

**FIRST NATIONAL BANK  
BANK DEPOSITORY CONTRACT**

**C-09-065-04-17**

This **DEPOSITORY CONTRACT** is made and entered into on the date last herein written by and between **COUNTY OF HIDALGO**, a political subdivision of the State of Texas, hereinafter called "**County**" and **FIRST NATIONAL BANK**, a national banking association, organized under the law of the United States and authorized by law to do banking business in the State of Texas, hereinafter called "**Bank**, and provides as follows:

1. Designation of Depository. County, through action of the Commissioner's Court of the County, its governing body, hereby designates Bank as a depository of funds for the period beginning **May 10, 2009**, and continuing through **May 9, 2013**.

2. County Representatives. During the term of this Depository Contract, the County will, through appropriate action of its Commissioner's Court, designate the officer, or officers, who singly or jointly will be authorized to represent and act on behalf of the County in any and all matters of every kind arising under this Depository Contract and to (a) appoint and designate, from time to time, a person or persons who may request withdrawals, orders for payment or transfer on behalf of the County in accordance with the electronic fund or funds transfer agreement and addenda, and (b) make withdrawals or transfers by written instrument.

3. Entire Agreement. This Depository Contract and the attached Addendums constitute the entire agreement between Bank and County and the terms and provisions of this Contract may not be amended, altered, or waived except by mutual agreement evidenced by written instrument signed by duly authorized representatives of both parties. The following Addendums are hereby incorporated into this Contract for all the purposes as if fully appearing herein:

Addendum I	Application for Depository Bank for funds of Hidalgo County, Texas
Addendum II	Agreed Negotiated Terms to Application for Depository Bank for funds of Hidalgo County, Texas

The following operating agreements shall be entered into between the parties to facilitate the performance of this Contract in accordance with the terms of the application:

1. Depository Pledge Agreement
2. Online Banking Agreement
3. ACH Origination Agreement
4. Positive Pay
5. LockBox Agreement
6. Trust Services

4. Interest on Deposits. County may arrange for time deposits and Bank may accept and shall hold such deposits subject to payment in accordance with the terms of the deposit. Interest shall be calculated at the rates, which Bank has bid for the particular denomination and time period of said deposits at competitive public bidding for said deposits. Time deposits will mature on or before May 9, 2013.

5. Minimum Collected. County shall maintain a minimum daily collected balance in each of its accounts, of at least \$1.00 during the term of this Contract.

6. Collateral for Deposits. All funds on deposit with Bank to the credit of the County shall be secured by collateral as provided for the Public Funds Collateral Act (Chapter 2257 of the Texas Government Code). The total market value of the collateral (which includes accrued interest or income to the extent it is not included in the market price) securing such deposits shall be in an amount at least equal to one hundred five percent (105%) of the amount of such deposits, plus the amount of any accrued interest thereon, less the amount that such deposits are insured by the Federal Deposit Insurance Corporation. ~~The market value with respect to any securities (collateral) as of any date will be obtained from a primary dealer.~~ When additional collateral is required to cover incremental deposits, Bank must receive the request for collateral prior to 10:30 am on the day the deposits are actually received. Without any obligation to do so, Bank will on a best-efforts basis attempt to provide additional collateral for incremental deposits when notification is received after the delineated deadlines listed above.

7. Amegy Bank for Collateral. (a) Bank has heretofore or will immediately hereafter deliver to Amegy Bank collateral of the kind and character above mentioned of sufficient amount and market value to provide adequate collateral for the funds of County deposited with Bank. Said collateral or substitute collateral, as hereinafter provided for, shall be kept and retained by said Bank in trust so long as the depository relationship between County and Bank shall exist hereunder, and thereafter so long as deposits made by County and held by Bank hereunder shall have not been properly paid out by Bank to County or on its order.

(b) Amegy Bank will accept said collateral and hold the same in trust for the purposes herein stated. (See "Depository Pledge Agreement for Amegy Bank".)

8. Default. Should Bank fail at any time to pay and satisfy, when due, any check, draft, or voucher lawfully drawn against any deposits and the interest on such deposits or in any manner breach its contract with County, County shall give written notice of such failure or breach to Bank, and Bank shall have thirty (30) business days to cure such failure or breach. In the event Bank shall fail to cure any such failure or breach within (30) business days or should the Bank be declared insolvent by a Federal banking regulatory agency, it shall be the duty of Amegy Bank, upon demand of County (supported by proper evidence of any of the above-listed circumstances), to surrender the

above-described collateral to County. County may sell any part of such collateral and out of the proceeds thereof in order to pay County actual damages and losses sustained by it, together with all expenses of any and every kind incurred by it on account of such failure or insolvency, or sale, and account to Bank for the remainder, if any, of said proceeds or collateral remaining unsold.

9. Sale of Collateral. Any sale of such collateral, or any part thereof, made by County hereunder may be either at public or private sale, provided, however, it shall give both Amegy Bank and Bank two (2) hours notice of the time and place where such sale shall take place, or such sale shall be to the highest bidder therefore for cash. County and Bank shall have the right to bid at such sale.

10. Substitution of Collateral. If Bank shall desire to sell or otherwise dispose of any one or more of said collateral securities so deposited with Amegy Bank, it may substitute for any one or more of such securities other securities of the same market value and character. Such right of substitution shall remain in full force and may be exercised by Bank as often as it may desire; provided, however, that the aggregate market value of ~~all collateral pledged hereunder, shall be at least equal to the amount of collateral~~ required hereunder and meet the requirements of the law. If at any time, the aggregate market value of such collateral so deposited with Amegy Bank is less than one hundred five percent (105%) of the County's funds on deposit with said Bank, Bank immediately shall deposit with Amegy Bank such additional collateral as may be necessary to cause the market value of such collateral to equal the total amount of required collateral. Bank shall be entitled to income on securities held by Amegy Bank for the collateral required hereunder, and Amegy Bank may dispose of such income as directed by Bank without approval of County.

11. Trust Receipts. First National Bank shall promptly forward to County copies of safekeeping or trust receipts covering all such collateral held for Bank, including substitute collateral as provided for herein.

12. Withdrawal of Collateral. If at any time the collateral in the hands of Amegy Bank shall have a market value in excess of one hundred five percent (105%) of the balances due County by Bank, County shall authorize the withdrawal of a specific amount of collateral. The Amegy Bank shall deliver this amount of collateral (and no more) to Bank, taking its receipt therefore, and Amegy Bank shall have no further liability for collateral so redelivered to Bank.

13. Successors. This Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Whenever a reference is made herein to either party, such reference shall include the party's successors and assigns.

14. Release of Collateral. When the relationship of County and Bank shall have ceased to exist between County and Bank, and when Bank shall have properly paid out all deposits of County, it shall be the duty of County to give Amegy Bank certificate to that effect; whereupon Amegy Bank shall redeliver to Bank all collateral then in its possession belonging to Bank, taking its receipt therefore. An order in writing to said Amegy Bank by County and a receipt for such collateral by Bank shall be a full and final release of Amegy Bank of all duties and obligations undertaken by it by virtue of these presents.

15. Governing Law. This Agreement shall be governed by the laws of the State of Texas.

16. Notices. Any demand, notice, request, instruction, designation, or other communication(s) required in writing under this Agreement shall be personally delivered or sent certified mail, return receipt requested, to the other party as follows:

Bank: Saul Ortega  
First National Bank  
100 W Cano  
Edinburg, Texas 78539

County: Norma Garcia  
Treasurer, County of Hidalgo  
100 East Cano St.  
Edinburg, TX 78539

17. Severability. If any provision of this Contract is held to be illegal, invalid, or unenforceable by a court of competent jurisdiction, the parties shall, if possible, agree on a legal, valid, and enforceable substitute provision that is as similar in effect to the illegal, invalid, or unenforceable provision as possible. The remaining portion of the Contract not declared illegal, invalid, or unenforceable shall remain valid and in full force and effect for the term remaining.

18. Binding Commitment. Bank hereby acknowledges itself duly and firmly bound for the faithful performance of all the duties and obligations required by applicable law, including the Texas Government Code and Texas Local Government Code, such that all funds deposited with it as depository shall be faithfully kept by it and accounted for according to law.

19. Continuation. Unless this Contract is terminated sooner, and mutually agreeable to both parties, Bank's designation as the County Depository will remain continuously in effect for a period not to exceed 60 days after May 9, 2013. The terms and conditions of this Contract are subject to change beyond May 9, 2013.

County of Hidalgo

First National Bank

By:

Juan D. Salinas III  
Hidalgo County Judge

By:

Saul Ortega  
Chief Financial Officer

ATTEST:

Arturo Guajardo I

Approved by Board of Director's on:

Approved as to form:

Atlas + H-11, LLP

By:

[Signature]

Date:

4-17-09

# Addendum I

## APPLICATION FOR DEPOSITORY BANK FOR FUNDS OF

### HIDALGO COUNTY

#### **General Information:**

Hidalgo County Commissioners Court, in complying with applicable Texas Statutes, is herein requesting applications from any banking corporation or financial institution to serve as a County Depository Bank. The county intends to designate one bank that will provide two (2) separate functions: (A) one operating bank, and (B) a remittance processing (lockbox) bank. "Operating Bank" means the bank will provide general banking services, including but not limited to the establishment of interest bearing checking accounts, other electronic transfers and electronic interchange data interchange. "Remittance Processing (Lockbox) Bank" means the bank will process ad valorem tax remittances for Hidalgo County. (See Lockbox Specifications)

The specific references governing these services are:

*Local Government Code Chapters 116 & 117, "Depositories for County Public Funds," and Government Code Chapters 2256 "Public Funds Investment Act" and 2257 A Collateral for Public Funds."*

---

The text of these governing statutes may be obtained on the Internet at:  
[www.capitol.state.tx.us/statutes/statutes.html](http://www.capitol.state.tx.us/statutes/statutes.html)

By submitting a proposal, Bank, acknowledges that it understands the aforementioned laws, which pertain to the safekeeping of county funds and will comply with these statutes.

Pursuant to the *Texas Local Government Code 116* and *Vernon's Texas Codes Annotated, Government Code, Chapter 2257*, sealed applications will be received by Hidalgo County Commissioner's Court, Edinburg, Hidalgo County, Texas on or before **10:00 A.M.** on **March 10, 2009** for the selection of a bank depository for the forthcoming four-year period commencing **May 10, 2009**. Applications may be submitted by any Abank@ as defined by the *Texas Local Government Code Section 116.001*.

There is no express or implied obligation for Hidalgo County to reimburse responding firms for any expenses incurred in preparing proposals in response to this application and Hidalgo County will not reimburse responding banks for these expenses.

**The Hidalgo County Drainage District Number One Board Of Directors may, at their option, utilize the depository selected by Hidalgo County as the depository for Hidalgo County Drainage District Number One. Should the Board of Directors of Hidalgo County Drainage District Number One decide the bank selected as its depository is the same as the one selected by Hidalgo County, the bank selected shall offer Hidalgo County Drainage District Number One the same terms and provisions as it offers Hidalgo County under the depository agreement except as such provisions may differ in accordance with Texas Water Code Chapter 49 & 56.**

**WRITTEN INQUIRIES** to Martha L. Salazar, CPPB, Purchasing Agent will be accepted via facsimile by no later than Wednesday, **February 25, 2009**, at 5:00 P.M. at (956) 318-2629.

Responses will be sent to all applicants via facsimile by Friday, February 27, 2009.  
**TELEPHONE INQUIRIES WILL NOT BE ACCEPTED.**

To be considered, original sealed applications plus ten (10) copies of same must be received by  
10:00 A.M., March 10, 2009.

These applications will not be opened until the final submission date and hour noted. All applications must be addressed to:

**Juan D. Salinas III, Hidalgo County Judge  
Hidalgo County Commissioners' Court Meeting Room  
100 East Cano, 1<sup>st</sup> Floor, Atrium Area  
Edinburg, Texas 78539**

And the envelope in which the application is enclosed must be marked on the left-hand corner:

**SEALED APPLICATION  
TO SERVE AS COUNTY DEPOSITORY BANK**

**Good Faith Guarantee(s)**

**Operating Bank & Remittance Processing (Lockbox) Bank** (as defined under General Information, page 1)

This application for depository for funds of Hidalgo County must be accompanied by a certified or cashier's check made payable to Hidalgo County in the amount of **\$ 1,987,691.77** (one half of one percent of revenues for the year 2008) as a guarantee of good faith on the part of the bank that if the application submitted is selected, the successful applicant will, within **15** days after notice of selection, enter into a pledge contract with the Commissioner's Court and if accepted file bonds of securities in sufficient amount to secure the public monies entrusted to them within **15** days of selection as prescribed by the *Texas Local Government Code Chapter 116.051* and *Vernon's Texas Codes Annotated, Government Code, Title 10 Chapter 2257*. Should the bank fail to qualify as depository as required and within the **15** days specified, the certified or cashier's check shall go to Hidalgo County as liquidated damages in accordance with the *Texas Local Government Code Chapter 116.023* and *Vernon's Texas Codes Annotated, Government Code, Title 10, Chapter 2257*.

**Certain Trust Funds and Court Registry Funds** (as defined under General Information, page 1)

This application for depository for funds of Hidalgo County must be accompanied by a certified or cashier's check made payable to Hidalgo County in the amount of **\$101,723.95** (one half of one percent of the average daily balance of the registry funds held by the County Clerk and the District Clerk during the preceding calendar year as promulgated by Texas Local Government Code, Chapter 117. A certified check or cashier's check that complies with this section, 117.021 (c) is a good-faith guarantee on the part of the applicant if the application is accepted it will execute the bond required under this subsection. If the bank selected as depository does not provide the bond, Hidalgo County shall retain the amount of the check as liquidated damages and the county shall select another depository as provided by this subchapter **of the Texas Local Government Code Chapter 117.021 and Texas Government Code, Chapter 2257.**

## APPLICATION FOR DEPOSITORY BANK (CONT.)

When the depository has been selected, the certified or cashier's checks presented with the application shall be returned to the unsuccessful applicants immediately. The Commissioners' Court shall return the check of a successful applicant when the applicant executes and files a Depository Bond that is approved by Commissioner's Court.

During the evaluation process, Hidalgo County reserves the right to request additional information or clarification from applicants, or to allow for corrections of errors or omissions. At the discretion of Hidalgo County, financial institutions submitting applications may be requested to make oral presentations as part of the evaluation process.

Hidalgo County reserves the right to select the acceptable applicant who offers contractual terms and conditions most favorable to the County. The County may reject applicants whose management or financial condition, in the opinion of Commissioner's Court, does not warrant the placing of county funds in their possession. Hidalgo County reserves the right to reject in part or in whole any or all applicants, waive minor technicalities, and award the bid that best serves the interest of Hidalgo County. Late applications will be returned to applicant unopened. Applications may be withdrawn any time before official opening.

The County expressly requests that applicants not discuss this engagement or the bank's plans, experience or credentials with other banks or any member of Commissioner's Court until requested by the county officials to make an oral presentation.

It is anticipated that the selection of a financial institution will be completed by May 10, 2009. Following the notification of the selected bank, it is expected a contract will be executed between both parties. The approval of such contract must be entered into the minutes of the depositories' board of directors and evidenced on a certified copy of the minutes of the board of directors.

### Terms of Engagement

A four-year contract is contemplated if satisfactory financial terms can be negotiated; if not a two-year contract will be executed. This depository contract must commence no later than May 10, 2009 and must continue until 60 days after the time fixed by statute for the next selection of a Depository Bank. If a time deposit's maturity date extends beyond the expiration date of the contract, the contracting bank will pledge sufficient securities required by Hidalgo County to provide for the maturity of the time deposit.

### Selection Criteria

Hidalgo County will award the bank contract on the following criteria:

- |                                      |           |
|--------------------------------------|-----------|
| a. Bank's current financial strength | 10 points |
| b. Bank's past financial strength    | 10 points |

## APPLICATION FOR DEPOSITORY BANK (CONT.)

c. Best value in terms of:	
a.) cost	20 points
b.) service	15 points
d. Experience and ability to meet service requirements	20 points
e. Net rate of return on County funds	15 points
f. Electronic bank services offered	<u>10 points</u>
Total	100 points

Bonus: Any additional bank services offered 5 Points Maximum

### **Ethics Policy**

Any organization offering to be a depository shall file a statement disclosing all financial relationships that may be a conflict of interest as stated in Texas Local Government Code Section 131.903.

**First National Bank does not have any financial relationships that could be a conflict of interest.**

### **Investments Made Outside Depository Bank**

Hidalgo County reserves the right to make external investments according to the laws of the State of Texas and the Investment Policy of Hidalgo County. Hidalgo County may refrain from making external investments if the depository bank, at a minimum, matches the external interest rate the County would earn from making such investments.

**First National Bank agrees.**

### **Required Information**

Bank must respond to all provisions and adhere to the format provided in this proposal to be considered a responsive applicant. The application must be signed by a duly authorized banking official and upon award of the depository contract by Commissioner's Court, the application and all attachments may be included in the official Depository Contract if desired by the County. Please submit the following:

1. Audited financial statements for the last two years. All banks wishing to be designated as the depository bank must state the amount of the bank's paid-up capital stock and permanent surplus and must submit a statement showing the financial condition of the bank on the date of the application.  
**See tab 3**
2. References from customers whose service requirements are similar to those of Hidalgo County.  
**See tab 10**
3. Bank Administrative Institute (BAI) questionnaire for most recent period.  
**First National Bank is not a member of BAI.**
4. Current check clearing availability schedule with a description of areas where availability is provided sooner than the published schedule.  
**See tab 4**
5. An Equal Employment Opportunity provisions statement must be submitted that indicates the bank will not discriminate against any employee or applicant for employment because of race, religion, sex, color, age, handicap, or national origin, which will become part of the contract conditions if

**APPLICATION FOR DEPOSITORY BANK (CONT.)**

the financial institution is awarded the contract. The statement should include a description of the financial institution's affirmative action plan.

**See tab 6**

6. Call Report or Thrift Financial Report for the most recent year-end. In addition, please provide most recent quarter if more recent than year-end.

**See tab 3**

7. **Current Bank Credit Rating by:**

Moody's \_\_\_\_\_  
Standard and Poor's \_\_\_\_\_  
Bank Watch \_\_\_\_\_

**Not applicable, First National Bank is not a Publicly Traded Bank.**

8. **Comprehensive List of Service Prices:** Bank must provide a comprehensive list of service prices. This list will be considered all-inclusive and prices shown on the list must be incorporated into the contract. ~~If a four-year contract is executed, the bank has the option to establish, on the basis of negotiations with the County, new interest rates and financial terms of the contract that will take effect during the final two years of the four year contract. County has the option to choose to use any of the following:~~

- 1) The new financial terms do not increase the prices to the County by more than 10 percent; and
- 2) The variable interest rate option stated in this contract or to change to the new fixed or variable rate options proposed by the bank.

**First National Bank agrees. See tab 5 for a schedule of fees.**

9. **Interest Rates:** Hidalgo County is requesting for bank applicants to define specifically the method used by the applicant for interest calculations in its normal operations if the method uses a formula that is simple and the underlying index or instrument value is verifiable in the Wall Street Journal. Bank must furnish adequate information about the method used in calculating interest to allow Hidalgo County to determine interest payable under the contract independently. In addition, monthly historical interest rate data using this method for **January 1, 2008 through December 31, 2008** should be included for comparison purposes in the selection process. **Please fill out Exhibit A.**

**See Exhibit A**

10. **Comprehensive Cash Management Capabilities:** Bank must provide comprehensive cash management programs and associated costs.

**First National Banks Business Web Banking system will help the County make immediate and accurate decisions based on real-time information, including account balances, cash position, maturity, payment and interest. With Business Web Banking the County can issue \*stop payments, initiate \*ACH transfers, internal funds transfers, \*Domestic wire**

## APPLICATION FOR DEPOSITORY BANK (CONT.)

transfers, \*tax payments, and loan payments. Business Web Banking also gives you the ability to perform an image search, approve/disapprove file and fund transfers, \*download check reconciliation issued files for reconciliation and fraud management purposes. \*Some services are subject to fees. See tab 5.

### Service Requirements:

1. **Standard Disbursement Services:** Standard disbursing services for all accounts are required to include the payment of all County checks upon presentation. No funds or fees may be withdrawn from the County Depository except by properly drawn warrants which have been approved and signed by appropriate authorities as designated on signature cards. All signature cards must be approved by the County Treasurer.  
**First National Bank agrees.**
2. **Standard Deposit Services:** The bank will guarantee immediate credit on all wire transfers, ACH transactions and all checks based on Bank's availability schedule. All deposits received before the banks deadline will be credited daily.  
**First National Bank agrees.**
3. **Statements:** Monthly account statements will be provided with all original cancelled checks, debit and credit memos, etc. and or optical images of the front and back of these items if the optical images are retained in accordance with the rules adopted by the Texas State Library and Archives Commission. This statement shall show the number of checks, deposits and deposit items posted, daily ledger balances, average daily ledger balance for the month, average daily collected balance for the month and other items on which charges are based. Such statements shall be provided within seven working days after calendar month-end.  
**First National Bank agrees to provide the County with imaged statements. See tab 5 for a schedule of fees.**
4. **Collateral Reports:** A detailed monthly collateral -to deposit report is required. The report shall contain security descriptions, par value/current face and current market value.  
**First National Bank agrees.**
5. It is requested that as part of the bid the depository bank will provide an on-line communication link to the County for daily reporting of fund balances, collateral and ledger balances and detail debits and credits.  
**First National Bank's "Business Web Banking" will allow the County's personnel to access all of its accounts. The County will be able to view accounts an individual or aggregate basis. The County will be able to view current balances, memo'd balances, current day presentments, transaction history for two cycles, and view an image of checks cleared. Other services available on "Business Web Banking" is post \*stop payments, transfer between accounts, \*execute wire transfers, and \*upload its ACH file to the bank. \*Some services are subject to fees. See tab 5.**

## APPLICATION FOR DEPOSITORY BANK (CONT.)

6. Service charges for monthly service included in a monthly analysis format, on group summary basis; except for non-interest bearing accounts.  
**First National Bank agrees. See tab 5 for a schedule of fees.**
7. Ability to prevent check fraud by prior authorization of issued checks.  
**First National Bank offers Positive Pay, a fraud prevention product that detects unauthorized checks. Authorized Check Pay allows you to authorize payment of each check individually. Service charges for this service will be placed on account analysis. See tab 5 for details and pricing.**
8. Monthly account statements delivered in electronic file format, as well as paper.  
**First National Bank agrees. Paper statements are provided free of charge. See tab 5 for pricing on Imaged statements.**
9. Wire transfer capability using dial in service (phone and/or computer) with dual control security features (primary and secondary authorization)  
**The County, through "Business Web Banking can originate external wire transfers. The security is based on a 128 bit encrypted web browser, which connects to the bank via the Internet. Security can be set up to allow employees to enter the information, and second to verify and approve. Wire transfer limits can be set at the user and account level based on authority granted.**
10. **Direct Deposit Payroll Processing:** Payroll direct deposit ACH modem transmission. Bank must have capability to accept payroll direct deposit ACH information by modem.  
**First National Bank has the capability to accept direct deposit files via internet based "Business Web Banking". As a back up contingency plan, County can deliver its ACH Payroll File in an electronic format to a local branch for electronic transmission to First National Bank's ACH Department for final processing. See tab 5 for details and pricing.**
11. **Stop Payments:** The County will require the bank to issue stop payments executed from personal computers or fax by County personnel at County locations. Documentation for all rejected stop payments must be forwarded to the County within three days. Stop payments will be honored for one year.  
**This service is available thru Business Web Banking and is subject to fees. The user would perform a transaction search prior to placing the stop payment order and will be immediately notified if the item has been paid. First National Bank will not be held liable if a stop payment has been placed after an item has cleared. This service is available 24 hours a day. Stop payments remain in effect for 6 months and must be renewed by an authorized account holder or online banking user. See tab 5 for a schedule of fees.**
12. **Account Executive Person:** The bank will provide Hidalgo County with an Account Executive Service person located in Hidalgo County whose responsibility must be to serve as primary liaison between the Bank and Hidalgo County. This person will be responsible for attending to inquires, requests for services, and daily activities regarding the managing of Hidalgo County Accounts.  
**First National Bank agrees. See tab 7.**

## APPLICATION FOR DEPOSITORY BANK (CONT.)

13. **Waiver of Certificates of Deposit Penalty:** Occasionally the County of Hidalgo may need to cash a certificate of deposit before its date of maturity; if so the bank agrees to waive any penalties for early withdrawal.  
**First National Bank agrees to abide by Federal Banking Regulation D, in reference to waiving early withdrawal penalties. If the County elects to retain the Certificate of Deposits after the contract expiration date, First National Bank agrees to pay the stated rates of interest on the Certificate Of Deposit, and continue to collateralize the investments of the County.**
14. **Printing:** Bank must provide checks and deposit slips printed in conformity with County specifications.  
**First National Bank agrees to provide the County with checks and deposit slips at Bank cost. Price varies by style.**
15. **Deposits:** Bank must accept mixed deposits containing cash, checks, and coins from the County.  
**First National Bank agrees.**
16. **Deposits at Branch Locations:** Bank must allow County personnel to make deposits at any branch location.  
**First National Bank agrees.**
17. All demand deposit overdrafts incurred in the normal course of business will be covered at no cost to the County as long as sufficient compensating balances exist in other County accounts. **The County shall avoid overdrafts on any of its individual accounts and shall take prompt action to cover overdrafts in any single account. All overdrafts are viewed as extensions of credit and must be reviewed on an individual basis. The bank may honor overdrafts, but is not obligated to do so. The fee for overdrafts, should one occur, is \$35.00 per item. Although the definition of an overdraft is based on an individual account, interest at 10% is assessed only on days when there is a negative collected balance in all transaction accounts combined. Overdraft fees and interest are charged through Account Analysis.**
18. Provide automated clearinghouse operations to allow the County to initiate electronic paperless entries through your financial institution and other financial institutions by means of ACH.  
**First National Bank agrees. See tab 5 for details and pricing.**
19. **Open Line of Credit:** Bank must be willing to provide emergency as well as non emergency loans to County, if needed; interest rates on such loans must be negotiated with Commissioners Court.  
**The Bank will make loans to the County at a variable rate tied to the Wall Street Journal prime rate plus a 1% underwriting fee. The rate of interest will be subject to the purpose of the loan and financial condition of the entity at the time of the request. All loan terms and conditions are subject to final approval of First National Bank's Loan and Discount committee.**
20. Endorsement Stamps.  
**First National Bank will provide the County with endorsement stamps at Bank cost.**

## APPLICATION FOR DEPOSITORY BANK (CONT.)

21. Night depository services, which include locking bags with keys for the numerous County Departments.  
**First National Bank agrees. Locked money bags and or Tamper evident bags will be provided at Bank cost. See tab 5 for pricing.**
22. Daily delivery of all charge back items (NSF's).  
**First National Bank agrees.**
23. Provide money straps, coin wraps and money envelopes.  
**First National Bank agrees. See tab 5 for pricing.**
24. List other services including any associated fees that bank is willing to provide.  
**See tab 8**
25. Bank must be a member of the Automated Clearing House Network and be able to receive funds by wire.  
**First National Bank agrees.**

---

26. In addition to investments outlined elsewhere in this application, the County reserves the right to purchase, sell and invest its funds (including the proceeds of bond issues received prior to and passed during the term of this contract) and funds under its control through a primary government securities dealer, as defined by the Federal Reserve, or with a bank domiciled in the State of Texas as permitted by Section 116.112 of the Local Government Code and the Public  
**First National Bank agrees.**
27. Funds Investment Act or as stated in the County's Investment Policy. Bank will and shall aid and assist County in any investment without charge.  
**First National Bank agrees.**

### **Legal Collateral Requirement Specifications**

#### Allowable Securities

Collateral must consist of the following:

- U.S. Treasury Notes
- U.S. Treasury Bills
- Government National Mortgage Association Certificates
- Federal Farm Credit Banks Notes and Bonds
- Federal National Mortgage Association Notes and Bonds
- Federal Home Loan Mortgage Association Notes and Bonds

**First National Bank agrees.**

### **Required Level of Collateral**

The initial amount of securities to be pledged against Hidalgo County shall be adequate to fully

## APPLICATION FOR DEPOSITORY BANK (CONT.)

Collateralize the funds of Hidalgo County according to the State laws of Texas and shall continuously remain as such. The amount is subject to change as deposits fluctuate in which case the collateral may be reduced with the approval of the County Treasurer.

At all times, the market value of collateral including accrued interest must be equal to or greater than **105 percent** of the sum of the par value of the certificates of deposit plus accrued interest, the daily bank ledger balances less funds insured by the Federal Deposit Insurance Corporation.

**First National Bank agrees.**

### **Monitoring of Collateral**

Bank is responsible to notify the County of any deficiencies in its pledged collateral on a daily basis, as well as obtaining additional collateral to cover any deficiencies.

**First National Bank agrees.**

### **Location of Collateral**

Bank must deposit all collateral pledged to secure County funds at the Federal Reserve Bank in Dallas, Texas or at a mutually agreed third party institution with a notation that the securities are pledged to the County. ~~Depository safekeeping receipts should be furnished to the County Auditor evidencing the pledged securities. Securities pledged to the County shall be placed in safekeeping by the depository and sub-depository bank and the original of the safekeeping receipt shall be given to the County Auditor. Securities so pledged shall be subject to physical inspection by a member of Commissioner's Court and the County Auditor or their authorized representatives during normal banking hours. Release of collateral must be approved by the County Treasurer.~~

**First National Bank agrees. Third Party safekeeping will be provided by Amegy Bank of Texas.**

## LOCKBOX SPECIFICATIONS

In accordance with the Lockbox Processing specifications and requirements, bank should propose the following:

1. The following definitions shall apply to these specifications:

a.) Hits	Check and Tax Statement amounts match Current Tax Year Payable to: Armando Barrera, Jr., Tax Assessor/Collector
b.) Shorts	Amount of Check is less than amount on the Tax Statement
c.) Overs	Amount of check is more than amount on the Tax Statement
d.) Multiples	One Check to pay several statements Several Checks to pay one statement
<hr/>	
e.) Miss	Amounts which do not match Payee incorrect Incorrect Tax Year All documents will be dated, stapled to corresponding Envelope and sent back to Tax Assessor/Collector For processing.

2. Taxpayer requesting a receipt or if there is a correspondence **WILL BE PLACE IN A DIFFERENT BATCH** and all documents will be stapled to its corresponding envelope, dated and forwarded to Tax Assessor/Collector's Office for processing.
3. The bank will have total jurisdiction of a Post Office Box from approximately **May 10, 2009** to **May 9, 2013** of the following year.
4. The County anticipates the bank will receive approximately 100,000 tax account payments through Lockbox Processing.
5. The following steps (not necessarily in the order shown) will be performed daily by the bank:
  - a.) Mail pickup
  - b.) Opening of mail
  - c.) Sorting the mail
  - d.) Batching
  - e.) Filming the batches
  - f.) Create a Flat file and E-Mail daily to Tax Office
  - g.) Delivery of completed work to Tax Office

**First National Bank agrees.**

## LOCKBOX SPECIFICATIONS (Cont.)

5. The bank should propose to process each statement under the following guidelines:
- a.) Insure that each check is properly endorsed and made payable to Armando Barrera, Jr., Tax Assessor/Collector.  
**First National Bank agrees.**
  - b.) Each statement contains the taxpayer's identification number, tax years and amount due.  
**First National Bank agrees.**
  - c.) Only current tax payments will be processed, if over, system will default to delinquent years, or refund. If short, will be applied as a partial payment. Partial Payments are accepted.  
**First National Bank agrees.**
  - d.) Exception (miss) statements such as: Statements without "R" numbers.  
**First National Bank agrees.**
  - e.) All correspondence or receipt requested will be segregated, dated, and given back to the Tax Assessor/Collector's office for processing.  
**First National Bank agrees.**
  - f.) The bank agrees to have in operation the following equipment:
    - Two (2) Internet capable PC's that can VPN to Tax Office
    - Two (2) Laser Printers or
    - Be able to scan coupons and checks and provide a flat file for processing**First National Bank agrees.**
  - g.) The bank also agrees to incur reasonable software and programming costs, to allow the bank access to County computer system for account purposes. The bank will be allowed to discuss any additional programming with the County vendor to minimize cost and receive the program in a manner, which provides service and reporting to both the bank and County.  
**First National Bank agrees.**
  - h.) The bank will make its best effort to post all payments each day.  
**First National Bank agrees.**
  - i.) After receipt of processing, bank will deposit the tax payments directly into a Tax General account in the Tax Assessor/Collector's name. The total funds deposited will be logged daily. On the business day of the deposit, the bank shall make these funds available to the County.  
**First National Bank agrees.**
  - j.) The bank will forward the posted tax statements and deposit receipts to the County the next business day.  
**First National Bank agrees.**

## **LOCKBOX SPECIFICATIONS (Cont.)**

k.) Any and all daily reports furnished by the bank will be those reports which are made available through the County's software.

**First National Bank agrees.**

l.) The bank will furnish the County weekly CD's of all checks and coupons imaged.

**First National Bank agrees.**

6. Bank must accept tax payments over the counter at all bank locations during collection period of **October 1 thru January 31<sup>st</sup>**.

**First National Bank agrees.**

\*The bank shall obtain further equipment as is necessary to perform the task hereunder.

**See tab 8 for additional information and pricing.**

---

## EXHIBIT A

### Certificate of Deposit

Proposal shall be tied to U.S. Treasury Bills: Please provide basis points above, below, or equal to the corresponding maturities of a 26-week T-Bill coupon equivalent rate as reported to *The Wall Street Journal* on the next business day following the U.S. Treasury auction.

All proposals in this category should be clearly stated as to plus, minus, or same as T-Bill.

	Less than \$100,000.00	More than \$100,000.00
1. Maturity of 14-29 days	+/- <u>      *      </u>	+/- <u>      *      </u>
2. Maturity of 30-59 days	+/- <u>      *      </u>	+/- <u>      *      </u>
3. Maturity of 60-89 days	+/- <u>      *      </u>	+/- <u>      *      </u>
4. Maturity of 90-119 days	+/- <u>      *      </u>	+/- <u>      *      </u>
5. Maturity of 120-149 days	+/- <u>      *      </u>	+/- <u>      *      </u>
6. Maturity of 150-179 days	+/- <u>      *      </u>	+/- <u>      *      </u>
7. Maturity of 180 days or more	+/- <u>      *      </u>	+/- <u>      *      </u>
8. Maturity over one year	+/- <u>      *      </u>	+/- <u>      *      </u>

For certificates of deposit, the rate will be equal to the 26 week Treasury Bill coupon equivalent ASKED YIELD TO MATURITY RATE less basis points outlined above, as published in *The Wall Street Journal*, “Treasury Bonds, Notes, Bills” section as of the same business day that the CD is negotiated.

**\*First National Bank is not bidding on certificates of deposit but will offer investments on a competitive bid basis. 26 Week Treasury bill Historical data:**

Jan 08 – 3.39%	April 08 – 1.5%	July 08 – 2.14%	Oct. 08 – 1.54%
Feb 08 – 2.31%	May 08 – 1.7%	Aug 08 – 1.88%	Nov. 08 – 1.40%
March 08- 2.07%	June 08 – 1.92%	Sept. 08 – 1.93%	Dec. 08 - .49%

Bank will offer County its Public Fund N.O.W. Checking Account. This account allows an unlimited number of checks to be written on it but at the same time pays a variable rate of interest on the collected balance. This account pays interest monthly on the investable balance (average balance less uncollected funds). The variable rate will be based at a rate equal to the most recent published thirteen (13) week U.S. Treasury Bill coupon equivalent ASKED YIELD TO MATURITY RATE, as published in *The Wall Street Journal*, “Treasury Bonds, Notes, Bills” section as of the first working day of the month and adjusted monthly thereafter.

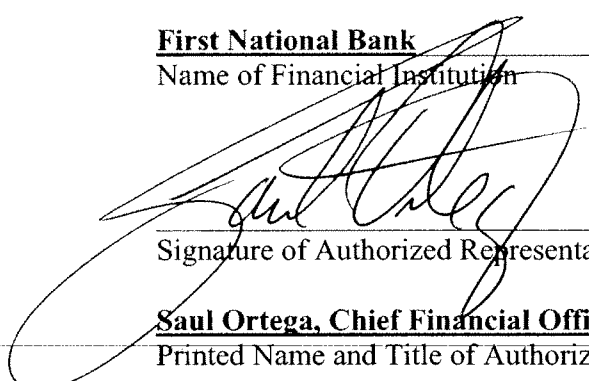
**Not offered**

**APPLICATION FOR DEPOSITORY BANK FOR FUNDS OF  
HIDALGO COUNTY**

By signing this application bank agrees, if appointed by Commissioner's Court, that it (bank) will enter into a contract with the County of Hidalgo based on the information provided on this application.

**First National Bank**

Name of Financial Institution



Signature of Authorized Representative

**Saul Ortega, Chief Financial Officer**

Printed Name and Title of Authorized Representative

**JUAN D. SALINAS III, HIDALGO COUNTY JUDGE**  
HIDALGO COUNTY COMMISSIONERS COURT MEETING ROOM  
100 E. CANO, 1<sup>ST</sup> FLOOR, ATRIUM AREA  
EDINBURG, TX 78539

**COUNTY DEPOSITORY BANK APPLICATION FORM**

**MARCH 10, 2009**

TO THE HIDALGO COUNTY JUDGE AND COMMISSIONERS COURT:

The undersigned, a Bank within the meaning prescribed in Texas Local Government Code Chapters 116 and 117, hereinafter called "Applicant", hereby submits this application for the privilege of acting as Depository for all funds (including trust funds) of Hidalgo County, Texas, hereinafter called County for a term of **Four (4) Years** beginning **May 10, 2009**, and ending **May 9, 2013** or until such time as a successor Depository is named.

Applications must be submitted in a sealed envelope addressed to **Juan D. Salinas III**, Hidalgo County Judge, and be actually received by **10:00 A.M.** Tuesday, **March 10, 2009** at the Hidalgo County Commissioners Court Meeting Room located at, 100 E. Cano Street, 1<sup>st</sup> Floor, Atrium Area, Edinburg, Texas.

The successful applicant will be bound by and must comply with the provisions of the investment policies approved by Hidalgo County. Investments by the County will be governed by the Public Funds Investment Act, Section 2256.01 ET. seq. (Texas Government Code); the Public Funds Collateral Act §2257.001 ET. seq., (Texas Government Code) and Chapters 116 and 117 of the Texas Local Government Code.

Applications must contain the following:

- I. a. A statement of the Amount of Applicant's paid Up Capital Stock  
**The amount of paid up capital stock is \$1,500,000.00 dollars.**
- b. A statement of Amount of Applicant's Permanent Surplus  
**The amount of permanent surplus is \$127,392,947.32 dollars.**
- c. A Statement of Financial Condition of Applicant on the date of the Application.  
**See tab 3**

d. Certified checks or cashier's checks for at least one-half percent of Hidalgo County's revenue for a period of one year must accompany this application \$1,987,691.77 in accordance with the Texas Local Government Code Chapter 116.023(b)(2).

**Attached in tab 2**

e. Certified checks or cashier's checks for at least one-half percent of the one percent of the average daily balance of the trust funds held by the County and District Clerks during the preceding calendar year must accompany this application \$101,723.95 in accordance with the Texas Local Government Code Chapter §117.021(d).

**Attached in tab 2**

2. Certificate of Deposit:

Applicant shall be tied to U.S. Treasury Bills - Please provide basis points above, below, or equal to the corresponding maturities of a 26-week T-Bill coupon equivalent rate as reported to the Wall Street Journal on the next business day following the U.S. Treasury auction.

All applications in this category should be clearly stated as to plus, minus, or same as T-Bill.

A. For Deposit of Less than \$100,000.

	<u>Time Period of Maturity</u>	<u>U.S. Treasury Bill Rate</u>
A1	Maturity of 14-19 days	+/- <u>    *    </u>
A2	Maturity of 30-59 days	+/- <u>    *    </u>
A3	Maturity of 60-89 days	+/- <u>    *    </u>
A4	Maturity of 90-119 days	+/- <u>    *    </u>
A5	Maturity of 120-149 days	+/- <u>    *    </u>
A6	Maturity of 150-179 days	+/- <u>    *    </u>
A7	180 days or more	+/- <u>    *    </u>
	The rate will be at no time less than	<u>    *    </u>

**\*First National Bank is not bidding on certificates of deposit but will offer investments on a competitive bid basis.**

B. For Deposit of More than \$100,000.

B1	Maturity of 14-19 days	+/- <u>      *</u>
B2	Maturity of 30-59 days	+/- <u>      *</u>
B3	Maturity of 60-89 days	+/- <u>      *</u>
B4	Maturity of 90-119 days	+/- <u>      *</u>
B5	Maturity of 120-149 days	+/- <u>      *</u>
B6	Maturity of 150-179 days	+/- <u>      *</u>
B7	180 Days or more	+/- <u>      *</u>
B8	Maturity over one year	+/- <u>      *</u>
	The rate will be at no time less than	<u>      *</u>

---

**\*First National Bank is not bidding on certificates of deposit but will offer investments on a competitive bid basis.**

3. MONEY MARKET CERTIFICATES (Strike one of the following)

(1) At the maximum rate permitted by law and regulation

(2) \_\_\_\_\_ % per annum.

**First National Bank will offer the County Time Deposits at rates quoted/proposed above in item #2.**

4. In the event the County shall withdraw time deposits prior to maturity, applicant agrees to pay the maximum amount of interest allowable under Federal regulations for the period the funds were on deposit.

**First National Bank agrees to abide by Federal Banking Regulation D, in reference to waiving early withdrawal penalties. If the County elects to retain the Certificate of Deposits after the contract expiration date, First National Bank agrees to pay the stated rates of interest on the Certificate Of Deposit, and continue to collateralize the investments of the County.**

5. Applicant must be a member of the Automated Clearing House Network or be able to receive funds by wire.

**First National Bank agrees.**

6. In addition to investments previously outlined, the County reserves the right to purchase, sell and invest its funds (including the proceeds of bond issues received prior to and passed during the

term of this contract) and funds under its control through a primary government securities dealer, as defined by the Federal Reserve, or with a bank domiciled in the State of Texas as permitted by the Texas Local Government Code Chapter 116.112 and the Public Funds Investment Act or as stated in the County's Investment Policy. Applicant will and shall aid and assist County in any investment without charge.

**First National Bank agrees.**

7. If the Depository elects to file with the County a corporate surety bond or bonds in an initial amount equal to the estimated highest daily balance of County funds determined by the Commissioners Court of the County to be on deposit with Depository during the term of this Depository Contract, then a fully executed copy of such corporate surety bond in the amount, form and conditioned as required by the Texas Local Government Code Chapter 116, will be required and must be filed within **15** days of selection of the Depository by the Commissioners Court.

**First National Bank agrees.**

8. If the Depository does not elect to make the corporate surety bond in the amount and as referred to in 7 above, then the Depository shall have the option of pledging with a third party institution that has no relationship with the Depository bank, designated by the County, approved securities as defined in the Texas Local Government Code Chapter 116, in an amount at market value sufficient to adequately protect the funds of the County on deposit with Depository from day to day during the term of this proposal, as provided in County's Investment Policies, provided that:

- (a) the approved securities shall be of the kind defined in the Texas Local Government Code Chapter 116, and the Public Funds Investment Act, (Section 2257.001 et. seq. Government Code), and the amount pledged shall be in a total market value as directed at any time by the County Commissioners Court of County;
- (b) the pledge of approved securities shall be waived only to the extent of the exact dollar amount of insurance protection pursuant to 12. U.S.C.A. Sections 1811-1832 for the funds of the County on deposit with the Depository from day to day, and in the event of any termination of such insurance protection this proposal shall immediately become void except as provided in (d) hereinafter;
- (c) the conditions of the pledge of approved securities required by this proposal are that the Depository shall faithfully perform all duties and obligations devolving upon the Depository by law and this proposal, pay upon presentation all checks or drafts drawn on order of the Commissioners Court of the County in accordance with its orders duly entered according to the laws of Texas, pay upon demand any demand deposit of the County in the Depository, pay any time deposit or certificate of deposit of the County in the Depository upon maturity or after the period of notice required, and faithfully keep, account for as required by law, and faithfully pay over, at maturity or on demand as the County may elect, to any successor depository all balances of funds of the County then on deposit with the Depository;

- (d) the pledge of approved securities required by this proposal shall be a continuing pledge, ceasing only upon the later of the termination of a contract or the fulfillment by the Depository of all of its duties and obligations arising out of a contract, and a continuing security interest in favor of the County shall attach immediately upon any such pledge to all proceeds of sale and to all substitutions, replacements, and exchanges of such securities, and in no event shall such continuing security interest be voided by an act of the Depository; but notwithstanding the foregoing the Depository shall have the right, with the consent of the County, to purchase and sell, and substitute or replace, any and all of the approved securities pledged pursuant to this contract with other approved securities, provided that all of the other conditions of this proposal are adhered to by the Depository, and such pledge shall be in addition to all other remedies available in law to the County;
- (e) a contract shall become binding upon the County and the Depository only upon acceptance by the Commissioner's Court of County of the contract and the bid attached thereto, and the Depository shall immediately furnish or cause to be furnished to the County original and valid safekeeping or trust receipts issued by the bank holding the approved securities pledged pursuant to the contract, marked by the holding bank on their face to show the pledge and market value as required above;
- (f) any closing or failure of depository, or any event deemed by County to constitute a closing or failure of Depository, shall be deemed to have vested full title to all approved securities pledged pursuant to the depository contract in County, and County is hereby empowered to take possession of and sell any and all of such pledged approved securities, whether in safekeeping at another bank or in possession of the County and County is specifically so empowered by Depository.

The security described herein must be provided within **15** days after the date a bank is selected as the County's depository.

**First National Bank agrees to all of the above.**

- 9. At termination of this Depository Agreement, the County may leave with applicant any such funds on time deposit until maturity date of such deposit and applicant will continue to furnish a bond or pledge securities as prescribed above in an amount equal to all of such funds remaining.  
**First National Bank agrees.**
- 10. To properly compensate the *Bank* for the expenses incurred in serving as custodian of County funds, County shall maintain \$ \* in a non-interest bearing account. Included in and required as part of this duty are the following:
  - (a) Make no service charges on any County account or on any account of any organization connected with the County, including, but not limited to County accounts, County Clerk accounts, District Clerk accounts, and Drainage District accounts.

**\*First National Bank proposes to place all County accounts on Group Account Analysis. Compensating balances are required to help offset fees.**

- (b) Preparation of monthly statements beginning with first day of month and ending with the last day of the month, showing debits, credits, and balances of each separate fund and sequential listing of cashed checks within five (5) working days of closing date. Provide insufficient fund items, deposit slips, charge backs return items, checks paid and items deposited-unencoded.  
**First National Bank agrees.**
- (c) Keep a full and separate itemized account of each different class of County funds coming into its hands and making its records available for audit by the County and its independent auditors.  
**First National Bank agrees.**
- (d) Preparation of such other reports, accounts, and records which may, from time to time, be required by County in order to properly discharge the duties as provided by the law of the Depository.  
**First National Bank agrees.**
- (e) Arrange canceled checks in numerical sequence.  
**First National Bank agrees.**
- (f) Overdraft Coverage - Bank shall provide overdraft coverage for each individual account. Overdrafts shall be paid so long as the aggregate funds on deposit in all demand deposit accounts are sufficient to meet the amount of total overdrafts and, if the aggregate funds are insufficient, Bank shall loan monies necessary to cover the overdrafts as per the provisions of numbered paragraph 11 of this application. Overdraft shall mean that County does not have a compensating balance in other funds or accounts in the then current County fiscal year in applicant's bank.  
**The County shall avoid overdrafts on any of its individual accounts and shall take prompt action to cover overdrafts in any single account. All overdrafts are viewed as extensions of credit and must be reviewed on an individual basis. The bank may honor overdrafts, but is not obligated to do so. The fee for overdrafts, should one occur, is \$35.00 per item. Although the definition of an overdraft is based on an individual account, interest at 10% is assessed only on days when there is a negative collected balance in all transaction accounts combined. Overdraft fees and interest are charged through Account Analysis.**
- (g) All checks shall be honored in the demand checking account immediately upon deposit.  
**First National Bank agrees.**
- (h) Provide a daily summary of the demand accounts, time deposits, and securities pledged.  
**First National Bank agrees.**

- (i) Furnish a suitable safety deposit box or boxes if needed.  
**First National Bank agrees. Safety deposit box or boxes will be provided at cost and upon availability.**
- (j) To provide suitable vault space for the County Clerk's Office and other County Offices and departments.  
**First National Bank agrees.**
- (k) Furnish cashier's checks and/or bank drafts at no cost to the County.  
**Cashiers checks and/or bank drafts will be provided at cost.**
- (l) Furnish night depository services, including locking *bags* and keys. Such bags will be available to the County on bank holidays on which the schools are open.  
**Service will be provided at cost.**
- (m) To furnish at no cost to County checks and deposit slips of the quantity, quality and type necessary for County's use.  
**First National Bank agrees to provide the County with checks and deposit slips at Bank cost. Price varies by style.**
- (n) To provide Federal Obligations investment service when needed.  
**First National Bank's Trust Department will provide Federal Obligation investment services. A separate Custody Services Agreement will need to be entered into by County and the Bank's Trust Department outlining the parties' responsibilities. The Bank's Trust Department will negotiate a fee that is acceptable to all parties. A copy of the Bank's Custody Services Agreement can be found in tab 8.**
- (o) To provide night deposit bags and keys.  
**First National Bank agrees. Locked money bags and or Tamper evident bags will be provided at Bank cost.**
- (p) To furnish cashier's checks and/or bank drafts requested by County.  
**Cashiers checks and/or bank drafts will be provided at cost.**
- (q) Furnish wire transfers for deposits and disbursements at no cost to the County.  
**Wire transfer services will be provided at cost.**
- (r) Stop payment on checks at no cost to the County.  
**Stop payment services will be provided at cost.**
- (s) Coin counting and wrapping service, as well as money straps and coin envelopes.  
**Service will be provided at cost.**

- (t) Endorsement stamps.  
**Supplies will be provided at cost.**
- (u) *CD-ROM* for bank reconciliation purposes of paid items for accounts designated by County.  
**CD-ROM will be provided at cost.**
- (v) Direct Deposit service for payroll checks.  
**ACH Origination services will be provided at cost.**
- (w) Research statement reproduction.  
**Service will be provided at cost.**
- (x) Monthly report of the market value of securities pledged.  
**Service will be provided free of charge.**
- ~~(y) Provide ledger credit on the same day as deposits occur (holidays and weekends excepted). This includes same credit on wire transfers of funds from the Federal and State government, and same day credit on warrants issued by the State Comptroller received prior to 2:00 p.m.  
**First National Bank agrees.**~~
- (z) Lockbox Services as described in the Lockbox Processing Agreement attached hereto as Exhibit "A".  
**First National Bank agrees.**
- (aa) Daily ledger and average balance reporting delivered daily to the departments of the County designated to receive same by County Judge.  
**First National Bank agrees.**
- (bb) Bank personnel and bookkeeping time dedicated solely to County, as needed.  
**First National Bank agrees.**
- (cc) Bond and coupon service.  
**First National Bank agrees.**
- (dd) Work up of night deposit bags.  
**First National Bank agrees.**
- (ee) Cashing of nonbank customer's checks drawn on County accounts.  
**First National Bank agrees.**
- (ff) Daily hand delivery of all chargeback items to departments of County.

**Chargeback items can be picked up at the local branch located on South Closner.**

- (gg) Cut-off statements provided weekly and monthly.  
**First National Bank agrees.**
  - (hh) Automated Clearing House services.  
**ACH Origination services will be provided at cost.**
  - (ii) Safekeeping services for all trust accounts of County.  
**First National Bank's Trust Department will provide safekeeping / custodial services to meet the Third Party Safekeeping – Investment needs of HWWS. A separate Custody Services Agreement will need to be entered into by HWWS and the Bank's Trust Department outlining the parties' responsibilities. The Bank's Trust Dept. will negotiate a fee that is acceptable to all parties. A copy of the Bank's Custody Services Agreement can be found in tab 8.**
- 
- (jj) Checks and statement physically delivered to County offices at statement cycle time.  
**Statements can be picked up at the local branch located on South Closner. County must provide Bank with a letter of notification listing individuals who are authorized to retrieve bank statements and other documentation that pertains to the County of Hidalgo.**
  - (kk) Provide any other services normally rendered banking customers that are exempt from service charges by any banking regulation.  
**First National Bank agrees.**

11. Loans.

Provide loans to County throughout the term of the Depository at an interest rate of \*See below.  
**\*The Bank will make loans to the County at a variable rate tied to the Wall Street Journal prime rate plus a 1% underwriting fee. The rate of interest will be subject to the purpose of the loan and financial condition of the entity at the time of the request. All loan terms and conditions are subject to final approval of First National Bank's Loan and Discount committee.**

12. Provide an explanation of good funds availability policy.  
**Cash deposits received before the ledger cut-off time, incoming wire transfers, and incoming ACH credits are given same day availability. All other deposited items will be assigned availability based on First National Bank's Availability Schedule. It is understood that the Availability Schedule reflects our optimal clearing efforts, including direct sends, and that any improvement in availability will be passed directly to the district. The availability offered is subject to change without prior notification. First National Bank will make every attempt to inform the County of any availability changes.**

13. Please list any other services your bank can render for the County. Often bids are so nearly identical that additional banking services rendered without cost to the County can be a determining factor in the awarding of the contract. Items listed in this section should relate to the County only. Services to employees or individuals associated with the County cannot be taken into consideration. **See tab 8**
  
14. Provide a statement of any current or potential conflicts of interest.  
**First National Bank does not have any financial relationships that could be a conflict of interest.**
  
15. This application was requested by County and is made by applicant with the expressed agreement and understanding that County reserves the right to reject any and/or all applicants and the further right that if any portion of provision of this application and/or any contract between Applicant and County entered into by virtue thereto is invalid, the remainder of this application and/or resulting contract at the option of the County shall remain in full force and effect, and not be affected by said invalid portion or provision.  
**First National Bank agrees.**
  
16. **Applicant may propose to act as County's depository for either a two-year or a four-year term. If the contract is for a four-year term, the contract shall allow for changes to the terms thereof pursuant to Texas Local Government Code Chapter 116.021(b) and 117.021(b). County may consider the length of the contract term offered in selecting the Depository. First National Bank will agree to a four-year contract and shall allow for the changes to the terms thereof pursuant to the Texas Local Government Code as stated above.**

The County of Hidalgo reserves the right to reject any and all applications or to accept the applicant the County considers most advantageous. Acceptance of a application will be based on the total package of services offered by the banking institution.

**First National Bank agrees.**

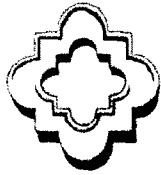
A Cashier's Check in the sum specified in 1(d) and (e) hereof payable to Hidalgo County must accompany each application. If this application to be Depository of all County funds is accepted, said check is to secure the performance of said application, and if applicant fails to enter into a contract with County as liquidated damages for said failure. If the applicant enters into a contract with the County, the County shall return the check to the applicant. In the event this application is not accepted, the check is to be returned to the applicant immediately after the contract award is made.

**First National Bank agrees.**

Dated this the 9<sup>th</sup> day of March 2009.

Applicant: **First National Bank**

By: \_\_\_\_\_ Title: **Chief Financial Officer**  
(Signature)



# FIRST NATIONAL BANK

Member FDIC

First National Bank will provide these services at no charge unless otherwise indicated to the County of Hidalgo.

## **I. General services**

1. Bank Statements & images
2. Daily ledger and collected balance reporting
3. The bank will provide a summary of pledged securities on a monthly basis for demand and time deposit accounts
4. IRS coupon services
5. Mail advice
6. Cash Management advice as needed
7. Monthly account analysis statement

### 1.1 Loan Conditions

The Bank will make loans to the County at a variable rate tied to the Wall Street Journal prime rate plus a 1% underwriting fee. The rate of interest will be subject to the purpose of the loan and financial condition of the entity at the time of the request. All loan terms and conditions are subject to final approval of First National Bank's Loan and Discount committee.

### 1.2 Electronic Services

1. Business Web Banking- This service gives authorization to the County employees the ability to perform most of their daily financial transaction without leaving the office.

- a. Account Inquiry
- b. Account Statements
- c. Transaction searches
- d. Internal fund transfers

\*See tab 5 for Business Web Banking and other electronic services.

### 1.3 Investment Services

1. First National Bank will provide Financial Advisory services to the COUNTY\*
2. First National Bank will Provide Bond Underwriting services to the COUNTY\*
3. First National Bank will act as bidding agent to the COUNTY on any investments of bond proceeds. \*
4. First National Bank's Trust Department will provide trust & custodial services to the COUNTY\*



# FIRST NATIONAL BANK

Member FDIC

## Business Schedule of Fees • Effective 7/08

Account balance assistance (1 hour minimum).....	\$25.00 per hour
Account closed by mail .....	\$20.00
Account closed within 90 days of opening .....	\$25.00
Account inquiry (DDA, NSF, Loans, Savings) .....	\$5.00
Account printout .....	\$5.00
Account research (1 hour minimum) .....	\$50.00 per hour+\$1.00/item
Rush (1 hour minimum).....	\$75.00 per hour+\$1.00/item
Copy of imaged check .....	\$5.00
Amortization schedules .....	\$25.00
Automobile value printout .....	\$10.00
ATM card set-up (per card) .....	\$3.00
ATM card replacement .....	\$5.00
ATM PIN number change .....	\$3.00
ATM monthly maintenance fee (per card) .....	free
ATM transaction or inquiry Proprietary ATM .....	\$1.25
ATM transaction or inquiry Non-Proprietary ATM .....	\$2.25
*Non FNB ATM Card Used .....	\$3.00
Point of Sale (POS) Transaction .....	free
Bank by Phone (per transaction) .....	free
Car drafts .....	\$20.00
New Collection Draft Service set up fee .....	\$200.00
Cashier's checks or Cashier's checks re-issue .....	\$5.00
Check printing .....	varies by style
Check imaging CD Rom (per CD) .....	\$50.00
*Checks, temporary (4 per page minimum) .....	\$1.00 per sheet
Coin fee (counting/rolling).....	5%
Collection items .....	\$20.00
Coupon books (reorder).....	\$5.00
Debit business card set up fee (per card).....	\$3.00
Debit business card (monthly maintenance fee).....	\$1.00
Debit business card PIN number change.....	\$3.00
Debit business card replacement .....	\$5.00
Debit business card rush order fee .....	\$30.00
Deposit correction .....	\$5.00
Deposited item returned (each) .....	\$5.00
Deposited item returned, ACH (each) .....	\$5.00
Deposited item returned, reclamation (each) .....	\$25.00
Deposited items returned (special handling) .....	addtl. \$2.50
Indemnity bonds .....	\$25.00
Medallion guarantee.....	\$25.00
Signature guarantee .....	\$15.00
*Freeze/levy/garnishment/lien/warrant .....	\$75.00
Title transfer .....	\$25.00
Auto transfer .....	\$10.00
Fax service .....	\$5.00/addtl. pages \$1.00 each
Foreign business verification .....	cost
Foreign collection items .....	cost
Foreign currency exchange .....	market rate
Hold Mail .....	\$10.00
Inactivity fee (6 months or more) per month fee .....	\$5.00
Microfilm/optical copies of a statement .....	\$5.00
Money order .....	\$3.00
Money order re-issue.....	\$5.00
*Night deposit bag processing fee .....	\$1.25 per bag per day
Night deposit Key/Key replacement (each) .....	\$5.00
Night deposit bag with lock .....	\$25.00
NSF Return Fee <sup>1</sup> .....	\$35.00
NSF Paid Fee <sup>1</sup> .....	\$35.00
Overdraft interest charge .....	18% APR
Overdraft savings transfer (each) .....	\$10.00
Photocopies (per page) .....	\$2.00
Release of credit information .....	\$6.00
Repetitive manual item handling(each) .....	\$5.00
Returned draft fee .....	\$20.00

## Business Schedule of Fees

Returned mail (per item) .....	\$5.00
Signature card update .....	\$5.00
Special statement cutoff .....	\$25.00
Special handling of returned items.....	\$25.00
Statement printout.....	\$5.00
Stop payment (per item/per renewal) In writing, good for 6 months.....	\$30.00
Stop payment (range/renewal) In writing, good for 6 months.....	\$50.00
Transfer of funds (telephone) .....	\$5.00
Traveler's cheques.....	\$1.00 per \$100.00
Traveler's cheques for two .....	\$1.75 per \$100.00
FNB Web Banking™ For Business password reset .....	\$5.00
<b>Fees Charged by Notary Public</b>	
Protesting a bill/note for non-acceptance or non-payment, register and seal.....	\$4.00
Each notice of protest .....	\$1.00
Certificate and seal of protest .....	\$4.00
Per signature .....	\$6.00
Administering an oath or affirmation with certificate & seal .....	\$6.00
All certificates under seal not otherwise provided for .....	\$6.00
Copies (per page) .....	\$0.50
Swearing a witness to depositions, making certificate therefore with seal, and all other business connected with taking deposition .....	\$6.00
<b>Safe deposit box rental (annual) NOT FDIC INSURED</b>	
2x4 .....	\$20.00
2x5 .....	\$20.00
3x5 .....	\$25.00
5x5 .....	\$30.00
3x10 .....	\$45.00
5x10 .....	\$60.00
10x10 .....	\$100.00
10x15 .....	\$125.00
12x20 .....	\$130.00
16x20 .....	\$150.00
20x20 .....	\$180.00
Box rental late fee .....	\$10.00
Box drilling fee .....	\$125.00
Key deposit .....	\$25.00
<b>Sweep Account</b>	
Set up Fee .....	\$5.00
Transaction Fee .....	free
<b>Wire Transfers</b>	
Incoming.....	\$10.00
Outgoing domestic.....	\$20.00
Outgoing international.....	\$20.00+cost
Service to verify wire received.....	\$5.00
<b>Zipper Bags</b>	
Large (+ tax) .....	\$5.00
Medium (+ tax) .....	\$3.00
Small (+ tax) .....	\$2.00
<b>Account Analysis Service Charge Listing (Prices may vary)</b>	
Auto credit .....	\$0.10
Auto debit .....	\$0.10
Credit entry .....	\$0.20
Change Orders .....	\$0.25 per \$1,000.00
Deposit bag handling fee .....	\$25.00
Deposit bag handling fee (held until customer present).....	\$50.00
Deposit correction .....	\$5.00
Deposited Items: On-us items .....	\$0.08 each
Deposited Items: Transit items .....	\$0.12 each
FDIC insurance .....	\$0.015 per \$100.00
Item paid (check/debit).....	\$0.20
Maintenance charge .....	\$10.00
Reconciliation file .....	\$25.00

NOTE: All service charges are subject to change. <sup>1</sup>Applies to overdrafts created by check, in-person withdrawal, ATM withdrawal or other electronic means.

7/08 EDINO447

# Direct Advantage Set Up Guide

## **1. Considerations**

Provides our customer with the ability to electronically credit or debit their employee's/customer's accounts once proper authorization has been given.

### **Hardware Considerations**

The following items are the minimum hardware requirements (if bank package is to be provided):

#### **Via Internet**

- Personal Computer
- Microsoft Windows 98 or higher; Windows NT
- Microsoft Internet Explorer 6
- Pentium Processor with 32 MB
- Super VGA (800 x 600) or higher resolution
- Internet connection

### **Software**

Customer Software to be used: Info must be provided in a standard NACHA format

## **2. Types of Service Available**

- a. Direct Deposit for Payroll
- b. Direct Payments for accounts payable
- c. Direct Debits for service or product providers

## **3. Service Beneficial to / Available to Commercial Customers**

Commercial customers interested in reducing administrative cost, improving employee productivity, and offering convenience to their employees/customers as well as themselves, will greatly benefit by this product.

Service Fees:

Internet setup: <b>FREE</b> no software	\$0.00
File via Diskette or Internet	\$10.00
Transactions:	
Monthly Fee	\$10.00
Pre-notification	\$ .10
2 day settlement	\$ .15
1 day settlement	\$ .15
Reversal	\$10.00
Returns	\$5.00
Notification of Change	\$1.00
Reports	\$5.00

## **4. Contract / Agreement**

Complete Contract and Agreement with all required documents provided.



# FIRST NATIONAL BANK

Member FDIC

## **Positive Pay (Authorized Check Pay)**

First National Bank offers Positive Pay, also known as Authorized Check Pay, a fraud prevention product that detects unauthorized checks. Positive Pay allows you to authorize payment of each check individually. If an invalid check (not reported as issued by you) is presented, the check will be returned unpaid to the presenter of the check. You simply transmit all check issuance information to First National Bank before issuing checks.

### **ARTICLE II BENEFITS TO YOUR BUSINESS**

---

- **General Usage.** Positive Pay consists of any transactions entered that are generally issued checks, generated by payroll or an accounts payable system.
- **Protection against fraud and lost or stolen checks.** With Positive Pay, the only checks that are paid are those that have issued. This enables you to discover any unauthorized checks in an earlier process.
- **Saving Money.** With this product, you have positive control on your checking account and money is saved when you avoid any returns of unauthorized checks.
- **Safe and Secure.** Positive Pay's safe and secured way of allowing you to detect unauthorized checks detects any criminal acts towards your account and allows you to review all checks issued.

#### 2.1 Fees

- |   |                |
|---|----------------|
| • <i>Setup Fee</i>                                  | <i>\$25.00</i> |
| • <i>Monthly Maintenance Charge</i>                 | <i>\$35.00</i> |
| • <i>Charge per issued/paid check</i>               | <i>\$0.03</i>  |
| • <i>Exception items (per file) resolved by FNB</i> | <i>\$5.00</i>  |



## MERCHANT SERVICES

Watch your Business Grow by accepting all major credit cards.  
We offer competitive rates and personalized service.

### PROCESS TRANSCATIONS BY PHONE



#### **::: Touch-tone** **MANUAL IMPRINTER \$40.00**

Touch-tone or ARU (Automatic Response Unit) processes transaction via touch-tone telephone. Merchants dial an 800 number and are prompted through the transaction by computer. If you now process transactions by paper, Touch-tone system gives you a faster way to accept credit cards without investing in a traditional card terminal. This allows paper merchant to process electronically. Accessible 24 hours a day through any standard touch-tone telephone.

- **Touch-tone Model 4200**

The portable 4200 is compact, lightweight and easy to use. Simply insert the customer's credit card together with the appropriate sales slip, slide the lid to the right and a perfect impression is produced in one pass. Its compact size and contemporary design makes credit card transactions possible any time, any place.

### FIND THE TERMINAL RIGHT FOR YOUR BUSINESS



#### **::: VeriFone TRANZ 330 (Retail/Direct Marketing)** **NEW \$365** **REFURBISHED \$285**

The VeriFone TRANZ 330 terminal offers a dependable, low-cost solution for transaction authorization and processing. The terminal is simple to operate. Typical transactions can be completed with just a few strokes for smooth, quick point-of-sale processing. It is compliant with purchase card and direct marketing programs. The application pre-dials for authorization and pre-prints receipts as soon as the plastic is swiped.

#### **Benefits**

- > Debit capability
- > Mail/phone order prompting
- > Storage of up to 40 credit and debit transactions
- > Recurring transaction capabilities
- > Warranty one (1) year
- > Auto close capability
- > Auto reporting capability
- > Auto insert of settlement totals
- > Address Verification Services (AVS)

#### **::: VeriFone TRANZ 330 (Restaurant)** **NEW \$365** **REFURBISHED \$285**

This restaurant application pre-dials for authorization and pre-prints receipts. A fraud control option can display the account number after the plastic is swiped and/or require the cashier to enter the last four digits.

#### **Benefits**

- > Batch capacity of 80 transactions
- > Credit card truncation and expiration date suppression
- > Print server tip totals report that includes a signature line for the specified server
- > Recall by transactions by server ID
- > Warranty one (1) year



#### **::: PRINTER 250** **NEW \$365** **REFURBISHED \$285**

Compact point of sale printer, the Printer 250 maximizes the capabilities of your VeriFone system. It generates crisply printed two- or three part receipts just seconds after you enter the transaction. The Printer 250 provides a complete audit trail that you can compare with the electronic records for accurate balancing at the close of the business day.



## MERCHANT SERVICES



**:: OMNI 3750 (Retail, Restaurant, Direct Marketing, E-Commerce) Terminal \$585**

The Omni 3750 offers enhanced ergonomics and improved performance in a remarkably compact, stylish design. You get an intuitive ATM-style interface, lightning-fast processing, integrated thermal printer, support for all payment types, and installation that's a snap.

**Benefits**

- > Quick and quiet integrated thermal printer produces receipts and reports.
- > Supports Address Verification Service (AVS).
- > Supports check services Tele-Check, Crosscheck and others.
- > Accepts credit and debit card transactions and supports Commercial Card and Business Card transactions.
- > Plenty of memory, runs payment applications and supports value-added solutions, such as gift-cards
- > Stores up to 500 transactions.
- > Triple-track card reader, accommodates all magnetic-stripe cards, including driver's licenses.
- > Comprehensive, easy-to-read reports provide powerful money-management capabilities.
- > Warranty five (5) years terminal/ one 1 year printer.



**::: ECLIPSE (Retail, Restaurant, Direct Marketing) Terminal \$ 850**

An all in one point of sale payment solution that allows the acceptance of all non-cash payment types including checks, credit and debit cards transactions, while maximizing counter space. The Eclipse state of the art check reader enables the conversion of paper checks to electronic items.

**Benefits**

- > Built in ink jet receipt printer.
- > Dual track card reader, accommodates all magnetic-stripe cards, including driver's licenses.
- > Full reporting capability provides access to all payment information (both totals and details for all payment types).
- > Stores up to 500 checks and 300 card transactions.
- > Supports Address Verification Service (AVS).
- > Warranty one (1) year.

Other terminals, printers or Computer support systems are available.

**::: OTHER FEE(S)**

Application Process ( <i>non-refundable</i> )	<b>\$ 50.00</b>
Re-programming Fee	<b>\$ 50.00</b>
Monthly Service Fee*	<b>\$ 15.00</b>
Charge-backs	<b>\$ 20.00</b>
Voice Authorizations	<b>\$ .70</b>
Discount Rate is based on Monthly Volume & Average Ticket	

\* Monthly Service Fee includes  
 24 Hour Terminal Help Desk  
 Over the phone training in the use of equipment  
 Warranty on VeriFone equipment only (certain models excluded)

**Please ask about our payment plan option.**



# FIRST NATIONAL BANK

Member FDIC

## LOCKBOX

First National Bank's Lockbox remittance processing system provides an efficient and fast effective way of processing and collecting payments that are essential to every business. Your mail invoices and payments are routed to a special post office box, where they are picked up for processing. Our unique system will sort and verify electronically, balance batches, and print out totals. We will credit your account with the appropriate availability and information is provided that same day. FNB provides a daily transmittal report and a CD-ROM for any type of research necessary.

### ARTICLE III BENEFITS FOR YOUR BUSINESS

- **Reduction of Time and Manual Labor**-The amount of items processed surpasses the manual processing and eliminates time by saving the trip to the post office and the manual sorting, verifying and the trips to the bank.
- **Funds Availability**-FNB implements a check clearing system that turns collected checks into available funds the same day the payment is received.
- **Improved Account Information**-At First National Bank, we believe that the more accurate your bank statements are, the more successful your business can be. Our service provides a daily transmittal report, and a CD-ROM for any research on the account.
- **Overall Savings**-Less money for electronic transactions;

3.1	Set up fee per Document Type:	\$500
	Set up fee for Mark Sense:	\$500 (Optional)
	Payment processing per coupon:	\$ .25
	Per Item Deposit:	<b>NO CHARGE</b>
	Mail Preparation:	<b>NO CHARGE</b>
3.2	Annual Box fee:	Cost
	Monthly Maintenance fee:	\$100
	Exception Item: (if automated)	\$ .50
	Complete manual entry	\$1.00
	CD-ROM:	\$10
	File Transmission:	\$10
	Foreign Item Collection:	Cost
	LockBox Research:	Research fees apply <b>only if</b> First National Bank provides the research

**Note: All service charges are subject to change.**

**Enhanced Feature added to Lock Box Processing:**

**Net Query** – is an internet based archive inquiry module, which works in conjunction with TMS Archive. Payment information will be available via First National Bank online banking system once files are archived.

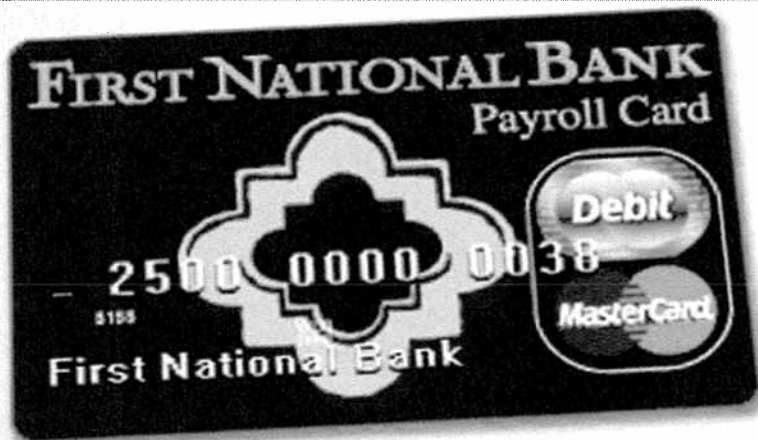
- **Reports** – customer will have access to Batch Summary and Batch Detail Reports
  
- **Images – Checks and Stubs**  
Copy Images to CD  
Export Images to PC

Once an Administrator at the customers site is created he/she will have administrative control over designated sites and work sources, i.e. has access to his/her data and users.

---

# FIRST NATIONAL BANK'S Payroll Card\*

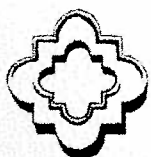
The Payroll Card is a convenient, cost effective way to receive your paycheck. It gives you immediate access to your wages, automatically reloads each payday and best of all it can be used anywhere you see the PULSE® and MasterCard® logo.



*For more information, please contact the  
First National Bank Public Finance Department at:*

[FNB-PublicFund@webfnb.com](mailto:FNB-PublicFund@webfnb.com)

- Wages are available immediately upon payday
- No check-cashing fees
- No checking account required
- Free FNB ATM cash withdraws
- Make purchases at millions of merchant locations with a PULSE and MasterCard logo
- Safer than carrying cash
- No standing in line to cash your paycheck
- No credit check
- 24 hour Customer Service
- Account access via Internet or telephone
- Spending flexibility
- Pay bills online securely



## FIRST NATIONAL BANK

*"Where Successful Business People Do More Business"*

## **Addendum II**

### **Agreed Negotiated Terms to Application for Depository Bank for funds of Hidalgo County, Texas**

First National Bank shall provide non-interest bearing checking accounts free of service charge and shall provide free checks and deposit slips for a two year period commencing on May 10, 2009 and concluding on May 9, 2011. Following the conclusion of the initial two year term all fees and terms shall revert back to the Application for Depository Bank as submitted and attached as Addendum I.

First National Bank shall accept a maximum of \$10,000,000.00 in certificates of deposits from the County of Hidalgo which will earn interest at 100% of the ask rate of like maturity of the U.S. Treasury Bill as quoted on the Wall Street Journal on the day of the investment. The maturity of these investments shall not exceed the maturity date of this depository agreement, May 9, 2013.

The County of Hidalgo for the duration of this depository agreement will be allowed to open operating N.O.W. Accounts for grant monies that are required by law to be invested in interest bearing accounts. These accounts will earn interest at a variable rate equal to 75% of the 13-week U.S. Treasury Bill as quoted in the Money Rate Section of the Wall Street Journal on the first business day of the month. Rates will be adjusted monthly and interest will be paid on the last day of the month. First National Bank will require the County to present documentation to authenticate the requirements of the law.

To provide Federal Obligations investment service when needed. During the four year depository contract term with First National Bank, Hidalgo County reserves the right to enter into a mutually acceptable custody services agreement with First National Bank Trust Department in order to provide Federal Obligation investment services. All terms of the agreement, including fees and expenses for such services, are subject to the review and approval of Hidalgo County.

Safekeeping services for all trust accounts of County. During the four year depository contract term with First National Bank, Hidalgo County reserves the right at any time to enter into a mutually acceptable safekeeping/custodial services agreement with First National Bank Trust Department. All terms and provisions of the custody agreement, including fees and expenses for safekeeping/custodial services, will be subject to the approval of the Hidalgo County District Clerk or any other authorized party acting on behalf of the County of Hidalgo.

In consideration of the above, the County of Hidalgo agrees that the depository contract with First National Bank shall become effective on May 10, 2009 and will expire

on May 9, 2013. It is further agreed that the current contract between the parties dated May 10, 2005 will expire on May 9, 2009 and that any existing deposits or investments under the prior contract dated May 10, 2005, shall be governed strictly by the new agreement.

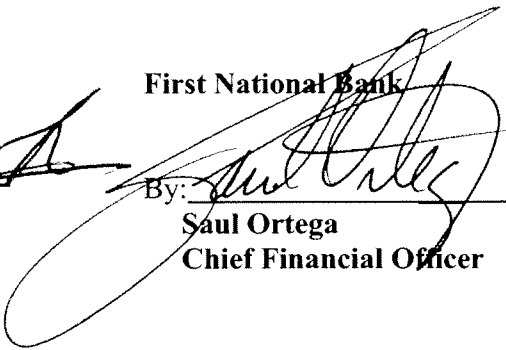
County of Hidalgo

First National Bank

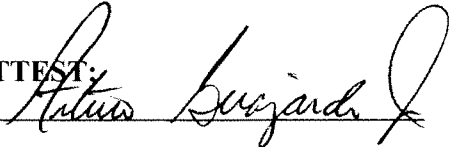
By: \_\_\_\_\_

  
Juan D. Salinas III  
Hidalgo County Judge

By: \_\_\_\_\_

  
Saul Ortega  
Chief Financial Officer

ATTEST: \_\_\_\_\_

  
Arturo Guajardo

Date: \_\_\_\_\_

## LOCKBOX OPERATING AGREEMENT

This AGREEMENT is made this day of April 14, 2009, by and between FIRST NATIONAL BANK, Edinburg, Texas, herein called "Bank", and the COUNTY OF HIDALGO, TEXAS, herein called "COUNTY", a governmental entity with its principal place of business at 100 W. Cano, Edinburg, Texas.

To the extent not otherwise specifically provided in this Agreement, the law, rules, practices and procedures for normal and customary handling of deposits to checking accounts shall apply.

In consideration of the promises and covenants contained herein, Bank and COUNTY hereby agree to the following standard terms, unless the COUNTY directs the Bank to perform its obligations under this Agreement in a specified manner that is set forth in the instructions:

- 1) The Bank will collect the contents of the post office box (the "Box") identified in the Operating Instructions attached hereto as Schedule A (The "Instructions"), the terms of which are incorporated herein, on each banking day (any day on which the Bank is open for normal business) at such times as the Bank may establish. The Bank will open the envelopes or other contents of the Box, remove and inspect the checks and enclosures, and handle the checks and enclosures as provided herein.

The Bank will have exclusive and unrestricted access to the Box and will have complete and exclusive authority to receive, pick up and open all regular, registered, certified or insured mail addressed to the COUNTY at the Box and appropriate instructions to this effect have been, or will be, given to the United States Post Office by COUNTY.

An acceptable check is one which conforms with the following:

- a) **Payee** -- The name of the payee on the check shall be one of the names listed in the Instructions or a reasonable variation thereof.
- b) **Date** - Regardless of the date of the check, the Bank agrees to deposit such check SUBJECT TO THE INDEMNITY AND RELEASE PROVISIONS IN PARAGRAPHS 9 AND 10 OF THIS AGREEMENT, unless the COUNTY directs the Bank to process such checks in a specific manner that is set forth in the Instructions.
- c) **Amount** -- Either a written or numerical amount shall be given, but if both are provided and they differ, the Bank will use the written amount. If the check contains protectograph figures, such amount will be used by the bank.
- d) **Signature** -- Regardless of whether or not the check bears the drawer's signature or indicates the drawer's name, the Bank agrees to process and deposit such check SUBJECT TO THE INDEMNITY AND RELEASE PROVISIONS IN PARAGRAPHS 9 AND 10 OF THIS AGREEMENT, unless the COUNTY directs the Bank to process such checks in a specific manner that is set forth in the Instructions.
- e) **Alternations or Restrictions** -- All items bearing restrictive notations such as "Payment in Full" "Balance on Account" or "Final Settlement/Payment" will be deposited by the Bank SUBJECT TO THE INDEMNITY AND RELEASE PROVISIONS IN PARAGRAPHS 9 AND 10 OF THIS AGREEMENT, unless the COUNTY directs the Bank to process such items in a specific manner that is set forth in the Instructions.
- f) **Drafts** -- All signed sight drafts or payable through drafts of one thickness of paper with MICR numbers will be handled in the same manner as other items. All other drafts will either be processed on a collection basis or forwarded to the Company, as the Bank deems appropriated.
- g) **Cash** -- Bank will process and deposit all cash received. However, Bank shall assume no liability for cash received by mail.

- 2) Acceptable checks shall be processed and deposited as received in the following manner:
  - a) **Endorsement** - The following endorsement shall be applied to each check: "CR ACCT OF PAYEE ABS GTD, FNB, Edinburg, TX AS AGENT OF PAYEE-LB"
  - b) **Deposits**- Each check shall then be deposited to such account (the "Account") of the COUNTY at the Bank as indicated in the Instructions, at which time the COUNTY shall become a depositor of the Bank with respect to those checks, and the collections of such checks shall be governed by the Uniform Commercial Code as adopted in the State of Texas, the COUNTYs' signature card agreement, and any other PROVISIONS applicable to the Account, as well as this Agreement.
  - c) **Remittance Material Disposition** – All statements, invoices, communications, papers, files, and computer CD ROM, accompanying such checks shall be delivered to the COUNTY in the customary manner of the Bank, unless the COUNTY directs the Bank to process such items in a specific manner that is set forth in the Instructions.
  - d) **Record Maintenance** – The Bank will maintain an optically scanned record of each check deposited. Said record will be retained by the bank for five years, in order to reconstruct any specific deposit by means of duplicate photocopies should the need arise and a request be made by the COUNTY (subject to the payment of the Bank's then prevailing charge for such service).
  - e) **Daily Transmittal Reports**- The Bank will provide daily transmittal reports by electronic Transmission through COUNTY Email Address or a direct-dial-modem line. The daily report Describes all checks processed that day. These electronic transmissions will be made by the Bank in accordance with reasonable security procedures to ensure that electronically Communicated information is safeguarded and confidential.
- 3) All items which are not acceptable checks shall not be processed but shall be returned to the COUNTY along with all statements, invoices, communications, and other papers accompanying such item. Said items and papers shall be delivered in the customary manner of the Bank and in such other manner as may be specified in the instructions.
- 4) Remittances, which are sent directly to the COUNTY, may be forwarded to the Box and used in connection with this Agreement. The COUNTY will place remittances, including any accompanying papers in the original envelope, into another envelope appropriately addressed.
- 5) Checks drawn in foreign currency will be processed on a collection basis only. Credit will be posted upon receipt of paid collections less all fees and charges.
- 6) Expenses such as post office rental, postage and exchange charges may be paid initially by the Bank. The COUNTY agrees that it will be responsible for, and will reimburse the Bank for, all such expenses. COUNTY further agrees to promptly pay Bank the fees shown on Schedule B attached hereto. COUNTY agrees that Bank may reimburse itself for expenses and fees due hereunder by debits to the COUNTY's Account. If such Account does not have a sufficient collected balance to cover such expenses and fees, Bank may reimburse itself from any other account maintained by COUNTY at Bank. COUNTY agrees to reimburse Bank upon demand for any such expenses and fees, which remain unpaid. Bank may, at its option, require advance payment of such expenses and fees or a deposit to cover such expenses and fees.
  - a) **Service Fees and Payment**, COUNTY shall pay monthly fees according to the current service charge brochure attached as Exhibit "A". Bank may change the Service Fees upon thirty (30) days prior written notice to COUNTY. In addition, COUNTY shall pay any special transportation, installation, communication, or delivery charges incurred by Bank in connection with the Service.
- 7) From time to time, upon not less than 30 days' prior written notice to COUNTY, Bank may change any procedures or fees established in connection with this Agreement. Notwithstanding the foregoing, Bank may change any procedures without prior notice to COUNTY where an immediate change in terms or conditions is necessary to maintain or restore the security of any deposit account.

- 8) In the event of any disagreement hereunder, or if conflicting demands or notices are made upon Bank relating to this Agreement or any item or amount received by Bank hereunder, Bank may, at its option, refuse to comply with any claims or demands on it, or refuse to take any other action hereunder with regard to the subject matter of the dispute, so long as such dispute continues; and in any such event, Bank shall not be or become liable to any person for its failure or refusal to act, and Bank shall be entitled to continue to refrain from acting until (a) the rights of all parties shall have been fully and finally adjudicated by a court of competent jurisdiction, or (b) all differences shall have been adjusted and all doubt resolved by agreement among all of the interested persons. The rights of Bank under this paragraph are cumulative of all other rights which it may have by law or otherwise.

#### INDEMNITY AND RELEASE

- 9) Bank shall indemnify County and hold County harmless for any act done or step taken or omitted by Bank or which in any manner may arise as a result of negligence by Bank or for any mistake in fact or law or for anything that Bank does nor refrains from doing in connection with or as required by this Agreement.
- 10) This Agreement will be coterminous with the depository contract. Fee schedule associated with this service is attached to this agreement and is also part of the original depository application.
- 11) All notices required in connection with this Agreement shall be deemed to have been given when sent Certified Mail, postage prepaid or delivered by messenger to the parties at the addresses appearing above, or to such other address as either party may specify in writing to the other party.
- 12) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.
- 13) No waiver of any provision hereunder shall be binding unless such waiver shall be in writing and signed by the party alleged to have waived such provision. Any waiver by either party of any default hereunder shall not operate as a waiver of succeeding defaults.
- 14) If one or more of the PROVISIONS of this Agreement (including the Instructions) should be or be declared to be illegal, invalid or unenforceable in any respect under present or future laws or regulations effective during the term of this Agreement, the legality, validity and enforceability of the remaining PROVISIONS of this entire Agreement shall not be affected or impaired thereby; PROVIDED, HOWEVER, that if this entire Agreement shall be or be declared to be illegal, invalid, or unenforceable or should any regulatory agency direct Bank to discontinue providing the services hereunder, the parties agree that payments or credits due up to that time shall be remitted or made, and this Agreement shall thereafter be immediately terminated without liability to either party.
- 15) Paragraph headings and captions have been inserted for convenience only and do not limit or expand the PROVISIONS set out in various paragraphs.
- 16) This Agreement in addition to all sections of the depository application constitutes the entire understanding of the parties in respect to the subject matter hereof and, all prior negotiations, agreements and representations are merged herein. Except as provided in paragraph 7, this Agreement may not be modified except in writing signed by an authorized representative of each party. Either party without the other party's written consent cannot assign this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives and same shall be effective as of the date of execution and acceptance by Bank, as set forth below.

"COUNTY"

COUNTY OF HIDALGO

Date: \_\_\_\_\_

By: \_\_\_\_\_

  
Juan D. Salinas, Hidalgo County Judge

Signature: \_\_\_\_\_

Title: Hidalgo County Judge

"BANK"

FIRST NATIONAL BANK

Date: \_\_\_\_\_

By: \_\_\_\_\_

  
Saul Ortega, CFO

Signature: \_\_\_\_\_

Title: Chief Financial Officer

## First National Bank

### Lock Box Schedule of Fees

Customized Program Available	
Set up fee per Document Type:	\$500
Set up fee for Mark Sense:	\$500(optional)
Payment processing per coupon:	\$ .25
Per Item Deposit:	NO CHARGE
Mail Preparation:	NO CHARGE
Annual Box fee:	Cost
Monthly Maintenance fee:	\$100
Exception Item: (if automated)	\$ .50
Complete manual entry	\$1.00
CD-ROM:	\$10
File Transmission:	\$10
Foreign Item Collection:	Cost
Lock Box Research:	Research fees apply <b>only if</b> First National Bank provides the research

**Note: All service charges are subject to change.**