



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

February 24, 1989

DALLAS, TEXAS 75222

Circular 89-11

TO: The Chief Executive Officer of
all financial institutions in the
Eleventh Federal Reserve District

SUBJECT

Revisions to Operating Bulletin 2 - Loans

DETAILS

The Federal Reserve Bank of Dallas has issued a revised Bulletin 2 to reflect procedures to be followed in connection with extensions of credit from the Federal Reserve Bank of Dallas. The revisions are effective immediately.

Financial institutions wishing to apply for extensions of credit in the Eleventh District may proceed to take steps to file the appropriate documents with this Bank. Borrowing resolutions and Letters of Agreement should be filed with the Loan Department in Dallas. A resolution form for this purpose for domestic institutions is also enclosed in this package.

ENCLOSURES

The revised Bulletin 2, supplements and resolution form are enclosed. The bulletin should be included in your Regulations Binder.

MORE INFORMATION

For further information, please contact Jesse D. Sanders at (214) 651-6240.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Wallace".

For additional copies of any circular please contact the Public Affairs Department at (214) 651-6289. Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank (800) 442-7140 (intrastate) and (800) 527-9200 (interstate).

BULLETIN 2

Loans



FEDERAL RESERVE BANK OF DALLAS

SCOPE

This bulletin sets forth the general terms and conditions under which we may extend credit accommodations to member banks and other depository institutions and the procedures to be followed in connection with extensions of such accommodations.

Additional information, including statements concerning the policy by which the "discount window" is administered, may be found in Regulation A and the Federal Reserve Act (see references in section 2 of this bulletin). Our current discount rate and our current rates on advances are found in Supplement A to this bulletin.

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Section 1, GENERAL PROVISIONS

1.00 General

This Bulletin sets forth the general terms under which the Federal Reserve Bank of Dallas (the "Bank") extends credit to a depository institution¹ or a foreign bank with a branch or agency in the Eleventh District (the "Borrower") and the procedures to be followed in connection with an extension of credit. All terms defined in Regulation A have the same meaning when used in this Bulletin. A request for an advance should be made to the Head Office.

1.05 Agreement to be bound by this Bulletin

By requesting an advance, a Borrower agrees to be bound by all of the terms and conditions set forth in this Bulletin, Supplements, and Regulation A, each as amended from time to time. However, the Borrower acknowledges and agrees that this Bank is not obligated to make any advance to or discount for the Borrower.

1.10 Credit availability to depository institutions

Advances made are repayable on demand and secured by collateral acceptable to the Bank. Under the provisions of the Act, and subject to Regulation A, we are authorized to extend credit of the following types:

- (a) Short-term adjustment credit pursuant to Sections 13, 13a, and 10(b) of the Act and Section 201.3(a) of Regulation A;
- (b) Seasonal credit pursuant to Sections 13, 13a, and 10(b) of the Act and Section 201.3(b)(1) of Regulation A; and

(c) Other extended credit pursuant to Sections 13, 13a, and 10(b) of the Act and Section 201.3(b)(2) of Regulation A. Credit extended by us usually takes the form of an advance, but we may, in our sole discretion, discount eligible paper.

1.15 Required documents; their execution

Copies of the Exhibits to the relevant Supplements to this Bulletin, properly executed, must be on file with this Bank in order to obtain an extension of credit. A certified copy of a resolution, adopted by a Borrower's board of directors or trustees or other governing board or committee authorizing designated officers to execute agreements with us to obtain advances on its behalf from us, must be on file with the Bank in order for the Borrower to obtain credit accommodations. Our borrowing resolution form (Form BD-1) should be used by a domestic depository institution, and Exhibit 1 to Supplement E should be used by a branch or agency of a foreign bank for this purpose.² Form BD-1 and other agreements and documents may be obtained from the Loan Department in Dallas. Agreements must be executed by individuals whose signatures are on file as authorized by the relevant resolutions.

Section 2, LENDING AGREEMENT

(a) In general, we make advances for short-term adjustment credit and seasonal credit pursuant to the terms of either our Lending Agreement Regarding Advances By Federal Reserve Bank of Dallas set forth in Supplement B to this Bulletin or our Foreign Bank Lending Agreement Regarding Advances by Federal Reserve Bank of Dallas set forth in Supplement E to this Bulletin (each referred to as "Lending

1. A "depository institution" is a member bank or other depository institution, as that term is defined in section (9(b)) of the Federal Reserve Act, that holds transaction accounts or nonpersonal time deposits and that is eligible under Regulation A to obtain advances from or discounts with a Federal Reserve Bank.

2. Copies of Resolutions, Opinion of Foreign Counsel and Opinion of United States Counsel, all of which must be filed with Exhibit 1 to Supplement E, may be obtained from the Loan Department in Dallas.

Agreement"), which must be executed by an officer authorized to borrow under Form BD-1 and filed with this Bank. An advance made pursuant to either agreement is payable on demand, secured to the Bank's satisfaction, and generally evidenced by an advice of credit that we transmit to the Borrower at the time the particular advance is made, specifying the amount of the advance, the rate of interest and a review date when demand is likely to be made (although the Bank may make demand for repayment at any time). We reserve the right at any time to require the Borrower to execute a promissory demand note and/or additional relevant agreements or documents including security agreements the Bank deems necessary or desirable with respect to any particular advance or to a number of advances.

(b) An advance for other extended credit not only may be made pursuant to the terms of these Lending Agreements but also at the Bank's discretion may be made pursuant to the terms of a Security Agreement proposed by the Bank and made available to the Borrower by the Loan Department in Dallas. An advance made under that agreement is payable on demand, secured to the Bank's satisfaction, and evidenced by either a demand promissory note or an advice of credit as described in (a) above. Under the terms of that agreement the Borrower may be requested to execute additional agreements or documents the Bank deems necessary or desirable with regard to any particular advance or to a number of advances. For purposes related to such an extension of credit, any reference to "Lending Agreement" will include the Security Agreement described in this subsection.

Section 3, APPLYING FOR CREDIT AND AVAILABILITY OF CREDIT

(a) In general, a request for an advance need not be accompanied by a written application and may be made by telephone, letter or wire by an authorized officer of the Borrower; however, we

reserve the right to require that a written application for an advance be submitted. Each request for an advance must specify the amount of and reason for the requested advance, the length of time credit accommodation may be needed, the collateral offered as security, and, if the collateral is not already held by us, the manner in which the collateral will be placed in our possession, under our control, or otherwise pledged to us. The request will not be processed unless the Borrower has sufficient collateral pledged to us. A Borrower desiring to discount paper to us, as indicated in 1.10 above, should consult us regarding the procedure to be followed.

(b) If we receive a request for an advance before 4 p.m. Central Time on a day which is a banking day for us and if we approve the request, we give the Borrower immediate credit for the amount of the advance in its reserve account, clearing account, or other account on our books unless the Borrower requests that credit be given on a subsequent day. We reserve the right to, and generally will, require the Borrower to establish and maintain an account with us before granting an application for an extension of credit; however, if the Bank permits the Borrower to not maintain an account at this Bank, with the Bank's prior approval, the amount of the advance may be transferred to the account of another institution designated by the Borrower, subject to the terms of the Designated Account Agreement for Loan Transactions, which is available from the Loan Department in Dallas.

(c) We may approve a request for an advance received by us as late as 5:30 p.m. Central Time if collateral has been prearranged, the need for the advance is related to certain adjustment problems caused by funds transfers, and the Borrower notifies us in advance that an advance may be needed.

Section 4, INTEREST RATE

(a) Interest on an advance is payable to us at the time of repayment at the applicable rate, or such rate plus any applicable surcharge, indicated in Supplement A to this Bulletin in effect

at the time the advance was made. However, if the interest rate is changed while the advance is outstanding, the new rate applies on and after the effective date of such change, unless the advance and all accrued but unpaid interest are repaid in full by the Borrower in immediately available and finally collected funds before our close of business on the effective date of the rate change or on the Bank's next following business day if the Bank is closed on the effective date of the rate change. Interest is computed on the basis of 365 days to the year.

(b) If all or any portion of an advance remains unpaid in immediately available and finally collected funds after the date on which demand for repayment is made, interest continues to accrue on the unpaid portion of the advance until the advance and all accrued but unpaid interest with respect thereto are paid in full, notwithstanding the occurrence of any public holiday or emergency or any other event postponing the date of repayment of an advance that would not constitute a default under the terms of the Lending Agreement or demand promissory note executed by the Borrower.

(c) After demand for repayment, or upon default by the Borrower of performance of any of its obligations in the Lending Agreement, interest on the unpaid portion of the advance is payable at a rate of five percentage points higher than the applicable rate then in effect (including any applicable surcharge) for such an advance under this Bulletin unless the Bank agrees in writing that a different rate shall apply.

Section 5, COLLATERAL

(a) In addition to meeting the requirements of our Lending Agreement and any other applicable agreements, collateral offered as security for any advance must be: (i) acceptable to us; (ii) endorsed or assigned to us by the Borrower (except in the case of negotiable bearer paper); and (iii) in such a form, or accompanied by such documents, that it may be transferred readily to us without further action by the Borrower.

(b) In certain situations, and only with our prior approval, collateral offered as security for an advance may be held by another depository institution, by another Reserve Bank, by the Borrower itself if the Borrower is located in Texas or New Mexico³, or by another custodian acceptable to us in lieu of actual delivery of the collateral to us. We should be consulted in advance with respect to any such arrangements and we reserve the right to disapprove any such arrangement. In general, third-party custody arrangements that the Bank may permit are governed by the provisions of Supplement C of this Bulletin and borrower-in-custody arrangements that the Bank may permit are governed by the provisions of Supplement D of this Bulletin.

(c) Securities issued by the United States and certain securities issued by agencies, instrumentalities and establishments of the United States ("Agencies") may be maintained by us in book-entry form under the terms of our Bulletin 14, Subpart O of 31 CFR Part 306, and comparable regulations issued by the Agencies. Transferable Treasury securities and securities issued by those Agencies listed in Appendix B to our Bulletin 14, that are now or hereafter deposited by a Borrower as collateral for our advances, will be converted into book-entry form and maintained in a book-entry collateral account in accordance with the provisions of Bulletin 14. Definitive securities that this Bank holds in safekeeping for use as collateral for advances are maintained in accordance with the provisions of Bulletin 7.

Section 6, CONTINUING OBLIGATIONS OF THE BORROWER

By receiving an advance, the Borrower agrees that the Bank's rights, remedies, powers, security interests, and liens arising under this Bulletin, Lending Agreement and any applicable Supplements to this Bulletin continue unimpaired and that the Borrower remains obligated in accordance with the terms of this Bulletin, Lending Agreement and any Supplements even if the

3. Louisiana law precludes borrower-in-custody collateral arrangements.

Bank partially exercised any right or remedy, or substitutes or adds parties, or makes any compromise or grants an extension under this Bulletin, Lending Agreement and any Supplements with respect to any obligation of the Borrower to the Bank on any promissory note, draft, document, or other instrument given in connection with such obligation. The Borrower waives all notice of any extension, release, substitution, renewal, or compromise and consents to be bound thereby as fully and affectively as if the Borrower had agreed expressly to it.

Section 7, STATEMENTS AND REPORTS

In connection with any advance, we reserve the right to require a current report of condition of the Borrower, a recent balance sheet and profit-and-loss statement of any obligor on paper offered as collateral for an advance, and such other reports and statements as the Bank deems desirable. Any such statements and reports must be in a form satisfactory to the Bank.

Section 8, REMEDIES

No remedy reserved to the Bank under this Bulletin, any Supplements thereto or otherwise is intended to be exclusive of other remedies, including remedies with respect to any note or other evidence of indebtedness. Each remedy is cumulative to other remedies agreed to by the Borrower or which may exist at law or in equity. If any provision of this Bulletin or any provision of the Lending Agreement or other Supplements is held invalid or unenforceable, such invalidity or unenforceability does not affect provision of

the Bulletin, Lending Agreement or Supplements.

Section 9, TERMINATION

The Borrower may terminate its obligation under this Bulletin by giving advance written notice to the Bank. However, the terms of this Bulletin and each applicable Supplement to it as well as any other agreement executed by Borrower regarding advances remain in full force and effect and are binding upon any Borrower, its legal representatives, successors, and assigns until all the obligations of the Borrower to the Bank, past, present or future, have been fully satisfied and discharged. If all the obligations to the Bank are satisfied at any time, such terms are equally applicable to any new obligations incurred by or on behalf of the Borrower until the Bank receives a written notice of termination. No notice of termination releases the Borrower or affects in any manner the Bank's rights, remedies, powers, security interests, or liens with respect to the collateral pledged to secure any of the obligations of the Borrower to the Bank arising prior to the Bank's actual receipt of such notice of termination.

Section 10, RIGHT TO AMEND

We reserve the right to amend any of the provisions of this Bulletin and any Exhibit or Supplement at any time. Any amendment, other than a change in the interest rate, applies only to advances made after the effective date of the amendment.

Supplement A

RATES FOR DISCOUNTS AND ADVANCES

The following rates with respect to discounts and advances under the Federal Reserve Act and Regulation A are now in effect at this Bank:

| Rates on Discounts and Advances | Per Annum | Effective from |
|--|------------------|-----------------|
| Basic rate: short-term adjustment credit under 201.3(a) and regular seasonal credit under 201.3(b) (1) of Regulation A ¹ | 6½ % | August 11, 1988 |
| Other extended credit under 201.3(b) (2) of Regulation A (special circumstances credit and credit for institutions under sustained liquidity pressures) ² | | |
| First 30 days | 6½ % | August 11, 1988 |
| Thereafter | Flexible Rate | August 11, 1988 |

¹ This is also the discount rate for 90-day commercial paper and other paper eligible for discount.

A rate higher than the basic discount rate will be applied to loans of unusual size which result from a major operating problem at the borrower's facility, unless the problem is clearly beyond the borrower's reasonable control. The new rate will be the highest rate within the structure of discount rates at the time in question.

² A flexible rate that takes into account rates on market sources of funds ordinarily will be applied to any "other extended credit" outstanding for more than 30 days. The flexible rate will not be lower than the basic rate plus one-half percentage point. At the discretion of this Reserve Bank, the 30-day time period for which basic rate is charged may be lengthened or shortened.

**SUPPLEMENT B
LENDING AGREEMENT
REGARDING ADVANCES BY FEDERAL RESERVE BANK OF DALLAS**

GENERAL

1. The undersigned depository institution (the "Borrower") promises to pay to the order of the Federal Reserve Bank of Dallas (the "Bank") on demand the principal amount of each advance made pursuant to this Lending Agreement (the "Agreement") by the Bank to the Borrower, together with interest thereon as provided in the Bank's Bulletin 2 and Supplement A thereto. The Borrower acknowledges and agrees that the Bank is not obligated by this Agreement or otherwise to make advances to the Borrower and that when an advance is made, each advance is subject to all the provisions of this Agreement, and to all applicable terms and conditions set forth in the Bank's Bulletin 2, Regulation A of the Board of Governors of the Federal Reserve System, and the Federal Reserve Act, each as amended from time to time. The transactions made pursuant to the terms of this Agreement are governed by and construed in accordance with the applicable federal law, including Federal Reserve regulations, the Bank's Bulletin 2, and the laws of the State of Texas to the extent that the Texas laws are not inconsistent with federal law.

ADVANCES

2. The amount of an advance is specified in an advice of credit prepared and transmitted by the Bank to the Borrower at the time the advance is made, and the advice constitutes evidence of the advance. If the Bank so requests, the advance will be evidenced by a demand note executed by Borrower.

REPAYMENT

3. A. The Borrower acknowledges the exigencies of the transactions and procedures relating to an advance and so waives presentment, notice of dishonor, protest, notice of protest, and all other notices relating to any note executed by it at the request of the Bank as further evidence of an advance.

B. The Borrower authorizes the Bank without further notice to charge the Borrower's reserve or clearing account on the Bank's books in the amount of the sum of the unpaid principal balance of each advance and the accrued but unpaid interest on the date repayment is demanded. If the Bank permits Borrower to not maintain a reserve or clearing account on our books, Borrower shall make prior arrangements on the Bank's standard forms for charge through the reserve or clearing account of a third party. If the Borrower's account or other account on the Bank's books contain insufficient immediately available funds, actually and finally collected, to make full payment of any advance and interest due thereon, the Borrower shall consult with the Bank in advance and make arrangements satisfactory to the Bank for making full payment to the Bank of any advance and interest due thereon in immediately available and finally collected funds.

COLLATERAL

4. In consideration of an advance that is made to the Borrower by the Bank, the Borrower:

A. Warrants that under applicable law, the regulations and policies of its chartering authority, its charter and bylaws, it is authorized to obtain advances from the Bank and to grant the Bank a security interest in and a lien on any and all assets offered as collateral under this Agreement that is superior to any lien against those assets under any other agreement or borrowing arrangement, or any applicable law.

B. Assigns and pledges to the Bank the collateral identified by the Borrower and accepted by the Bank as security for the repayment of the advance, together with interest thereon, and grants the Bank a security interest in the collateral and the proceeds of the collateral. The collateral and its proceeds are also pledged by the

Borrower as security for all other present or future indebtedness or other obligation owed by the Borrower to the Bank, or that may be acquired by the Bank.

C. Grants to the Bank a security interest in and assigns and pledges to the Bank all property (tangible and intangible) of the Borrower in the possession of or under the control of the Bank, including but not limited to items in process of collection and the proceeds thereof, and any balance to the credit of the Borrower with the Bank. The Borrower also assigns and pledges to the Bank and grants to the Bank a security interest in any and all records and documents concerning the collateral including, but not limited to, appraisals or opinions of value, title or other insurance policies (and the proceeds thereof), deeds of trust, abstracts, credit agreements, rights to assignments, repayments, records, and any other evidence of indebtedness.

D. Warrants that it has good title to the collateral and that it has not assigned, pledged, encumbered, or transferred and, except as provided in this Agreement, will not assign, pledge, encumber, or transfer its interest in or create or suffer the creation of any lien against the collateral that is not subordinated to the Bank's security interest and lien without the Bank's prior written approval.

E. Warrants that it has sufficient assets that are unpledged to any other person, whether under a general lien or pledge agreement or otherwise, to grant to the Bank the security interest created by this Agreement without violating the terms and conditions of any such lien or pledge agreement or applicable federal or state law.

F. Warrants that it shall neither perform nor fail to perform any act with respect to the collateral that would impair the Bank's security interest in it.

G. Warrants that each item of collateral is negotiable or transferable and that each mortgage has been recorded in the Borrower's favor in proper form and in the proper place for recording interests in real property.

H. Agrees that Bank in its sole discretion will establish collateral values.

I. Agrees, upon the request of the Bank, to substitute collateral and/or pledge such additional collateral as the Bank may deem necessary to adequately secure any advance or other obligation of the Borrower to the Bank. Such additional collateral shall be governed by all of the terms and provisions of this Agreement.

J. Agrees that, as its sole responsibility, it shall take such steps as may be necessary or appropriate to preserve all the rights of the Bank in the collateral, and, further, that it will execute such other notes, statements, agreements or documents as the Bank deems necessary or appropriate to grant and/or perfect the security interest given to the Bank in any collateral. The Borrower further agrees to hold such collateral in trust for the Bank in appropriate circumstances, until the Bank's security interest is perfected under applicable law.

K. Shall, upon the request of the Bank, provide in a form satisfactory to Bank written statements or reports concerning the status of any item of collateral, including, but not limited to, statements of current balances.

L. Agrees to keep true books and records and accounts concerning the collateral, and further agrees to make full and correct entries on and document submitted to the Bank.

DEFAULT

5. A. In the event of a default by the Borrower in the performance of any of its obligations under the terms of the Agreement, any other provision of Bulletin 2, and any other document, instrument or agreement delivered or executed in connection with this agreement; or if the Borrower fails to repay or satisfy any other indebtedness or advance or obligation to the Bank, together with accrued but unpaid interest, when demanded; or if the Borrower becomes or remains insolvent; or in the event of the appointment of a receiver, custodian, or the like for the Borrower or for any of its United States

branches or United States foreign branches or agencies; or in the event of the suspension of business by or closing (other than a voluntary, routine relocation or closing of an office); or if possession of any part of Borrower's business is taken by any receiver, custodian, governmental authority or the like; or in the event of the purchase, acquisition, merger, or other takeover, in whole or in part, by any other person or entity; or should the Reserve Bank deem itself insecure, in addition to all the rights provided under applicable law, the Bank, or the Bank's assignee:

- (1) shall have all the rights of a secured creditor;
- (2) in its sole discretion, shall have the right to declare any advance, indebtedness or other obligation of the Borrower immediately payable without prior notice or further demand;
- (3) shall have the right to setoff the unpaid principal balance of any advance plus accrued but unpaid interest thereon against any indebtedness of the Bank to the Borrower, whether or not due;
- (4) shall have a lien against all assets of the Borrower in the Bank's custody or control, including, but not limited to, items in process of collection and the proceeds and any balances to the credit of the Borrower with the Bank; and
- (5) shall have all rights, powers and authorities to facilitate the exercise of its foregoing powers.

B. As a secured creditor, the Bank may, in addition to any other available remedy, use, transfer, hypothecate, sell or convey all or any part of the collateral, at public or private sale, with or without advertisement or notice or demand of any sort to the Borrower (except such notice as may be required by applicable law and may not be waived) and become the purchaser of the whole or any part of such collateral, free from any equity of redemption and from all other claims to the extent permitted by applicable law. The Bank may be a purchaser at any sale. After deduction of all expenses of sale, the net

proceeds of that sale of such collateral will be applied by the Bank against the amount(s) owed by the Borrower to the Bank, and any surplus then remaining shall be paid to the Borrower or its successors or assigns. The Borrower hereby appoints the Bank or its assigns as its Attorney-in-Fact and authorizes it to conduct the sale and to give such notices and execute such documents as are necessary to convey good title to the collateral to any purchaser. As such Attorney-in-Fact, the Bank may, at its option, take any lawful action to collect all sums due upon or in connection with the collateral and in case of full payment may release the instrument securing or evidencing such debts as fully as the Borrower could do if acting for itself. This power of attorney is coupled with an interest and full power of substitution is granted to the assignee or holder.

PREPAYMENT

6. Prepayment of any advance and accrued interest may be made by the Borrower without penalty.

DISPOSITION OF COLLATERAL AFTER REPAYMENT

7. A. Subject to the provisions of subparagraph B, any collateral pledged to secure repayment of a particular advance made to the Borrower by the Bank will, upon request of the Borrower, be released and returned to the Borrower when the advance, together with interest thereon has been repaid in full in immediately available and finally collected funds, provided the Borrower is not then in default in repaying any other debt or obligation to the Bank. Absent the request to release collateral, we will normally retain collateral in anticipation of future advances until the collateral matures or is paid off.

B. Notwithstanding anything to the contrary contained in this Agreement, any collateral pledged to secure the repayment of advances made to Borrower by the Bank through a correspondent pursuant to the terms of the Designated Account Agreement for Loan Transactions, may not be returned

or released to the Borrower when the advance is repaid unless the correspondent and the Borrower have irrevocably and in writing waived any right to object to or contest the debit, if any, to the correspondent's reserve or clearing account, or unless one business day for the Bank has passed since the day the advance was repaid in full.

CONTINUING OBLIGATIONS

8. By receiving an advance, the borrowing Borrower agrees that this Bank's rights, remedies, powers, security interests, and liens arising under this Agreement and the provisions of Bulletin 2 continue unimpaired and that the borrowing Borrower remains obligated in accordance with the terms of this Agreement and Bulletin 2 even if the Bank partially exercises any right or remedy, or substitutes or adds parties, or makes and compromise or grants an extension with respect to any obligation of the Borrower to the Bank or any promissory note, draft, document or other instrument given in connection with such obligation. The Borrower waives all notice of any extension, release, substitution, renewal or compromise and consents to be bound thereby as fully and effectively as if the borrowing Borrower had agreed expressly to it.

MISCELLANEOUS

9. The failure of the Bank to insist upon a strict performance of any of the terms or conditions of this Agreement or to seek to enforce the Bank's rights or remedies in the event of default or breach shall not be deemed a waiver of any rights or remedies that the Bank may have, and shall not be deemed a waiver of any subsequent breach or default in the terms or conditions of this Agreement.

10. This Agreement may be referred to as the "Lending Agreement" and constitutes a security agreement in the event such an agreement is required under applicable state law.

11. All dividends and interest payments, proceeds of sales or redemptions, and other payments received by the Borrower with regard to any collateral may be retained by the Borrower in trust for the Bank unless the Bank expressly directs otherwise. If the Bank so directs, the

Borrower shall give the Bank prompt notice of any such payments and shall remit the funds promptly to the Bank.

12. The Borrower authorizes the Bank to file or record such financing statements and security agreements or other document as the Bank deems necessary or appropriate to perfect its security interest in the collateral pledged to secure advances. The Borrower shall reimburse the Bank on demand for any expenses incurred by the Bank arising from actions the Bank determines necessary or desirable to perfect and/or maintain its security interest in the collateral including, but not limited to, the cost of recording an assignment of mortgage, filing a financing statement, obtaining a lien search and reasonable fees, and expense of counsel. At the Bank's request, the Borrower also shall reimburse the Bank for any expense incurred in assembling, transporting, safekeeping, or managing potential collateral or collateral pledged to the Bank, whether the collateral is held by the Bank, the Borrower, or a third-party custodian.

13. The Bank may at any time inspect, copy, and require delivery of any and all records in the possession of or under the control of the Borrower which concern any item of collateral including, but not limited to, appraisals or opinions of value, title or other insurance policies, abstracts, repayment records, credit agreements and any other evidence of indebtedness, including computer records. The Bank may, at any time, before or after an event of default, register any collateral consisting of securities of the institution in its own name or that of its nominee.

14. Any collateral assigned or pledged to the Bank under the provisions of this Agreement that the Bank determines to require endorsement to perfect a security interest shall be endorsed or assigned to the Bank as directed by the Bank and with recourse to the Borrower, and the Borrower hereby waives presentment, demand, notice of dishonor, protest, and notice of protest, and all other policies relating thereto.

15. This Agreement supersedes any prior Lending Agreement regarding advances from the Bank entered into by the Borrower.

16. This Agreement shall become effective on the date that the Bank receives and accepts the executed Exhibit 1 from the Borrower.

17. As to each advance, any applicable statute of limitation shall not begin to run until the date repayment is demanded by the Bank.

18. Each of the Bank's rights and remedies under this agreement and Bulletin 2 is cumulative to any others agreed to by the Borrower or that may exist in law or in equity.

19. If any provision of this Agreement is held invalid or unenforceable, that invalidity or unenforceability shall not affect any other provision of this Agreement.

20. This Agreement and all rights and liabilities here under and in any and all collateral inures to the benefit of the Bank, its successors, and assigns, and shall be binding on the Borrower and its heirs, executors, administrators, successors, assigns and legal representatives.

TERMINATION

21. This Agreement may not be changed, modified, discharged, or terminated orally, and may be terminated only in writing as provided in the Bank's Bulletin 2.

SUPPLEMENT B

**EXHIBIT 1
LETTER OF AGREEMENT
(Letterhead of Depository Institution)**

Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

Attention: Loan Department

Dear Sir or Madam:

In order to be able to request advances and in consideration of your making such advances to us, we agree to the provisions of your Bulletin 2 "Loans" and Supplement B "Lending Agreement Regarding Advances by Federal Reserve Bank of Dallas" to that bulletin as amended from time to time. We acknowledge that it is our responsibility to ensure that we have in our possession current copies of the Bulletin 2 and Supplements.

Enclosed is a copy of the Authority to Borrow Certified Copy of Resolution of Board of Directors (Trustee) dated _____.

(Name of Depository Institution)
By: _____
(Authorized Signature)

(Title)

Enclosure

**SUPPLEMENT C
THIRD-PARTY CUSTODY
OF COLLATERAL AGREEMENT
TERMS OF AGREEMENT**

GENERAL

1. This Supplement sets forth the agreement (the "Agreement") among the Federal Reserve Bank of Dallas (the "Bank"), a depository institution¹ (the "Borrower"), and another institution (the "Custodian") that acts as a Custodian of the Borrower's assets that are pledged to the Bank to secure any advance to the Borrower by, or other indebtedness or obligation of the Borrower to, the Bank. For the Borrower to be able to pledge Collateral under this Agreement, it must first obtain the Bank's prior approval and then both the Borrower and the Custodian must execute in triplicate and return a letter to the Bank in the form set forth in Exhibit 1 to this Supplement. By executing the Exhibit to this Supplement, the Borrower and the Custodian agree to the terms of this Agreement, which Supplements the Lending Agreement and Bulletin 2, as revised from time to time, by which the Borrower must have agreed to be bound.

2. Any transactions made pursuant to the terms of this Agreement are subject to the provisions of this Agreement, the Bank's Bulletin 2 and its Supplements, Regulation A of the Board of Governors of the Federal Reserve System, and the Federal Reserve Act, each as amended from time to time. The transactions made pursuant to the terms of this Agreement are governed by and construed in accordance with the applicable federal law, including Federal Reserve regulations, the Bank's Bulletin 2 and the laws of the State of Texas to the extent that the Texas laws are not inconsistent with federal law.

3. The collateral pledged to the Bank under this Agreement will normally be limited to definitive securities but in any event will be restricted to only those assets designated as appropriate by the Bank's Loan Department in Dallas.

1. For the purpose of this Agreement, the term "depository institution" includes a foreign bank that pledges Collateral through any of its United States branches or agencies to secure any advance from, or any other obligation to, any Federal Reserve Bank.

RIGHTS IN THE COLLATERAL

4. In consideration of the Bank's making an advance to the Borrower pursuant to the Lending Agreement and as security for the repayment of the advance or any other indebtedness with interest and the performance of any other obligation of the Borrower to the Bank, now existing or later incurred, the Borrower assigns and pledges to the Bank and grants to the Bank a security interest in the Collateral held by the Custodian and any Collateral substituted for it pursuant to Paragraph 15, together with any proceeds of that Collateral (collectively, referred to as the "Collateral"). The Borrower also assigns and pledges to the Bank and grants to the Bank a security interest in all documents regarding the Collateral, including, without limitation, certification of ownership, promissory notes, security agreements, deeds of trust, rights to assignments, credit agreements, appraisals or opinions of value, title or other insurance policies and their proceeds, abstracts, advices of credit, and repayment records.

5. The pledge of Collateral under this Agreement takes effect after the Custodian has agreed to the pledge of the Collateral and has given the Bank notification that it has initiated steps to effect delivery of the Custody Receipts herein-after described to the Bank and when the Bank makes an advance to the Borrower or when the Borrower incurs any other indebtedness or obligation to the Bank, whichever occurs first. Each item of Collateral is deemed to be in the possession of the Bank as though the Collateral had been deposited at the Bank's premises. After the Collateral is pledged to the Bank, the Borrower and the Custodian shall not perform any act or fail to do anything regarding the Collateral that might impair the Bank's security interest in the Collateral.

6. The Custodian shall act as the Bank's agent and shall hold the Collateral for the Bank's account free of all liens, security interests, safekeeping or other charges, demands, or other claims of, or on account of, the Custodian. Except as to the Collateral and subject to the preceding sentence, nothing in this Agreement prevents the Custodian from dealing in any other matter with the Borrower or the Bank or from taking any action that the Custodian lawfully may take regarding those dealings. The Custodian's duties regarding the Collateral and the proceeds are solely those set forth in this Agreement.

PLEDGE PROCEDURE

7. The Borrower shall consult with the Bank prior to any pledge of Collateral. Unless prior alternative arrangements have been agreed upon by Bank, the Borrower shall provide a schedule of Collateral to the Bank on the Bank's business day immediately preceding the day on which an advance is to be made. At the Bank's request, the Borrower shall supplement or revise the schedule of Collateral and provide written reports or statements concerning the status of any item of the Collateral.

8. By executing the Exhibit to this Supplement, the Borrower instructs the Custodian, and agrees:

- (a) to establish a separate account on its books for the Bank (the "Pledged Account");
- (b) to credit the Collateral to the Pledged Account, marking its records to show that the Collateral has been assigned and pledged to the Bank;
- (c) if the Bank so requests, to segregate the Collateral from all property in its custody or control; and
- (d) to issue an advice of receipt to the Bank in a format acceptable to the Bank ("Custody Receipt" and, collectively, the "Custody Receipts") for each item of Collateral.

9. The Borrower shall ensure that its pledge and its transfer of Collateral to the Bank by the Custodian includes the execution and delivery of any required endorsement, assignment, power of attorney, or other document necessary to make the Collateral available to the Bank and to perfect the Bank's security interest in the

Collateral. The Borrower waives presentment, demand, notice of dishonor, protest, notice of protest and all other notices relating to those instruments or documents.

10. At the Bank's request, the Borrower, the Custodian, or both, shall execute, acknowledge, endorse and deliver immediately to the Bank or its designee any agreements, assignments, participation certificates, notes, powers of attorney, or other documents of any kind and shall cooperate with the Bank and take any action that the Bank requests, in each instance to enable the Bank to:

- (a) record or otherwise perfect its security interest in Collateral;
- (b) dispose of any item of the Collateral; or
- (c) otherwise secure the repayments of principal and interest of the Borrower's indebtedness to the Bank.

11. The Custodian shall describe each item of Collateral on a separate Custody Receipt, which is incorporated herein by reference, as follows:

- (a) the State and county where any real property securing any note pledged hereunder is located; and
- (b) information regarding each item of Collateral sufficient to enable the Bank to identify and evaluate the item in accordance with reasonable commercial practice, including:
 - (1) the names of the obligors or makers or account numbers;
 - (2) the face amount;
 - (3) the current amount outstanding if different from the face amount;
 - (4) the final maturity date;
 - (5) the coupon or other nominal interest rate for debt security;
 - (6) any other information the Bank deems necessary to properly identify the Collateral.

12. The Custodian shall deliver a Custody Receipt to the Bank only after the Custodian actually has received possession of the Collateral described on the Custody Receipt. The Custodian by delivering a Custody Receipt to the Bank, warrants that, as of the date of the Custody Receipt, the Collateral is held by the Custodian

and is registered in the name of the Custodian's nominee, is in bearer or other fully negotiable form, or, if registered in the Borrower's name, has been delivered to the Custodian together with a power of attorney executed in blank by the Borrower or other document necessary to make the Collateral available.

13. Any Custody Receipt received by the Bank from the Custodian that lacks the Custodian's manual signature or endorsement has the same force and effect as if issued and signed or endorsed manually by a duly authorized employee of the Custodian. The Custodian and Borrower agree that a Custody Receipt binds the Custodian and the Borrower and their successors and assigns.

14. The Bank may inspect the premises at which the Collateral is kept, as well as any item of Collateral, for the purpose of verifying the Custody Receipts and the Borrower's and Custodian's compliance with the terms of this Agreement. The Bank also may inspect, copy, and require delivery of any and all records and documents concerning the Collateral, including, but not limited to, appraisals or opinions of value, title insurance policies, abstracts, and records of repayments made whether in the Borrower's or the Custodian's possession or control. Any inspection may be made during regular business hours or at another time agreeable to whichever of the Borrower or the Custodian that actually has possession of the documents that the Bank wishes to inspect.

WITHDRAWALS AND SUBSTITUTIONS

15. The Custodian shall hold the Collateral subject exclusively to the Bank's direction. Neither the Borrower nor the Custodian may release, withdraw, or substitute any item of Collateral without the prior approval of the Bank.

16. The Borrower shall arrange with the Bank, prior to redemption or maturity, for substitution Collateral that is acceptable to the Bank and that has a value, as defined by the Bank, at least equal to the value of the Collateral to be withdrawn.

17. If the Borrower wishes to withdraw Collateral, it shall notify the Bank of each item of

Collateral that it wishes to withdraw and, when necessary, the Collateral that it intends to substitute for the item or items to be withdrawn. The Borrower's notice to the Bank may be oral, but unless otherwise agreed by the Bank and the Borrower, the notice must be received by the Bank not later than 1:00 p.m. (Central time) on the Bank's business day immediately preceding the date on which the Borrower wishes to withdraw the Collateral.

18. If the Bank consents to the proposed withdrawal, the Bank's notice to the Custodian may be oral followed by a written, manually signed advice or letter authorizing the Custodian to withdraw from pledge the specified items of Collateral.

SURRENDER OF THE COLLATERAL

19. The Bank may demand and take possession of the Collateral without prior notice to, or the consent of, the Borrower or the Custodian, but the Bank will notify the Borrower promptly by telephone after taking any such action.

20. Upon receipt of written instructions from the Bank to deliver any or all of the Collateral to the Bank, the Custodian shall surrender immediately (or as soon after demand as access to the safekeeping premises where the Collateral is held becomes available) to the Bank or its designee that Collateral, together with any related documents and any relevant endorsements, assignments, or powers of attorney executed in blank by an authorized officer of the Borrower for the transfer or other disposition of such Collateral. The Custodian shall arrange for the transportation of the Collateral to the Bank or its designee in the manner that the Bank requests. The Bank is not responsible for the risk of loss of any Collateral until the Collateral actually is received and verified by the Bank or its designee.

21. Unless the Bank notifies the Borrower and the Custodian to the contrary in writing, the Bank or the Custodian, as the case may be, shall pay to the Borrower (in the case of the Custodian, after the making of claim by the Borrower) any proceeds that the Bank receives with respect to any complete or partial redemption, payment or sale or otherwise with respect to the Collateral, and any interest or dividends received with respect to the Collateral.

DEFAULT

22. If the Borrower defaults in the performance of any of its obligations under this Agreement, Bulletin 2, the Lending Agreement or any other agreement regarding an extension of credit by the Bank to Borrower, then the Bank, at its option, without notice or demand, may exercise any of the remedies available to it by law or reserved by it under the Lending Agreement. The failure of the Bank to insist upon strict performance of any of the terms of this Agreement or to seek to enforce its rights or remedies if any default or breach occurs is neither a waiver of its rights or remedies nor a waiver of any subsequent default or breach in the terms of this Agreement.

RESPONSIBILITY OF THE BANK

23. Upon complying with the provisions of this Agreement and the applicable provisions of federal and state law, the Bank shall be relieved of and fully discharged from any liability or responsibility to any person with respect to the Collateral. The Bank shall, however, account to the Borrower or its successors or assigns for any Collateral and its proceeds actually received by the Bank or in its possession.

INDEMNIFICATION OF THE BANK

24. The Borrower shall indemnify the Bank for, and hold the Bank harmless from, any damages, liabilities, losses, costs and expenses (including attorney's fees and litigation costs) incurred by the Bank in the course of, or arising out of, the performance of this Agreement or pledge of the Collateral to the Bank, other than any damages, liabilities, losses, costs and expenses incurred by the Bank as a result of the Bank's failure to exercise ordinary care. The Bank will give the Borrower prompt written notice of any claim that the Bank may have under this paragraph. The Borrower is not liable for any claim that is compromised or settled by the Bank without the Borrower's prior written consent, provided that, to preserve its rights under this sentence, the Borrower shall respond promptly to the Bank's notice of claim.

25. The Custodian shall exercise ordinary care regarding the Collateral and shall indemnify the Bank for, and hold the Bank harmless from, any

damages, liabilities, losses, costs and expenses (including attorney's fees and litigation costs) incurred by the Bank by reason of either the failure of the Custodian, its employees, consultants, or its agents to exercise ordinary care or their willful misconduct or failure to strictly comply with the terms of this Agreement of the Custodian or its agent regarding any obligation under this Agreement. The Custodian is not liable for any damages, liabilities, losses, and expenses incurred by the Bank as a result of the Bank's failure to exercise ordinary care. The Bank will give the Custodian prompt written notice of any claim that the Bank may have under this paragraph. The Custodian is not liable for any claim that is compromised or settled by the Bank without the Custodian's prior written consent, provided that, to preserve its rights under this sentence, the Custodian shall respond promptly to the Bank's notice of claim.

26. In addition to any other remedy available to the Bank hereunder or under any applicable law, the Bank is subrogated to the rights of the Borrower against the Custodian to the extent of the Bank's claim concerning the Collateral held by, or under the control of, the Custodian.

DISPOSITION OF COLLATERAL AFTER REPAYMENT

27. Subject to the provisions of the appropriate Lending Agreement and provided that the Borrower is not then in default in repaying any other debt or obligation to the Bank, at the Borrower's request, the Bank will instruct the Custodian to release and return the Collateral to free safekeeping of the Borrower when the Bank is satisfied that its advance, together with interest, has been repaid in full in immediately available and finally collected funds.

MISCELLANEOUS

28. The Borrower and Custodian authorize the Bank to file or record such documents as the Bank deems necessary to perfect its security interest. If the Bank so demands, the Borrower agrees to reimburse the Bank for any expenses incurred by the Bank in perfecting its security interest in the Collateral including, but not limited to, the cost of recording an assignment of mortgage, filing a financing statement and obtaining a lien search. If the Bank so demands,

the Borrower also shall reimburse the Bank for any expenses incurred by the Bank in assembling, transporting, safekeeping or managing potential Collateral or Collateral pledged under this Agreement, whether the Collateral is held by the Bank, the Borrower, or by a third party custodian.

29. The Borrower does not assign to the Bank the obligation to perform or not to perform any act or forbearance with regard to the Collateral.

30. The failure of the Bank to insist upon strict performance of any of the terms of this Agreement or to seek to enforce the Bank's rights or remedies in the event of any default or breach shall not be deemed a waiver of any rights or remedies that the Bank may have, and shall not be deemed a waiver of any subsequent breach or default in the terms of this Agreement.

31. Until the Bank expressly instructs the Custodian to the contrary in writing, the Custodian will pay to the Borrower any proceeds that the Custodian receives with respect to any complete or partial redemption, payment, or sale of the Collateral and any interest or dividends received with respect to the Collateral. After receipt of such notice from the Bank, the Custodian will pay all such proceeds, interest, and dividends directly to the Bank.

32. In the absence of contrary instructions, the Custodian may rely upon any document received by it from the Bank signed by an authorized official of the Bank or the Borrower.

33. The Custodian acts as the Bank's agent in holding the Collateral, but only for the purpose of securing obligations of the Borrower to the Bank, and the Custodian so acts without any right of compensation from the Bank. If the Bank so demands, the Borrower agrees to reimburse the Bank for any expenses and charges incurred by the Bank that are related to the Collateral and the Custody Receipts made under this Agreement.

34. The Borrower and the Custodian shall notify the Bank immediately of any significant exceptions disclosed by any internal or external audit or by any examination of the Collateral.

35. The Borrower shall notify the Bank immediately of any mortgage notes comprising the Collateral on which the payments are more than

45 days overdue. The Bank shall authorize the release and removal from the Collateral of a mortgage note that has a payment past due for more than 45 days. Prior to the release, however, the Borrower shall substitute Collateral that is acceptable to the Bank and has a fair market value at least equal to the value of the mortgage note were it being repaid according to its terms.

36. If any inconsistency arises among the terms of this Agreement and any Custody Receipt, advice, or other notice issued by the Borrower or the Custodian, the terms of this Agreement, as interpreted in any written instructions that the Bank may issue, prevail.

37. This Agreement supersedes any previous agreement relating to third-party custody of collateral pledged to the Bank to secure obligations of the Borrower and becomes effective when the Bank accepts the letter from the Borrower and the Custodian in the form specified in Exhibit 1 to this Supplement.

38. This Agreement is binding on the successors, assigns and legal representatives of the Borrower and the Custodian, and inures to the benefit of the Bank, its successors and assigns.

TERMINATION OF THE AGREEMENT

39. A. The Bank or the Borrower may terminate this Agreement by giving written notice of termination to the other parties. When given by the Bank, the notice is effective immediately. When given by the Borrower, the notice is effective when received by the Bank. The rights and liabilities of the parties under this Agreement survive any termination of the Agreement until all the obligations of the Borrower to the Bank that arose before such termination have been satisfied in full. Before termination of this Agreement becomes effective, the Custodian and the Borrower, at the Borrower's expense, shall deliver to the Bank or the Bank's designee the Collateral and all copies of records concerning the Collateral that the Bank requires to secure the Borrower's obligations to the Bank that remain outstanding as of the close of the Bank's business day on the date of termination.

B. Notwithstanding anything to the contrary contained in this Agreement, upon

termination the Custodian must deliver to the Bank all Collateral in its possession that secures or secured an advance made to the Borrower through a Correspondent under the terms of the Designated Account Agreement for Loan Transactions unless:

1. in the particular case, the Correspondent and the Borrower (a) have no right to object to or contest the debit, if any, to the correspondent's reserve or clearing account, or (b) have irrevocably waived any right to object to or contest the debit, if any, to the Correspondent's reserve or clearing account, or
2. one business day for the Bank has passed since the day the advance was repaid in full.

RESIGNATION OF CUSTODIAN

40. The Custodian may resign by giving not less than 60 days' prior written notice to both the

Bank and the Borrower, effective on the date specified in the notice. On the effective date of its resignation, the Custodian shall deliver all the Collateral to the Bank or to any successor custodian designated to the Custodian by the Bank in writing. The resigning Custodian shall duly assign, transfer, and deliver to the Bank or the successor custodian all funds and other assets held at that time by the resigning Custodian under this Agreement without recourse, representations, or warranties of any kind, except as to acts or omissions of the resigning Custodian or claims against the resigning Custodian arising under this Agreement prior to, or on the effective date of, the Custodian's resignation.

AMENDMENTS

41. The Bank reserves the right to amend this Supplement without notice, but the Bank will endeavor to give 14 calendar days' prior notice of any amendment.

SUPPLEMENT C

EXHIBIT 1
THIRD-PARTY CUSTODY OF COLLATERAL
LETTER OF AGREEMENT
(Letterhead of Borrower)
[In Triplicate]

Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

Attention: Loan Department

Dear Sir or Madam:

In order to be able to request advances from you, in consideration of you making advances to us secured by our pledge to you of collateral that you will permit a third-party custodian to hold in safe-keeping for you, and to secure any advance or other obligation to you that we may incur after making that pledge of collateral, we agree to the provisions of Supplement C to your Bulletin 2, as revised from time to time. We designate _____ as Custodian under that Agreement.

(Name of Depository Institution)
By: _____
(Authorized Signature)

(Name and Title)

We agree to Act as Custodian for _____ and, as such, to be bound by the provisions of Supplement C to your Bulletin 2, as revised from time to time.

(Name of Custodian)
By: _____
(Authorized Signature)

(Name and Title)
Date: _____

**SUPPLEMENT D
BORROWER-IN-CUSTODY
OF COLLATERAL AGREEMENT
TERMS OF AGREEMENT**

GENERAL

1. This Supplement sets forth the agreement (the "Agreement") between the Federal Reserve Bank of Dallas (the "Bank") and a depository institution¹ (the "Borrower"), regarding pledges of the Borrower's assets to the Bank to secure any advance to the Borrower by, or other indebtedness or obligation of the Borrower to, the Bank, pursuant to an arrangement whereby the Borrower retains physical possession of such pledged assets. For the Borrower to be able to pledge Collateral under this Agreement, it must first obtain the Bank's prior approval of an Application to Act as Borrower-in-Custody of Collateral and must execute and return a letter to the Bank in the form set forth in Exhibit 1 to this Supplement. By executing the Exhibit to this Supplement, the Borrower agrees to the terms of this Agreement, which Supplements the Lending Agreement and Bulletin 2, as revised from time to time, by which the Borrower must have agreed to be bound.

2. Any transactions made pursuant to the terms of this Agreement are subject to the provisions of this Agreement, the Bank's Bulletin 2 and its Supplements, Regulation A of the Board of Governors of the Federal Reserve System, and the Federal Reserve Act, each as amended from time to time. The transactions made pursuant to the terms of this Agreement are governed by and construed in accordance with the applicable federal law, including Federal Reserve regulations, the Bank's Bulletin 2, and the laws of the State of Texas to the extent that the Texas laws are not inconsistent with federal law.

3. The collateral pledged to the Bank under this Agreement is restricted to only those assets designated as appropriate by the Bank's Loan Department in Dallas.

RIGHTS IN THE COLLATERAL

4. In consideration of the Bank's making an advance to the Borrower pursuant to the Lending Agreement and as security for the repayment of the advance or any other indebtedness with interest and the performance of any other obligation of the Borrower to the Bank, the Borrower assigns and pledges to the Bank, now existing or later incurred, and grants to the Bank a security interest in the Collateral held by the Borrower and listed on a schedule submitted to the Bank as a portion of an Application to Act as Borrower-in-Custody of Collateral (the "Schedule of Collateral") and any Collateral substituted for it pursuant to paragraph 16, together with any proceeds of that Collateral (collectively, referred to as the "Collateral"). The Borrower also assigns and pledges to the Bank and grants to the Bank a security interest in all records and documents regarding the Collateral, including without limitation, certification of ownership, promissory notes, security agreements, credit agreements, deeds of trust, rights to assignments, appraisals or opinions of value, title or other insurance policies and their proceeds, abstracts, advices of credit, and repayment records.

5. The pledge of Collateral under this Agreement takes effect when the Borrower has agreed to pledge the Collateral and has delivered the Schedule of Collateral hereinafter described to the Bank and when the Bank has accepted the Collateral, and when either the Bank makes an advance to the Borrower or the Borrower incurs any other indebtedness or obligation to the Bank that remains unpaid at the close of Bank's business day on which the indebtedness or other obligation is incurred. When the Schedule of Collateral is delivered and accepted, each item of Collateral is deemed to be in the possession of the Bank as though the Collateral had been

1. For the purpose of this Agreement only, the term "depository institution" includes a foreign bank that pledges Collateral through any of its United States branches or agencies to secure any advance from, or any other obligation to, any Federal Reserve Bank.

deposited at the Bank's premises. The Borrower agrees to earmark or flag the Collateral and mark its records to show that the Collateral has been pledged to the Bank and is subject exclusively to the Bank's orders and directions. After the Collateral is pledged to the Bank, the Borrower shall not perform any act or fail to do anything regarding the Collateral that might impair the Bank's security interest in the Collateral.

6. The Borrower shall hold the Collateral free of all liens, security interests, safekeeping or other charges, demands, or other claims of, or on account of, Borrower.

7. The Borrower authorizes the Bank, in the Bank's sole discretion, at any time, whether or not the Bank deems the Collateral adequate, to appropriate and apply any of the Collateral to any obligation of the Borrower to the Bank, whether then due or not due. The Borrower also authorizes the Bank to charge any obligation of the Borrower to the Bank against any account balance standing to the Borrower's credit on the Bank's books or for any expenses or losses, including reasonable attorneys fees, incurred by the Bank arising from the enforcement or operation of this application or any agreement related thereto or incurred in the collection of the Collateral.

PLEDGE PROCEDURE

8. The Borrower shall consult with the Bank prior to any pledge of Collateral. At the Bank's request, the Borrower shall Supplement or revise Collateral and provide written reports or statements concerning the status of any item of the Collateral.

9. The Borrower agrees that any item of Collateral pledged hereunder is deemed to be in the possession of the Bank as though the Collateral had been deposited at the Bank's premises. The Borrower shall consult with the Bank in advance of any pledge of Collateral under this Agreement.

10. Upon demand by the Bank, the Borrower shall execute, acknowledge, endorse, and deliver immediately to the Bank or its designee such other assignments, agreement, participation certificates, notes, powers of attorney, and other documents of any kind, and shall cooperate with

the Bank and take any action that the Bank requests to enable the Bank to:

- (a) record or otherwise perfect its security interest in the Collateral;
- (b) dispose of any items of the Collateral; or
- (c) otherwise secure the repayment of principal and interest of the Borrower's indebtedness to the Bank.

11. The Borrower shall deliver to the Bank its first Schedule of Collateral listing all items of Collateral that are pledged under this Agreement as of the effective date of this Agreement. Absent instructions to the contrary, at least weekly thereafter, or more frequently upon demand by the Bank, the Borrower shall provide a revised Schedule of Collateral and a statement of the current book value of the Collateral to this Bank, and identifying any items of Collateral with respect to which the obligors are delinquent or in default for more than 30 days. Any item of collateral having reached its final maturity date must be withdrawn immediately.

12. The Schedule of Collateral, which is incorporated herein by reference, must contain:

- (a) the name of the state, county, and the street address where any real property securing any note pledged hereunder is located;
- (b) a description of each item of Collateral sufficient to enable the Bank to identify and evaluate the item in accordance with reasonable commercial practice, including:
 - 1) the names of the obligors or makers or the account numbers;
 - 2) the face amount of each item;
 - 3) the current amount outstanding with respect to each item;
 - 4) the maturity date of each item;
- c) the total of all the Collateral; and
- d) any other information that the Reserve Bank deems necessary to properly identify the Collateral.

13. The Borrower shall not transmit a Schedule of Collateral or other notice with respect to this Agreement to the Bank without the manual signature or indorsement of a duly authorized officer of the Borrower. The Borrower agrees that

any Schedule of Collateral or other notice issued hereunder binds it and its successors and assigns.

14. A document assigned or pledged to the Bank under this Agreement that must be endorsed to perfect a security interest shall be endorsed or assigned to the Bank with recourse to the Borrower. The Borrower waives presentment, demand, notice of dishonor, protest, and notice of protest, and all other notices with respect to such a document.

15. The Bank may inspect the Borrower's premises at which the Collateral is kept, as well as any item of Collateral, for the purpose of verifying the Schedule of Collateral and the Borrower's compliance with the terms of this Agreement. The Bank also may inspect, copy, and require delivery of any and all records and documents concerning the Collateral, including, but not limited to, appraisals or opinions of value, title insurance policies, abstracts, and records of repayments made. Any inspection may be made during regular business hours or at another time agreeable to the Borrower.

WITHDRAWALS AND SUBSTITUTIONS

16. Except with the prior approval of the Bank and unless otherwise directed by the Bank, the Borrower may not release, withdraw or substitute items of Collateral. If Borrower is permitted to release, withdraw or substitute an item, Borrower must transmit to the Bank a revised Schedule of Collateral as soon as practicable thereafter. However, the Borrower must, and the Bank authorizes Borrower to effect withdrawal and to substitute other Collateral with respect to any items to which the obligors are in whole or in part, delinquent or in default for more than 30 days. The Borrower warrants that it will, at all times, maintain a sufficient margin of Collateral as determined by the Bank.

17. The Borrower shall notify the Bank immediately of any payments or prepayments on any part of the Collateral so that the Bank can authorize its release from Collateral records.

SURRENDER OF THE COLLATERAL

18. The Bank may demand and take possession of the Collateral without prior notice to, or the consent of, the Borrower. The Borrower shall,

upon request from the Bank, segregate all Collateral from all other Collateral or assets in the possession of the Borrower.

19. Upon receipt of instructions from the Bank to deliver any or all of the Collateral to the Bank, the Borrower shall surrender immediately (or as soon after demand as access to the Borrower's premises becomes available) to the Bank or its designee that Collateral, together with any related documents and any relevant endorsements, assignments, or powers of attorney executed in blank by an authorized officer of the Borrower for the transfer or other disposition of such Collateral. Borrower shall arrange for the transportation of the Collateral to the Bank or its designee in the manner that the Bank requests. The Bank is not responsible for the risk of loss of any Collateral until the Collateral actually is received and verified by the Bank or its designee.

20. Unless the Bank notifies the Borrower to the contrary after taking possession of the Collateral in accordance with paragraphs 14 and 15, the Bank shall pay to the Borrower any proceeds that the Bank receives with respect to any complete or partial redemption, payment or sale or otherwise with respect to the Collateral, and any interest or dividends received with respect to the Collateral.

21. Termination of this Agreement will not preclude the Bank from taking possession of the Collateral on the Borrower's premises or obviate the Borrower's duty to segregate the Collateral for the Bank's benefit or to allow the Bank to remove the Collateral from the Borrower's premises unless the Bank has received payment in full, in immediately available and finally collected funds, of all advances made by the Bank to the Borrower.

DEFAULT

22. If the Borrower defaults in the performance of any of its obligations under this Agreement, Bulletin 2, the Lending Agreement or any other agreement regarding an extension of credit by the Bank to Borrower, then the Bank, at its option, without notice or demand, may exercise any of the remedies available to it by law or reserve by it under the Lending Agreement. The failure of the Bank to insist upon strict perform-

ance of any of the terms of this Agreement or to seek to enforce its rights or remedies if any default or breach occurs is neither a waiver of its rights or remedies nor a waiver of any subsequent default or breach in the terms of this Agreement.

RESPONSIBILITY OF THE BANK

23. Upon complying with the provisions of this Agreement and the applicable provisions of federal and state law, the Bank shall be relieved of and fully discharged from any liability or responsibility to any person with respect to the Collateral. The Bank shall, however, account to the Borrower or its successors or assigns for any Collateral and its proceeds actually received by the Bank or in its possession.

INDEMNIFICATION OF THE BANK

24. The Borrower shall exercise ordinary care with respect to Collateral pledged to the Bank under this Agreement and shall indemnify the Bank for, and hold the Bank harmless from, any damages, liabilities, losses, costs and expenses (including attorney's fees and litigation costs) incurred by the Bank in the course of, or arising out of, the performance of this Agreement or pledge of the Collateral to the Bank, other than any damages, liabilities, losses, costs and expenses incurred by the Bank as a result of the Bank's failure to exercise ordinary care.

DISPOSITION OF COLLATERAL AFTER REPAYMENT

25. Subject to the provisions of the appropriate Lending Agreement and provided that the Borrower is not then in default in repaying any other debt or obligation to the Bank, at the Borrower's request, the Bank will release and return the Collateral to the Borrower when the Bank is satisfied that its advance, together with interest, has been repaid in full in immediately available and finally collected funds.

MISCELLANEOUS

26. The Borrower authorizes the Bank to file or record such documents as the Bank deems necessary or appropriate to perfect its security interest. If the Bank so demands, the Borrower

shall reimburse the Bank for any expenses incurred by the Bank in perfecting its security interest in the Collateral including, but not limited to, the cost of recording an assignment of mortgage, filing a financing statement and obtaining a lien search. If the Bank so demands, the Borrower also shall reimburse the Bank for any expenses incurred by the Bank in assembling, transporting, safekeeping or managing potential Collateral or Collateral pledged under this Agreement, whether the Collateral is held by the Bank, the Borrower, or by a third party custodian.

27. The Borrower does not assign to the Bank the obligation to perform or not to perform any act or forbearance with regard to the Collateral.

28. The failure of the Bank to insist upon strict performance of any of the terms of this Agreement or to seek to enforce the Bank's rights or remedies in the event of any default or breach shall not be deemed a waiver of any rights or remedies that the Bank may have, and shall not be deemed a waiver of any subsequent breach or default in the terms of this Agreement.

29. In the absence of contrary instructions, the Borrower may rely upon any document received by it from the Bank signed by an authorized official of the Bank.

30. The Borrower acts as the Bank's agent in holding the Collateral, but only for the purpose of securing obligations of the Borrower to the Bank and without any right of compensation from the Bank.

31. The Borrower shall incorporate in its internal audit program procedures to verify the authenticity and accuracy of the Schedule of Collateral, and provide the Bank at least annually with a certification that the verification has been accomplished. The Borrower shall also notify the Bank immediately of any significant exceptions disclosed by any internal or external audit or by an examination of the Borrower's collateral position.

32. If any inconsistency arises among the terms of this Agreement and Schedule of Collateral, advices, or other notices issued by the Borrower, the terms of this Agreement, as interpreted in any written instructions that the Bank may issue, prevail.

33. This Agreement supersedes any previous agreement relating to custody of collateral by Borrower and becomes effective when the Bank accepts the letter from the Borrower in the form specified in the exhibit to this Supplement.

34. This Agreement is binding on the successors, assigns and legal representatives of the Borrower, and inures to the benefit of the Bank, its successors and assigns.

TERMINATION OF THE AGREEMENT

35. A. Either Party may terminate this Agreement by giving written notice of termination to the other party. When given by the Bank, the notice is effective immediately. When given by the Borrower, the notice is effective when received by the Bank. However, the rights and liabilities of the parties under this Agreement survive any termination of the Agreement until all the obligations of the Borrower to the Bank that arose before such termination have been satisfied in full. Before termination of this Agreement becomes effective, the Borrower, at the Borrower's expense, shall deliver to the Bank, the Collateral and all copies of records concerning the Collateral that the Bank re-

quires to secure the Borrower's obligations to the Bank that remain outstanding as of the close of the Bank's business day on the date of termination.

B. Notwithstanding anything to the contrary contained in this Agreement, upon termination the Borrower must deliver to the Bank all Collateral in its possession that secures or secured an advance made to the Borrower through a Correspondent under the terms of the Designated Account Agreement for Loan Transactions unless:

1. in the particular case, the Correspondent and the Borrower (a) have no right to object or contest the debit, if any, to the Correspondent's reserve or clearing account or (b) have irrevocably waived any right to object to or contest the debit, if any, to the Correspondent's reserve or clearing account, or
2. the advance was repaid in full.

AMENDMENTS

36. The Bank reserves the right to amend this Supplement without notice, but the Bank will endeavor to give 14 calendar days' prior notice of any amendment.

SUPPLEMENT D

**EXHIBIT 1
BORROWER IN CUSTODY OF COLLATERAL
LETTER OF AGREEMENT
(Letterhead of Depository Institution)**

Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

Attention: Loan Department

Dear Sir or Madam:

In order to be able to request advances from you, in consideration of you making advances to us secured by our pledge to you of collateral that you will permit us to hold in safekeeping for you, and to secure any advance or other obligation to you that we may incur after making that pledge of collateral, we agree to the provisions of Supplement D to your Bulletin 2, as revised from time to time. We acknowledge that it is our responsibility to ensure that we have in our possession current copies of the Bulletin and Supplement.

(Name of Depository Institution)

By: _____
(Authorized Signature)

(Name and Title)

SUPPLEMENT E
FOREIGN BANK LENDING AGREEMENT
REGARDING ADVANCES BY FEDERAL RESERVE BANK OF DALLAS

GENERAL

1. The undersigned Foreign Bank and its Agency or Branch located in the Eleventh Federal Reserve District (the "Borrower") promises to pay to the order of the Federal Reserve Bank of Dallas (the "Bank") on demand the principal amount of each advance made pursuant to this Lending Agreement (the "Agreement") by the Bank to the Borrower, together with interest thereon as provided in the Bank's Bulletin 2 and Supplement A thereto. The Borrower acknowledges and agrees that the Bank is not obligated by this Agreement or otherwise to make advances to the Borrower and that when an advance is made, each advance is subject to all the provisions of this Agreement, and to all applicable terms and conditions set forth in the Bank's Bulletin 2, Regulation A of the Board of Governors of the Federal Reserve System, and the Federal Reserve Act, each as amended from time to time. The transactions made pursuant to the terms of this Agreement are governed by and construed in accordance with the applicable federal law, including Federal Reserve regulations, our Bulletin 2, and the laws of the State of Texas to the extent the Texas laws are not inconsistent with federal law.

WARRANTIES

2. In consideration of each advance that is made to the Borrower by the Bank, the Borrower warrants that, under applicable law, the regulations and policies of its chartering authority, and its charter, bylaws, statutes, or other governing documents:

(a) it is eligible and authorized to obtain advances from the Bank, to pledge to the Bank all assets offered as collateral under Bulletin 2 and the Agreement, and to grant to the Bank a security interest in, and a lien on, those assets that is superior to any other lien against those assets under any other agreement or applicable law;

(b) it is authorized to execute and carry out the provisions of Bulletin 2 and the Agreement;

(c) its assets, wherever located, may be executed on to recover a judgment against the Borrower that arises out of its obligations to the Bank.

WAIVER OF IMMUNITY

3. A. This Agreement and all transactions involving the Borrower conducted under Bulletin 2 and the Agreement constitute commercial activities. Regarding the Bank and the Borrower's obligations to the Bank, the Borrower and its assets are not entitled to any immunity, whether characterized as sovereign or otherwise (including, with limitation, immunity from setoff, from service of process, from jurisdiction of any court or tribunal, from attachment in aid of execution, from attachment prior to the entry of a judgment, or from execution upon a judgment) in any legal proceeding in Federal or State courts in the United States of America or, except as may be specified in the Opinion Of Foreign Counsel as filed with Exhibit 1 to Supplement E of Bulletin 2, in the courts of the country where the Borrower is chartered, or in the courts of the country in which it principally conducts its banking business.

B. If the Borrower or its assets are now (as may be specified in the Opinion Of Foreign Counsel as filed with Exhibit 1 to Supplement E of Bulletin 2) or in the future become entitled to such immunity, then the Borrower, regarding the Bank and the borrower's obligations to the Bank, to the maximum extent permitted by law, expressly and irrevocably waives any such immunity in any legal proceeding and expressly and irrevocably agrees that any legal action or proceeding arising out of, or relating to, Bulletin 2 and the Agreement may be brought in Federal or State courts in the United States of America or in the courts of

the country where the Borrower is chartered or in the country in which it principally conducts its banking business.

ADVANCES

4. The amount of an advance is specified in an advice of credit prepared and transmitted by the Bank to the Borrower at the time the advance is made, and the advice constitutes evidence of the advance. The advance will be evidenced by any note executed by Borrower if the Bank so requests.

REPAYMENT

5. A. The Borrower acknowledges that the exigencies of the transactions and procedures relating to an advance and so waives presentment, notice of dishonor, protest, notice of protest, and all other notices relating to any note executed by it at the request of the Bank as further evidence of an advance.

B. The Borrower authorizes the Bank without further notice to charge the Borrower's reserve or clearing account on the Bank's books in the amount of the sum of the unpaid principal balance of each advance and the accrued but unpaid interest on the date repayment is demanded. If the Bank permits Borrower to not maintain a reserve or clearing account on our books, Borrower shall make prior arrangements on the Bank's standard forms for charge through the reserve or clearing account of a third party. If the Borrower's account or other account on the Bank's books contain insufficient immediately available funds, actually and finally collected, to make full payment of any advance and interest due thereon, the Borrower shall consult with the Bank in advance and make arrangements satisfactory to the Bank for making full payment to the Bank of any advance and interest due thereon in immediately available and finally collected funds.

COLLATERAL

6. In consideration of an advance that is made to the Borrower by the Bank, the Borrower:

A. Warrants that under applicable law, the regulations and policies of its chartering

authority, its charter and bylaws, it is authorized to obtain advances from the Bank and to grant the Bank a security interest in and a lien on any and all assets offered as collateral under this Agreement that is superior to any lien against those assets under any other agreement or borrowing arrangement, or any applicable law.

B. Assigns and pledges to the Bank the collateral identified by the Borrower and accepted by the Bank as security for the repayment of the advance, together with interest thereon, and grants the Bank a security interest in the collateral and the proceeds of the collateral. The collateral and its proceeds are also pledged by the Borrower as security for all other present or future indebtedness or other obligation owed by the Borrower to the Bank, or that may be acquired by the Bank.

C. Grants to the Bank a security interest in and assigns and pledges to the Bank all property (tangible and intangible) of the Borrower in the possession of or under the control of the Bank, including but not limited to items in process of collection and the proceeds thereof, and any balance to the credit of the Borrower with the Bank. The Borrower also assigns and pledges to the Bank and grants to the Bank a security interest in any and all records and documents concerning the collateral including, but not limited to, appraisals or opinions of value, title or other insurance policies (and the proceeds thereof), abstracts, deeds of trust, credit agreements, rights to assignments, repayments, records, and any other evidence of indebtedness.

D. Warrants that it has good title to the collateral and that it has not assigned, pledged, encumbered, or transferred and, except as provided in this Agreement, will not assign, pledge, encumber, or transfer its interest in or create or suffer the creation of any lien against the collateral that is not subordinated to the Bank's security interest and lien without the Bank's prior written approval.

E. Warrants that it has sufficient assets that are unpledged to any other person, whether

under a general lien or pledge agreement or otherwise, to grant to the Bank the security interest created by this Agreement without violating the terms and conditions of any such lien or pledge agreement or applicable federal or state law.

F. Warrants that it shall neither perform nor fail to perform any act with respect to the collateral that would impair the Bank's security interest in it.

G. Warrants that each item of collateral is negotiable or transferable and that each mortgage has been recorded in the Borrower's favor in proper form and in the proper place for recording interests in real property.

H. Agrees that the Bank in its sole discretion will establish collateral values.

I. Agrees, upon the request of the Bank, to substitute collateral and/or pledge such additional collateral as the Bank may deem necessary to adequately secure any advance or other obligation of the Borrower to the Bank. Such additional collateral shall be governed by all of the terms and provisions of this Agreement.

J. Agrees that, as its sole responsibility, it shall take such steps as may be necessary or appropriate to preserve all the rights of the Bank in the collateral, and, further, that it will execute such other notes, statements, agreements or documents as the Bank may deem necessary or appropriate to grant and/or perfect the security interest given to the Bank in any collateral. The Borrower further agrees to hold such collateral in trust for the Bank in appropriate circumstances, until the Bank's security interest is perfected under applicable law.

K. Shall, upon the request of the Bank, provide in a form satisfactory to Bank written statements or reports concerning the status of any item of collateral, including, but not limited to, statements of current balances.

L. Agrees to keep true books and records and accounts concerning the collateral, and further agrees to make full and correct en-

tries on and document submitted to the Bank.

DEFAULT

7. A. In the event of a default by the Borrower in the performance of any of its obligations under the terms of the Agreement, any other provision of Bulletin 2, and any other document, instrument or agreement delivered or executed in connection with this agreement; or if the Borrower fails to repay or satisfy any other indebtedness or advance or obligation to the Bank, together with accrued but unpaid interest, when demanded; or if the Borrower becomes or remains insolvent; or in the event of the appointment of a receiver, custodian, or the like for the Borrower or for any of its United States branches or United States foreign branches or agencies; or in the event of the suspension of business by or closing (other than a voluntary, routine relocation or closing of an office); or if possession of any part of Borrower's business is taken by any receiver, custodian, governmental authority or the like; or in the event of the purchase, acquisition, merger, or other takeover, in whole or in part, by any other person or entity; or should the Bank deem itself insecure, in addition to all the rights provided under applicable law, the Bank, or the Bank's assignee; or if the Bank deems itself to be insecure or not confident of repayment:

(1) shall have all the rights of a secured creditor;

(2) in its sole discretion, shall have the right to declare any advance, indebtedness or other obligation of the Borrower immediately payable without prior notice or further demand;

(3) shall have the right to setoff the unpaid principal balance of any advance plus accrued but unpaid interest thereon against any indebtedness of the Bank to the Borrower, whether or not due;

(4) shall have a lien against all assets of the Borrower in the Bank's custody or control, including, but not limited to, items in process of collection and the proceeds and any balances to the credit of the Borrower with the Bank; and

(5) shall have all rights, powers and authorities to facilitate the exercise of its foregoing powers.

B. As a secured creditor, the Bank may, in addition to any other available remedy, use, transfer, hypothecate, sell or convey all or any part of the collateral, at public or private sale, with or without advertisement or notice or demand of any sort to the Borrower (except such notice as may be required by applicable law and may not be waived) and become the purchaser of the whole or any part of such collateral, free from any equity of redemption and from all other claims to the extent permitted by applicable law. The Bank may be a purchaser at any sale. After deduction of all expenses of sale, the net proceeds of that sale of such collateral will be applied by the Bank against the amount(s) owed by the Borrower to the Bank, and any surplus then remaining shall be paid to the Borrower or its successors or assigns. The Borrower hereby appoints the Bank or its assigns as its Attorney-in-Fact and authorizes it to conduct the sale and to give such notices and execute such documents as are necessary to convey good title to the collateral to any purchaser. As such Attorney-in-Fact, the Bank may, at its option, take any lawful action to collect all sums due upon or in connection with the collateral and in case of full payment may release the instrument securing or evidencing such debts as fully as the Borrower could do if acting for itself. This power of attorney is coupled with an interest and full power of substitution is granted to the assignee or holder.

PREPAYMENT

8. Prepayment of any advance and accrued interest may be made by the Borrower without penalty.

DISPOSITION OF COLLATERAL AFTER REPAYMENT

9. A. Subject to provision of subparagraph B, any collateral pledged to secure repayment of a particular advance made to the Borrower by the Bank, will, upon request of the Borrower, be released and returned to the

Borrower when the advance, together with interest thereon has been repaid in full, in immediately available and finally collected funds, provided the Borrower is not then in default in repaying any other debt or obligation to the Bank. Absent the request to release collateral, we will normally retain collateral in anticipation of future advances until the collateral matures or is paid off.

B. Notwithstanding anything to the contrary contained in this Agreement, any collateral pledged to secure the repayment of advances made to Borrower by the Bank through a correspondent pursuant to the terms of the Designated Account Agreement for Loan Transactions, may not be returned or released to the Borrower when the advance is repaid unless the correspondent and the Borrower have irrevocably and in writing waived any right to object to or contest the debit, if any, to the correspondent's reserve or clearing account, or unless one business day for the Bank has passed since the day the advance was paid in full.

CONTINUING OBLIGATIONS

10. By receiving an advance, the Borrower agrees that this Bank's rights, remedies, powers, security interests, and liens arising under this Agreement and the provisions of Bulletin 2 continue unimpaired and that the Borrower remains obligated in accordance with the terms of this Agreement and Bulletin 2, even if the Bank partially exercises any right or remedy, or substitutes or adds parties, or makes any compromise or grants an extension with respect to any obligation of the Borrower to the Bank or any promissory note, draft, document or other instrument given in connection with such obligation. The Borrower waives all notice of any extension, release, substitution, renewal or compromise and consents to be bound thereby as fully and effectively as if the Borrower had agreed expressly to it.

MISCELLANEOUS

11. The failure of the Bank to insist upon a strict performance of any of the terms or conditions of this Agreement or to seek to enforce the Bank's rights or remedies in the event of default or breach shall not be deemed a waiver of any

rights or remedies that the Bank may have, and shall not be deemed a waiver of any subsequent breach or default in the terms or conditions of this Agreement.

12. This Agreement may be referred to as the "Lending Agreement" and constitutes a security agreement in the event such an agreement is required under applicable state or foreign law.

13. All dividends and interest payments, proceeds of sales or redemptions, and other payments received by the Borrower with regard to any collateral may be retained by the Borrower in trust for the Bank unless the Bank expressly directs otherwise. If the Bank so directs, the Borrower shall give the Bank prompt notice of any such payments and shall remit the funds promptly to the Bank.

14. The Borrower authorizes the Bank to file or record such financing statements and security agreements or other documents as the Bank deems necessary or appropriate to perfect its security interest in the collateral pledged to secure advances. The Borrower shall reimburse the Bank on demand for any expenses incurred by the Bank arising from actions the Bank determines necessary or desirable to perfect and/or maintain its security interest in the collateral including, but not limited to, the cost of recording an assignment of mortgage, filing a financing statement, obtaining a lien search and reasonable fees, and expense of counsel. At the Bank's request, the Borrower also shall reimburse the Bank for any expense incurred in assembling, transporting, safekeeping, or managing potential collateral or collateral pledged to the Bank, whether the collateral is held by the Bank, the Borrower, or a third-party custodian.

15. The Bank may at any time inspect, copy, and require delivery of any and all records in the possession of or under the control of the Borrower which concern any item of collateral including, but not limited to, appraisals or opinions of value, title or other insurance policies, abstracts, repayment records, credit agreements

and any other evidence of indebtedness, including computer records. The Bank may, at any time, before or after an event of default, register any collateral consisting of securities in its own name or that of its nominee.

16. Any collateral assigned or pledged to the Bank under the provisions of this Agreement that the Bank determines to require endorsement to perfect a security interest shall be endorsed or assigned to the Bank as directed by the Bank and with recourse to the Borrower, and the Borrower hereby waives presentment, demand, notice of dishonor, protest, and notice of protest, and all other policies relating thereto.

17. This Agreement supersedes any prior Lending Agreement regarding advances from the Bank entered into by the Borrower.

18. This Agreement shall become effective on the date that the Bank receives and accepts the executed Exhibit 1 from the Borrower.

19. As to each advance, any applicable statute of limitation shall not begin to run until the date repayment is demanded by the Bank.

20. Each of the Bank's rights and remedies under this Agreement and Bulletin 2 is cumulative to any others agreed to by the Borrower or that may exist in law or in equity.

21. If any provision of this Agreement is held invalid or unenforceable, that invalidity or unenforceability shall not affect any other provision of this Agreement.

22. This Agreement and all rights and liabilities here under and in any and all collateral inures to the benefit of the Bank, its successors, and assigns, and shall be binding on the Borrower and its heirs, executors, administrators, successors, assigns and legal representatives.

TERMINATION

23. This Agreement may not be changed, modified, discharged, or terminated orally, and may be terminated only in writing as provided in the Bank's Bulletin 2.

SUPPLEMENT E

**EXHIBIT 1
(Letterhead of Foreign Bank)
LETTER OF AGREEMENT**

Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

Attention: Loan Department

Dear Sir or Madam:

In order to be able to obtain advances through our _____ Branch(es) or Agency(ies),
(City or Cities)
and in consideration of your making such advances, we agree to be bound by the provisions of your Bulletin 2 and Supplement E to that Bulletin, as amended from time to time. We acknowledge that it is our responsibility to ensure that we have in our possession current copies of Bulletin 2 and Supplement E.

Enclosed are copies of the Resolutions, Opinion of Foreign Counsel and Opinion of United States Counsel,* and that you have requested, together with copies of signatures of persons authorized to obtain advances from and to pledge our assets to you.

(Name of Foreign Bank)

By: _____
(Authorized Signature(s))

(Title(s))

*These three forms may be obtained from the Bank's Loan Department in Dallas.

**BD-1 AUTHORITY TO BORROW
RESOLUTIONS AUTHORIZING A DOMESTIC DEPOSITORY INSTITUTION TO OBTAIN
ADVANCES FROM AND TO PLEDGE ASSETS TO THE FEDERAL RESERVE BANK OF DALLAS**

I hereby certify that the following resolutions were duly adopted at a meeting of the _____

_____ of the _____
(Type of Governing Body) (Name of Depository Institution, City, State)

(the "Institution"), a legal entity duly chartered and existing under the laws of _____.

I also certify that such resolutions are now in full force and effect and are not in conflict with any provisions in the certificate of incorporation or bylaws of the Institution.

1. **RESOLVED**, that the Institution is hereby authorized to apply for advances from and to pledge assets to the Federal Reserve Bank of Dallas ("Reserve Bank").

2. **RESOLVED**, that whenever the Institution fails to maintain a balance of funds in its account on the books of the Reserve Bank sufficient to cover the amounts of transfer items, transfer requests, or other debits charged to that account, the Institution shall be indebted to the Reserve Bank to the extent that the balance of such account is negative, and the Institution hereby is authorized to incur such indebtedness and to pledge assets to the Reserve Bank to secure such indebtedness.

3. **RESOLVED**, that the President, any Vice President (including Executive Vice President, Senior Vice President, etc.), any Assistant Vice President, Cashier, or _____

(Indicate by Title Any Other Authorized Officers)

of the Institution, and their successors in office, is each authorized, in the name and on behalf of the Institution, from time to time:

A. To borrow money, obtain loans and advances, and incur other indebtedness from the Reserve Bank upon such terms and security as the Reserve Bank may require;

B. To discount, rediscount, or sell (with or without this Institution's agreement to repurchase) and for such purposes to endorse and assign, notes, drafts, bills of exchange, acceptances, and such other bills receivable, evidences of indebtedness, and securities, now or hereafter acquired by this Institution, as the Reserve Bank may now or hereafter be willing to acquire;

C. To make, execute, and deliver such applications, notes, agreements (including any borrower-in-custody or third-party custody of collateral agreements), certificates, and other instruments as may be necessary or advisable in order to effect, or as may be required or requested by the Reserve Bank in connection with, any transaction authorized by this resolution;

D. To endorse, assign, deposit, pledge, and hypothecate any property of this Institution whether now owned or hereafter acquired, to the Reserve Bank as collateral security (including any collateral security pledged pursuant to any borrower-in-custody or third-party custody arrangement and the authorization to appoint any custodian or to act as custodian in connection with such arrangements) to secure the payment or performance of any liability or obligation of the Institution to the Reserve Bank; and,

E. To do any and all acts and things that may be necessary or incidental to any transaction authorized by this resolution, or that may be designed or intended to carry out the purposes of this resolution.

4. **RESOLVED**, that these resolutions and all the powers and authorizations hereby granted or confirmed shall continue in full force and effect until written notice of the revocation thereof shall have been received by the Reserve Bank; and that a duly certified copy of these resolutions, with the seal of this Institution thereto attached, be furnished to the Reserve Bank.

I, the undersigned, (Cashier/Comptroller/Secretary)* of the Institution named above do hereby certify that the foregoing resolutions are true and correct copies of resolutions of the Board of directors or trustees of the said Institution duly adopted in accordance with and as authorized by its charter and bylaws at a meeting of said board duly called and held on _____, 19____, at which meeting a quorum of all of the directors or trustees was present and acting throughout, and that said resolutions have not been rescinded or modified and are now in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Institution.

Dated: _____, 19_____

(Cashier/Comptroller/Secretary)

(Corporate Seal)

*The Official designated herein shall be the Cashier, Comptroller or Secretary of the Institution or another officer of similar or higher rank. The official certifying these resolutions shall have the authority to certify the statements in this document and **shall not be a person designated under numbered paragraph 3.**