt by CITY, in accordance with instructions provided by CITY and the security procedures contained herein.

(a) Funds Transfer (Wire Transfer) Deadlines: DEPOSITORY shall provide a Funds Transfer Deadline of 3:00 p.m. on Banking Days for Special Written Transfer Requests ("Letter") and telephone initiated wires; and 4:00 p.m. on Banking Days for wire transfers processed through DEPOSITORY's On-Line Data System.

(b) Authorizations for Funds Transfer and Notification of the Receipt of Funds: CITY shall designate individuals authorized by CITY to initiate transfers of funds from designated CITY Account,

receive notification of the receipt by DEPOSITORY of fund transfers designated for credit to CITY ("Incoming Funds Transfer"), give instructions and authorization for debit/credit of CITY Account to be used for settling the transfers, and make requests for, or receive notification of, the rejection, cancellation or amendment of such transfers and sign written requests therefor. These individuals are herein called "CITY Authorized Persons".

Such CITY Authorized Persons are included below by title in the preferred order in which they should be notified:

Authorized Person	R	N	P	C
Investment Officer			X	X
Investment Officer			X	X
Banking Officer			X	X
Financial Manager			X	X
Financial Administrator			X	X
Assistant Finance Director - Financial Services			X	X
Disbursements & Receivable Administrator	X		X	X
Controller	X		X	X
Financial Reporting Manager	X		X	X
Financial Reporting Manager	X		X	X
Assistant Finance Director - Accounting	X		X	X
Finance Director	X		X	X
Chief Financial Officer	X		X	X

(CODES)

R - Repetitive Wire Transfer Inititation
N - Non-Repetitive Wire Transfer Initiation
P- Notification on incoming wires
C- Callback

CITY agrees to notify DEPOSITORY, in writing, of any change in CITY personnel authorized to execute documents and perform certain functions in accordance with the Contract. If deemed necessary by DEPOSITORY, CITY agrees to execute and provide revised signature cards.

(c) Transfer Request Procedures: CITY and DEPOSITORY shall comply with the following procedures when initiating Funds Transfers from any of CITY's Accounts with DEPOSITORY listed on the Authorization for the Transfer and Notification of the Receipt of Funds to any other CITY Account with DEPOSITORY, or to an account at another banking institution.

(i) Repetitive Transfers. A Repetitive Transfer is a funds transfer request which is made routinely with instructions remaining constant except for changes in the date and dollar amount. Repetitive Transfers are set up in advance with a unique message code, referred to herein as the "Repetitive Number".

DEPOSITORY shall provide for repetitive transfers via DEPOSITORY's On-Line Data System and provide CITY with instructions, manuals, and/or procedures for executing and initiating such processes:

a. CITY Authorized Person shall set-up repetitive templates and CITY agrees to notify DEPOSITORY, of any change in information included on templates in a timely manner.

Depository shall provide for a manual process for transfers requests:

a. CITY Authorized Person shall provide DEPOSITORY with the following information: (1) CITY's name; (2) CITY Authorized Person name; (3) CITY Account(s) with DEPOSITORY from which funds are to be drawn; (4) Amount to be transferred; and (5) Repetitive Number.

b. DEPOSITORY shall call a CITY Authorized Person to verify the above information, CITY's CIC and CITY Authorized Person PIN.

c. DEPOSITORY shall notify CITY Authorized Person of the execution of each Repetitive Transfer request no later than the end of the Business Day such request was executed.

If CITY Authorized Person fails to notify DEPOSITORY at such time of any discrepancy between the information provided by such CITY Authorized Person and the information DEPOSITORY quoted back to such CITY Authorized Person, DEPOSITORY may not be liable for any loss or liability resulting from such discrepancy.

If for any reason CITY Authorized Person is unable to provide correct Security Codes, DEPOSITORY shall call a different CITY Authorized Person to authenticate the transfer request. If DEPOSITORY is unable to secure an authentication, DEPOSITORY may delay executing the transfer request, pending authentication.

(ii) Non-Repetitive Transfers. A funds transfer request, other than those included as Repetitive Transfers, shall be defined herein as "Non-Repetitive Transfers".

a. CITY Authorized Person shall provide DEPOSITORY with the following information: (1) CITY's name; (2) CITY Authorized Person name and PIN; (3) CITY Account(s) with DEPOSITORY from which funds are to be drawn; (4) Amount to be transferred; (5) Entity to which funds are to be transferred; and (6) Name of receiving party, account number and wire instructions.

b. DEPOSITORY shall call a CITY Authorized Person at a designated telephone number to verify the above information, CITY's CIC and CITY Authorized Person PIN.

c. DEPOSITORY shall notify CITY Authorized Person of the execution of each Non-Repetitive Transfer request no later than the end of the Business Day such request was executed.

If CITY Authorized Person fails to notify DEPOSITORY at such time of any discrepancy between the information provided by such CITY Authorized Person and the information

DEPOSITORY quoted back to CITY Authorized Person, DEPOSITORY may not be liable for any loss or liability resulting from such discrepancy.

DEPOSITORY shall call a CITY Authorized Person, other than the CITY Authorized Person initiating the request, to authenticate the information and to verify CITY CIC and CITY Authorized Person PIN. If DEPOSITORY is unable to secure an authentication, DEPOSITORY may delay executing the transfer request, pending authentication.

At the time DEPOSITORY secures an authentication, all information provided by CITY Authorized Person who initiated the request will be quoted back to the CITY Authorized Person who is authenticating the transfer for verification. If that CITY Authorized Person fails to notify DEPOSITORY at such time of any discrepancy between the information provided by the original CITY Authorized Person and the information DEPOSITORY quoted back to such CITY Authorized Person, DEPOSITORY may not be liable for any loss or liability resulting from such discrepancy.

(iii) Special Written Transfer Requests. A special written transfer request is required to effectuate certain transactions that are not covered under Repetitive and Non-Repetitive transfer instructions.

a. CITY Authorized Person shall provide DEPOSITORY a written transfer request, signed by a CITY Authorized Person, not later than 3:00 p.m. on the same business day as the wire transfer date, with the following information: (1) CITY's name; (2) CITY Authorized Person name; (3) CITY Account(s) with DEPOSITORY from which funds are to be drawn; (4) Amount to be transferred; (5) Date and time by which wire transfer must be executed; (6) Entity to which funds are to be transferred; and (7) Name of receiving party, account number and wire instructions.

b. DEPOSITORY shall notify CITY Authorized Person of the execution of each Special Written Transfer Request not later than the deadline time stated above.

(iv) Incoming Funds Transfer. CITY and DEPOSITORY shall comply with the following procedures on such occasions as DEPOSITORY notifies CITY of the receipt by DEPOSITORY of fund transfers designated for credit to CITY:

a. DEPOSITORY shall call a CITY Authorized Person and request CITY's Authorized Person's PIN, which shall be verified by DEPOSITORY.

b. Once DEPOSITORY confirms appropriate PIN, then DEPOSITORY will provide CITY Authorized Person with the following information: (1) Entity from which funds are being transferred; (2) Amount being transferred to CITY Account(s) with DEPOSITORY; (3) Time of receipt of wire transfer; and (4) Federal Reserve Reference Number.

c. CITY Authorized Person shall quote back to DEPOSITORY the above information for verification by DEPOSITORY.

If DEPOSITORY fails to notify CITY Authorized Person at such time of any discrepancy between the information provided by DEPOSITORY and the information CITY Authorized Person quoted back to DEPOSITORY, DEPOSITORY shall be liable for any loss or liability resulting from such discrepancy.

(d) Daylight Overdraft Policy: When a funds transfer is initiated and the funds transfer request exceeds the collected balance in CITY's designated account, DEPOSITORY will immediately contact CITY Authorized Person. DEPOSITORY shall approve the wire for release at no additional cost to the CITY.

(e) Rejection of Transfer Requests: DEPOSITORY may reject any funds transfer request (a) for which DEPOSITORY was not able to obtain authentication as stated herein; (b) which is not in accordance with any condition indicated by CITY and agreed to by DEPOSITORY; or (c) which is not in accordance with any other requirements as stated herein. DEPOSITORY shall notify CITY of any such rejection by DEPOSITORY on the Business Day such transfer request was otherwise to be executed by DEPOSITORY.

(f) Cancellation, Amendment, or Correction of Transfer Requests: If CITY requests a reversal, adjustment, or revocation of a transfer request, DEPOSITORY shall use reasonable efforts to recover the funds from the transferee, using whatever steps DEPOSITORY deems appropriate. DEPOSITORY shall use reasonable efforts to act on a request for cancellation, amendment or correction of a Repetitive, Non-Repetitive, and/or Special Written transfer request received from CITY prior to DEPOSITORY's transmission of the request.

All requests for reversal, adjustment, revocation, cancellation, amendment or correction of transfer requests made by CITY shall comply with the security procedures for such requests as follows:

(i) CITY Authorized Person shall call DEPOSITORY to give the instructions for reversal, adjustment, revocation, cancellation, amendment or correction of the transfer request. DEPOSITORY shall request, and CITY Authorized Person shall provide, the CITY CIC, CITY Authorized Person PIN, and/or Repetitive Number, as applicable, which shall be verified by DEPOSITORY.

(ii) Immediately thereafter, CITY Authorized Person shall transmit to DEPOSITORY a fax or email copy of a written request for such reversal, adjustment, revocation, cancellation, amendment or correction, signed by a CITY Authorized Person.

(iii) DEPOSITORY shall verify that the signature of CITY Authorized Person appearing on the written request or authorization matches the specimen signature for that CITY Authorized Person.

(iv) The request or authorization will not be considered received by DEPOSITORY until the aforementioned procedures have been completed.

(v) The original copy of the written request or authorization, signed by a CITY Authorized Person, shall be mailed or sent by courier to DEPOSITORY within twenty-four (24) hours after transmittal.

If DEPOSITORY is responsible for the cancellation, amendment or correction of a Repetitive, Non-Repetitive, and/or Special Written Transfer Request, DEPOSITORY shall use reasonable efforts to recover the funds from the transferee, using whatever steps DEPOSITORY deems appropriate. DEPOSITORY shall immediately notify CITY in writing of such cancellation, amendment or correction and resolution. There will be no additional cost to CITY for recovery funds or correction of funds transfer.

(g) Confirmation Advice and Statement: DEPOSITORY will send to CITY an electronic confirmation advice of each funds transfer request executed ("Advice"). DEPOSITORY will email via secure methods such Advice to the designated CITY representative on a monthly basis within seven (7) Business Days after the close of business of the last day of each month each transfer request or Incoming Funds Transfer.

DEPOSITORY will assign an internal reference number to each executed funds transfer request. This internal reference number as well as the Fed Reference number will appear on the Advice. Only the DEPOSITORY's internal reference number will appear on the periodic account statements sent to CITY. All correspondence relating to a specific funds transfer request must include the reference number assigned to such funds transfer request.

Executed funds transfer requests will be reflected on CITY's periodic account statement. CITY shall notify DEPOSITORY as soon as possible of any discrepancy or any other objections of any type or nature between CITY's records and any Advice or periodic account statement. If CITY fails to notify DEPOSITORY of any such discrepancy or objection within thirty (30) days following receipt of the Advice or account statement, whichever is sooner, DEPOSITORY may not be liable for any loss or liability with respect to such discrepancies or objections.

(h) Changes: From time to time, CITY may, through written notice to DEPOSITORY, make changes that are acceptable to both parties to the following: (a) accounts from which funds transfers may be made; (b) CITY Authorized Persons; (c) conditions stated on the Authorization For Funds Transfer and Notification of the Receipt of Funds; (d) the instructions for Repetitive Transfers; and (e) other information. DEPOSITORY may rely on the information previously supplied by CITY until DEPOSITORY receives the written notice, signed by CITY duly authorized officer(s) of any changes. Changes, additions, and deletions will become effective at such time as DEPOSITORY receives such written notice sent through certified mail, or otherwise as stated in CITY's notice to DEPOSITORY.

(i) Funds Transfers Security Procedures: CITY and DEPOSITORY shall comply with the security procedures as contained herein with regard to (i) effectuating transfers from any of CITY's Accounts with DEPOSITORY to any other CITY Account with DEPOSITORY or to an account at another banking institution; (ii) notification of incoming funds transfer; and (iii) cancellation, amendment, or correction of transfer requests. DEPOSITORY reserves the right to enhance security procedures upon notice to CITY. Written notice must be given to CITY as soon as changes in security procedures occur.

(j) Recorded Line: CITY understands that DEPOSITORY may electronically record telephone conversations between CITY Authorized Persons and DEPOSITORY. The decision to record any telephone conversation shall be solely within DEPOSITORY's discretion, and DEPOSITORY shall have no liability for failing to do so.

(k) Security Codes: DEPOSITORY will assign to CITY a unique CIC and a unique and confidential PIN, for each CITY Authorized Person, for his/her use in verifying communications from CITY to DEPOSITORY. DEPOSITORY will provide the CIC, PIN(s), and Repetitive Number, referred to collectively herein as "Security Codes", to CITY, by certified mail. CITY Authorized Persons shall maintain the confidentiality of Security Codes, and shall not allow disclosure thereof to any person not authorized to act on CITY's behalf and shall not share security codes.

CITY shall immediately notify DEPOSITORY of any breach of security discovered with respect to its Security Codes and DEPOSITORY will remove the Security Codes from DEPOSITORY's records, and issue new Security Codes to CITY. If such notice to DEPOSITORY is given orally, a fax or email confirmation thereof shall immediately thereafter be transmitted to DEPOSITORY, with the original written confirmation thereof to be sent to DEPOSITORY within twenty-four (24) hours thereafter. DEPOSITORY may rely fully upon verification of communications by use of the Security Codes assigned to CITY until such time as CITY has given DEPOSITORY actual notice of a breach of security with respect to such Security Codes.

DEPOSITORY reserves the right to change these Security Codes upon notice to CITY. Written notice must be given to CITY as soon as this change occurs.

3.03 Currency Services: In coordination, with and as instructed by CITY, DEPOSITORY shall supply CITY's cash collection and point-of-sale sites with appropriate amounts of cash and coins to conduct cash transactions. CITY currently utilizes CITY personnel and armored courier service to pick-up and deliver cash to CITY sites. CITY may elect to enter into an agreement with DEPOSITORY, for DEPOSITORY to arrange the pick-up and delivery of currency to CITY collection and point-of-sale sites. Currency Services to be provided include the following:

(i) Furnish strapped currency.
(ii) Furnish rolled coins.
(iii) Deliver strapped currency and rolled coins to the collections and point-of-sale sites.
(iv) Pick-up and process currency.

3.04 Account Reconciliation: DEPOSITORY shall assist CITY in the execution of its fiduciary responsibilities through the provision of timely and reader-friendly reports required for the accurate reconciliation of CITY's financial transactions. DEPOSITORY shall assist CITY in review, evaluation and implementation methodologies that will enhance the efficiency and productivity of the reconciliation and account analysis process.

3.05 Cash Management: DEPOSITORY shall assist CITY in the review and evaluation of information, processes, methodologies, vehicles and devices to be provided by DEPOSITORY to CITY that will enhance CITY's cash management efforts. This may include, but not be limited to, utilization of cash management vehicles such as controlled disbursements, zero balance accounts, automated sweep account investments, money market mutual funds, and other available overnight and short-term investment vehicles to be provided by DEPOSITORY.

3.05.01 Controlled Disbursements: DEPOSITORY agrees to provide a cash management service which enables DEPOSITORY to timely transfer the exact amount of funds to the disbursement account from the operating account, to cover accounts payable checks which are presented for payment on a daily basis.

DEPOSITORY shall notify CITY of the amount required to fund CITY's Accounts listed below:

Account Styling
City of San Antonio Controlled Disbursement – Operating Account

(i.) DEPOSITORY agrees to notify CITY of the aggregate amount of all checks and other Items drawn and/or payable against the Controlled Disbursement – Operating Account, which will post to the Controlled Disbursement – Operating Account that night, and DEPOSITORY shall use its best efforts to notify CITY no later than 11:00 a.m. Central Time, on each Business Day.

(ii.) On each Business Day, DEPOSITORY shall transfer, or cause to be transferred to the Controlled Disbursement – Operating Account, readily available funds in an amount sufficient to pay the aggregate amount of all checks and other Items drawn and/or payable against Controlled Disbursement – Operating Account which will post to the Controlled Disbursement – Operating Account on each such Business Day.

(iii.) The format and size of all checks printed by CITY or by an independent printer at the request of CITY shall be approved by DEPOSITORY prior to use. All checks drawn against the Controlled Disbursement – Operating Account must include the following information on its face:

The Frost National Bank
Corpus Christi Center
Transit No. 1149-2322-2

3.05.02 Zero Balance Accounts Services: DEPOSITORY agrees to provide a cash management service which enables DEPOSITORY to keep designated CITY accounts at zero-balances "ZBA Accounts" and provides for automatic close of business transfers from a designated CITY concentration account to the ZBA accounts.

(i.) DEPOSITORY shall link a Level One checking account designated by CITY to one or more lower level checking accounts also designated by CITY for a maximum of 99 accounts.

(ii.) CITY shall designate the initial Level One and lower level checking accounts by separate notice to DEPOSITORY executed contemporaneously with the execution of this Contract.

(iii.) Revised designations of the Level One and/or the lower level checking accounts may be submitted by CITY to DEPOSITORY during the term of this Contract by written notice from CITY to DEPOSITORY delivered in accordance with the notice provisions of this Contract.

(iv.) A balance is not required to be maintained in any lower level account, unless CITY specifies a determined amount in the initial or subsequent designation of lower level accounts delivered to DEPOSITORY as provided above.

Accounts to be linked together under zero balance service arrangements are as follows:.

Level 1 (Ultimate Funding) Account: City of San Antonio Operating Account

Level 2 Accounts: To be provided during the mock transition/implementation process

(v.) At the close of business each working day, excepting bank holidays, DEPOSITORY will initiate a credit or debit to each lower level account equal to the day's net balance in order to bring the balance back to the pre-determined balance (zero or specific amount, as applicable) and a corresponding debit or credit shall be applied to the higher level account as each lower level account's net balance warrants.

(vi.) In addition to the regular checking account statements for all accounts, which will be provided in accordance with applicable provisions of this Contract, and which will reflect all transfers described above, DEPOSITORY will provide CITY in electronic format acceptable to CITY an information report documenting inter-account transfers for those accounts linked under a zero balance accounting arrangement that will reflect all such transfers on a daily basis.

(vii.) CITY will maintain sufficient balance in the Level One Account or deposited in one or more of the lower level accounts and transferred on a same day basis to the Level One account to cover all disbursements presented for payment against any account within the zero balance accounting arrangement.

3.05.03 Automated Sweep Accounts: DEPOSITORY agrees to provide a cash management service which enables DEPOSITORY to sweep excess funds in designated CITY accounts into a money market mutual fund or a Repurchase Agreement on a daily basis.

(i.) CITY shall authorize DEPOSITORY to sweep excess funds in designated accounts into a Money Market Mutual Fund or Repurchase Agreement to be determined by CITY. Prior to implementing this service, CITY shall open a Brokerage account or sign a Repurchase Agreement and designate the authorized investment.

(ii.) CITY shall authorize DEPOSITORY to maintain a target collected balance of an amount to be determined. Such amount shall periodically change based on written notification provided to DEPOSITORY by CITY.

(iii.) Each day DEPOSITORY will move excess funds into the appropriate investment.

(iv.) The amount of CITY's investment will be memo posted each day to allow CITY funds availability for wire transfers, check cashing and other needs. The sweep transaction will appear on the Intra-Day and Previous Day Detail Reports on DEPOSITORY's On-Line Data System.

3.06 Financial Safeguards: DEPOSITORY shall assist CITY in implementing state-of-the-art security measures to protect the CITY from fraudulent or negligent acts.

3.06.01 Positive Pay: DEPOSITORY agrees to provide services in coordination with CITY to prevent, to the extent possible, fraudulent check cashing activities. Positive Pay services shall be utilized on various accounts. DEPOSITORY and CITY acknowledge and agree that CITY may amend these provisions to phase in or delete accounts, as deemed appropriate by CITY.

DEPOSITORY shall provide services for the City to transmit positive pay files utilizing the DEPOSITORY's On-Line Data System.

DEPOSITORY shall provide services for the City to transmit positive pay files utilizing the DEPOSITORY's FTP protocol system.

(i.) CITY agrees to deliver or transmit the serial number, amount, date issued and status of each check, by account number, to DEPOSITORY, in the format specified by DEPOSITORY. Data received by 6:00 p.m. each Business Day will be used to verify a check posting to the account that day, except for Items cashed by a teller at DEPOSITORY. Although a teller-cashed Item will appear on CITY's exception report the next morning, the Item(s) will be posted to CITY's account. Data transmitted to the Bank will update the On-Line teller file on an hourly basis in order for issued check data to be matched against DEPOSITORY's On-Line teller file the same business day as the checks are issued.

(ii.) DEPOSITORY shall maintain all issued Items at DEPOSITORY.

(iii.) DEPOSITORY shall provide an exception listing to CITY for review by 10:00 a.m. each Business Day on its On-Line Data System. Any Items which CITY desires to be paid must be confirmed by the online data system by noon the same Business Day, or such other number as may be provided to CITY by DEPOSITORY in said exception listing. If no response from

CITY is received by DEPOSITORY by this time, all exceptions will be returned "Refer to Maker". DEPOSITORY shall not check exceptions against previously cleared Items.

(iv.) CITY Representatives are authorized to approve Items to be paid under this subsection, in accordance with Section 3.01.03.

(v.) Items presented through ECP will be matched against the issued check file. Note that the serial number on CITY's issued check file must match the serial number on the MICR line of CITY's checks. A starting serial number must be disclosed for each account. CITY acknowledges that any stop payment issued on a check will supersede any Positive Pay instructions to reduce rejects during the first month of service. Additions and deletions by telephone must be followed by a facsimile transmission signed by the authorized signer(s) and are not effective until the next Business Day. DEPOSITORY shall offer a PC software program and web-based system, at no charge, to assist CITY in transmitting issued check data in the proper format.

(vi.) DEPOSITORY's Teller Operations will make every reasonable effort to check the Positive Pay issued check file before paying a check. However, if the On-Line file is unavailable for review, DEPOSITORY tellers will continue to process Items and not check the file.

(vii.) DEPOSITORY will make every reasonable effort to check CITY's Positive Pay file before paying an Item on the above-mentioned checking accounts(s). CITY agrees that DEPOSITORY is not liable for paying any Items except in the case of fraud or collusion.

3.06.02 ACH Blocking: DEPOSITORY shall provide CITY with the ability to block debit or credit entries on CITY accounts to reduce the risk of unauthorized ACH transactions.

3.06.03 Data Transmission: DEPOSITORY shall provide City with secure systems and mechanisms in which to transmit data to and from DEPOSITORY.

3.07 Disaster Preparedness Process: DEPOSITORY shall annually perform disaster recovery tests. DEPOSITORY shall provide various procedures for the recovery of systems and applications, uninterrupted payrolls, receivables, payables, alternate sites for operations, and other such critical issues that could be implemented during an event.

3.08 Collateral: Except as otherwise expressly defined herein, all terms used herein which are defined in the Uniform Commercial Code as in effect from time to time in Texas (the "Code") have the same meaning herein as in the Code. All other terms capitalized but not defined herein or in the Code have the meanings assigned to them in the Depository Contract. The definitions included as (i) through (xi) below shall refer only to Section 3.08.01 Collateral Requirements.

(i) Account. shall mean the separate custodial account established with CUSTODIAN in the name of DEPOSITORY and for the benefit and subject to the control of CITY as secured party in accordance with this Agreement.

(ii) Authorized Person. shall be any officer of CITY or DEPOSITORY, as the case may be, duly authorized to give Written Instructions on behalf of CITY or DEPOSITORY, respectively, such authorized persons for CITY to be designated in a certificate substantially in the form of Section 9.07, as such section may be amended from time to time, or as designated in such other forms as may be prescribed by the DEPOSITORY.

(iii) Book-Entry System. shall mean the Federal Reserve/Treasury Book Entry System for receiving and delivering U.S. Government Securities.

(iv) Business Day. The term "Business Day", as used herein, shall mean a day on which the CUSTODIAN and DEPOSITORY is open for business and on which the Book Entry System is open for business.

(v) CUSTODIAN. shall mean The Federal Reserve Bank.

(vi) Deposits. shall mean all deposits by CITY in DEPOSITORY, including all accrued interest thereon.

(vii) Market Value. shall mean (i) with respect to any Security held in the Account, the value of such Security as made available to DEPOSITORY or CUSTODIAN by a generally recognized source selected by the DEPOSITORY or the CUSTODIAN plus, if not reflected in the value, any accrued interest thereon, or, if such source does not make available a value, the value shall be as determined by CUSTODIAN or the DEPOSITORY in its sole discretion based on information furnished to CUSTODIAN or DEPOSITORY by one or more brokers or dealers and (ii) with respect to any cash held in the Account, the face amount of such cash.

(viii) Proceeds. shall mean any principal or interest payments or other distributions made in connection with Eligible Collateral as defined in Section 3.08.04 and anything acquired upon the sale, lease, license, exchange, or other disposition of Eligible Collateral.

(ix) Security or Securities. shall include any securities referenced in Section 3.08.04.

(x) Trust Receipt. shall mean evidence of receipt, identification, and recording, including a written or electronically transmitted advice or confirmation of transaction or Account statements. Each advice or confirmation of transaction shall identify the specific securities which are the subject of the transaction. Account statements will be provided by the DEPOSITORY or the CUSTODIAN at least once each month and when reasonably requested by the CITY, and must identify all Eligible Collateral in the Account and the Market Value thereof.

(xi) Uninsured Deposits. shall mean that portion of CITY's Deposits with DEPOSITORY which exceeds the insurance coverage available from the FDIC.

(xii) Written Instructions. shall mean written communications actually received by DEPOSITORY or CUSTODIAN from an Authorized Person by a fax or email whereby the receiver of such communications is able to verify such communications.

3.08.01 Collateral Requirements (Level): CITY's deposits at all times must be fully secured by a combination of FDIC Insurance coverage, or other Federal insurance, and collateral, acceptable to CITY, at 102% of the amount of Uninsured Deposits, in accordance with the provisions of the Public Funds Collateral Act (Chapter 2257, Texas Government Code). CITY's collateral requirements are approximately $15,000,000 to $100,000,000, at certain times of the year, depending upon the volume of revenue receipts and the timing of cash on hand required for large disbursements such as debt service payments. These collateral requirements may be minimized, depending on the DEPOSITORY services available and other means of securing CITY's funds through overnight and short-term investments and/or the timely maturity of investments coincident with large disbursements. Collateral deposits must be placed in the custody of a third-party institution, which (i) meets the requirements as set forth in Chapter 2257, Texas Government Code; (ii) meets the requirements as set forth in Section X; and (iii) customarily provides such custodial services.

3.08.02 Security Requirements: DEPOSITORY, to secure the timely payment of Uninsured Deposits heretofore or hereafter made by CITY, shall deposit with CUSTODIAN certain Securities as more fully described in the initial confirmation or Trust Receipt of such deposit delivered by CUSTODIAN to DEPOSITORY and CITY respectively. Pursuant to the Code, the CUSTODIAN shall act as a bailee or agent of the CITY and, to the extent not inconsistent therewith, shall hold Securities as a securities intermediary (as such term is defined in Chapter 8 of the Code) in accordance with the provisions hereof, of the Contract, and of any agreement entered into with the CUSTODIAN further governing the provision of security by the DEPOSITORY for Uninsured Deposits.

(i) To secure the timely payment of Uninsured Deposits heretofore or hereafter made by CITY with DEPOSITORY, DEPOSITORY agrees to deliver or cause to be delivered to CUSTODIAN for transfer to the Account, Eligible Collateral having a Market Value equal or greater than the Collateral Requirement.

(ii) At no time shall the amount of Securities deposited with the CUSTODIAN as collateral for CITY's Uninsured Deposits be less than the amounts required and provided for in Section 3.08.01.

(iii) If on any Business Day, the aggregate Market Value of the Eligible Collateral provided pursuant to this Contract exceeds the Collateral Requirement for such day, CUSTODIAN shall, at the direction of DEPOSITORY and with the approval of CITY, transfer from the Account to or for the benefit of DEPOSITORY, Eligible Collateral having a Market Value no greater than such excess amount.

(xiii) The DEPOSITORY shall be entitled to income on Securities held by the CUSTODIAN in the Account, and the CUSTODIAN may dispose of such income as directed by DEPOSITORY without approval of CITY, to the extent such income is not needed to meet the Collateral Requirement.

3.08.03 Valuation of Collateral: The Market Value with respect to any Securities as of any date, and priced on such date, will be obtained, by DEPOSITORY, from an industry recognized third party market pricing source.

On each Business Day, DEPOSITORY shall monitor and confirm that the Securities are sufficient to meet CITY's collateral requirements as stated in and required by this Contract.

3.08.04 Eligible Collateral: CITY shall accept as collateral the following types of securities:

(i) Direct Obligations of the United States of America that are fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

(ii) Obligations of the United States of America, its agencies or instrumentalities.

(iii) Direct obligations of the State of Texas or its agencies and instrumentalities rated as to investment quality by a nationally recognized investment rating firm not less than "AA" or its equivalents.

(iv) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities rated as to investment quality by a nationally recognized investment rating firm not less than "AA" or its equivalents.

(v) Obligations of states, agencies, counties, cities and other political subdivisions of any state instrumentalities rated as to investment quality by a nationally recognized investment rating firm not less than "AA" or its equivalents.

(vi) Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, that are fully guaranteed by United States Government Agencies as to principal and interest, and are not subordinated to any other obligations by the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. Collateralized mortgage obligations shall not include: (a) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (b) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest; (c) collateralized mortgage obligations that have a stated final maturity date of greater than ten (10) years; and (d) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

(vii) Certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in paragraphs (i) through (vi) above or in any other manner and amount provided by law.

(viii) Certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in paragraphs (i) through (vi) above, or in any other manner an amount provided by law.

(ix) Fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in paragraphs (i) and (ii) above, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or financial CITY doing business in the State of Texas.

3.08.05 Substitution & Release of Collateral: DEPOSITORY understands and agrees that City has the right to change the list of Eligible Collateral in Section 3.08.04 by providing DEPOSITORY with a replacement list of acceptable Securities. DEPOSITORY agrees to comply with the replacement list of acceptable Securities within thirty (30) days of receipt of such written notice of substitution and provided the Market Value of the substituted securities and other pledged securities will provide full collateral valuation in accordance with Section 3.08.01.

DEPOSITORY shall have the right to sell or dispose of any one (1) or more of the approved Securities so deposited with the CUSTODIAN and substitute for the sold or disposed of Securities, with the prior approval of the CITY, through its Chief Financial Officer or his designee, other approved securities that will provide for full collateralization in accordance with Section 3.08.01.

In the event that the aggregate Market Value of the Securities deposited with the CUSTODIAN as collateral for the CITY's deposited funds exceeds the required value as provided for in Section 9.02, DEPOSITORY may withdraw any excess collateral by providing the CUSTODIAN with a withdrawal notice signed by an Authorized Person of both DEPOSITORY and CITY. The Director of Finance or his designee shall have authority to release and/or substitute Securities pledged as collateral.

For any changes made to the Securities held in the Account due to releases, substitutions, or additions of

Eligible Collateral, the CUSTODIAN shall update its records of the Account accordingly as soon as possible and promptly issue a Trust Receipt to the CITY and DEPOSITORY.

3.08.06 Receipt of Collateral by Custodian: DEPOSITORY shall ensure that upon receipt of collateral pledged for the deposit of CITY funds, CUSTODIAN shall immediately identify on its books and records the pledge of the collateral to CITY and CUSTODIAN shall immediately issue and deliver the original Trust Receipt to CITY for all such collateral pledged to CITY. All such receipts shall be clearly marked as being pledged to CITY.

3.08.07 Security Interest in Pledged Collateral: Parties hereto acknowledge and understand that a security interest is created, attaches and is perfected for all purposes under Texas law from the time that the Custodian identifies the pledge of the security on the Custodian's books and records, and issues and delivers the safekeeping or trust receipt to CITY. Both parties hereto also acknowledge and understand that a security interest in pledged collateral remains perfected in the hands of a subsequent CUSTODIAN.

3.08.08 Delivery of Securities: DEPOSITORY and CITY hereby authorize CUSTODIAN on a continuous and ongoing basis to deposit in the Book Entry System all Securities that may be deposited therein and to utilize the Book Entry System in connection with its performance hereunder. Securities credited to the Account and deposited in the Book Entry System will be represented in accounts that include only assets held by CUSTODIAN or its agent(s) for third parties, including but not limited to accounts in which assets are held in a fiduciary, agency, or representative capacity.

3.08.09 Other Security Interest Prohibited: DEPOSITORY covenants, agrees and represents to CITY that no other security interest has been, nor will be, granted in the collateral utilized to collateralize CITY's Deposits.

3.08.10 Collection of Securities: If CITY certifies in writing to CUSTODIAN that (a) DEPOSITORY is in default under this Contract and (b) CITY has satisfied any notice or other requirement to which CITY is subject pursuant to the Contract, then CITY may give CUSTODIAN Written Instructions to:

(i) transfer specific amounts and Securities held in the Account and, if applicable, specific amounts of the Proceeds held in the Account which have not previously been released to DEPOSITORY, to designated accounts of CITY and

(ii) cease releasing to an account of DEPOSITORY any Proceeds reflecting interest and principal on Securities in the Account.

3.09 Trust Services: DEPOSITORY shall provide those trust services as required by CITY, to include effectuating payment for purchased securities, and providing custodial service for the delivery of securities purchased by CITY, as well as the delivery to other institutions, of the securities sold by CITY. In addition to the custodial services, CITY occasionally requires, and DEPOSITORY shall provide, other specialized assistance such as escrow services for certain equipment lease purchase financing transactions which include investment of funds in the escrow account by DEPOSITORY.

Security Transaction Advice. DEPOSITORY shall forward a Security Transaction Advice for all securities activity described in this Section to:

City of San Antonio
Financial Management Administrator

Division of Financial Management
Department of Finance
P.O. Box 839966
San Antonio, Texas 78283-3966

3.10 Safekeeping: DEPOSITORY shall provide, as needed by CITY, those safekeeping services to include, but not be limited to, physical storage of certain instruments, such as cancelled checks and other occasional safekeeping or storage services.

3.11 On-Line Data System: DEPOSITORY shall provide CITY with access to its web-based On-Line Data System, which will provide CITY with account balances and other cash management services on all accounts held by CITY with DEPOSITORY.

All service options listed below shall be made available to CITY.

(i) Balance Report
(ii) Book Transfer (Intra-DEPOSITORY Transfer)
(iii) Credits, Previous Day
(iv) Debits, Previous Day
(v) Draw Report
(vi) Intra-day Reporting
(vii) Multi-DEPOSITORY Reporting
(viii) Stop Payment
(ix) Deposit Reporting
(x) Concentration Transfers
(xi) Disbursement Transfers
(xii) Money Transfers
(xiii) ACH Data Transmission
(xiv) Positive Pay Data Transmission
(xv) Daily On-Line Check Imaging With 180-Day History

DEPOSITORY and CITY will review the possible implementation of additional on-line service options. CITY and DEPOSITORY acknowledge that any requirements, procedures, and any other actions necessary on behalf of CITY and DEPOSITORY to initiate these services may be phased-in during the term of this Contract, or during the extension and renewal hereof, if any, at the sole discretion of CITY.

CITY may, with written notice to DEPOSITORY, cancel, alter or otherwise amend the service options selected by CITY, at its sole discretion.

DEPOSITORY shall provide CITY with training and an On-Line Data System Users Manual, which fully explains the operation and servicing of the On-Line Data System, and service options selected by CITY and/or available to CITY; and a User Name and a Password, the latter of which may be changed by CITY, at CITY's convenience. CITY will provide any hardware necessary to utilize the On-Line Data System. DEPOSITORY reserves the right to enhance security procedures upon notice to CITY. Written notice must be given to CITY as soon as changes in security procedures occur.

Any input information, which needs to be entered into the On-Line Data System by DEPOSITORY will be updated during established business hours.

DEPOSITORY shall ensure that CITY information input into the On-Line Data System will remain confidential and protected from unauthorized access by third parties. There shall be a presumption that DEPOSITORY has satisfied the foregoing obligation, provided DEPOSITORY has adhered to its regular

security procedures and made contracts with reputable third party computer companies which make comparable representations to DEPOSITORY as to the confidentiality of information and unauthorized access by third parties. DEPOSITORY shall insure that the third party computer companies engaged by DEPOSITORY shall maintain confidentiality of customer information input into the On-Line Data System and prevent unauthorized access by third parties.

The CITY shall designate an operational contact person to be notified of changes affecting the On-Line Data System. Additionally, the CITY operational contact person shall be notified in the event of service difficulties or other concerns arising from day-to-day operations. CITY shall notify DEPOSITORY, in writing, of any changes in address or contact information for CITY operational contact person.

3.12 On-Line Computer Capability: DEPOSITORY shall assist CITY in the on-going review and evaluation of the benefits, costs, procedures and risks associated with implementing On-Line, electronic banking services and tools, where such modification would improve operational efficiencies.

3.13 Reports: CITY uses and shall continue to use various types of reporting and data storage mediums. DEPOSITORY shall work with and assist CITY in the on-going review and evaluation of reports submitted to CITY and the design and utilization of reports and data storage that will facilitate CITY's stated goal of improving productivity, thus placing an emphasis upon data accessibility, reporting timeliness and user-friendly reporting design. Reports shall be easily downloadable and exportable in various media formats including Excel.

(i) DEPOSITORY Statements. DEPOSITORY statements relating to CITY Accounts, together with all debit enclosures, will be sent, by DEPOSITORY, each month, or as designated by CITY, to:

Frost Bank Statement Call
Do Not Mail Pickup Branch 001
Attn: City of San Antonio
Finance Department-General Ledger
P.O. Box 1600
San Antonio, Texas 78296

(ii) Itemized Statements. Itemized statements relating to the Operating and Payroll Accounts will be sent, by DEPOSITORY, each month to:

Frost Bank Statement Call
Do Not Mail Pickup Branch 001
Attn: City of San Antonio
Finance Department-General Ledger
P.O. Box 1600
San Antonio, Texas 78296

(iii) Account Analysis Statements. Account analysis statements relating to CITY's Accounts will be sent, by DEPOSITORY, each month to:

Frost Bank Statement Call
Do Not Mail Pickup Branch 001
Attn: City of San Antonio
Finance Department-Division of Financial Management
P.O. Box 1600
San Antonio, Texas 78296

(iv) Escrow Reports. DEPOSITORY shall forward monthly statements to:

Frost Bank Statement Call
Do Not Mail Pickup Branch 001
Attn: City of San Antonio
Finance Department-Division of Financial Management
P.O. Box 1600
San Antonio, Texas 78296

(v) Statements of Pledged Collateral. DEPOSITORY shall forward monthly statements to:

Frost Bank Statement Call
Do Not Mail Pickup Branch 001
Attn: City of San Antonio
Finance Department-Division of Financial Management
P.O. Box 1600
San Antonio, Texas 78296

(vi) Trust Statements. DEPOSITORY shall forward monthly, quarterly and annual statements, pertaining to the trust activity described in Section 3.09, to:

Frost Bank Statement Call
Do Not Mail Pickup Branch 001
Attn: City of San Antonio
Finance Department-Division of Financial Management
P.O. Box 1600
San Antonio, Texas 78296

(vii) Safekeeping Account Statements. DEPOSITORY shall forward monthly statements to:

Frost Bank Statement Call
Do Not Mail Pickup Branch 001
Attn: City of San Antonio
Finance Department-Division of Financial Management
P.O. Box 1600
San Antonio, Texas 78296

(viii) CD–ROM Imaging Services:

a. DEPOSITORY hereby grants to CITY a license to use DEPOSITORY's CD-ROM software (hereinafter referred to "Software") for accessing the CD-ROM image data. The Software shall be distributed and installed from a digital media and shall be compatible with personal computers and Windows applications. CITY shall consider this Contract a non-exclusive, non-transferable license to use the Software.

b. DEPOSITORY hereby represents and warrants that DEPOSITORY has the requisite right and authority to grant license to CITY to use Imagesoft Software.

c. DEPOSITORY hereby authorizes CITY to use the Software provided by DEPOSITORY and CITY will provide an account listing during implementation:

d. CITY acknowledges that the Software is the original, confidential, valuable and proprietary product of DEPOSITORY and that CITY has only the right to use this Software consistent with the terms of this Contract. CITY has no right of ownership in or to the Software and may not sell, lease, transfer, or assign its interest as licensee under this Contract, nor sell, lease, assign, transfer, sub-license, permit reproduction or copying of, or otherwise make the Software available, either gratuitously or for consideration, to any person or entity other than CITY. CITY may, however, make copies of the Software for its necessary backup purposes. CITY shall not alter, modify or reverse compile the Software.

e. CITY authorizes, and DEPOSITORY agrees, to provide (a) CD-ROM Disk(s) with images of cleared item data, each DEPOSITORY statement cycle. DEPOSITORY warrants that the Software provided by DEPOSITORY is compatible with personal computers and Windows applications.

f. DEPOSITORY agrees that in the event CITY delivers cleared item data (hereinafter referred to as "Checks") from CITY's archive files, DEPOSITORY shall capture said Checks on CD-ROM. CITY agrees to pay DEPOSITORY a fee in accordance with Exhibit I.

g. DEPOSITORY warrants that the Software provided to CITY pursuant to this Contract can currently, and will continue to, accurately recognize and accurately make use of each date, which will occur from the present until at least the 1st of January 2050. If DEPOSITORY learns or has a reason to believe that any portion of the Software provided hereunder fails to use a date format that explicitly specifies century in any date data, DEPOSITORY shall promptly advise CITY of such failure. Nothing herein imposes a duty on DEPOSITORY to search for, test for, or correct such condition.

h. DEPOSITORY shall retain all such Checks for a period of three (3) years. Thereafter, DEPOSITORY shall forward said Checks to CITY, at no cost to CITY.

i. DEPOSITORY acknowledges that CITY is required to maintain banking documents in accordance with the State Library and Archives Commission Record Retention Schedule. As such, DEPOSITORY agrees to allow CITY the right to use DEPOSITORY's software for the sole purpose of accessing said banking documents maintained on CD-ROM after the termination of this Contract.

j. DEPOSITORY shall provide to CITY any and all documentation including, but not limited to, instruction manuals or user manuals, necessary to operate Software. DEPOSITORY shall provide one (1) copy of each such document for each license granted CITY hereunder.

k. In the event the Software provided by DEPOSITORY hereunder is upgraded, DEPOSITORY shall provide such upgrades to CITY, at no cost thereto.

3.14 Mandatory Meetings:

(i) DEPOSITORY shall arrange for an initial meeting between DEPOSITORY's primary contact person, other DEPOSITORY applicable staff, and CITY representatives to discuss CITY's current service levels and DEPOSITORY recommended changes and improvements.

(ii) DEPOSITORY shall arrange for quarterly meetings between DEPOSITORY's primary contact person, other DEPOSITORY applicable staff, and CITY representatives for the purpose of delivering updates related to procedures and services delivered by DEPOSITORY under this Contract.

(iii) DEPOSITORY further acknowledges its obligation to meet regularly with CITY Authorized Persons in order to present and discuss new products, services and technologies, as they become available.

3.15 Training:

(i) DEPOSITORY shall provide training services, as required, to implement the modifications that have been either explicitly mentioned or alluded to in this Contract.

(ii) DEPOSITORY will be required to provide and make available the mechanisms required to modify certain financial operations, as well as physically assist in the training and implementation process.

(iii) DEPOSITORY will assign a representative to coordinate all technical aspects of CITY's depository requirements. Such representative must be knowledgeable of treasury management services.

(iv) CITY and DEPOSITORY acknowledge that any requirements, procedures and any other actions necessary, on behalf of CITY and DEPOSITORY, to initiate the implementation of new or additional Banking services, may be phased-in during the term of this Contract, or during the extension and renewal hereof, if any, at the sole discretion of CITY.

3.16 Card Services: DEPOSITORY shall provide CITY with the ability to utilize various card services including prepaid cards, payroll cards, ePayables (Accounts Payable solution). DEPOSITORY and CITY will review the possible implementation and utilization of Card Services. Any requirements, procedures, and any other actions necessary on behalf of CITY and DEPOSITORY to initiate these services may be phased-in during the term of this Contract, or during the extension and renewal hereof, if any, at the sole discretion of CITY.

3.17 Other Services: DEPOSITORY and CITY will review the possible implementation of various services. CITY and DEPOSITORY acknowledge that any requirements, procedures, and any other actions necessary on behalf of CITY and DEPOSITORY to initiate these services may be phased-in during the term of this Contract, or during the extension and renewal hereof, if any, at the sole discretion of CITY.

3.18 Implementation of New Banking Services:

(i) CITY and DEPOSITORY shall commence a complete analysis and review of all of the services provided by DEPOSITORY to CITY under the Depository Services Contract between the Parties that expires on June 30, 2012, for the purpose of determining a) whether such services shall be continued, discontinued, or revised in any manner, and b) whether additional services should be added to this Contract (and if so, the nature, scope, and pricing for such services), so that all of the services delivered by DEPOSITORY and received by CITY under this Contract shall maximize the value and benefit to CITY from this Contract.

(ii) The analysis and review shall be in the nature of a transition of depositories, had DEPOSITORY not served as CITY's depository immediately prior to July 1, 2012; and shall be completed in sufficient time to permit all of the results thereof to be fully implemented and operational on July 2, 2012, the first Banking day under this Contract.

(iii) There shall be no cost to CITY and no compensation to DEPOSITORY in connection with the analysis and review; provided, however, costs of any new services implemented as a result of this analysis and review shall be as agreed on between the Parties.

3.19 DEPOSITORY Contacts:

(i) CITY inquiries regarding any and all aspects of CITY's depository operations shall be made to DEPOSITORY's designated contacts for the CITY.

(ii) Such contacts must be knowledgeable of CITY's depository requirements, have the authority to solve routine problems, command the resources necessary to address complex problems, and be accessible twenty-four (24) hours per day, seven (7) days per week, including holidays, if necessary.

IV SCOPE OF LOCKBOX SERVICES

4.01 Direct Lockbox Operations: DEPOSITORY shall provide CITY with direct Lockbox arrangements. DEPOSITORY shall assist CITY in the on-going review of the direct lockbox arrangements, evaluating the benefits, costs, procedures, risks associated, and tools. DEPOSITORY shall provide CITY with Online Exception Decisioning capability.

(i) Post Office Box. CITY will rent a Post Office Box at a location to be determined.

(ii) Remittance Address. All Lockbox items to be processed under this Contract will be mailed to an address to be determined.

(iii) Mail Collection. DEPOSITORY shall collect, from time to time, on each Business Day, the contents of the CITY's Post Office Box (the "Lockbox"). The removal of items, drafts or other orders for the payment of money (collectively hereinafter called "Item(s)") and money from the Lockbox shall create a bailment, and the bailor-bailee relationship shall continue until such Items are received at the banking house of the DEPOSITORY and are accepted and credited to the account. At such time, the relationship of the CITY as a depositor of the DEPOSITORY for the aggregate amount of the Items and money then deposited to the account shall commence. The bailor-bailee relationship shall also apply to any contents other than the Items and money removed from the Lockbox, until such contents are processed in accordance with Paragraph (vi) hereof.

(iv) Inspection of Items. DEPOSITORY shall open each envelope picked up from the Lockbox and remove the contents thereof. Each Item contained in each envelope shall be inspected and handled in the following manner:

a. Acceptable Payees. The payee or endorsee of the Item must be the CITY or one (1) of the following (collectively, the "Acceptable Payees") or a reasonable variation thereof:

1. City of San Antonio
2. San Antonio, City of
3. COSA

If the payee or endorsee of an Item is not an Acceptable Payee, or a reasonable variation thereof, the Item will not be deposited. The DEPOSITORY reserves the right, in its sole discretion, to determine what is a reasonable variation of the Acceptable Payee.

b. Missing Date. If the date on an Item is absent, the Item will be stamped "refer to maker" and deposited.

c. Postdated Item. An Item postdated will not be deposited.

d. Stale Date. An Item dated more than six (6) months prior to the date it is collected from the Lockbox will not be deposited.

e. Amounts Differing. If the written and numeric amounts on the Item differ, the Item will be deposited and DEPOSITORY will credit the Account with the written amount. If both amounts are illegible the Item will not be deposited.

f. Signature Missing. If the drawer's signature is missing from the Item, the DEPOSITORY will stamp "refer to maker" on the signature line and deposit the Item.

g. Restrictions and Conditional Notations. DEPOSITORY will attempt to identify and segregate any Items bearing restrictive or conditional notations such as, but not limited to, "Payment-In-Full", "Balance on Account" or "Final Settlement". All Items so identified will not be deposited; however, the DEPOSITORY shall have no liability to any person should it process and deposit an Item(s) bearing any such restrictive or conditional notation.

h. Drafts. All signed sight drafts, or payable through drafts, of one (1) thickness of paper, with MICR numbers, will be handled in the same manner as other Items. All other drafts will be either handled as collection Items or forwarded to the CITY, as DEPOSITORY deems appropriate.

i. Foreign Banks and Currency. Items drawn on foreign banks, or payable in a foreign currency, will not be deposited.

Items which are found to be unacceptable for deposit under this Paragraph (iv) will not be deposited, but will be processed as provided for in Paragraph (vii), below.

(v) Inspection of Cash. Any United States currency and/or coin contained in an envelope picked up from the Lockbox will be handled in the following manner:

a. Verification of Amount. A best effort will be made by DEPOSITORY to verify the amount of such currency and/or coin by two (2) persons, one (1) of which will be a supervisor or lead clerk.

b. Cash Substitution Document. Such currency and/or coin will be converted into a cash substitution document for processing.

c. Initials. The cash substitution document and any accompanying papers included in the envelope containing the currency and/or coin will be initialed by the two (2) persons verifying the cash and creating the cash substitution document.

(vi) Processing Procedures for Cash and Acceptable Items. Each Item found to be acceptable, after inspection in accordance with Paragraph (iv) above, will be processed in the following manner:

a. Photocopies. Initially, such Items will be photocopied in accordance with the following instructions: Make photocopies of the face and back of all Items deposited that will be stored by DEPOSITORY; copy only the face of Items to be forwarded to CITY. CITY may request copies of front and back of special Items. In coordination with CITY, DEPOSITORY shall store Items, front and back, on CD-ROM medium.

b. Scanned Images. Daily images of front and back of checks, envelopes and invoices must be made available to CITY via the On-Line Data System. Also, a history of at least forty-five (45) days of such images must be maintained by DEPOSITORY and accessible by CITY through the On-Line Data System.

c. Endorsement. The following endorsement will be applied to each Item deposited: "Credited to the Account of the CITY, absence of endorsement guaranteed, The Frost National Bank of San Antonio."

d. Deposits. In order to maximize funds availability, the DEPOSITORY will make one (1) or more deposits of Items and/or cash substitution documents received each Business Day, depending upon volume, and credit the account, unless otherwise requested in writing by CITY.

e. Assembly. The following information regarding each deposit will be assembled and batched by deposit (individually, a "Deposit Batch") in the following manner and forwarded to the CITY, in accordance with the provisions of Paragraph (viii) hereof:

1. Copy of deposit ticket.
2. Listing of all Items and cash substitution documents included in the deposit.
3. Copies of special notations and change of address notifications, as shown on the source invoice or remittance document, and any other notations, as required.
4. Any accompanying paper(s) included in an envelope removed from the Lockbox and relating to an Item or cash substitution document included in such deposit.

(vii) Processing of Items Which Are Not Deposited and Other Documents. The following Items will be batched separately and forwarded with the daily remittance materials, in accordance with the provisions of Paragraph (viii) hereof:

a. Items which are not deposited as provided in Paragraph (iv) above, with accompanying papers and envelopes; and

b. Envelopes which contain customer correspondence only.

Any Item returned to the CITY which was not deposited for the reasons as provided in Paragraph (iv)(g) above, upon return from the CITY, will be accepted for deposit in the account. These Items will be endorsed by the CITY as follows:

PAY TO THE ORDER OF
CITY OF SAN ANTONIO
SAN ANTONIO, TEXAS
FOR DEPOSIT ONLY TO
Account Number

and sent to the DEPOSITORY who shall deposit same into CITY's Account.

(viii) Materials Disposition. Each Deposit Batch, all Items that have not been deposited, and the other documents described in Paragraph (vii) hereof, will be provided daily, by holding for pick-up by CITY.

(ix) Returned Items.

a. Non-Sufficient Funds ("N.S.F."). In the event an Item deposited to the account is returned unpaid because of "insufficient funds" or "uncollected funds", the DEPOSITORY will automatically re-present said Item.

b. Other. In the event an Item deposited to the account is returned unpaid for a reason other than "insufficient funds" or "uncollected funds", or an Item is returned unpaid after second presentment, the DEPOSITORY will debit the CITY's Account and notify CITY by mailing debit advice and Item to:

Frost Bank Statement Call
Do Not Mail Pickup Branch 001
Attn: City of San Antonio
Finance Department-General Ledger
P.O. Box 1600
San Antonio, Texas 78296

(x) Remittances Received at the CITY's Office. Remittances which are sent directly to CITY's office may be sent to the DEPOSITORY and deposited to the account as part of the CITY's Lockbox service. The CITY will place into an envelope the remittance, including any papers accompanying the remittance, and send the envelope to the DEPOSITORY, by hand-delivering same to DEPOSITORY's Lockbox Department.

4.02 Indirect Lockbox Operations: CITY and DEPOSITORY further acknowledge that CITY has two (2) existing indirect lockbox operations involving two (2) post office boxes from which DEPOSITORY currently collects and processes remittances.

(i) Each post office box is in the name of the CITY, and will continue in the name of the CITY throughout the term of this Contract.

(ii) During the term of this Contract, all remittances related to these indirect lockbox operations will be collected and processed by DEPOSITORY in accordance with the procedures set out in Section 4.01 above.

(iii) All fees and charges of DEPOSITORY related to these indirect lockbox operations will be billed directly to CITY's appropriate lockbox contractor and paid by CITY's appropriate lockbox contractor except in instances where CITY has contractually agreed to pay such charges.

(iv) DEPOSITORY agrees that CITY shall have no liability for payment of any fees or charges related to these indirect lockbox operations. DEPOSITORY further agrees that throughout the term of this Contract, the fees and charges charged by DEPOSITORY to the CITY's lockbox contractors shall be the same as DEPOSITORY's fees and charges to CITY for direct lockbox services under this Contract.

(v) DEPOSITORY agrees that none of CITY's lockbox contractors will have the right or be permitted to debit any CITY lockbox account by any means whatsoever.

(vi) DEPOSITORY shall provide CITY a copy of its operating agreement with each CITY lockbox contractor providing terms and conditions under which DEPOSITORY shall provide its services.

(vii) Such operating agreement shall be consistent with all applicable provisions set forth above, and may contain additional terms and conditions not inconsistent therewith that are reasonably necessary to DEPOSITORY.

(viii) CITY may in its sole discretion during the term of this Contract increase its indirect lockbox operations by involving additional lockbox contractors and additional post office boxes, and DEPOSITORY shall collect and process remittances from each additional indirect lockbox operation. All such increased lockbox operations shall be subject to and conducted in accordance with all of the provisions set out in this Section 4.02.

V. TERM

The term of this Contract shall be for a period of three (3) years, commencing July 1, 2012, and terminating June 30, 2015. CITY, at its sole discretion and option, shall have the right to renew or extend this Contract for one (1) additional two (2) year term, under the same terms and conditions as herein stated, contingent upon City Council approval to exercise said option. In the event CITY elects not to renew this Contract, CITY shall notify DEPOSITORY, in writing, at least sixty (60) days before the expiration of the then-current Contract term.

VI. CONSIDERATION AND BILLING

CITY shall remunerate DEPOSITORY, for services rendered, on a semi-annual or annual basis, through the utilization of the compensating balances method (account analysis). The fees to be paid for said services shall be in accordance with the proposed fees submitted to CITY by DEPOSITORY, as shown in Exhibit 1. The DEPOSITORY's Earnings Credit Rate shall be calculated as the previous month's average 91-day T-Bill Auction Discount Rate plus 25 basis points (0.25%). DEPOSITORY shall acknowledge that the CITY will be given a floor ECR rate of 75 basis points (0.75%). In no event will the ECR be lower than the floor rate.

DEPOSITORY shall be required to submit to CITY, within seven (7) Business Days after the close of business of the last day of each month, a full report, itemizing in detail the services performed, the activity of each service, the cost per activity and the total cost for each category of service activity for each account maintained by CITY during the month, and a running balance owing to CITY or DEPOSITORY.

The balance owing to CITY or DEPOSITORY in the first month of each semi-annual or annual period shall be carried forward and adjusted by the balance owing to CITY or DEPOSITORY in each succeeding month of each semi-annual or annual period through the last month of each semi-annual or annual period, at which time settlement shall be made by a credit initiated by DEPOSITORY to the account designated by CITY if a balance is owing to CITY, or by a debit initiated by DEPOSITORY to the account designated by CITY if a balance is owing to DEPOSITORY. This process shall be repeated for each semi-annual period during the term of this Contract.

CITY and DEPOSITORY agree that for the first three (3) months of this Contract (July, 2012 through September, 2012, inclusive), DEPOSITORY will neither charge any fees to CITY nor receive any compensation (excluding any earnings on balances remaining in CITY accounts overnight) for any services performed or rendered by DEPOSITORY under this Contract. CITY and DEPOSITORY each agree that it has received or will receive good and sufficient consideration to support this provision.

VII. SPECIAL DEPOSITORY AUTHORIZED

In the event DEPOSITORY suspends business or is taken charge of by a Federal, State or Regulatory body or agency, CITY shall have the right, upon City Council approval, to select a Special Depository. Then and in such event, the Special Depository shall perform in accordance with Chapter 131 of the Texas Local Government Code and any and all other applicable laws.

VIII. SECURITY OF FINANCIAL TRANSACTIONS

CITY and DEPOSITORY acknowledge that, compliant with CITY's fiduciary responsibilities is the utilization of state-of-the-art security measures and processes, both to safeguard the public's financial resources and to protect CITY from fraudulent or negligent acts. DEPOSITORY acknowledges that it is required to provide such state-of-the-art security measures and processes to CITY hereunder. CITY, in coordination with and assistance from DEPOSITORY, shall evaluate and implement, at the sole discretion of CITY, data transmission, electronic and On-Line security measures, as well as Positive Pay and other security mechanisms, proposed by DEPOSITORY pursuant to the requirements hereunder, as deemed acceptable and appropriate, by CITY, to further the goals stated above.

IX. THIRD PARTY CUSTODIAN

9.01 Custodian Selection: DEPOSITORY and CITY hereby select the Federal Reserve Bank, an independent third party safekeeping institution outside DEPOSITORY's holding company, as the Third Party CUSTODIAN, to hold in trust the collateral pledged by DEPOSITORY to CITY, according to the terms and conditions of this Contract and the Public Funds Collateral Act (Chapter 2257, Texas Government Code). DEPOSITORY shall deposit permitted securities with CUSTODIAN. CUSTODIAN holds in trust for the benefit of CITY, the securities to secure the deposit of CITY's funds in DEPOSITORY.

9.02 Custodian Fees: Any and all fees of the CUSTODIAN associated with the safekeeping of securities pledged for the benefit of the CITY shall be borne by DEPOSITORY.

9.03 Record-keeping by Custodian: DEPOSITORY shall require CUSTODIAN to maintain a separate, accurate, and complete record relating to each pledged investment security and each transaction relating to a pledged investment security. DEPOSITORY hereby acknowledges that to the extent permitted by law, the records of the DEPOSITORY and/or the CUSTODIAN with respect to the pledge of Eligible Collateral as described in this Contract: (a) may be inspected by the CITY or by the Texas Comptroller of Public Accounts (the "Comptroller"), at any time during regular business hours of the DEPOSITORY of the CUSTODIAN; (b) such records may be subject to audit or inspection at any time pursuant to Sections 2257.025 and 2257.061 of the Texas Government Code, as amended; and (c) DEPOSITORY shall require CUSTODIAN to file a collateral report with the comptroller in the manner and on the date prescribed by the comptroller.

9.04 Receipt of Collateral by Custodian: CUSTODIAN shall ensure that upon receipt of collateral from DEPOSITORY, pledged as collateral for the deposit of CITY funds, CUSTODIAN immediately identifies on its books and records, by book entry or another method, the pledge of the collateral to CITY, and that CUSTODIAN immediately thereafter issues and forwards, to CITY, a trust or safekeeping receipt for the pledged collateral to CITY, through its designated representative. All such receipts shall be clearly marked as pledged to CITY.

9.05 DEPOSITORY Prohibited: DEPOSITORY, or any branch or holding company thereof, is prohibited from being or acting as a CUSTODIAN of any collateral pledged to secure CITY funds.

9.06 Notices: Any communication, notice, or demand to be given hereunder shall be duly given when delivered in writing or sent by email or facsimile to a party at its address indicated below.

If to the CITY, at:

City of San Antonio
Troy Elliott, CPA
Director of Finance
Department of Finance
P.O. Box 839966
San Antonio, Texas 78283-3966
Email: troy.elliott@sanantonio.gov
Facsimile: 210-207-7774

If to the DEPOSITORY, at:

Ms. Donna Easterling
Assistant Vice President
Frost National Bank
P. O. Box 1600
San Antonio, TX 78296
Email: deasterling@frostbank.com
Facsimile: 210-220-4614

9.07 Authorized Persons: The following employees of CITY have been duly authorized to deliver Written Instructions to the Federal Reserve Bank and that the following signatures appearing opposite their names are true and correct:

	Authorization By Title
1	Chief Financial Officer
2	Finance Director
3	Assistant Finance Director-Accounting
4	Controller
5	Disbursements & Receivables Administrator
6	Financial Reporting Manager
7	Financial Reporting Manager

9.08 Miscellaneous: CITY agrees to furnish to DEPOSITORY a new certificate in a similar form as referenced above, which may be prescribed by the DEPOSITORY, in the event that any present Authorized Person for the CITY ceases to be an Authorized Person for the CITY or in the event that any other Authorized Persons for the CITY are appointed and authorized.

X. REPRESENTATIONS MADE BY THE CITY

CITY is a home-rule municipality, operating as such under the Texas Constitution and laws of the State of Texas, and its City Charter, and has full legal right, power and authority to enter into this DEPOSITORY Contract; to adopt the Ordinance authorizing same, and to carry out and consummate the transactions relating to this DEPOSITORY Contract; and to carry out and consummate all other transactions contemplated under this Contract.

CITY shall inform DEPOSITORY of a significant change in amount or activity of deposits within a reasonable time before said change occurs.

XI. REPRESENTATIONS MADE BY THE DEPOSITORY

DEPOSITORY covenants, agrees and represents to CITY that:

(i) DEPOSITORY is a national banking association operating pursuant to the laws of the United States that has its main office or branch office in the State of Texas and is authorized to perform, and currently is conducting depository services for governmental entities in the State;

(ii) DEPOSITORY is the sole legal and actual owner of the securities utilized to collateralize CITY's deposits;

(iii) No other security interest has been, nor will be, granted in the securities utilized to collateralize CITY's deposits;

(iv) DEPOSITORY is covered for all uncollateralized deposits through the FDIC or other federal insurance program;

(v) DEPOSITORY represents and warrants that this Contract is made pursuant to and is duly authorized and approved by the Board of Directors of DEPOSITORY and such authorization

and approval is evidenced in the minutes of the meeting of the DEPOSITORY's Board of Directors at which this Contract was approved;

(vi) This Contract is an official record of DEPOSITORY and has been, and will continue to be, an official record of DEPOSITORY from the date of its approval by DEPOSITORY's Board of Directors;

(vii) DEPOSITORY has, not later than five (5) days before commencement of the term of this Contract, provided security to CITY for the municipal funds to be deposited in accordance herewith;

(viii) DEPOSITORY is a bank or financial institution that provides depository services for governmental entities, a national or state bank that has its main office or branch office in this state, a federal or state credit union domiciled in this state, or savings association organized under the laws, of this state, another state, or federal law that has its main office or branch office in this state;

(ix) DEPOSITORY has Banking facilities within the city limits of the City of San Antonio and shall provide the major portion of its services from an institution within CITY;

(x) DEPOSITORY's local deposits are equal to, or greater than, $250,000,000, as shown on its latest published quarterly financial statement;

(xi) DEPOSITORY's combined capital and surplus is equal to, or greater than, $50,000,000, and DEPOSITORY is in good financial standing;

(xii) DEPOSITORY is a member of the National Automated Clearing House Association (NACHA);

(xiii) DEPOSITORY is a member of the Federal Reserve System;

(xiv) DEPOSITORY is a member of the Federal Deposit Insurance Corporation or has other federal insurance coverage; and

(xv) DEPOSITORY has demonstrated an acceptable record in community services, in accordance with the Community Reinvestment Act.

XII. RECORD RETENTION

12.01 Investment Transaction Records: DEPOSITORY shall maintain a separate, accurate, and complete record relating to a pledged investment security, a deposit of public funds, and a transaction related to a pledged investment security. CITY may examine and verify at any reasonable time a pledged investment security or a record kept by DEPOSITORY.

12.02 Banking Records: DEPOSITORY statements, canceled checks, check registers, deposit slips, debit and credit notices, reconciliations, notices of interest earned and any other related documentation shall be retained by DEPOSITORY during the term of the Contract, including any extension or renewal hereof, if any, and for a period of five (5) years after the fiscal year end of the Contract's year of termination.

XIII. ACCESS TO RECORDS

DEPOSITORY shall make all records, books and supporting documents pertaining to services applicable to CITY accounts and transactions provided under this Contract available at all reasonable times, and as often as CITY may deem necessary, during the entire term of the Contract, including any extension or renewal hereof, and for a period of five (5) years after the fiscal year end of the Contract's termination year, to CITY and its designated representative(s). CITY shall have the right to examine, audit, inspect, or make copies of any of said documents.

XIV. INSURANCE

A) Prior to the commencement of any work under this Agreement, DEPOSITORY shall furnish copies of all required endorsements and completed Certificate(s) of Insurance to the City's Finance Department, which shall be clearly labeled "*Depository Banking Services*" in the Description of Operations block of the Certificate. The Certificate(s) shall be completed by an agent and signed by a person authorized by that insurer to bind coverage on its behalf. The City will not accept a Memorandum of Insurance or Binder as proof of insurance. The certificate(s) must have the agent's signature and phone number, and be mailed, with copies of all applicable endorsements, directly from the insurer's authorized representative to the City. The City shall have no duty to pay or perform under this Agreement until such certificate and endorsements have been received and approved by the City's Finance Department. No officer or employee, other than the City's Risk Manager, shall have authority to waive this requirement.

B) The City reserves the right to review the insurance requirements of this Article during the effective period of this Agreement and any extension or renewal hereof and to modify insurance coverages and their limits when deemed necessary and prudent by City's Risk Manager based upon changes in statutory law, court decisions, or circumstances surrounding this Agreement. In no instance will City allow modification whereby City may incur increased risk.

C) A DEPOSITORY's financial integrity is of interest to the City; therefore, subject to DEPOSITORY's right to maintain reasonable deductibles in such amounts as are approved by the City, DEPOSITORY shall obtain and maintain in full force and effect for the duration of this Agreement, and any extension hereof, at DEPOSITORY's sole expense, insurance coverage written on an occurrence basis, unless otherwise indicated, by companies authorized to do business in the State of Texas and with an A.M Best's rating of no less than A- (VII), in the following types and for an amount not less than the amount listed below:

TYPE	AMOUNTS
1. Workers' Compensation 2. Employers' Liability	Statutory $500,000/$500,000/$500,000
3. Broad form Commercial General Liability Insurance to include coverage for the following: a. Premises/Operations b. Independent DEPOSITORYs c. Products/Completed Operations d. Personal Injury e. Contractual Liability	For Bodily Injury and Property Damage of $1,000,000 per occurrence; $2,000,000 General Aggregate, or its equivalent in Umbrella or Excess Liability Coverage

4. Business Automobile Liability a. Owned/leased vehicles b. Non-owned vehicles c. Hired Vehicles	Combined Single Limit for Bodily Injury and Property Damage of $1,000,000 per occurrence
5. Bankers' Blanket Bond	$35,000,000 per occurrence.

D) DEPOSITORY agrees to require, by written contract, that all subcontractors providing goods or services hereunder obtain the same insurance coverages required of DEPOSITORY herein, and provide a certificate of insurance and endorsement that names the DEPOSITORY and the CITY as additional insureds. DEPOSITORY shall provide the CITY with said certificate and endorsement prior to the commencement of any work by the subcontractor. This provision may be modified by City's Risk Manager, without subsequent City Council approval, when deemed necessary and prudent, based upon changes in statutory law, court decisions, or circumstances surrounding this agreement. Such modification may be enacted by letter signed by City's Risk Manager, which shall become a part of the contract for all purposes.

E) As they apply to the limits required by the City, the City shall be entitled, upon request and without expense, to receive copies of the policies, declaration page, and all endorsements thereto and may require the deletion, revision, or modification of particular policy terms, conditions, limitations, or exclusions (except where policy provisions are established by law or regulation binding upon either of the parties hereto or the underwriter of any such policies). DEPOSITORY shall be required to comply with any such requests and shall submit a copy of the replacement certificate of insurance to City at the address provided below within 10 days of the requested change. DEPOSITORY shall pay any costs incurred resulting from said changes.

City of San Antonio
Attn: Finance Department – Division of Financial Management
P.O. Box 839966
San Antonio, Texas 78283-3966

F) DEPOSITORY agrees that with respect to the above required insurance, all insurance policies are to contain or be endorsed to contain the following provisions:

- Name the City, its officers, officials, employees, volunteers, and elected representatives as additional insureds by endorsement, as respects operations and activities of, or on behalf of, the named insured performed under contract with the City, with the exception of the workers' compensation and professional liability policies;
- Provide for an endorsement that the "other insurance" clause shall not apply to the City of San Antonio where the City is an additional insured shown on the policy;
- Workers' compensation, employers' liability, general liability and automobile liability policies will provide a waiver of subrogation in favor of the City.
- Provide advance written notice directly to City of any suspension, cancellation, non-renewal or material change in coverage, and not less than ten (10) calendar days advance notice for nonpayment of premium.

G) Within five (5) calendar days of a suspension, cancellation or non-renewal of coverage, DEPOSITORY shall provide a replacement Certificate of Insurance and applicable endorsements to City.

City shall have the option to suspend DEPOSITORY's performance should there be a lapse in coverage at any time during this contract. Failure to provide and to maintain the required insurance shall constitute a material breach of this Agreement.

H) In addition to any other remedies the City may have upon DEPOSITORY's failure to provide and maintain any insurance or policy endorsements to the extent and within the time herein required, the City shall have the right to order DEPOSITORY to stop work hereunder, and/or withhold any payment(s) which become due to DEPOSITORY hereunder until DEPOSITORY demonstrates compliance with the requirements hereof.

I) Nothing herein contained shall be construed as limiting in any way the extent to which DEPOSITORY may be held responsible for payments of damages to persons or property resulting from DEPOSITORY's or its subcontractors' performance of the work covered under this Agreement.

J) It is agreed that DEPOSITORY's insurance shall be deemed primary and non-contributory with respect to any insurance or self insurance carried by the City of San Antonio for liability arising out of operations under this Agreement.

K) It is understood and agreed that the insurance required is in addition to and separate from any other obligation contained in this Agreement and that no claim or action by or on behalf of the City shall be limited to insurance coverage provided.

L) DEPOSITORY and any Subcontractors are responsible for all damage to their own equipment and/or property.

XV. INDEMNITY

DEPOSITORY covenants and agrees to FULLY INDEMNIFY, DEFEND and HOLD HARMLESS, the CITY and the elected officials, employees, officers, directors, volunteers and representatives of the CITY, individually and collectively, from and against any and all costs, claims, liens, damages, losses, expenses, fees, fines, penalties, proceedings, actions, demands, causes of action, liability and suits of any kind and nature, including but not limited to, personal or bodily injury, death and property damage, made upon the CITY directly or indirectly arising out of, resulting from or related to DEPOSITORY'S activities under this Agreement, including any acts or omissions of DEPOSITORY, any agent, officer, director, representative, employee, consultant or subcontractor of DEPOSITORY, and their respective officers, agents employees, directors and representatives while in the exercise of the rights or performance of the duties under this Agreement. The indemnity provided for in this paragraph shall not apply to any liability resulting from the negligence of CITY, it s officers or employees, in instances where such negligence causes personal injury, death, or property damage. IN THE EVENT DEPOSITORY AND CITY ARE FOUND JOINTLY LIABLE BY A COURT OF COMPETENT JURISDICTION, LIABILITY SHALL BE APPORTIONED COMPARATIVELY IN ACCORDANCE WITH THE LAWS FOR THE STATE OF TEXAS, WITHOUT, HOWEVER, WAIVING ANY GOVERNMENTAL IMMUNITY AVAILABLE TO THE CITY UNDER TEXAS LAW AND WITHOUT WAIVING ANY DEFENSES OF THE PARTIES UNDER TEXAS LAW.

The provisions of this INDEMNITY are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any other person or entity. DEPOSITORY shall advise the CITY in writing within 24 hours of any claim or demand against the

CITY or DEPOSITORY known to DEPOSITORY related to or arising out of DEPOSITORY's activities under this AGREEMENT and shall see to the investigation and defense of such claim or demand at DEPOSITORY's cost. The CITY shall have the right, at its option and at its own expense, to participate in such defense without relieving DEPOSITORY of any of its obligations under this paragraph.

Defense Counsel - CITY shall have the right to select or to approve defense counsel to be retained by DEPOSITORY in fulfilling its obligation hereunder to defend and indemnify CITY, unless such right is expressly waived by CITY in writing. DEPOSITORY shall retain CITY approved defense counsel within seven (7) business days of CITY'S written notice that CITY is invoking its right to indemnification under this Contract. If DEPOSITORY fails to retain Counsel within such time period, CITY shall have the right to retain defense counsel on its own behalf, and DEPOSITORY shall be liable for all costs incurred by CITY. CITY shall also have the right, at its option, to be represented by advisory counsel of its own selection and at its own expense, without waiving the foregoing.

Employee Litigation – In any and all claims against any party indemnified hereunder by any employee of DEPOSITORY, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the indemnification obligation herein provided shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for DEPOSITORY or any subcontractor under worker's compensation or other employee benefit acts.

XVI. FORCE MAJEURE

No party shall be liable for any failure to perform its obligations in connection with any action described in this Contract, if such failure results from any act of God, riot, war, civil unrest, flood, earthquake or other cause beyond such party's reasonable control (including any mechanical, electronic or communications failure, but excluding failure caused by a party's financial condition or negligence).

XVII. DAMAGES

Notwithstanding anything contained in this Agreement to the contrary, neither party shall be liable to the other party for any unreasonable damages.

XVIII. MEDIATION

Before filing a lawsuit, the Parties agree to participate in a one-day good faith mediation session before a mutually acceptable mediator. The Parties shall split the fees of the mediator equally. The Parties shall each submit a list containing three (3) names of proposed mediators to conduct the mediation session. If the Parties are unable to agree on one of the six (6) proposed mediators to conduct the mediation session, the Parties shall utilize the services of the Bexar County Dispute Resolution Center to designate the mediator, in which case the Parties shall utilize and comply with all procedures, forms, etc. of the Center in arranging for and conducting the mediation session.

XIX. INDEPENDENT CONTRACTOR

It is expressly understood and agreed that DEPOSITORY is and shall be deemed to be an independent contractor; responsible for its respective acts or omissions, and that CITY shall in no way be responsible

therefor. It is also expressly understood and agreed that neither party hereto has authority to bind the other or to hold out to third parties that it has the authority to bind the other.

XX. CONFLICT OF INTEREST

DEPOSITORY acknowledges that it is informed that the City of San Antonio City Charter prohibits any contract between CITY and any local public official, such as a CITY officer or employee, and that the prohibition extends to an officer and employee of CITY agencies such as CITY-owned utilities and CITY boards or commissions. As such, DEPOSITORY certifies, and this Contract is made in reliance thereon, that neither it, its individual officers, employees or agents, nor any person having a substantial interest, as defined by Texas law, in this Contract is an officer or employee of CITY, or, to the best of DEPOSITORY's knowledge, any of its agencies.

DEPOSITORY has tendered to CITY a Disclosure Statement in compliance with the CITY's Ethics Ordinance.

XXI. UPGRADING PROCEDURAL OR OPERATIONAL ASPECTS

This Contract, together with its authorizing Ordinance and its Exhibit(s), constitute the entire agreement between the parties hereto. CITY may, through the Director of Finance, amend, change or modify this Contract to (i) upgrade procedural or operational aspects of the Depository Services and Lockbox Services consistent with the intent and Scope of Services provided for in this Contract, and/or (ii) add services to be performed by DEPOSITORY as the result of the analysis and review conducted pursuant to Section 3.18 of this Contract. No modification, or alteration of the procedural or operational aspects of this Contract, or addition of services to be performed by DEPOSITORY, shall be binding unless the same be in writing, dated subsequent to the date hereof and duly executed by the parties hereto. No amendment, modification or alteration of any aspects of this Contract, or addition of services as set out in (ii) above, shall be binding, unless same be in writing, dated subsequent to the date hereof, duly executed by the parties hereto, and approved by the City Council, as evidenced by passage of an ordinance.

XXII. CITY REPRESENTATIVES AND AUTHORIZED PERSONS

CITY may from time to time, by written authorization of the City Manager, Chief Financial Officer, or the Director of Finance, effectuate revisions of CITY Representatives through the deletion and/or addition of authorized individuals as required to execute financial transactions and/or receive notifications.

XXIII. ASSIGNMENT OF INTEREST IN CONTRACT

DEPOSITORY shall not subcontract or assign any portion of its performance under this Contract, or dispose of all or substantially all of its assets, without the prior written consent of CITY's Director of Finance, or his designee. Failure of DEPOSITORY to obtain such written consent to the assignment of any portion or performance under this Contract shall be an event of default, and CITY, at its sole discretion, may immediately terminate the DEPOSITORY Contract.

XXIV. TERMINATION & DEFAULT

24.01 Termination: For purposes of this Contract, "Termination" shall mean termination by completion of the provision of services stated herein or earlier Termination pursuant to any of the provisions hereof.

24.02 Best Interest of CITY: CITY may terminate this Contract, in accordance with this clause, in whole or in part, whenever such Termination is in the best interest of CITY.

24.03 Termination for Cause: In addition to any other provision of this Contract, CITY may terminate this Contract for any of the following:

(i) Neglect or failure by DEPOSITORY to perform, observe, or cure, within the time specified by CITY, any of the terms, conditions, covenants or guarantees of this Contract or of any amendment hereto between CITY and DEPOSITORY; or

(ii) Violation by DEPOSITORY of any rule, regulation or law to which DEPOSITORY is bound or shall be bound under the terms of this Contract; or

(iii) Failure by DEPOSITORY to comply with requirements contained in this Contract governing the possession, substitution or release of collateral pledged to secure CITY funds.

24.04 Notice to Terminate: Upon a decision to terminate by CITY, written notice of such shall be immediately provided to DEPOSITORY, specifying the effective date of termination and the extent to which performance of work under this Contract will be terminated.

Upon receipt of notice to terminate, all finished or unfinished documents, data, charts, schedules, or other appended documentation to, prepared by or on behalf of DEPOSITORY under this Contract shall, at the option of CITY, and in accordance hereof, become the property of CITY and shall, if requested or agreed to by CITY, be delivered by DEPOSITORY to CITY, no later than sixty (60) days from such request or agreement by CITY.

Within sixty (60) days of the effective date of Termination, unless an extension is authorized in writing by CITY, DEPOSITORY shall submit to CITY its claim in detail for the monies owed by CITY for services performed under this Contract through the effective date of termination, provided however, that such payment does not exceed the maximum amount set out in Section VI. hereof.

24.05 Cure of Default/Probationary Period: In the event CITY gives DEPOSITORY the opportunity and time to cure a default, DEPOSITORY shall cure such default within sixty (60) days of written notice by CITY ("Probationary Period"). If such default is not cured within the allotted time, CITY may proceed to terminate this Contract by providing written notice of Termination, sixty (60) days in advance of the termination date, providing therein an effective date of termination. CITY reserves the right to extend the termination date or Probationary Period, if such extension is deemed appropriate by CITY.

24.06 Termination by DEPOSITORY: In the event DEPOSITORY elects to terminate this Contract, DEPOSITORY shall provide written notice to CITY at least one hundred eighty (180) days prior to the effective date of such termination.

24.07 Bankruptcy, Insolvency or Failure of DEPOSITORY: In the event DEPOSITORY is ruled "Bankrupt", "insolvent", or "failed" by a Federal or State regulator or agency, then DEPOSITORY shall be considered in default under this Contract. In the event of such default, failure or insolvency of DEPOSITORY, CITY shall be deemed to have vested full title to the security interest in all of the pledged

collateral pursuant to this Contract. CITY may sell all or any part of the pledged collateral at public or private sale after providing the DEPOSITORY at least three (3) Business Days prior written notice and an opportunity to cure the default. The proceeds of any such sale must be applied to satisfy any indebtedness owned by DEPOSITORY to CITY, and any excess proceeds over the value of the defaulted amount of the matured investments, including accrued interest, plus expenses, including legal fees, related to the liquidation transaction, shall be returned to DEPOSITORY. This power of sale is in addition to other remedies CITY may have pursuant to this Contract and applicable law and is without prejudice to CITY's rights to maintain any suit in any court for redress of injuries sustained by CITY under this Contract.

XXV. INCORPORATION OF EXHIBIT(S)

All Exhibits referred to in this Contract are intended to be, and hereby are, specifically made a part of this Contract. Said Exhibit(s) are as follows:

Pricing Schedule	Exhibit I

XXVI COMPLIANCE

While in the performance of all rights, duties and obligations hereunder, DEPOSITORY agrees to comply with all applicable Federal, State and Local laws, rules and regulations.

XXVII. SUCCESSORS AND ASSIGNS

This Contract shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and their assigns, except as otherwise expressly provided for herein.

XXVIII. CONFIDENTIALITY

28.01: CITY databases contain elements of data that are considered private and confidential. The accuracy and handling of some data elements can affect the safety and property of citizens, officers of the law, elected and appointed officials as well as the financial assets of CITY. It is therefore critical that CITY protects this information to ensure its privacy and integrity. In order to accomplish this, CITY takes extraordinary care to ensure the security of its computer related software, networks, equipment and data. CITY may at times refuse a service or method of implementing a service that CITY deems a risk to the security of its data or data processing systems. In such an event, DEPOSITORY must provide an acceptable alternative to provide the service.

28.02: DEPOSITORY must also work with CITY to continuously safeguard all system and network interfaces that CITY shares with DEPOSITORY. Data will not be given, sold or in any other way transmitted to anyone or any organization not having a direct need for and explicit written permission by CITY to obtain such information. DEPOSITORY will be held responsible for breaches of CITY data or system security and liable for damages that occur as a result of its negligence or the misconduct of DEPOSITORY's employees, officers, partners or affiliates.

28.03: The Parties agree that all proprietary information shall be retained by both Parties in strict confidence, and the proprietary information shall not be sold, licensed, transferred, disclosed, published, communicated, or otherwise made available to any person or entity not a party to this Contract by either party or its respective officers, directors, partners, employees, affiliates, agents, subcontractors, or representatives without the prior written approval of the other party.

28.04: Section 28.03 shall not apply to any proprietary information which is:

1. publicly available without breach of this Article XXVIII on the part of the receiving party;
2. approved for disclosure by the other party in writing;
3. disclosed to the Parties' professional advisors or auditors;
4. as required or requested by a securities exchange or regulatory body to which either party is subject or submits; or
5. as otherwise required to be disclosed by law or by legal or governmental process.

XXIX. NOTICES

Unless otherwise specifically provided for in this Contract, any notice required or permitted to be given under this Contract shall be sufficient if given in writing, sent certified mail, return receipt requested, postage prepaid, to CITY or DEPOSITORY at the addresses set forth below or to any other address of which written notice of change is given:

CITY

City of San Antonio
Troy Elliott, CPA
Director of Finance
Department of Finance
P.O. Box 839966
San Antonio, Texas 78283-3966

DEPOSITORY

The Frost National Bank
Tom Frost III,
Senior Executive V.P.
P.O.Box 1600
San Antonio, Texas 78296-1600

XXX. CAPTIONS

The captions contained in this Contract are for convenience of reference only, and in no way limit or enlarge the terms and conditions of this Contract.

XXXI. LEGAL AUTHORITY

The person signing on behalf of DEPOSITORY represents, warrants and certifies full legal authority to execute this Contract on behalf of DEPOSITORY and has authority to bind DEPOSITORY to all the terms, conditions, covenants, obligations and provisions contained herein.

XXXII. VENUE

Venue of any suit brought in connection with this Contract shall be in Bexar County, Texas.

XXXIII. GOVERNING LAW

All actions, claims, or demands brought against CITY shall be brought in accordance with and governed by this Contract, applicable Texas law and the City of San Antonio City Charter.

XXXIV. SEVERABILITY

If any clause or provision of this Contract is, for any reason, held to be invalid, illegal or unenforceable, in any respect, such holding shall not affect the validity of the remaining clauses or provisions of this Contract.

XXXV. ENTIRE AGREEMENT

This Contract, together with its authorizing Ordinance and Exhibit(s), constitute the final and entire agreement between the parties hereto and contain all of the terms and conditions agreed upon. No other agreements, oral or otherwise, regarding the subject matter of this Contract shall be deemed to exist or to bind the parties hereto unless same be in writing, dated subsequent to the date hereof, and duly executed by both parties.

EXECUTED and AGREED to this the _____ day of _____, 2012.

CITY OF SAN ANTONIO

_____
Ben Gorzell, Jr., CPA
Chief Financial Officer
Approved as to Form:

_____
Assistant City Attorney

THE FROST NATIONAL BANK

_____
Tom Frost, III
Senior Executive Vice President