

## Bond of "Depository" for Public School Funds

The undersigned, Heritage Bank of Burlington, Kentucky, hereinafter referred to as the Depository, hereby acknowledges itself bound to the Commonwealth of Kentucky, and the Newport Independent Public Schools Board of Education, in the penal sum of 103% of current daily balances \* that it, as depository of the Board of Education, shall well and truly discharge the duties of said office according to law, account for, to the proper authorities, and pay over to all parties legally entitled thereto on proper warrants all funds that may come into its hands as Depository of the Board of Education aforesaid for a period not to exceed two (2) years, beginning July 1, 2019.

As collateral for this undertaking the undersigned hereby pledges obligations guaranteed by the U. S. Government, Kentucky School Revenue, and/or Federal Government Agency bonds and Federal Home Loan Bank letter of credit \* in the principal sum of 103% of current daily balances \*\*\* deposited in escrow with the First Tennessee Bank of Memphis Tennessee, hereinafter referred to as the Escrow Agent, evidenced by the safekeeping receipt filed in the offices of the local board of education, provided, however, that at no time shall the amount of collateral be reduced without the execution of a new bond which shall have prior approval by the Commissioner of Education.

The undersigned, the Depository, hereby reserves the right unto itself, (1) to detach and collect for its own use and benefit all coupons of said bonds as they mature; (2) to substitute for any of said bonds, other United States Government bonds and/or Kentucky School Revenue Bonds of the same face or par value; (3) to terminate all liability under this bond and escrow deposit by giving thirty (30) days notice, in writing, of its intention to do so to the chairperson of the Newport Independent Public Schools Board of Education, by registered mail, addressed to such chairperson at the Local Board of Education, and to the chairperson of the Kentucky Board of Education, by registered mail, addressed to such chairperson at Frankfort, Kentucky. Within the thirty days, the Depository shall make statements with the board, pay over all funds in its hand to the board, and exhibit to the Escrow Agent a copy of the settlement, duly receipted by the secretary and chairperson of the board. The Board of Education shall cancel this bond only by giving thirty (30) days notice in writing, of its intention to do so, to the Depository, by registered mail, and to the chairperson of the Kentucky Board of Education by registered mail.

It is further conditioned that liability of this bond is not to be effectual until Federal Deposit Insurance Corporation (FDIC) protection is exhausted.

IN WITNESS WHEREOF, the undersigned has caused its corporate name to be subscribed and its corporate seal to be affixed hereof, this 5<sup>th</sup> day of June, 2019.

Name of Bank Heritage Bank, Burlington, Kentucky

By (Bank Official) [Signature] Title President & CEO

We hereby certify to the Commissioner of Education that the bond appearing hereon is a true copy of the bond executed and delivered by the Depository of this Board of Education, and it was approved by the Newport Independent Public Schools Board of Education on 26th day of June, 2019.

Chairperson \_\_\_\_\_ Secretary \_\_\_\_\_

\* Should agree with penal sum for either METHOD 1 or METHOD 2.

\*\* This collateral shall consist of investments that conform to KRS 41.240 and KRS 66.480.

\*\*\* May not be less than penal sum.

**TO BE RETAINED AT THE LOCAL SCHOOL BOARD OFFICE**

## **COLLATERAL SECURITY AGREEMENT**

THIS COLLATERAL SECURITY AGREEMENT (this "Agreement"), dated this June 5th, 2019, is by and between Newport Independent Public Schools Board of Education (The Depositor") and Heritage Bank, an institution organized under the laws of the Commonwealth of Kentucky and authorized by law to do banking business in the Commonwealth of Kentucky ("the Bank").

### **RECITALS**

- A. The Depositor, through action of its governing entity, has designated the Bank as a 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 160.570 (the "Public Funds Law").
- B. To perfect the security interest of the Depositor in the collateral to be pledged by the Bank hereunder, First Tennessee Bank, NA (the "Trustee") will hold the collateral in a custody account for the benefit of the Depositor.
- C. The parties hereto desire to provide for the collateralization of the Depositor's funds as required by the Public Funds Law, 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 of the Bank on June 5th, 2019.

## **AGREEMENT**

THEREFORE, IN CONSIDERATION of the foregoing and the 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 will 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, in accordance with the terms of this Agreement (hereinafter, the "Collateral"), to secure the deposits held by the Bank for the Depositor as required by the Public Funds Law.

3. The total of the 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. The penal sum will be calculated in accordance with KRS 160.570 method number one, which shall be at least equal to 103 percent of the current daily balances in each account.

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, of sufficient amount and

market value to provide adequate Collateral for the 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 hereunder, or any portion hereof, shall have been properly paid out by the Bank to the Depository 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. Should the Bank fail at any time to pay and satisfy when due, any check, draft, or voucher lawfully drawn against any deposit, 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. In the event the Bank shall fail to cure such failure, insolvency, or breach within three days of its receipt of such written notice from the Depositor, it shall be the duty of the Trustee, upon demand of the Depositor, supported by proper evidence of any of the above-listed circumstances, to surrender the Collateral to the Depositor. The Trustee may sell all or any part of the Collateral and out of the proceeds thereof pay the Depositor all damages and losses sustained by it, together with all expenses of any and every kind incurred by it on account of such failure or insolvency, or sale, accounting to the Bank for the remainder, if any, of such proceeds or Collateral remaining unsold.

7. Any sale of the Collateral, or any part thereof, made by the Trustee hereunder may be either at public or private sale; provided, however, that three (3) days' notice of the time and place where such sale shall take place shall be given to both the Depositor and the Bank, and such sale shall be to the highest bidder thereof for cash. The Depositor and the Bank shall have the right to bid at such sale.

8. 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 such securities other securities of the same market value and of the character authorized herein. Such right of substitution shall remain in full force and may be exercised by the Bank as often as it is desired; provided, however, that the aggregate market value of all Collateral pledged hereunder shall be at least equal to the amount of Collateral required hereunder. 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 immediately deposit with the Trustee such additional Collateral as may be necessary to cause the market value of such Collateral to equal the total amount of required Collateral. The Depositor shall have the right to reject substituted collateral by the Bank. 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 approval of the Depositor, provided a breach of contract does not exist.

9. The Bank shall cause the Trustee to promptly forward within three (3) business days to the Depositor copies of safekeeping or trust receipts covering all the Collateral held for the Bank, including substitute collateral as provided for herein.

10. 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 withdrawal of a specified amount of Collateral equal to the amount in excess of that required, and 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.

11. Either 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 days after the receipt of such notice, provided all provisions of this Agreement have been fulfilled.

12. When the relationship of the Depositor and the Bank has ceased to exist and when 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 its receipt therefore.

EXECUTED this 5th day of June, 2019, by the undersigned duly authorized officers of the parties hereto.

DEPOSITOR:


Newport Independent Public Schools Board of Education

By: \_\_\_\_\_  
(Signature of public official)

Print Name & Title: \_\_\_\_\_

BANK:

Heritage Bank

By:  \_\_\_\_\_  
(Signature of bank official)

Print Name & Title: H. Lytle Thomas, President CEO