



**FEDERAL HOME LOAN BANK OF DALLAS**  
NINTH DISTRICT

**CUSTODIAL SERVICES**  
**STANDARD TERMS AND CONDITIONS**

These Custodial Services Standard Terms and Conditions (“Terms and Conditions”), effective on a continuing basis as of September 1, 1995, govern all future custodial services between Member and Depositor, as defined herein, and the Federal Home Loan Bank of Dallas (“Bank”), with offices at 8500 Freeport Parkway South, Suite 100, Irving, Texas 75063-2547, mailing address: Attention: Securities Safekeeping Department, P.O. Box 619026, Dallas, Texas 75261-9026.

**ARTICLE ONE**  
**CUSTODIAL ENGAGEMENT**

**Section 1.1. DEFINITIONS.**

“Custodial Agreement and Confirm” means an agreement substantially in the form of Exhibit A between the Bank, Member and Depositor to have Member deliver to Bank for the benefit of Depositor certain specified collateral as outlined in such document and which such document incorporates the Terms and Conditions herein.

“Depositor” means any institution, corporation, municipality, Federal or State Agency or instrumentality authorized to enter into a Custodial Agreement and Confirm and who enters into a Custodial Agreement and Confirm with Member and Bank.

“Member” means a Member of the Bank or an institution eligible to become a Member of the Bank that has entered into an “Amended and Restated Master Transactions Agreement” with the Bank and who pledges collateral to Depositor in a Custodial Agreement and Confirm.

**Section 1.2. PERFECTION OF SECURITY INTEREST BY DEPOSITOR.** Depositor is solely responsible for perfecting its security interest in the Collateral upon delivery to it of such Collateral and/or assignments thereto. For Collateral that must be in the possession of Depositor to perfect a security interest in such Collateral in favor of Depositor, as determined by Depositor, Member shall transfer to the Bank and the Bank shall accept from Member eligible Collateral to hold as bailee for Depositor, together with any necessary assignments thereof.

**Section 1.3. PROVISIONAL PLEDGE.** To the extent that Member requests in writing that the Bank provisionally segregate specified collateral held in a safekeeping account with the Bank to be pledged to Depositor, these Terms and Conditions shall govern such provisional pledge.

**Section 1.4. AUTHORIZATION OF CUSTODIAL SERVICES.** Member and Depositor authorize the Bank to act as custodian of Collateral transferred to it pursuant to the Custodial Agreement and Confirm in accordance with the rights and duties contained in these Terms and Conditions and to safekeep such Collateral subject to the terms and conditions of the Securities Safekeeping Circular. The Bank shall be compensated for its services in connection with the Custodial Agreement and Confirm by the member in accordance with the Bank’s fee schedule in effect on the date the Custodial Agreement and Confirm is signed. Member authorizes the Bank to make all necessary and proper debits and credits to the deposit account(s) of Member with the Bank in connection with the performance of custodial services under the Custodial Agreement and Confirm. All charges by the Bank for the handling and safekeeping of Collateral pursuant to the Custodial Agreement and Confirm shall be paid by Member.

**ARTICLE TWO  
RIGHTS AND DUTIES OF MEMBER**

**Section 2.1. OWNERSHIP OF THE COLLATERAL.** Member shall be the owner of all Collateral, and all income derived therefrom, whether transferred to the Bank or Depositor under a Custodial Agreement and Confirm as may be in effect from time to time and the Bank is acting as custodian of Member on behalf of Depositor in accordance with such Custodial Agreement and Confirm of which these Terms and Conditions are a part thereof.

**Section 2.2. MEMBER'S RESERVATION OF RIGHTS IN THE COLLATERAL.** Upon transfer of Collateral by Member to Depositor or to the Bank on behalf of Depositor, Member shall reserve the following rights in the Collateral, unless otherwise agreed to in writing between Member and Depositor:

- a. The right to receive prepayments of principal from mortgage-backed securities and all income from the Collateral; and
- b. The right to control the management, administration, and supervision of the Collateral in accordance with these Terms and Conditions and the Securities Safekeeping Circular.

**Section 2.3. ADDITIONS OF COLLATERAL.** Member may transfer to the Bank additional eligible Collateral or transfer to Depositor additional Collateral acceptable to Depositor. Upon transfer to the Bank of such additional Collateral, the Bank will send Member and Depositor a receipt identifying the additional Collateral.

**Section 2.4. SUBSTITUTIONS OF COLLATERAL.** In the event Member requests in writing, the Bank shall release to Member any of the Collateral upon receipt of other Collateral in substitution thereof on written authorization received from the Depositor. When substitution is made, the Bank promptly shall cause a receipt describing both the Collateral substituted and that released to be mailed to Member, with a copy to Depositor. Upon such substitution, all rights and obligations of Member and the Bank and Depositor under the Custodial Agreement and Confirm, including the grant of a security interest in such Collateral in favor of Depositor as set forth in the Custodial Agreement and Confirm, shall automatically apply to all substituted Collateral.

**Section 2.5. INDEMNITY OF THE BANK.** Member shall reimburse, indemnify, and hold harmless the Bank from and against any and all negligence or fraud on the part of the Bank resulting from the exercise by the Bank of any authority or power granted to it hereunder, or from claims of third parties, Depositor, or from any taxes or other governmental charges, and any expenses related thereto, which may be imposed or assessed in respect to the custodial services performed pursuant to the Custodial Agreement and Confirm. Member further agrees that the Bank shall be entitled to make claim for and to receive from the value of the Collateral pledged hereunder all funds due to the Bank from Member pursuant to the indemnity granted herein and all of the costs and expenses, including without limitation, attorney's fees arising out of or in any way connected with an action in the nature of an interpleader. Such claims by the Bank shall have priority status (subject to any claims of Depositor) among the claims asserted against the Collateral.

**ARTICLE THREE  
RIGHTS AND DUTIES OF THE BANK**

**Section 3.1. PURCHASE AND SALE OF COLLATERAL.** Member may purchase eligible Collateral in accordance with the Securities Safekeeping Circular and add such Collateral in accordance with Section 2.3. of this Agreement. Member may sell Collateral upon an eligible substitution of Collateral in accordance with Section 2.4. of these Terms and Condition or upon receipt by the Bank of a duly executed release of such Collateral by Depositor. The Bank is authorized by Member and Depositor to execute all orders with brokers chosen by the Bank.

**Section 3.2. PRINCIPAL PAYMENTS ON COLLATERAL.** The proceeds of any payments for maturing obligations, of any redemptions of securities, or of any principal payments made on Collateral except prepayment of principal on mortgage-backed securities, shall be invested as instructed orally or in writing by Member, and if Member fails to provide such instructions, Member authorizes the Bank to hold such proceeds as bailee for Depositor.

**Section 3.3. COLLECTION OF INCOME ON COLLATERAL.** The Bank shall collect any interest, dividends, prepayments of principal on mortgage-backed securities, or other income from the Collateral in accordance with the Securities Safekeeping Circular.

**Section 3.4. REGISTRATION OF SECURITIES IN THE BANK'S NOMINEE.** The Bank is authorized to hold any securities in the name of its nominee. The Bank shall not be responsible for any loss, damage, or expense that may be incurred by reason of the registration of any security in the name of a nominee.

**Section 3.5. RESPONSIBILITY OF THE BANK.** The Bank, its officers, agents, and employees shall not be liable for errors of judgment either in holding Collateral initially delivered to it or in acquiring and afterwards holding additional Collateral as instructed by Member, nor for any loss arising out of any investment, nor for any depreciation in the value of any Collateral held by the Bank pursuant to this Agreement, nor for any act, or omission to act, performed or omitted by the Bank, its officers, employees, or agents, in the execution of this custodianship in good faith. The Bank shall be responsible for the safekeeping of any Collateral held by it pursuant to these Terms and Conditions but in no event shall the Bank be liable to Member or Depositor for any special, consequential, incidental, or punitive damages.

**Section 3.6. DUTIES OF THE BANK.** The Bank shall have the duty to take possession of and safekeep all Collateral transferred or assigned to the Bank by Member on behalf of Depositor and to exercise reasonable skill and care when dealing with the Collateral.

**Section 3.7. LIMITATION ON SCOPE OF THE BANK'S DUTIES.** Depositor acknowledges that:

- a. The Bank will not make, and has no duty to make, any inquiry into the value or marketability of the Collateral and shall not be responsible for determining whether the value of the Collateral is sufficient to fully collateralize Members obligation to Depositor;
- b. The Bank shall not record any assignments, file any financial statements with respect to any security interest referred to herein, or take any other action to perfect any such security interests;
- c. Neither the Bank nor any of its officers have made any representations, given any assurances, or expressed any opinions to Depositor as to the effectiveness of any of the procedures and rights herein provided in any situations, including but not limited to a case where Member is placed in receivership or is liquidated;
- d. The Bank has not made and has no duty to make any inquiry into the genuineness, validity, or negotiability of the Collateral transferred to it; and
- e. The Bank is under no duty to supervise the investment of, or to advise or make any recommendation to, Depositor or Member with respect to the sale or other disposition of any Collateral at any time.

#### **ARTICLE FOUR GENERAL PROVISIONS**

**Section 4.1. INCORPORATED DOCUMENTS.** Except to the extent inconsistent herewith, the Amended and Restated Master Transactions Agreement, the Securities Safekeeping Circular, and all future documents distributed by the Bank and related to the subject matter hereof shall apply to any and all Custodial Agreement and Confirms between Member and the Bank as though set forth expressly therein.

**Section 4.2. SUCCESSORS AND ASSIGNS.** The Custodial Agreement and Confirm shall inure to the benefit of and shall be binding upon the Bank, Member and Depositor and their respective successors and assigns.

**Section 4.3. CONSULTATION WITH ATTORNEYS.** The Bank shall be entitled to employ and consult with counsel of its choosing at the expense of Member and shall be entitled to act on advice of such counsel.

**Section 4.4. ADDRESS FOR NOTICE.** All notices to be provided hereunder shall be mailed or provided to the parties hereto at their addresses set forth in the Custodial Agreement and Confirm.

**Section 4.5. AMENDMENT OF THIS AGREEMENT.** The Custodial Agreement and Confirm may be amended at any time by written agreement signed by all parties thereto provided; however, that the parties hereto expressly agree that the Bank may amend the Securities Safekeeping Circular as it deems appropriate at its sole discretion without further consent of the Member and the Depositor.

**Section 4.6. COUNTERPARTS AND EXECUTION.** The Custodial Agreement and Confirm may be executed in any number of counterparts, all of which taken together shall constitute one instrument and any of the parties hereto may execute the Custodial Agreement and Confirm by signing any of such counterparts. By executing the Custodial Agreement and Confirm, the parties acknowledge receipt of these Terms and Conditions.

**ARTICLE FIVE  
TERMINATION**

**Section 5.1. RESIGNATION OF CUSTODIAN.** The Bank may resign at any time upon five (5) business days written notice to Member. Upon receipt of such written notice, the Member shall promptly locate and appoint a successor custodian and the Bank shall transfer all Collateral held by it to such successor custodian. If Member does not locate and appoint a successor custodian within five (5) business days of delivery of notice of resignation from the Bank, the Bank shall deliver the Collateral to Depositor and shall have no further obligations hereunder. The obligations of Member and Depositor to the Bank pursuant to the Custodial Agreement and Confirm shall be deemed to survive any termination hereof and any removal or resignation of the Bank.

**Section 5.2. DEFAULT BY MEMBER.** If the Bank receives from Depositor written notice (“Default Notice”) of Member’s failure to pay when due, perform under the terms of any agreement between Member and Depositor secured by the Collateral, or perform under the terms of the Custodial

Agreement and Confirm (“Default”), then and notwithstanding any defense, claim, or objection that Member may have to the contrary, the Bank shall act as the exclusive agent of the Depositor for the purpose of delivering such part or all of the Collateral to the Depositor or its nominee as directed in writing by the Depositor. Depositor shall be entitled to retain only that portion of the Collateral having a value equal to the amount of principal and interest that Member failed to pay at maturity, and Depositor shall promptly execute any releases, assignments, quitclaims, or other documents necessary or desirable to effect a release of Depositor’s interest in the remaining portion of the Collateral.

**Section 5.3. SATISFACTION.** Upon satisfaction of any security agreement between Member and Depositor, Depositor shall promptly notify the Bank in writing of such satisfaction. Such notice shall be given by Depositor, relative to the deposit with the Bank of any Collateral hereunder, in the form of Exhibit B, which exhibit is attached hereto and incorporated herein by reference. Immediately after receipt of notice by Depositor, the Bank shall deliver the Collateral, together with any necessary assignment(s), to Member, and the Bank shall have no further obligations under the Custodial Agreement and Confirm.

**Section 5.4. TERMINATION OF THE CUSTODIAL AGREEMENT AND CONFIRM.** The Custodial Agreement and Confirm shall terminate when the Bank no longer holds the Collateral identified in a Custodial Agreement and Confirm and pledged to Depositor pursuant to these Terms and Conditions unless sooner terminated pursuant to other provisions hereof.