

COLLATERAL SECURITY AGREEMENT

THIS COLLATERAL SECURITY AGREEMENT, hereinafter called "Agreement", is made and entered into on this **18th** day of **July, 2017**, by and between **Livingston County (KY) Board of Education**, hereinafter called "Depositor", and **Farmers Bank & Trust**, a financial institution organized under the laws of the United States or Commonwealth of Kentucky and authorized by law to conduct banking business in the Commonwealth of Kentucky, hereinafter called "Bank".

RECITALS

- A. The Depositor, through action of its governing entity, has designated the Bank as a state depository for funds of the Depositor. All funds on deposit with the Bank to the credit of the Depositor are required to be secured by collateral as provided for in KRS 41.240 (hereinafter called "Public Funds Law").
- B. To perfect the security interest of the Depositor in the collateral to be pledged by the Bank hereunder, First National Bankers Bank (hereinafter called "Trustee"), an independent third party, will hold the collateral in a custody account for the benefit of the Depositor. The Bank shall not utilize the Trustee if such Trustee and Bank are owned by a single bank holding company.
- C. The parties hereto desire to provide for the collateralization of the Depositor's funds as required by the Public Funds Law and on the terms and conditions set forth herein. This Collateral Security Agreement was approved by, and duly recorded in the minutes, of the Board of Directors or Loan Committee of the Bank on **July 18th, 2017**.
- D. The Bank shall maintain this Agreement among its official records continuously until such time this Agreement is terminated and all deposits of the Depositor have been properly paid out.

AGREEMENT

THEREFORE, IN CONSIDERATION of the foregoing and mutual covenants and promises set forth below, the parties hereto agree as follows:

1. During the term of this Agreement, the Depositor will, through appropriate action of its governing entity, designate the officer, or officers, who singly or jointly shall be authorized to represent and act on behalf of the Depositor in any and all matters of every kind arising under this Agreement. The Bank's deposit agreement is incorporated herein for all purposes; however, to the extent that any provision in such deposit agreement conflicts with the provisions hereof, the provisions of this Agreement will control.
2. The Bank hereby pledges to the Depositor and grants to the Depositor a security interest in certain assets owned by the Bank and held by the Trustee for the benefit of the Depositor (hereinafter called "Collateral") to secure the deposits held by the Bank for the Depositor as required by the Public Funds Law.
3. The total market value of the Collateral securing such deposits will be in an amount at least equal to the amount of such deposits, reduced to the extent that such deposits are insured by an agency or instrumentality of the United States government.
4. The Bank has heretofore or will immediately hereafter deliver to the Trustee Collateral of the kind and character permitted by the Public Funds Law. The Collateral shall be of sufficient amount and market value to provide adequate collateral for funds of the Depositor deposited with the Bank. The Collateral, or substitute Collateral as hereinafter provided for, shall be kept and retained by the Trustee in trust so long as the depository relationship between the Depositor and the Bank shall exist hereunder, and thereafter until all deposits made by the Depositor with the Bank shall have been properly paid out by the Bank to the Depositor or on its order.
5. The Bank shall cause the Trustee to accept the Collateral and hold the same in trust for the purpose herein stated.
6. The Bank shall cause the Trustee to promptly forward to the Depositor copies of safekeeping or trust receipts covering all Collateral, or substitute Collateral as provided for herein, held by the Trustee for the benefit of the Depositor within three (3) business days of the Collateral pledge. The Bank shall also cause the Trustee to remit statements of accounts of the Collateral to the Depositor at least on monthly basis.
7. Should the Bank fail at any time to pay and satisfy upon presentment, any check, electronic funds transfer, draft, or voucher lawfully drawn upon public funds deposited with the Bank whenever due, or in case the Bank becomes insolvent, or fails to maintain adequate Collateral as required by this Agreement, or in any manner breaches its contract with the Depositor, the Depositor may give written notice of such failure, insolvency or breach and the Bank shall cure such failure, insolvency, or breach within three (3) business days from receipt of such notice. In the event the Bank shall fail to

cure such failure, insolvency, or breach within three (3) business days of its receipt of such written notice from the Depositor, it shall be the duty of the Trustee, upon demand of the Depositor with the proper supporting evidence thereof, to surrender the Collateral to the Depositor. The Depositor may sell all or any part of the Collateral and out of the proceeds thereof pay the Depositor all damages, losses, and expenses of any and every kind incurred by it on account of such failure, insolvency, or breach, or sale. The Depositor shall account to the Bank for the remainder, if any, of such proceeds or Collateral remaining unsold.

8. Any sale of the Collateral or any part thereof made by the Depositor hereunder may be either at public or private sale; provided, however, that notice of time and place where such sale shall be given three (3) days prior to the sale to the Depositor and the Bank. Such sale shall be to the highest bidder thereof for cash. The Depositor and Bank shall have the right to bid at such sale.
9. If the Bank shall desire to sell or otherwise dispose of any one or more of the securities constituting part of the Collateral deposited with the Trustee, it may substitute for any one or more of such securities other securities of the same market value and of the character authorized herein after written notice of such substitution is provided to the Depositor. The Depositor shall have the right to reject substitute Collateral by the Bank. Such right of substitution shall remain in full force and may be exercised by the Bank as often as it is desired; provided that the aggregate market value of all collateral pledged hereunder shall be at least equal to the amount of Collateral required hereunder.
10. If at any time the aggregate market value of the Collateral so deposited with the Trustee is less than the amount required hereunder, the Bank shall within one (1) business day deposit with the Trustee such additional amount as may be necessary to cause the market value of such Collateral to equal the total amount of required Collateral hereunder. The Bank shall be entitled to income on securities held by the Trustee, and the Trustee may dispose of such income as directed by the Bank without the approval of the Depositor, provided a breach of contract does not exist.
11. If at any time the Collateral in the hands of the Trustee shall have a market value in excess of the amount required hereunder, the Depositor shall authorize the Trustee to withdraw a specified amount of Collateral equal to the amount in excess of that required. The Trustee may deliver this amount of collateral, and no more, to the Bank taking its receipt therefore, and the Trustee shall have no further liability for Collateral so redelivered to the Bank.
12. Each party shall have the right to terminate this Agreement by advance written notice to the other of its election to do so, and this Agreement shall be void from and after the expiration of sixty (60) days after the receipt of such notice provided all provisions of this Agreement have been fulfilled.
13. When the relationship of the Depositor and the Bank has ceased to exist and the Bank shall have properly paid out all deposits of the Depositor, the Depositor shall give to the Trustee written notice to that effect; whereupon the Trustee shall redeliver to the Bank all Collateral then in its possession belonging to the Bank taking receipt therefore.

14. This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Kentucky and venue for any disputes related to this Agreement shall be in Kentucky. Any modifications to this Agreement, or change in Trustee, shall be agreed to in writing signed by the Depositor and the Bank. This Agreement is continuing and binding upon the bank and its successor and assigns, and shall insure to the benefit of the Depositor.
15. As used in this Agreement, the term "business day" shall mean a day in which the Federal Reserve Bank shall be open for the transaction of business.

EXECUTED this 18th day of July, 2017, by the undersigned duly authorized officers of the parties hereto.

DEPOSITOR: **Livingston County (KY) Board of Education**

By: _____

(Signature of Public Official) **Victor Zimmerman**

Title: **Superintendent**

ADDRESS: **127 East Adair Street, Smithland, KY 42081-9998**

BANK: **Farmers Bank & Trust**

By: 

(Signature of Bank Official) **Andy Hunt**

Title: **Chief Financial Officer**

ADDRESS: **201 South Main Street, Marion, KY 42064**

TRUSTEE: **First National Bankers Bank**

By: _____

(Signature of Trustee)

Title: _____

LIVINGSTON COUNTY (KY) BOARD OF EDUCATION

ATTACHMENT A

LISTING OF ACCEPTABLE SECURITIES FOR COLLATERAL

**WE HEREBY AUTHORIZE FARMERS BANK & TRUST TO
PLEGGED MIXED SECURITIES ON OUR BEHALF:**

MUNICIPAL BONDS

GOVERNMENT BONDS

AGENCY BONDS

MORTGAGE BACKED BONDS

SBA, SBIC, SBAP POOLS

CERTIFICATES OF DEPOSIT

AUTHORIZED SIGNATURE