Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2009

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

B This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [ ] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

D Check box if filing under:
- [X] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
KLEBERG FIRST NATIONAL BANK 401(K) PLAN

1b Three-digit plan number (PN) ▶ 002

1c Effective date of plan 01/01/1976

2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.)
KLEBERG FIRST NATIONAL BANK

100 EAST KLEBERG
KINGSVILLE, TX 78363

2b Employer Identification Number (EIN) 74-0726853

2c Sponsor's telephone number 361-592-8501

2d Business code (see instructions) 551111

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	07/30/2010	LOIS STAFF
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")
KLEBERG FIRST NATIONAL BANK

100 EAST KLEBERG
KINGSVILLE, TX 78363

3b Administrator's EIN
74-0726853

3c Administrator's telephone number
361-592-8501

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

a Sponsor's name
KLEBERG FIRST NATIONAL BANK

4b EIN
74-0726853

4c PN
001

5	Total number of participants at the beginning of the plan year	**5**	243
6	Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**).		
a	Active participants	**6a**	201
b	Retired or separated participants receiving benefits	**6b**	16
c	Other retired or separated participants entitled to future benefits	**6c**	37
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	254
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	0
f	Total. Add lines **6d** and **6e**	**6f**	254
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	233
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	21
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2E 2F 2G 2J 2K 2T 3D

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)

(1)		Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)		Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

(1)	X	**R** (Retirement Plan Information)
(2)		**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)		**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	X	**H** (Financial Information)
(2)		**I** (Financial Information – Small Plan)
(3)		**A** (Insurance Information)
(4)	X	**C** (Service Provider Information)
(5)	X	**D** (DFE/Participating Plan Information)
(6)		**G** (Financial Transaction Schedules)

SCHEDULE C (Form 5500)	Service Provider Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service	This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).	2009
Department of Labor Employee Benefits Security Administration	▶ File as an attachment to Form 5500.	This Form is Open to Public Inspection.
Pension Benefit Guaranty Corporation		

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan	B Three-digit plan number (PN) ▶	
KLEBERG FIRST NATIONAL BANK 401(K) PLAN		002

C Plan sponsor's name as shown on line 2a of Form 5500	D Employer Identification Number (EIN)
KLEBERG FIRST NATIONAL BANK	74-0726853

Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. . . . . ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

WILMINGTON TRUST FIDUCIARY SERVICES

65-1214236

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
21 26 27 28 51	NONE	43916	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

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(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

SCHEDULE D (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

DFE/Participating Plan Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KLEBERG FIRST NATIONAL BANK 401(K) PLAN

B Three-digit plan number (PN) ▶ 002

C Plan or DFE sponsor's name as shown on line 2a of Form 5500
KLEBERG FIRST NATIONAL BANK

D Employer Identification Number (EIN)
74-0726853

Part I **Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs)**
(Complete as many entries as needed to report all interests in DFEs)

a Name of MTIA, CCT, PSA, or 103-12 IE: GIC PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
26-3783330-902	C	190949

a Name of MTIA, CCT, PSA, or 103-12 IE: LARGE CO VALUE PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
26-3783374-907	C	1299460

a Name of MTIA, CCT, PSA, or 103-12 IE: MID-CAP FUNDAMENTAL VALUE PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
26-3783919-945	C	258332

a Name of MTIA, CCT, PSA, or 103-12 IE: MONEY MARKET PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
26-3783342-903	C	132565

a Name of MTIA, CCT, PSA, or 103-12 IE: BALANCED PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
26-3783506-910	C	2531

a Name of MTIA, CCT, PSA, or 103-12 IE: OVERSEAS EQUITY PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
26-3783687-920	C	1231775

a Name of MTIA, CCT, PSA, or 103-12 IE: SMALL COMPANY GROWTH PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
26-3783319-901	C	412655

a Name of MTIA, CCT, PSA, or 103-12 IE: STRATEGIC BOND PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN 26-3783650-914	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 351537

a Name of MTIA, CCT, PSA, or 103-12 IE: STRATEGIC BALANCED PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN 26-3783639-913	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 318323

a Name of MTIA, CCT, PSA, or 103-12 IE: STRATEGIC GROWTH PORTFOLIO

b Name of sponsor of entity listed in (a): WILMINGTON TRUST FINANCIAL SVCS CO

c EIN-PN 26-3783632-912	**d** Entity code C	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 947589

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

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b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KLEBERG FIRST NATIONAL BANK 401(K) PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
KLEBERG FIRST NATIONAL BANK

D Employer Identification Number (EIN)
74-0726853

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	5550	23390
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	31680	31026
(2) Participant contributions	1b(2)	32636	32812
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	58567	132566
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)	0	
(8) Participant loans	1c(8)	195092	263345
(9) Value of interest in common/collective trusts	1c(9)	2880461	5013152
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)		
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	3203986	5496291
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j		
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	3203986	5496291

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	288784	
	(B) Participants	2a(1)(B)	436751	
	(C) Others (including rollovers)	2a(1)(C)	1148674	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		1874209
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	1637	
	(B) U.S. Government securities	2b(1)(B)		
	(C) Corporate debt instruments	2b(1)(C)		
	(D) Loans (other than to participants)	2b(1)(D)		
	(E) Participant loans	2b(1)(E)	11725	
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		13362
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
	(B) Common stock	2b(2)(B)		
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		0
	(3) Rents	2b(3)		
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)		
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		798125
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		2685696
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	342492	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		342492
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		3209
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	43916	
(4) Other	2i(4)	3774	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		47690
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		393391
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		2292305
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [ ] Unqualified (2) [ ] Qualified (3) [X] Disclaimer (4) [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [X] Yes [ ] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: BRIGGS & VESELKA CO. (2) EIN: 74-1769118

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. (2) [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

		Yes	No	Amount
a	Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	
b	Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e	Was this plan covered by a fidelity bond?	4e	X		3000000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l	Has the plan failed to provide any benefit when due under the plan?	4l		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n		X	

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If yes, enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KLEBERG FIRST NATIONAL BANK 401(K) PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
KLEBERG FIRST NATIONAL BANK

D Employer Identification Number (EIN)
74-0726853

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions **1** 0

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 65-1214236

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year. **3**

Part II Funding Information (If the plan is not subject to the minimum funding requirements of section of 412 of the Internal Revenue Code or ERISA section 302, skip this Part)

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 **a** Enter the minimum required contribution for this plan year **6a**

b Enter the amount contributed by the employer to the plan for this plan year **6b**

c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) **6c**

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☐ **No**

11 **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☐ **No**

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☐ **No**

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☐ **Yes** ☐ **No**

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

14 Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	**14a**	
b The plan year immediately preceding the current plan year	**14b**	
c The second preceding plan year	**14c**	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	**15a**	
b The corresponding number for the second preceding plan year	**15b**	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	**16a**	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	**16b**	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

Briggs & Veselka Co.
A PROFESSIONAL CORPORATION
Certified Public Accountants and Business Advisors

To the Board of Directors
Kleberg First National Bank 401(k) Plan
Kingsville, Texas

Independent Auditors' Report

We were engaged to audit the financial statements of Kleberg First National Bank 401(k) Plan as of December 31, 2009 and 2008, and for the year ended December 31, 2009, and the supplemental schedule as of December 31, 2009, as listed in the accompanying table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in *Note 3*, which was certified by the Wilmington Trust, the Trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan administrator that the Trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the Trustee as of and for the years ended December 31, 2009 and 2008, that the information provided to the Plan administrator by the Trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the Trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Briggs & Veselka Co.
A Professional Corporation
Certified Public Accountants

July 29, 2010

Kleberg First National Bank 401(k) Plan

Financial Statements and Supplemental Schedule

As of December 31, 2009 and 2008, and

for the Year Ended December 31, 2009

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Schedules other than those listed above are omitted because of the conditions under which they are required.

Briggs & Veselka Co.
A PROFESSIONAL CORPORATION
Certified Public Accountants and Business Advisors

To the Board of Directors
Kleberg First National Bank 401(k) Plan
Kingsville, Texas

Independent Auditors' Report

We were engaged to audit the financial statements of Kleberg First National Bank 401(k) Plan as of December 31, 2009 and 2008, and for the year ended December 31, 2009, and the supplemental schedule as of December 31, 2009, as listed in the accompanying table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in *Note 3*, which was certified by the Wilmington Trust, the Trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan administrator that the Trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the Trustee as of and for the years ended December 31, 2009 and 2008, that the information provided to the Plan administrator by the Trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the Trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Briggs & Veselka Co.
A Professional Corporation
Certified Public Accountants

July 29, 2010

KLEBERG FIRST NATIONAL BANK 401(K) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	**$ 23,390**	$ 5,550
Investments, at fair value:		
Interest-bearing cash	**132,566**	58,567
Common/collective trust funds	**4,986,897**	2,848,003
Participant loans	**263,345**	195,092
Total Investments	**5,382,808**	3,101,662
Contributions Receivable:		
Participants'	**32,812**	32,636
Employer	**31,026**	31,680
Total Contributions Receivable	**63,838**	64,316
TOTAL ASSETS	**5,470,036**	3,171,528
LIABILITIES		
Excess participant contributions payable	**16,644**	-
TOTAL LIABILITIES	**16,644**	-
NET ASSETS REFLECTING ALL INVESTMENTS, at fair value	**5,453,392**	3,171,528
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	**26,255**	32,458
NET ASSETS AVAILABLE FOR BENEFITS	**$ 5,479,647**	$ 3,203,986

The accompanying notes are an integral part of these financial statements.

KLEBERG FIRST NATIONAL BANK 401(K) PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2009

ADDITIONS	
ADDITIONS TO NET ASSETS ATTRIBUTED TO:	
Investment Activity:	
Net appreciation in value of investments	$ 798,125
Interest income	13,362
Total Investment Activity	811,487
Contributions:	
Participants'	420,107
Employer	288,784
Rollover	1,148,674
Total Contributions	1,857,565
TOTAL ADDITIONS	2,669,052
DEDUCTIONS	
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:	
Benefits paid to participants or beneficiaries	345,701
Administrative expenses	47,690
TOTAL DEDUCTIONS	393,391
NET INCREASE IN NET ASSETS	2,275,661
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	3,203,986
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ 5,479,647

The accompanying notes are an integral part of these financial statements.

NOTE 1 – DESCRIPTION OF PLAN

The Kleberg First National Bank 401(k) Plan ("the Plan") is a qualified retirement plan covering all of the employees of Kleberg First National Bank (the "Bank"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan was originally effective on January 1, 1976 and was amended and restated effective on January 1, 2009.

The Plan has been adopted to provide eligible employees the opportunity to save for retirement on a tax-advantaged basis. Significant provisions of the Plan in effect as of December 31, 2009 are summarized below. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

A. Eligibility – All nonexcluded employees of the Bank, as defined in the Plan document, are eligible to make salary deferrals, receive matching contributions and profit sharing contributions to the Plan on their date of hire. There is no age or service required.

B. Contributions – Participants may elect to defer a percentage of their compensation, including bonuses, into the Plan as a participant contribution. Each year, participants may contribute up to the maximum dollar limit which is set by law. Participants who have attained or will attain age fifty (50) before the end of a calendar year may also make catch-up contributions into the Plan.

   Effective November 30, 2009, the Plan includes an automatic salary deferral feature. Accordingly, the Bank will automatically withhold six percent (6%) of participants' compensation from their pay each payroll period and contribute that amount to the Plan as a salary deferral. For new participants, the automatic deferral provisions apply to participants who become participants on or after the effective date of the automatic deferral provisions. For existing participants, the automatic deferral provision apply to all participants in the Plan as of the effective date of the automatic deferral provisions, regardless of any prior salary deferral agreement, unless they make an alternative election after the effective date of the automatic deferral provisions.

   Participants may also contribute part or all of an eligible rollover distribution received from other retirement plans and certain Investment Retirement Accounts ("IRAs").

   The Bank's employer matching contribution, determined annually, is currently equal to one hundred percent (100%) of each participant's salary deferral amount up to a maximum of six percent (6%) of compensation.

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

B. Contributions (Continued)

In addition to the employer matching contribution, the Bank may make a discretionary employer profit sharing contribution. For discretionary employer profit sharing contributions, the participant must be actively employed on the last day of the Plan year and completed one (1) year of service during the Plan year to share in the contribution. The Bank did not make a discretionary employer profit sharing contribution for the year ended December 31, 2009.

C. Participant Accounts – Each participant's account is credited with the participant's contributions, employer contributions, rollovers, and Plan earnings or losses. A participant's account is segregated for purposes of determining the earnings or losses on investments. A participant's account does not share in the investment performance of other participants. Administrative fees are charged against the participant's account. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

D. Vesting – Participants are immediately vested in their contributions and rollovers plus earnings or losses thereon. Vesting in the Bank's contribution portion of their accounts plus earnings or losses thereon is based on years of service.

Years of Service	Percentage
1	-0-%
2	25%
3	50%
4	75%
5	100%

To earn a year of service, participant must be credited with at least one thousand (1,000) hours of service during the Plan year.

Participants also become fully vested in the entire amounts allocated to their accounts upon reaching normal retirement age or if employment is terminated by reason of disability or death.

E. Investment Options – Participants direct the investment of their entire interest in the Plan into various investment options offered by the Plan. The Plan currently offers an interest-bearing cash fund and common/collective trust funds as investment options for participants. Participants may redirect future contributions or exchange existing balances among available investment options at any time.

NOTE 1 – DECRIPTION OF PLAN (CONTINUED)

F. Payment of Benefits – On termination of employment for reasons other than death, disability or retirement, participants may elect to receive a single lump-sum payment equal to the value of their vested account balance, installments over a period of not more than assumed life expectancy, or partial withdrawals or installments with respect to minimum required distributions. If a participant's vested account balance does not exceed $5,000, then the participant's vested account balance may only be distributed in a single lump-sum payment. In addition, if a participant's vested account balance exceeds $1,000, the participant must consent to any distribution before it may be made. For most distributions, a participant may request a direct transfer of all or a portion of the distribution to be made to either an IRA or another employer retirement plan willing to accept the transfer.

If active participants have attained age fifty-nine and one-half (59 ½), they may elect to withdraw all or a portion of their one hundred percent (100%) vested account while still employed by the Bank. Hardship distributions are not permitted by the Plan.

G. Participant Loans – Participants may have the maximum of one (1) loan outstanding at any time. Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum of $50,000 or fifty percent (50%) of their vested interest in the Plan, whichever is less. The loans are adequately secured by the balance in the participant's account and bear a reasonable rate of interest that is commensurate with local prevailing rates as determined by the Bank. Principal and interest is paid ratably through payroll deductions, over a term not to exceed five (5) years, unless the loan was obtained to acquire a principal residence.

Loans will be considered a directed investment of participants' accounts under the Plan. All payments of principal and interest by participants on a loan will be credited to their account.

H. Forfeited Accounts – Forfeitures are created when participants terminate employment before becoming entitled to their full benefits under the Plan. Forfeited amounts are retained in the Plan and will first be allocated as follows: a) forfeitures attributable to amounts other than employer matching contributions will be used to reduce any employer contribution; b) forfeitures attributable to employer matching contributions will be used to reduce any employer matching contribution. During 2009, employer matching contributions were reduced by $30,802 from forfeited nonvested accounts. At December 31, 2009 and 2008, forfeited nonvested accounts totaled $23,390 and $5,550, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accompanying financial statements and supplemental schedule have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America ("GAAP").

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Plan to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

C. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued the Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (the "Codification"). This standard replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes only two levels of GAAP, authoritative and nonauthoritative. The FASB Accounting Standards Codification ("ASC") has become the source of authoritative, nongovernmental GAAP. All other nongrandfathered, accounting literature not included in the Codification will become nonauthoritative.

This standard was effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The adoption of the Codification changed the Plan's references to GAAP accounting standards but did not impact the Plan's net assets available for benefits.

The Plan has adopted the provisions of ASC 855, *Subsequent Events* (formerly SFAS No. 165, *Subsequent Events*) which clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date and through the date that the financial statements are issued or available to be issued, both for interim and annual reporting periods. The provisions of ASC 855 became effective prospectively for interim and annual reporting periods ending after June 15, 2009.

In January 2010, the FASB issued Accounting Standards Update ("ASU") 2010-06, *Improving Disclosures About Fair Value Measurements* ("ASU 2010-06"), which amends the Fair Value Measurements and Disclosures Topic of ASC 820. This amendment requires new disclosures on the value of and the reasons for transfers in and out of Levels 1 and 2 of the fair value hierarchy and additional disclosures about purchases, sales, issuances and settlements within Level 3 fair value measurements. ASU 2010-06 also clarifies existing disclosure requirements on levels of disaggregation and about input and valuation techniques. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 19, 2009, except for the requirement to provide additional disclosures regarding Level 3 measurements which will be effective beginning after December 15, 2010.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Investment Valuation and Income Recognition

FASB ASC Topic 820, *Fair Value Measurements and Disclosures,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access.

- Level 2 – Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Interest-Bearing Cash: Investment in a money market fund is valued at quoted market prices of the net asset value of shares held by the Plan at year-end.

Common/Collective Trust Funds: Common/collective trust funds are stated at fair value as determined by the issue of these funds based on the fair market value of the underlying investments. Common/collective trust funds with underlying investments in investment contracts are valued at fair market value of the underlying investments and then adjusted by the issuer to contract value.

Participant Loans: Participant loans are valued at their outstanding balances, which approximates fair value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Investment Valuation and Income Recognition (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of:

	December 31, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Interest-bearing cash	**$ 132,566**	**$ -**	**$ -**	**$ 132,566**
Common/collective trust funds	**-**	**4,986,897**	**-**	**4,986,897**
Participant loans	**-**	**-**	**263,345**	**263,345**
TOTAL ASSETS, at fair value	**$ 132,566**	**$ 4,986,897**	**$ 263,345**	**$ 5,382,808**

	December 31, 2008			
	Level 1	Level 2	Level 3	Total
Interest-bearing cash	$ 58,567	$ -	$ -	$ 58,567
Common/collective trust funds	-	2,848,003	-	2,848,003
Participant loans	-	-	195,092	195,092
TOTAL ASSETS, at fair value	$ 58,567	$ 2,848,003	$ 195,092	$ 3,101,662

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2009:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Investment Valuation and Income Recognition (Continued)

	Participant Loans
Balance, beginning of year	$ 195,092
Purchases, sales, issuances and settlements, net	68,253
BALANCE, END OF YEAR	$ 263,345

The adoption of FASB ASC Topic 820 did not have a material impact on the Plan's financial statements.

The GIC Portfolio is a stable value fund that may invest in a variety of investment contracts and instruments issued by selected insurance companies and financial institutions.

As described in the guidance now codified as FASB ASC 962, *Plan Accounting – Defined Contribution Pension Plans*, investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by FASB ASC 962, the statements of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

The yield earned at December 31, 2009 and 2008 was 0.62% and 4.01%, respectively. The yield earned with an adjustment to reflect the actual interest rate credited to participants at December 31, 2009 and 2008 was 0.57% and 3.94%, respectively. The existence of certain conditions can limit the Plan's ability to transact at contract value. Specifically, any event outside the normal operation of the Plan which causes a withdrawal from an investment contract may result in a negative market value adjustment with respect to such withdrawal.

Valuations of the Plan assets are generally made every business day. Net appreciation in the value of investments includes realized gains and losses on investments sold during the year and unrealized appreciation or depreciation of investments held at year-end. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Benefit Obligations

Benefits are recorded when paid. As of December 31, 2009, there were no amounts allocated to participants who elected to withdraw from the Plan, but have not been paid.

F. Administrative Expenses

The Plan's administrative expenses are paid by either the Plan or the Bank. The Plan permits the payment of administrative expenses to be made from the Plan's assets. If expenses are paid using the Plan's assets, then the expenses will generally be allocated among the accounts of all participants in the Plan. These expenses will be allocated either proportionately based on the value of the accounts balances or as an equal dollar amount based on the number of participants in the Plan. There are certain other expenses that may be paid just from a specific participant's accounts. These are expenses that are specifically incurred by, or attributable to, a participant. After termination of employment, the Bank reserves the right to charge participant's account for the pro rata share of the Plan's administration expenses, regardless of whether the Bank pays some of these expenses on behalf of current employees.

NOTE 3 – INFORMATION CERTIFIED BY TRUSTEE (UNAUDITED)

All investments and investment activities included in the accompanying statements of net assets available for benefits, the statement of changes in net assets available for benefits, and the supplemental schedule have been certified as complete and accurate by the Wilmington Trust (the "Trustee") as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

The Plan's independent auditors did not perform auditing procedures with respect to the certified information except for comparing such information to the related information included in the financial statements and supplemental schedule.

At December 31, 2009 and 2008, all investments of the Plan were participant-directed.

NOTE 4 – INVESTMENTS (UNAUDITED)

The following presents investments that represent five percent (5%) or more of the Plan's net assets at December 31:

	2009	2008
GIC Portfolio*	$ **	$ 183,588
Large Co Value Portfolio*	**1,299,459**	779,321
Overseas Equity Portfolio*	**1,231,777**	583,019
Small Co Growth Portfolio*	**412,655**	306,030
Strategic Balanced Portfolio*	**318,323**	288,142
Strategic Bond Portfolio*	**351,537**	362,987
Strategic Growth Portfolio*	**947,589**	257,498

* Indicates party-in-interest.

** Represents less than five percent (5%) of the Plan's net assets as of December 31.

During 2009, the Plan's investments in common/collective trust funds (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $798,125.

NOTE 5 – RELATED PARTY TRANSACTIONS

Certain Plan investments are managed by the Trustee. As defined by the Plan and, these transactions qualify as party-in-interest transactions. Such transactions are permitted under the provisions of the Plan and are exempt from the prohibition of party-in-interest transactions under ERISA.

NOTE 6 – PLAN TERMINATION

Although the Bank intends to maintain the Plan indefinitely, the Bank reserves the right to terminate the Plan at any time. Upon termination, no further contributions will be made to the Plan and all amounts credited to participants' accounts will become one hundred percent (100%) vested. The Bank will direct the distribution of participants' accounts in a manner permitted by the Plan as soon as practicable.

NOTE 7 – TAX STATUS

The Plan adopted a prototype non standardized profit sharing plan established by Pattillo Brown & Hill, LLP. The prototype plan has obtained a favorable opinion letter dated March 31, 2008. According to the prototype plan, the Plan's assets are qualified pursuant to Section 401(a) of the Internal Revenue Code; and accordingly, the related trust is exempt from income taxes. The Plan has not requested a determination letter from the Internal Revenue Service, but the Bank believes that the Plan qualifies and operates as designed. Therefore, no provision for income taxes has been included in the Plan's financial

NOTE 8 – RISKS AND UNCERTAINTIES

The Plan provides for various investment options. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of net assets available for benefits.

NOTE 9 – EXCESS PARTICIPANT CONTRIBUTIONS PAYABLE

The Plan failed a non-discrimination test for the year ended December 31, 2009. Excess participant contributions amounting to $16,644 are recorded as a liability in the accompanying statements of net assets available for benefits as of December 31, 2009, and as a reduction of participant contributions for the respective year. The Plan reimbursed these excess participant contributions, including earnings and losses, subsequent to the associated Plan year of failure.

NOTE 10 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Schedule H of Form 5500:

	2009	2008
Net assets available for benefits per the financial statements	**$ 5,479,647**	$ 3,203,986
Excess participant contributions payable	**16,644**	-
NET ASSETS AVAILABLE FOR BENEFITS PER FORM 5500	**$ 5,496,291**	$ 3,203,986

NOTE 10 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 (CONTINUED)

The following is a reconciliation of total contributions per the financial statements for the year ended December 31, 2009 to the Form 5500:

	Amount
Contributions per the financial statements	$ 1,857,565
Add: excess participant contributions payable at December 31, 2009	16,644
TOTAL CONTRIBUTIONS PER SCHEDULE H OF FORM 5500	$ 1,874,209

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Bank has evaluated events and transactions for potential recognition or disclosure through July 29, 2010, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULE

KLEBERG FIRST NATIONAL BANK 401(K) PLAN
SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS (HELD AT YEAR-END)
DECEMBER 31, 2009

EIN: 74-0726853
Plan No. 002

(a) *Party-in-Interest	(b) Identity of Issue, or Issuer	(c) Description of Investment	(d) Cost	(e) Current Value
*	Money Market Portfolio	Interest-bearing cash	**	$ 132,566
*	Balanced Portfolio	Common/collective trust fund	**	2,531
*	GIC Portfolio	Common/collective trust fund	**	190,949
*	Large Co Value Portfolio	Common/collective trust fund	**	1,299,459
*	Mid-Cap Fundamental Value Portfolio	Common/collective trust fund	**	258,332
*	Overseas Equity Portfolio	Common/collective trust fund	**	1,231,777
*	Small Co Growth Portfolio	Common/collective trust fund	**	412,655
*	Strategic Balanced Portfolio	Common/collective trust fund	**	318,323
*	Strategic Bond Portfolio	Common/collective trust fund	**	351,537
*	Strategic Growth Portfolio	Common/collective trust fund	**	947,589
*	Participant Loans	Interest rate range: 4.25% to 9.25%	-	263,345
	TOTAL ASSETS HELD FOR INVESTMENTS			$ 5,409,063

* A party-in-interest as defined by ERISA.
** Cost information is omitted, as these accounts are participant-directed.

See independent auditors' report.

KLEBERG FIRST NATIONAL BANK 401(K) PLAN
SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS (HELD AT YEAR-END)
DECEMBER 31, 2009

EIN: 74-0726853
Plan No. 002

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*	Participant Loans	Interest rate range: 4.25% to 9.25%	-	263,345
	TOTAL ASSETS HELD FOR INVESTMENTS			$ 5,409,063

* A party-in-interest as defined by ERISA.
** Cost information is omitted, as these accounts are participant-directed.

See independent auditors' report.