

DEPOSITORY PLEDGE AGREEMENT

WHEREAS, this Depository Pledge Agreement (“Agreement”) is entered into on _____, 2021, by and among Harris County Municipal Utility District No. 136 (“District”), a conservation and reclamation district created and operating pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended; Allegiance Bank (“Bank”), and Federal Home Loan Bank of Dallas (the “Safekeeping Institution”).

WHEREAS, the District has selected the Bank, a national banking association or state chartered bank, as a depository for certain of its funds to be held in demand deposits or interest-bearing time deposits as follows:

Account Name(s)	Type of Account	Account Number
_____	_____	_____
_____	_____	_____
_____	_____	_____

and such additional accounts as the District may from time to time designate, and the Bank desires to be the depository of such funds;

WHEREAS, the District has deposited and might in the future deposit public funds in the Bank in amounts exceeding the applicable insurance provided by the Federal Deposit Insurance Corp. (FDIC) as may be applicable from time to time;

WHEREAS, the District has requested that its deposits in excess of the FDIC insurance be otherwise secured;

WHEREAS, the excess funds deposited with the Bank must be continuously secured by a

valid pledge to the District of collateral which, under the laws of the State of Texas, can be used to secure the excess deposits of the District, and the aggregate market value, exclusive of accrued interest, of the collateral shall at all times be equal to or in excess of such total excess funds of the District on deposit with the Bank; and

WHEREAS, to the extent the Bank uses eligible securities to secure the District's deposit of excess funds, the Bank will place the above securities for safekeeping in a custodial account at the Safekeeping Institution, which is another financial institution not owned or controlled by the Bank or its holding company; and

WHEREAS, to the extent the Bank uses a letter of credit issued by an agency or instrumentality of the United States of America to secure the District's deposit of excess funds, such letter of credit shall meet the requirements set forth in this Agreement and shall be held by the District;

NOW, THEREFORE, for value received and in consideration of the mutual promises and covenants herein contained, the District, the Bank and the Safekeeping Institution agree as follows:

1. **SECURITY.** The Bank hereby pledges to the District securities (the "Pledged Securities") with a market value, exclusive of any accrued interest, equal to at least 105 percent of District deposits in excess of FDIC insurance less the face value of any letter of credit issued on behalf of the District for the account of the Bank by an agency or instrumentality of the United States, including the Federal Home Loan Bank of Dallas.

2. **SAFEKEEPING PROVISION.** The Bank will place the Pledged Securities with Federal Home Loan Bank of Dallas (the “Safekeeping Institution”) for safekeeping. Except as provided in paragraph 9 disposition of the Pledged Securities shall be subject only to the joint written instructions of both (a) an authorized individual appointed by the District, and (b) a specifically authorized officer of the Bank. The Safekeeping Institution named herein hereby agrees to hold all securities deposited with it pursuant to the terms of this Agreement, to identify the pledge of the securities on the books of the Safekeeping Institution, to issue a trust receipt for such Pledged Securities and to deliver the Pledged Securities in accordance with the terms hereof. The Safekeeping Institution agrees to serve as collateral agent for the District and to take any additional measures necessary to allow the District to perfect its security interest in the securities.

3. **STATEMENTS.** Contemporaneously with the execution of this Agreement and at the time of the substitution or release of any of the Pledged Securities, the Bank shall execute and deliver to the District a memorandum describing the securities deposited to the Safekeeping Institution as Pledged Securities or withdrawn as Pledged Securities from the Safekeeping Institution. The Bank agrees to furnish to the District a statement describing the Pledged Securities held in safekeeping in the Safekeeping Institution on at least a monthly basis. The statement will include par value, market value, and maturity date. The same statement will also be available upon demand of the District.

4. **FINANCIAL POSITION.** The Bank will provide a statement of its financial position on at least a quarterly basis. The Bank will provide an annual statement audited by its outside auditors including a statement by its outside auditors as to its “fair presentation.”

5. **SUBSTITUTION.** The Bank shall have the right, with the prior written consent of the District, to purchase and sell, and substitute or replace, any and all of the Pledged Securities with like securities. A written notice stating the par value, maturity date and market value on the proposed date of substitution must be sent to the District by the Bank prior to any substitution or exchange. If approved, the substituted securities shall become Pledged Securities and thereafter shall be subject to all the terms and conditions of this Agreement.

6. **LETTER OF CREDIT.** The Bank may provide to the District as eligible security for District deposits in excess of the FDIC coverage one or more letters of credit for the benefit of the District and for the account of the Bank issued by the Federal Home Loan Bank of Dallas (each a "Letter of Credit"). The face amount of the Letters of Credit outstanding at any time shall be equal to no less than the amount of the District's deposits in excess of FDIC coverage, including accrued interest, less the market value, exclusive of accrued interest, of any Pledged Securities. Each Letter of Credit shall be irrevocable and shall provide that the District may draw an amount up to the face amount of the Letter of Credit after an event of default specified in paragraph 8 upon presentation of a draw request and the original Letter of Credit. The Bank agrees that the District shall have the right to direct that the proceeds of a draw request be deposited in an account designated by the District in its sole discretion. Each Letter of Credit shall be held by the District and shall be valued at its face value.

7. **REPRESENTATIONS.** The Bank represents to the District:

- (a) That the Bank is the sole legal and actual owner of all securities pledged to the District;

- (b) That no other security interest has been, nor will be, granted in that portion of the Pledged Securities utilized to collateralize District deposits;
- (c) That District deposits at the Bank not in excess of \$250,000, or such other amount as may be applicable from time to time, are insured by the FDIC.

DEFAULT. The Bank shall be in default if it fails to pay all or any part of a demand deposit, a matured time deposit, or a matured certificate of deposit, including earned interest, at the specified maturity date. The Bank shall also be in default if ruled “bankrupt,” “insolvent” or “failed” by Federal Banking Regulators.

8. **PROCEEDS.** In the event of a default, failure or insolvency of the Bank, the District shall be deemed to have vested full title to all Pledged Securities. The District is hereby empowered to take possession of and transfer or sell any and all Pledged Securities. If the security is transferred, ownership of the security will transfer entirely to the District. If the security is liquidated, any proceeds over the value of the defaulted amount of the matured investment, including accrued interest, plus expenses related to the liquidation transaction, shall be returned to the Bank. This power is in addition to other remedies which the District may have under this Agreement and without prejudice to its rights to maintain any suit in any court for redress of injuries sustained by the District under this Agreement.

9. **DUTIES.** The Bank shall faithfully do and perform all of the duties and obligations required by the laws of the State of Texas for depositories of the District, and shall upon presentation pay all checks drawn on it by the duly authorized representatives of the District against collected funds of the District on demand deposit, and shall at the expiration of the term for which it has been chosen as depository of the District turn over to its successor all

funds, property and things of value coming into its hands as depository; however, the Letter of Credit shall be non-cancellable during its term.

10. **NON-ASSIGNABILITY.** The collateral agreement is not assignable in whole or in part but is binding on the parties hereto, their successors and assigns.

11. **TERMINATION.** This agreement may be terminated by either the Bank, the District or the Safekeeping Institution by giving thirty (30) days prior written notice to the other parties. The Bank shall be responsible for all costs necessary in the use or confirmation of the Letters of Credit and agrees that these costs shall not be a charge against the District.

12. **LAW GOVERNING.** All applicable provisions and requirements of the laws of the State of Texas governing depositories for the District shall be a part of this Agreement.

13. **AUTHORIZATION.** The Bank represents and warrants that this Agreement is made pursuant to and is duly authorized by the Board of Directors or the Loan Committee, which approval is reflected in the minutes of said Board or committee of the Bank. The Bank further warrants and represents that this Agreement has been continuously, from the time of its execution, an official record of the Bank.

14. **SAFEKEEPING FEES.** Any and all fees of the Safekeeping Institution in connection with the safekeeping of Pledged Securities for the benefit of the District shall be borne by the Bank.

15. **SOLE AGREEMENT.** This is the sole Depository Pledge Agreement among the parties and supersedes any and all prior agreements.

WITNESS the execution hereof this _____ day of _____, 2021.

HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO. 136

By: _____
President, Board of Directors

ATTEST:

Secretary, Board of Directors

Allegiance Bank

By: _____
Name: _____
Title: _____

ATTEST:

Federal Home Loan Bank of Dallas
SAFEKEEPING INSTITUTION

By: _____
Name: _____
Title: _____

ATTEST:

ADDENDUM A-1

At its Board meeting on _____, the Board of Directors of Harris County Municipal Utility District No. 136 (“District”) designated the following individuals as authorized representatives pursuant to Section 2 of that certain Depository Pledge Agreement dated as of _____, to direct Federal Home Loan Bank of Dallas (“Safekeeping Institution”) in regard to collateral pledges, releases and substitutions in the joint safekeeping account and to accept letters of credit provided as collateral on behalf of the District. Such pledges, releases and substitutions shall follow procedures set forth in the Depository Pledge Agreement.

Authorized Representative’s Signature

Name and Title

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

By: _____
Secretary
Board of Directors, Harris County Municipal
Utility District No. 136

ADDENDUM A-2

The following individuals are authorized representatives of Allegiance Bank pursuant to Section 2 of that certain Depository Pledge Agreement dated as of _____, to direct Federal Home Loan Bank of Dallas (“Safekeeping Institution”) in regard to collateral pledges, releases and substitutions in the joint safekeeping account and to accept letters of credit provided as collateral on behalf of the Bank. Such pledges, releases and substitutions shall follow procedures set forth in the Depository Pledge Agreement.

Authorized Representative’s Signature

Name and Title

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

By: _____

Authorized Officer
Allegiance Bank