

## Lone Star National Bank™

January 19, 2017

Ms. Norma Garcia  
County Treasurer  
County of Hidalgo  
2810 South Business Highway 281  
Edinburg, Texas 78539-6243

Re: Depository Contract Extension Proposal

Dear Ms. Garcia:

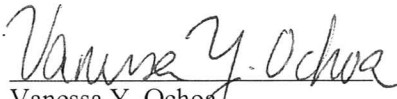
Lone Star National Bank accepts your request for an extension of the current depository contract. The original contract set to expire on May 9, 2017 will be extended to a new expiration date of May 9, 2019.

Under the new proposal all accounts will earn on its average collected balances kept at the bank an interest rate tied to an average of 75% of the U.S. Treasury 13 week bill rate which will be determined by taking the average of the "investment rate" from the weekly auctions from the previous month. The bank uses [www.treasurydirect.gov](http://www.treasurydirect.gov) to obtain the values. The rate will have a cap of 1.50% (rates will need to increase by more than 150 bps over the next two years for the cap to be triggered). The County of Hidalgo accounts will continue on account analysis. Due to the accounts earning interest, no earnings credit will be earned for analysis purposes. All the other terms of the current contract will be in effect through the extension period.

We believe the terms offered by the bank will be very beneficial to the County given the rate forecast by market participants for rates to increase over the next two years.

Should you have further inquiries regarding the abovementioned proposal, please do not hesitate to contact Vanessa Ochoa at 956-984-2913 or via e-mail at [ochoav@lonestarnationalbank.com](mailto:ochoav@lonestarnationalbank.com) for further discussion.

Sincerely

  
Vanessa Y. Ochoa  
AVP & Fixed Income Analyst II

Agreed and accepted on behalf of County of Hidalgo this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
County Judge