

ITEM #11
SAMPLE CUSTODY AGREEMENT

The following document represents a good example of the various elements the department will look for in a satisfactory custody agreement.

COMPANY, as OWNER, and [*insert bank name*] BANK, as CUSTODIAN, hereby agree as follows:

1. Governing Law

This Agreement shall be governed by the laws of the State of [*insert name of State*].

2. Custody of Assets

Custodian will maintain custody of all securities, cash, or other assets deposited to this account (Account Assets). Custodian will remit Account Assets directly to Owner at Owner's request or as Owner may otherwise direct in writing.

3. Exercising Rights of Ownership

As custodian, Custodian may exercise all rights of ownership of any Account Assets. Custodian may hold securities in bearer form, in Custodian's own name, in the name of any of the following Custodian's nominees: CEDE & COMPANY, Depository Trust Company, PTC, and Participant's Trust Company (all of which are partnerships), in central depositories or in the custody of other banks or trust companies that Custodian may select. The nominee is a partnership which consists solely of the employees, officers and directors of the organization. Custodied federal securities shall be held in book-entry form and the Federal Reserve Bank maintaining book-entry securities shall be deemed to be Custodian's agent. Custodied securities in bearer form will be maintained in that form and not re-registered in any nominee name, except on specific instruction from Owner as to a particular security.

Custodian may deposit cash funds, together with other funds held by Custodian as fiduciary, in a general deposit without liability for interest and in any form of interest-bearing deposit or savings account maintained in Custodian's commercial department. A "Sweep" account may be used for the automatic investment of cash. Such an account shall be part of the custody account and subject to all terms of this Agreement. All Account Assets will appear on Custodian's books as part of this Custodial Account.

Custodied securities may be commingle with other securities held by Custodian. However, Custodian shall maintain sufficient records at all times to identify all custodied securities held for owner. Custodian shall provide owner with an updated list of custodied securities at least quarterly.

4. Use of Assets and Investments

Custodian will receive payment of income and principal cash, but without any responsibility for the non-payment of either income or principal. Custodian shall buy, sell, exchange, or convert, or otherwise trade in securities or other investments only as directed in writing by Owner. In the absence of contrary written direction from Owner, Custodian may also invest such cash funds in appropriate short-term investments of Custodian's choosing; provided, however, Custodian shall not purchase any securities of any investment company for which Custodian, any of Custodian's subsidiaries, or any other affiliates of [*insert Corporation name*] Corporation, acts as an investment adviser except in accordance with Owner's instructions to Custodian.

5. Claims against Assets

No charge or lien shall be permitted against the custodial account, or any part thereof, except that if Custodian advances its own funds at Company's request to pay for securities purchased by Company and Custodian promptly notifies Company of the amount and nature of the debit to the custody account, a banker's lien will be permitted in the amount of the funds advanced. In the case of such a permitted lien, Custodian may sell or exchange Account Assets to, from, or through any affiliated or unaffiliated persons, partnerships, and corporations custodian may select. Custodian may settle transactions in the usual course of business.

6. Custodian's Powers as Agent

Custodian may execute and deliver all agreements, appoint agents or sub-agents, and do all other acts Custodian determines necessary to carry out the general purposes of this Agreement.

If Custodian utilizes the services of correspondent banks, sub-custodians, depositories, federal reserve banks, brokers, nominees, or the like, to hold or transfer custodied securities, those entities are deemed to be Custodian's agent.

7. Investment Authority

Custodian assumes no investment responsibility for assets held in the account.

8. Liability for Loss

Custodian shall exercise that standard of care which a professional custodian engaged in the banking or trust company industry and having professional expertise in financial and securities processing transactions and custody would observe in these affairs.

Custodian shall be liable to Company for loss of securities or other property in the custodian account which result from the negligence or willful misconduct of custodian, the sub-custodian, depository or any of their respective officers, employees, agents or nominees.

Custodian will have no liability or responsibility for interest on or for tendering called or refunded bonds; Owner assumes responsibility for missed calls on bonds. With respect to corporate actions such as tender offers, subscription rights, mergers, and other similar actions, Custodian will notify Owner or Owner's duly appointed investment advisor only if Custodian receives actual notice of such actions. Custodian will use reasonable efforts to transmit such notices, but Custodian will have no further responsibility for such actions. Custodian will not vote proxies with respect to securities held in the account, but will send such proxies, duly executed in blank, and any proxy statements, prospectuses and other corporate reports to Owner.

No provision in any contract or arrangement between the Custodian and any agent authorized by this agreement to hold the Owner's assets (whether in definitive or book-entry form) shall diminish or otherwise alter Custodian's liability to owner.

Notwithstanding anything in this Section 9 to the contrary, Custodian shall not be held liable for the insolvency or legal inability to perform of a broker or dealer if (a) Custodian has not breached its standard of care in selecting or using any such agent; or (b) the agent is not financially affiliated with Custodian. Custodian shall not be held liable when its acts or omissions resulted from its good faith reliance on the advice of legal counsel when such advice was received from counsel employed or retained by Owner.

CALIFORNIA CERTIFICATE OF AUTHORITY APPLICATION

In the event of loss or damages to custodied securities, Custodian shall, on demand by Owner, promptly replace those securities with securities of like kind and quality, together with all rights and privileges pertaining to such securities or, if acceptable to Owner, deliver cash equal to the fair market value of those securities on the date when the loss was discovered. If Custodian replaces or reimburses for lost or damaged custodied securities, and is later exonerated from liability, Owner shall reimburse Custodian for the cost of such replacement or reimbursement.

9. Statements, Records and Inspections

Custodian will provide Owner with quarterly statements showing all account transactions and a list of Account Assets. Custodian will permit Owner, or Owner's authorized agent, to inspect the records related to Owner's account at any reasonable time. Custodian shall allow all insurance and banking regulatory authorities to inspect the custodied securities and all related records promptly on demand.

10. Notification of Securities Transactions

Owner understands that Owner is entitled to receive, at no additional cost, a written notification of each purchase and sale made by custodian on behalf of Owner's account. Owner also understands that Owner has a right to receive the notification within five business days from the date of the transaction or within five business days after receipt of a broker's confirmation. Notwithstanding the preceding sentence, in lieu of a separate notification for each securities transaction, Custodian may include all required information on securities transactions in Owner's periodic account statement for the period involved.

11. Fees and Expenses

Custodian shall be entitled to reasonable compensation, as described in Custodian's most recent fee schedule, and to out-of-pocket expenses. Upon Owner's specific written authorization to debit a specific sum provided after Custodian has submitted an invoice for the specific amount to be charged, Custodian may debit the Account directly for out-of-pocket expenses.

12. Termination of this Agreement

Either Custodian or Owner may terminate this Agreement by giving at least 60 days prior written notice to the other party. When this Agreement has been terminated, Custodian will put Owner's registered securities in Owner's name and deliver Account Assets to Owner or Owner's authorized agent or to a successor custodian.