

PLEDGE AGREEMENT

This Pledge Agreement is made and entered into on the date last herein written by and between the City of Leander, hereinafter called "CITY", and _____ organized under the laws of the United States and authorized by law to do banking business in the state of Texas, hereinafter called "BANK".

CITY, through action of its City Council, has designated BANK as a depository for public funds of the CITY. During the term of this Agreement, the CITY will through appropriate action of its City Council, designate representatives, who individually or jointly will be authorized to represent and act on behalf of the CITY in any and all matters of every kind arising under this Agreement and appoint and designate from time to time a person or persons who may request withdrawals, create new accounts, and prepare orders for payment or transfers on behalf of the CITY.

All funds on deposit with BANK to the credit of the CITY are required to be secured by COLLATERAL as specified by Texas law, including Chapter 2257 of the Texas Government Code and subsequent amendments. To perfect the security interest of the CITY in the securities pledged by the BANK, an independent third party financial institution (the "CUSTODIAN"), acceptable to both parties, will hold the securities in a custody account maintained by a third party CUSTODIAN (as defined below) in the name of BANK and subject to the control of CITY.

NOW, THEREFORE, in consideration of the foregoing, and for other consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

I. Grant of Security Interest

In accordance with the terms of this Pledge Agreement, BANK hereby pledges to CITY, and grants to CITY a security interest in and first lien on, those security assets owned by BANK and maintained by CUSTODIAN in the name of BANK and subject to the control of CITY (hereinafter, the "COLLATERAL"), to secure the deposits held by BANK for CITY as required by law.

Custody and safekeeping of pledged securities shall be pursuant to the terms of the governing statutes, Federal Reserve Bank Operating Circular 7 as in effect from time to time (Circular 7), and this Pledge Agreement. If BANK is to change to another CUSTODIAN, that CUSTODIAN shall be an independent CUSTODIAN and not be within the same holding company as the BANK. The BANK shall execute a tri-party safekeeping agreement with the City and the custodian for custody of pledged securities in full compliance with FIRREA.

CITY shall have first and prior lien on this Collateral.

II. Representations and Obligations

The BANK represents that:

- (a) The BANK is the sole and legal owner of the securities used to collateralize CITY deposits;
- (b) Other than the security interest granted to CITY herein, no other security interest has been, nor will be, granted in the securities utilized to collateralize deposits;
- (c) BANK accounts are insured to the regulatory limits of the FDIC;
- (d) This Agreement has been duly and validly approved by the BANK Board of Directors or BANK Loan Committee; and
- (e) The Agreement is on the official record of the BANK and has been, and will continue to be, an official record of the BANK from the date of its approval.

BANK shall perform all the duties and obligations required of a depository under applicable law with respect to collateralization of public funds on deposit with BANK. At the expiration of this Agreement, BANK shall turn over to any successor depository designated by CITY all funds held by BANK as depository.

BANK shall cause the CUSTODIAN to provide a monthly statement listing a description of the COLLATERAL.

The CITY represents that:

- (a) The CITY has complied with all applicable law governing the selection of the depository bank, and this agreement is a valid and binding agreement, enforceable against the CITY pursuant to its terms and does not and will not violate any statute or regulations applicable to it; and
- (b) All acts, conditions, and things required to exist, happen, or to be performed on its part precedent to and in the execution and delivery of this agreement exist or have happened or have been performed.

III. Authorized Collateral Securities

CITY time and demand deposits, inclusive of accrued interest, in excess of the Federal Deposit Insurance Corporation insurance, shall be secured daily by securities, acceptable to the CITY and in accordance with the Public Funds Collateral Act (Texas Government Code 2257) and the CITY Investment Policy, pledged by the BANK and held in trust by the CUSTODIAN in an amount equal to at least 102% of the total of all CITY deposits including accrued interest.

Authorized collateral will include only the following as described in the CITY Policy:

- i. Obligations of the US Government, its agencies and instrumentalities including mortgage backed securities and CMOs passing the bank test.
- ii. Obligations of any state or local government rated AA or better by at least two national recognized rating agencies.

Such pledged securities shall be subject only to the joint written instructions of both (a) authorized representatives of the CITY and (b) authorized representatives of the BANK. CUSTODIAN shall promptly forward to CITY a record of safekeeping or trust receipts for each security. Receipts or reports shall be clearly marked as pledged to the CITY.

CUSTODIAN will provide a monthly report of the collateral directly to the CITY with a full description of the securities or provide electronic inquiry for monitoring COLLATERAL.

IV. Required Collateral Value

The total market value of the COLLATERAL (which includes accrued interest or income to the extent it is not included in the market price) will be in an amount at least equal to 102% of such amount as is required under the law on a daily basis (the "Required Collateral Value"). It is the responsibility of the BANK to monitor the Collateral value and maintain the required margins on the Collateral daily.

BANK has heretofore or will immediately hereafter deliver to CUSTODIAN COLLATERAL of the kind and character permitted by this Pledge Agreement and approved by CITY of sufficient amount and market value to provide the Required Collateral Value for the uninsured funds of CITY deposited with BANK. The COLLATERAL or substitute COLLATERAL, as hereinafter provided for, shall be kept and retained by CUSTODIAN in an account maintained in the name of BANK and subject to the control of CITY so long as the depository relationship between CITY and BANK shall exist hereunder.

When additional COLLATERAL is required to cover incremental deposits, CITY will notify BANK. Twenty-four hours' notice is necessary on incremental deposits that will result in the deposit of additional COLLATERAL in excess of \$5 million.

If the aggregate market value of Collateral held by CUSTODIAN at any time does not equal the Required Collateral Value, BANK shall provide additional Collateral within that business day to bring the total aggregate market value equal to the Required Collateral Value.

V. Default and Remedies

Should BANK fail at any time to pay and satisfy, when due, any check, draft, transfer, or voucher lawfully drawn against any deposit, or should BANK fail to fulfill the conditions of the Master Depository Agreement, or should BANK become insolvent or in any manner breach its contract with CITY, CITY shall give written notice of such failure, insolvency or breach to BANK, and BANK shall have three days to cure such failure, insolvency or breach.

In the event BANK shall fail to cure such failure, insolvency or breach within three days, it shall be the duty of CUSTODIAN, upon demand of CITY (supported by proper evidence of any of the above-listed circumstances), to surrender the COLLATERAL to CITY control. CITY may sell all or any part of the COLLATERAL and out of the proceeds thereof pay CITY all 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, accounting to BANK for the remainder, if any, of the proceeds or COLLATERAL remaining unsold.

Any sale of the COLLATERAL, or any part thereof, made by CITY hereunder may be either at public or private sale; provided, however, CITY shall give to BANK and CUSTODIAN five days written notice of the time and place where such sale shall take place, and such sale shall be to the highest bidder for cash. CITY, BANK and CUSTODIAN shall have the right to bid at such sale.

VII. Substitutions and Withdrawals

If BANK shall desire to sell or otherwise dispose of any one or more of the securities so deposited with CUSTODIAN, it may substitute for any one or more of such securities other securities of the same market value and of the character authorized herein. Placement of substitute securities with the CUSTODIAN shall take place before removal of securities being removed. Such right of substitution shall remain in full force and may be exercised by BANK as often as it may desire.

If the aggregate market value of Collateral held by CUSTODIAN at any time exceeds the Required Collateral Value, BANK may withdraw any excess Collateral by providing CUSTODIAN with a withdrawal notice signed by an authorized representative of both the BANK and CITY. CITY agrees that approval of the withdrawal notice will not be unreasonably withheld if the Collateral exceeds the Required Collateral Value.

CUSTODIAN shall promptly provide CITY with such information describing all Collateral and substitute Collateral as may be mutually agreed upon between CUSTODIAN and CITY.

VIII. Termination

Any Party to this Agreement shall have the right to terminate this Agreement by advance written notice to the other of its election to do so, and this Agreement shall be void from and after the expiration of sixty days after the receipt of such notice, provided all provisions of this agreement have been fulfilled. The BANK will automatically terminate this Agreement when CITY has not required COLLATERAL coverage for one year. The CITY will be notified in writing of this termination

This Agreement shall continue and remain in full force and effect and shall be binding on BANK and its successors and assigns until such time as (a) all deposits have been paid in full to the CITY or otherwise paid as instructed by CITY, and (b) the Master Depository Agreement is no longer in effect.

At the expiration of the term of this Agreement, BANK shall turn over to any successor depository designated by CITY all funds held by BANK as depository.

IX. Notices

Any notice required to be given to BANK in writing shall be sufficient if mailed to the following address:

Any notice required to be given to CITY in writing shall be sufficient if mailed to the following address:

Either party may change the above address through written notification by facsimile or by such other means as is consistent with usual means of notifications.

X.

This agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective corporate successors.

XI. Miscellaneous

The headings in this Agreement are for convenience only and should not be used in interpreting this Agreement. If any provision of this Agreement is found to be illegal or unenforceable under applicable law, that provisions shall be deemed reformed so as to be enforceable to the extent permitted by law, or if that is not possible, this Agreement shall be read as if that provisions was never a part of it and the remainder of the Agreement will be enforceable.

No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all of the parties hereto.

Executed the _____ day of _____, 20__ by the undersigned duly authorized officers of the parties hereto.

FOR BANK:

(Signature)

(Title)

FOR CITY:

(Signature)

(Title)