

Smart Bankers & Smart Investors The Security of Multi-Million-Dollar FDIC Insurance

With CDARS, public fund investors can enjoy:

One Bank

Customers sign one agreement and can receive multi-million-dollar FDIC insurance by working directly with just you – the bank they know and trust. They do not have to manage multiple bank relationships, use private surety bonds, or track changing collateral values to enjoy peace of mind.

One Rate

Customers negotiate one interest rate with your bank for each maturity. They do not have to enter into multiple rate negotiations, manually consolidate interest disbursements, or calculate blended rates.

One Statement

Customers receive one easy-to-read statement from your bank summarizing all of their CD holdings. This saves them from having to manually consolidate account statements on a recurring basis.

CDARS for public funds in Alabama

The governor of Alabama approved legislation that, effective August 1, 2009, will enable local governments to take advantage of the CDARS® service for investing public funds. This means that your bank can offer public fund investors access to multi-million-dollar FDIC insurance for their CD investments. In doing so, you can help public fund managers avoid the hassles associated with managing multiple bank relationships, using private surety bonds, or tracking collateral. This encourages them to consolidate their investments with you and can release bank collateral for more profitable activities.

Public fund managers like CDARS because they can access added safety while enjoying many time-saving conveniences.

How does CDARS work?

Banks that offer CDARS are members of a special network. When an investor makes a large deposit with a Network Member, that bank uses the CDARS service to place those funds into CDs issued by other members of the Network. This occurs in increments below the standard FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC protection. Other Network Members do the same thing with their customers' funds. With help from a sophisticated matching system, banks exchange funds with other members of the Network. These exchanges, which occur on a dollar-for-dollar basis, bring the full amount of customer deposits back to each originating bank. As a result, you can make the full amount of the deposit available for community lending purposes (money stays local!) and your public fund clients can access FDIC insurance through many banks while working with just you.

Want to learn more?

Please contact one of our representatives:

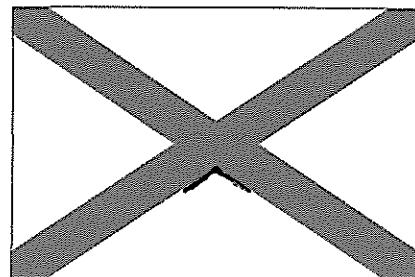
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If a depositor is subject to restrictions with respect to the placement of funds in depository institutions, it is the responsibility of the depositor to determine whether the placement of the depositor's funds through CDARS or a particular CDARS transaction satisfies those restrictions. Public fund deposits must be placed through a CDARS® ReciprocalSM transaction to ensure that the total dollar amount is maintained by the financial institution that offers CDARS. Funds may be submitted for placement only after a depositor has signed a CDARS Deposit Placement Agreement with a member bank. CDARS is a registered service mark of Promontory Interfinancial Network, LLC. 5/09

Using CDARS® for Public Funds In the State of Alabama

ALABAMA LAW AMENDED TO ENABLE PUBLIC DEPOSITS THROUGH CDARS [Effective August 1, 2009]

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 41-14A-3 of the Code of Alabama 1975, is amended to read as follows:

41-14A-3.

(a) On and after January 1, 2001:

(1) All public deposits of all covered public entities and covered public officials shall be governed by this chapter and shall be secured as provided in this chapter.

(2) All public depositors shall, notwithstanding any other laws to the contrary, place their public deposits with one or more qualified public depositories in accordance with this chapter.

Notwithstanding the foregoing, funds placed in interest-bearing deposits through a qualified public depository pursuant to subsection (c) shall be exempt from the other requirements of this chapter.

(3) All financial institutions shall file the reports required by this chapter or by rule, regulation, or order of the board of directors and all financial institutions accepting any public deposits shall be a qualified public depository and shall comply with all provisions of this chapter, including, without limitation, the collateral pledging requirements of Section 41-14A-5.

(b) Funds held solely for the purpose of paying registrars or paying agents are exempt from the requirements of this chapter.

(c) In addition to any other authorization for the investment or deposit of funds by a public depositor, a public depositor may deposit funds in banks and savings associations that are not qualified public depositories provided that all of the following are satisfied:

(1) The public depositor enters into one or more agreements with a qualified public depository designated by the public depositor pursuant to which the qualified public depository agrees to arrange for the placement of funds of the public depositor in interest bearing deposits of other banks or savings associations in amounts not exceeding applicable Federal Deposit Insurance Corporation deposit insurance limits.

(2) To prevent deposits from exceeding the insurance coverage provided by the Federal Deposit Insurance Corporation, the public depositor provides the qualified public depository with a notification that identifies all banks and savings associations that are holding deposits on behalf of the public depositor and on behalf of any department, agency, or other instrumentality whose deposits would be aggregated with those of the public depositor in determining the maximum available Federal Deposit Insurance Corporation insurance coverage.

(3) The qualified public depository arranges for the deposit of the funds in one or more federally insured banks or savings associations, wherever located, for the account of the public depositor, provided, that the qualified public depository shall not arrange for the deposit of the funds with any bank or savings association identified in the notification provided by the public depositor pursuant to subdivision (2).

(4) Each deposit is entered in the records of the qualified public depository and the other banks and savings associations that receive or are credited with the deposit in such manner that the full amount of principal and accrued interest of the deposit is insured by the Federal Deposit Insurance Corporation.

(5) The deposits are held by the qualified public depository for the public depositor under a custodial arrangement.

(6) At the time the funds are deposited through the qualified public depository, the qualified public depository receives or is credited with an amount of deposits from customers of other federally insured banks or savings associations equal to or greater than the amount of funds deposited by the public depositor in other banks and savings associations through the qualified public depository.

(7) The public depositor receives confirmation of the deposits and periodic statements that reflect the ownership of the deposits by the public depositor, the names of the banks and savings associations that hold the deposits, and the interest rate or rates on the deposits.

(8) a. The qualified public depository agrees to provide to the Department of Examiners of Public Accounts, upon request, information necessary to permit the department to verify the deposits of the public depositor that are held by the banks and savings associations named on the confirmation of deposits and periodic statements and were placed through the qualified public depository.

b. Notwithstanding any other provision of law, any qualified public depository may release records and other documentation and information to the department for the purposes of this subdivision.

(d) Subsection (c) shall not apply to funds or moneys of the state that are deposited or invested by the State Treasurer pursuant to Chapter 14 of Title 41.

(e) No funds placed pursuant to subsection (c) shall be protected by the SAFE Program or eligible to participate in the SAFE collateral pool or the Loss Payment Fund.

Section 2. This act shall become effective on the first day of the third month following its passage and approval by the Governor, or its otherwise becoming law.

CDARS satisfies the FDIC's requirements for agency pass-through deposit insurance coverage. If a depositor is subject to restrictions with respect to the placement of funds in depository institutions, it is the responsibility of the depositor to determine whether the placement of the depositor's funds through CDARS or a particular CDARS transaction satisfies those restrictions. Public fund deposits must be placed through a CDARS® ReciprocalSM transaction to ensure that the total dollar amount is maintained by the financial institution that offers CDARS. CDARS is a registered service mark of Promontory Interfinancial Network, LLC.

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