



FIRST NATIONAL BANK

SCANNED

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COUNTY AUDITOR

Member FDIC SEP 18 2009

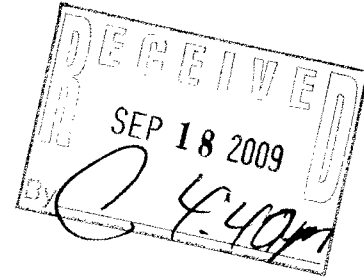
2009 SEP 18 PM 3 07

INITIALS:

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August 24, 2009

Raymundo Eufracio
County of Hidalgo
2808 S. Bus Hwy 281
Edinburg, Texas 78539



Dear Mr. Eufracio:

We are pleased to advise you that we have entered into an agreement with The Independent Bankers Bank (TIB) a long established and prestigious bankers' bank, as an option to safe-keep securities pledged on behalf of the county's deposits.

TIB has become one of the nation's largest bankers' banks, with more than \$1.4 billion in total assets, over 400 shareholders, a product line of more than 30 services and over 1,200 customer banks in more than 40 states.

This option came about when we went to visit TIB, and took a look at their operation. TIB is a bankers' bank, so their only customers are banks, and this allows them to focus their attentions to serving us and intern you. We feel that both FNB and the county will benefit from this focused banking strategy. As one of our safekeeping agent, TIB will have the same responsibilities as Amegy Bank as far as managing the county's collateral. They will also provide safekeeping for the county's investments if that is ever needed down the road.

Once we have received your signed contracts, we will begin the process of moving your collateral to TIB.

If you have any questions, please feel free to call me 956-380-8506 or e-mail me roxanna.deleon@webfnb.com.

Sincerely,

Roxanna De Leon

Roxanna De Leon
AVP Public Finance

DEPOSITORY PLEDGE AGREEMENT

County of Hidalgo, (“Depositor”) has selected **FIRST NATIONAL BANK**, (“Bank”) as a depository for certain of its funds and Bank has agreed to act as the depository for those funds in accordance with applicable laws, which require that Bank secure the deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation (“FDIC”), by pledging securities (“Eligible Securities”) of any type (including without limitation surety bonds and investment securities) permitted by the provisions of the Public Funds Collateral Act, Title 10, Chapter 2257 of the Texas Government Code (the “Governing Statutes”). **THE INDEPENDENT BANKERSBANK**, (“Custodian”) has agreed to hold the pledged securities in safekeeping pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants in this Agreement, Depositor, Bank and Custodian agree as follows:

1. **Grant of Security Interest; Instructions Regarding Collateral.** Bank hereby grants to Depositor a security interest in all Eligible Securities held by Custodian and reflected on Custodian’s records as being pledged to Depositor (the “Collateral”), and Custodian agrees to hold all Collateral deposited with it pursuant to the terms of this Agreement, and to serve as collateral agent for Depositor. Until Depositor has the right to compel sale of the Collateral under Paragraph 6 hereof, Custodian may act only in accordance with the joint instructions of Bank and Depositor, provided that Bank shall be permitted to unilaterally substitute Eligible Securities for the Collateral in accordance with Paragraph 3 hereof. Addendum “A” contains the names and specimen signatures of individuals authorized to act on behalf of Depositor, and Addendum “B” contains the names and specimen signatures of individuals authorized to act on behalf of Bank. Either Depositor or Bank may add or remove authorized representatives without the consent of the other at any time by providing Custodian with a replacement addendum, duly executed by an authorized individual.

2. **Amount of Collateral.** The aggregate market value of Eligible Securities held by a Custodian at all times during the term of this Agreement must be in an amount not less than 105 % of (a) the amount of the collected funds on deposit, increased by (b) the amount of accrued but uncredited interest, (c) reduced by that portion of the funds insured by the FDIC. Such amount is hereinafter called the “Required Collateral Value”.

3. **Substitutions and Withdrawals of Collateral.** If the aggregate market value or Collateral held by Custodian at any time exceeds the Required Collateral Value, Bank may withdraw any excess Collateral by providing Custodian with a withdrawal notice signed by an authorized representative of both Bank and Depositor. Depositor agrees to promptly sign the withdrawal notice if the market value of the remaining Collateral equals or exceeds the Required Collateral Value. Additionally, Bank may substitute Eligible Securities for any of the Collateral held by Custodian at any time by providing Custodian with a substitution notice signed by an authorized representative of Bank, provided that the market value of the Collateral following such substitution would equal or exceed the Required Collateral Value.

4. **Bank’s Obligations.** Bank shall perform all of the duties and obligations required of a depository under applicable law with respect to collateralization of the funds of Depositor on deposit with Bank, including the duties and obligations required under the Governing Statutes. At the expiration of the term of this Agreement, Bank shall turn over to any successor depository designated by Depositor all funds held by Bank as depository. Bank will furnish to Depositor a monthly statement listing a description of the Collateral. The statement will specify the par value, market value, and maturity date of each component of the Collateral. Upon request, Bank shall provide to Depositor a copy of Bank’s most recent publicly available quarterly or annual financial statement.

5. **Custodian’s Obligations.** Custodian shall perform all of the duties and obligations required of a custodian under applicable law with respect to the custody and disposition of Eligible Securities, including the duties and obligations required under the Governing Statutes. On receipt of Eligible Securities pledged to Depositor, including Eligible Securities substituted for other Collateral, Custodian shall immediately identify such Eligible Securities on its books and records as being Collateral securing the deposited funds to Depositor, and shall promptly issue and deliver to Bank a receipt for such Collateral. Upon receipt, Bank will promptly mail the receipt to Depositor.

6. **Default and Remedies.** If Bank defaults in performing its obligations under Paragraph 4 above, or if Bank is declared insolvent, or if a receiver is appointed for Bank, Depositor may instruct Custodian to sell the Collateral or any part thereof at public or private sale, after providing Bank at least three (3) business days prior written, notice and opportunity to cure the default, and, if Bank fails to cure the default within the required period of time, Custodian shall proceed to sell the specified Collateral in accordance with the Depositor's instructions. The proceeds of any sale shall be applied to satisfy any indebtedness owed by Bank to Depositor, and any excess proceeds shall be returned to Bank. Depositor will also have any other remedies available under applicable law.

7. **Termination of Agreement.** Any party of this Agreement may terminate this Agreement by giving thirty (30) days prior written notice of termination to other parties.

8. **Applicable Law; Other Agreements.** This Agreement is governed by the laws of the State of Texas. All deposit accounts of Depositor, and cash management services, if any, provided in connection with such accounts, will be subject to Bank's Business Account of Agreement and Disclosure Statement, Wholesale Demand Deposit Account Disclosure Statement, and /or Cash Management Terms and Conditions, as applicable, in effect from time to time, and as modified in writing by agreement of the parties.

9. **Miscellaneous** The headings in this agreement are for convenience of reference only and should not be used in interpreting this Agreement. If any provision of this agreement is illegal or unenforceable under applicable law, that provision should be deemed reformed so as to be enforceable to the extent permitted by applicable law, or if that is not possible, then this Agreement should be read as if that provision was never a part of it, and the remainder of the Agreement will be enforceable. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT OF THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS OF THE PARTIES. Notices given under this Agreement must be addressed as set forth below the signature of each party, and will be effective upon actual receipt by the addressee or upon refusal of delivery during the normal business hours of the addressee.

Date of Agreement: _____, 20 ____.

DEPOSITOR:

CUSTODIAN: **THE INDEPENDENT BANKERS BANK,**

By: _____

By: _____

Name: _____

Name: Jorja Morgan

Title: _____

Title: VP/ Investments Operations

Address for notice: _____

Address for notice: 350 Phelps Dr.

_____ Irving, Texas 75038

BANK: FIRST NATIONAL BANK,

By: _____

Name: Eddie Leal

Title: Comptroller

ADDENDUM "B"
(Authorized Officers of Bank)

One signature of any of the following authorized officers of Bank is required to authorize actions to be taken pursuant to the foregoing Depository Pledge Agreement:

1. Saul Ortega _____
(Name) (Signature)

2. Eddie Leal _____
(Name) (Signature)

3. Mary Elizondo _____
(Name) (Signature)

4. Roxanna De Leon _____
(Name) (Signature)

5. _____
(Name) (Signature)

6. _____
(Name) (Signature)

7. _____
(Name) (Signature)

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Date of Agreement: _____, 20 ____.

DEPOSITOR:

CUSTODIAN: **THE INDEPENDENT BANKERS BANK,**

By: _____

By: _____

Name: _____

Name: Jorja Morgan

Title: _____

Title: VP/ Investments Operations

Address for notice: _____

Address for notice: 350 Phelps Dr.

_____ Irving, Texas 75038

BANK: FIRST NATIONAL BANK,

By: _____

Name: Eddie Leal

Title: Comptroller

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