

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT is made and entered into as of October 22, 2019 (the "Effective Date"), by and among the **COUNTY OF HIDALGO, TEXAS**, one of the duly organized counties and political subdivisions of the State of Texas, hereinafter called "County", **LONE STAR NATIONAL BANK**, a national banking association with offices in Hidalgo County, Texas, hereinafter called "Bank", and **FROST BANK**, a Texas state bank with offices in Hidalgo County, Texas, hereinafter called "Safekeeping Bank".

WHEREAS, the County has this day selected Bank as a depository to receive demand deposits and time deposits for the purchase of certificates of deposit by the County, and, the Bank has selected Safekeeping Bank as the custodian of pledged securities, and,

WHEREAS, said Bank has its principal office and place of business in the County and is duly organized and incorporated under the laws of the State of Texas.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Deposits. The County hereby agrees and is authorized to keep in Bank moneys and funds, as certificates of deposit of the County and demand deposits. The County shall have the power to determine and designate the character and amount of the funds which will be deposited in the Bank. Management responsibility and authority for and on behalf of the County is hereby delegated to the County Treasurer, hereafter referred to as "Designated County Official". Such deposits shall never be the subject of any garnishment or attachment, and Bank and Safekeeping Bank shall not recognize any attempt to garnish or attach principal or interest or be a party to any such action.

2. Securities Pledged. The Bank agrees to pledge and constantly keep, in Safekeeping Bank, as security for County deposits, securities owned by the Bank and on which County shall have a lien to the extent of its deposits. Such securities shall be of the following kinds and none other:

- (1) United States Treasury Bills, Notes and Bonds;
- (2) Notes and Bonds of United States Agencies and Instrumentalities;
- (3) Other Evidences of Indebtedness of the United States Government which are guaranteed as to principal and interest by the United States Government; and
- (4) Municipal bonds rated A or better.
- (5) Letters of Credit issued by federal home loan bank, at 100% of deposits

The pledged securities shall not be less than 105% of the total amount of County funds, including accrued interest, on deposit at all times with the Bank. The kind, value, and substitution of such securities shall be subject to prior approval by the County. It is the intention of the parties that the County shall have a first and prior lien on such securities to the extent of its funds on deposit therein and that none of such securities shall be pledged or subject to any lien other than that of the County. The value of the securities pledged and on which the County shall have its lien shall be determined by the Bank as the current market value.

The final determination of such value shall be at the discretion of the County, whose decision shall be final and binding. Bank is to value the securities no less than monthly.

If at any time the market value of the pledged securities becomes less than 105% of the total amount of County funds on deposit, the Bank shall immediately pledge additional securities owned by the Bank, upon which additional securities the County shall also have its first and prior lien in such additional amount as required to provide not less than 105% security.

If at any time the market value of the pledged securities becomes more than 105% of the total amount of County funds on deposit with the Bank, the Bank may request from the County that certain securities be released from the pledge to bring the total to 105% security.

The Bank shall be responsible for monitoring and maintaining the required value of the pledged securities at all times.

3. Safekeeping. Securities pledged by the Bank shall be delivered to the Safekeeping Bank, and neither possession thereof nor the lien thereon shall ever be released by said Safekeeping Bank except on the express consent of the County. A record of the securities pledged by the Bank shall be provided simultaneously to the County for approval as authorized securities. The Bank will provide the "Designated County Official" with original safekeeping receipts clearly marked on their face that security is "Pledged to County." Safekeeping Bank shall permit a "Designated County Official" to examine said securities in the presence of the appropriate officials of Bank at any time during normal business hours. The Bank and Safekeeping Bank shall not be within the same holding company.

4. Indemnification of the Safekeeping Bank: Exculpation. Except in cases of the Safekeeping Bank's negligence, gross negligence or willful misconduct, Bank hereby agrees to indemnify, defend and hold harmless the Safekeeping Bank from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity (collectively, "Claims"), or any other expenses, fees or charges of any character or nature which Safekeeping Bank may incur or with which it may be threatened by reason of the Safekeeping Bank's actions under this Agreement, and in connection therewith, to indemnify Safekeeping Bank against any and all expenses, including without limitation, reasonable attorneys' fees and expenses incurred by Safekeeping Bank. Safekeeping Bank may itself defend any suit brought against it and shall be equally entitled to receive reimbursement from the Bank, its reasonable attorneys' fees, expenses, and all fees and costs incident to any appeals which may result provided said suit was not a result of or determined to be caused by the gross negligence or willful misconduct of Safekeeping Bank. Bank and County agree that Safekeeping Bank shall have no liability to either of them for any loss or damage that either or both may claim to have suffered or incurred, either directly or indirectly, by reason of this Agreement or any transaction or service contemplated by this Agreement, unless occasioned solely by the negligence, gross negligence or willful misconduct of Safekeeping Bank, or its employees or agents. In no event shall Safekeeping Bank be liable for losses or delays resulting from computer malfunction, interruption of communication facilities, labor difficulties or other causes beyond the Safekeeping Bank's reasonable control or for indirect, special or consequential damages.

5. Substitution. Any change to or substitution of the securities shall be approved by the County prior to that change or substitution and shall be subject to the lien. The Bank shall have full right of substitution of securities, and the lien may be released by the County provided that the securities substituted meet the requirements as specified in this agreement and are approved by the County.

6. Release of Securities. The County agrees to release to the Bank, in a timely manner, any securities pledged when the amount of deposits in the Bank are less than the value of the securities pledged and securities remain equaling 105% of deposits.

7. Interest Payments. The Safekeeping Bank is directed to surrender all interest payments or other evidences of interest, when due, on securities, provided that securities remaining pledged are sufficient to meet or exceed by 105% the total County funds on deposit.

8. Financial Statements. Both the Bank and the Safekeeping Bank will send to the County, on an annual basis, audited annual financial statements.

9. Liquidation. If the Bank fails to faithfully perform all of the promises, conditions, duties and obligations required by law and covenanted to be performed under the terms of this contract, or if the Bank fails to pay the County the face amount, plus earned interest, of any time deposit upon the maturity date or fails to faithfully keep said funds of the County and account for same according to law, then the County may enforce its lien and sell the securities pledged at public or private sale. After sale is made, the net proceeds of the securities shall be applied to the satisfaction and discharge of all existing or outstanding obligations of the Bank to the County, including any necessary legal expense incident to the enforcement of this agreement, or to maintain any action against the Bank or its Receiver for any deficiency. In the event the proceeds derived from the sale are not sufficient to satisfy and discharge such obligation, the County may proceed in a court of competent jurisdiction against the Bank or any other person, firm, or corporation in possession of the Bank's assets.

10. Term. This Agreement, shall extend to and cover the entire period of time during which the Bank shall act as depository for the County and until all obligations hereunder have been performed, at which time the lien hereby created on the securities or any substitutes therefor shall be released, and securities shall be returned to the Bank by the Safekeeping Bank.

11. Non-Exclusive Agreement; Termination. Notwithstanding any of the provisions hereof, the County shall have, and does hereby retain the right to utilize, other depositories and the right to terminate this contract whenever the interest of the County may demand. This Agreement shall terminate and be of no force and effect upon receipt by the Safekeeping Bank of written notice from the Depositor that the Depositor no longer claims an interest in the pledged securities. This Agreement may be terminated by the Safekeeping Bank, with or without cause, upon its delivery of thirty (30) days prior written notice thereof to Bank and Depositor, and upon the expiration of such thirty (30) day period, all of Safekeeping Bank's obligations hereunder shall cease. Upon the effective date of such termination, Safekeeping Bank will simultaneously transmit to the Bank all pledged securities.

12. Official Bank Board Action. In accordance with FIRREA requirements, the execution of this agreement has been authorized by resolution # _____ of the Board of Directors of the Bank or the Loan Committee, which resolution has been signed and entered on the Minutes of Bank.

[Signatures on the following pages.]

EXECUTED to be effective as of the Effective Date.

COUNTY:

HIDALGO COUNTY, TEXAS

By: Richard F. Cortez, County Judge

Address:

County of Hidalgo, Texas

Attn: County Judge

100 E. Cano

Edinburg, Texas 78539

ATTEST:

Arturo Guajardo, Jr. County Clerk

APPROVED AS TO FORM:

**HIDALGO COUNTY CRIMINAL DISTRICT ATTORNEY OFFICE
RICARDO RODRIGUEZ, JR.**

By: Victor M. Garza, Assistant District Attorney

BANK:

LONESTAR NATIONAL BANK

By: Vipul Patel, EVP & Chief Investment
Officer

Address:

Lone Star National Bank
Vipul Patel, EVP Chief Investment Officer
520 E. Nolana Avenue
McAllen, Texas 78504

ATTEST:

Cashier

SAFEKEEPING BANK:

FROST BANK

By: _____

Printed Name: _____

Title: _____

Address:

Frost Bank
P.O. Box 1600
San Antonio, Texas 78296
Attn.: Capital Markets

ATTEST:

Cashier