

First National Bank

OF HUNTSVILLE



September 12, 2018

Daniel Harper, Vice Chancellor for Finance
The Texas State University System
601 Colorado Street
Austin, Texas 78701

Dear Mr. Harper:


On behalf of the Board of Directors of First National Bank of Huntsville, we are submitting our proposal for Regional Banking Services for Sam Houston State University, a Component of The Texas State University System.

This proposal is valid for 180 days from September 14, 2018.

First National Bank of Huntsville is in agreement with the conditions and requirements of the request for proposal for Regional Banking Services, dated August 6, 2018. If you should have any questions concerning the banks proposal please contact: Debbie Woods, Senior Vice President and Cashier at 936-294-8044, Mike Dowell, Senior Vice President, Chief Financial Officer at 936-294-8039 or James Coleman, President at 936-294-8009.

Thank you for the opportunity to provide your institution with the proposal. We look forward to working with you.

Sincerely,


Sam H. Burris, Jr.
Chairman of the Board and
Chief Executive Officer

First National Bank of Huntsville

PROPOSAL

FOR

REGIONAL BANKING SERVICES

For

Sam Houston State University,
a component of the

THE TEXAS STATE UNIVERSITY
SYSTEM

RFP NO.:

758-18-00058

ALL PROPOSALS MUST BE RECEIVED BY:

September 14, 2018 - 3:00 p.m. (C.D.T)

First National Bank of Huntsville

EXECUTION OF OFFER

1. In compliance with this RFP, and subject to all the conditions herein, the undersigned offers and agrees to furnish any and all commodities or services at the prices quoted. **Confirmed.**
2. By signature hereon, the offeror hereby certifies that he/she is not currently delinquent in payment of any franchise taxes owed the State of Texas under Chapter 11, Tax Code. **Confirmed.**
3. By executing this offer, offeror affirms that he/she has not given, offered, or intends to give at any time hereafter, any economic opportunity, future employment, gift loan, gratuity, special discount, trip, favor, or service to public servant in connection with the submitted offer. Failure to sign the offer, or signing it with a false statement, shall void the submitted offer or any resulting contracts, and the offeror shall be removed from all proposals lists. **Confirmed.**
4. By the signature hereon affixed, the offeror hereby certifies that neither the offeror or the firm, corporation, partnership, or institution represented by the offeror or anyone acting for such firm, corporation, or institution has violated the antitrust laws of this State, codified in Section 15.01, et. seq., Texas Business and Commerce Code, or the Federal anti-trust laws, nor communicated directly or indirectly the offer made to any competitor or any other person engaged in such line of business. By signing this offer, offeror certifies that if a Texas address is shown as the address of the offeror, offeror qualified as a Texas Resident Proposer as defined in Rule 1 TAC 113.8. **Confirmed.**

This offer consists of RFP# 758-18-00058

Federal Employer Identification Number (FEIN): 74-0702223

Proposer/Company: First National Bank of Huntsville

Signature (ink):  **Date: September 12, 2018**

Name (typed/printed): Sam H. Burris, Jr

Title: Chief Executive Officer

Address: P O Box 659 Huntsville, Texas 77342-0659

Street or PO Box City State Zip Code

Telephone Number: 936-295-5701 ext. 8015

E-mail: shb@fmbhuntsvilletx.com

COST OF PROPOSAL: Cost to be submitted on the attachments and/or as called for within the RFP document. **Proposer shall include in their response to this Request for Proposal any and all cost, fees, charges, etc. associated with their Proposal.**

Proposer shall complete, sign, and submit the **Execution of Offer** with their response. The **Execution of Offer** must be signed by a representative of Proposer duly authorized to bind the Proposer to its proposal. **Failure to sign the Execution of Offer will result in the rejection of proposal.**

First National Bank of Huntsville

Under Section 2155.004, Government Code, First National Bank of Huntsville certifies that the individual or business entity named in this bid or contract is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate.

This proposal shall remain valid for a minimum of one hundred and eighty (180) days after the submittal deadline.

Pricing Page(s)					
AFP Code	Service	Unit Basis	Avg Mo. Volume	Proposed Fee	Notes/explanations, if necessary.
	ACCOUNT SERVICES				
010000	Master Account Maintenance Fee	Per account		no charge	
010000	Subsidiary Account Maintenance	Per account		no charge	
010000	Account Maintenance with Check Return	Per account		no charge	
010000	Account Maintenance with Check Storage	Per Account		no charge	
010020	ZBA Account Maintenance - Master Account (ADT)	Per account		no charge	
010021	ZBA Maintenance - Subsidiary Accounts (Base)	Per account		no charge	
010112	ZBA Account Transfers	Per item		no charge	
450020	Investment Sweep	Per account		0.10%	.10% of the average market value of the account
450020	Dr/Cr Sweep Transaction Fee	Per item			Investment sweep offered through our Trust Dept.
450020	Sweep daily confirmation	Per item			
450020	Automated money market fund investment	Per item			
450020	Mutual Fund Sweep Maintenance	Per account		0.10%	.10% of the average market value of the account
010100	Debits Posted - Other (Checks Posted)	Per item		no charge	
010101	Credits Posted - Other	Per item		no charge	
010320	Account Research Fee - Document Return	Per hour		no charge	
010300	Invoiced account analysis	Per item		no charge	
150401	Telephone Inquiry	Per item		no charge	
010307	Statements Rendered	Per item		no charge	
010308	Imaged E-Statement	Per item		no charge	
	AUTOMATED BALANCE/DETAIL REPORTING			no charge	
401003	Software Installation Fee	One Time		no charge	
401004	Monthly Maintenance/Administration Fee	Per account		no charge	
100410	Return Item Subscription per item	Per item		no charge	
400000	Balance Account Monthly Maintenance	Per account		no charge	
400000	Transaction Account Monthly Maintenance	Per account		no charge	
400000	Balance Account Transactions Reported	Per account		no charge	
400000	Balance Account Transactions Reported	Per account		no charge	
400052	Prior Day Reporting Maintenance	Per account		no charge	
400051	Prior Day Dr/Cr Detail Items	Per item		no charge	
400055	Intra-day Reporting Maintenance (ML)	Per item		no charge	
400054	Intra-day DR/Cr Detail Items	Per item		no charge	
010300	Cost per account E-Statements	Per account		no charge	
010300	Cost per item - E-Statements	Per account		no charge	
010306	Online DDA Statement	Per account		no charge	

First National Bank of Huntsville

100410	Return Item Subscription Fee	Per account		no charge
100410	Return Item Optional Detail	Per account		no charge
100410	Image Retrieval	Per item		no charge
400001	Detail item fee (all modules)	Per item		no charge
400001	ACH Module	Per account		no charge
400001	ACH Detail	Per item		no charge
400001	Reconciliation Module	Per account		no charge
400001	Recon Detail	Per item		no charge
100410	Return Item Maintenance	Per account		no charge
100410	Return Item Detail	Per item		no charge
450100	Sweep Module	Per account		no charge
400001	Sweep Detail	Per item		no charge
	DEPOSITORY SERVICES			no charge
100000	Commercial Account Maintenance	Per account		no charge
100001	Banking Center Deposits	Per deposit		no charge
	Banking Center Post-verification	Per \$100		no charge
100000	Banking Center - Immediate Verification	Per item		no charge
100007	Banking Center - Night Drop Deposits	Per deposit		no charge
100048	Branch Deposit	Per \$100		no charge
100000	Branch Credit Posted	Per item		no charge
100048	Branch Deposit - Currency	Per \$100		no charge
10001A	Night Deposit coin/currency	per \$100		no charge
	Canvass Bag Processing	Per bag		no charge
100113	Cash Deposit	Per deposit		no charge
010110	Deposit Processing - OTC	Per item		no charge
	Deposit Location Reporting (If differentiated)	Per item		no charge
100210	On-us Items	Per item		no charge
100212	Local Clearinghouse	Per item		no charge
100221	Local City	Per item		no charge
100222	Local Fed/RCPC Clearing	Per item		no charge
100223	11th Fed Country Items	Per item		no charge
100224	Other 11th Fed City Items	Per item		no charge
100225	Other 11th Fed RCPC Items	Per item		no charge
100224	Transit Item Clearing	Per item		no charge
100228	Encoding Charge (10022Z)	Per item		no charge
100225	Foreign Item Deposits (609999)	Per item		no charge
100230	MICR Reject Repair	Per item		no charge
100400	Return Items Chargeback to Account	Per item		no charge
100410	Return Item - Per item	Per item		no charge
100401	Return items - Notification by fax	Per item		no charge
100401	Return Items - Notification by telephone	Per item		no charge
100402	Return item - Reclear	Per item		no charge
100404	Return item - Buyback	Per item		no charge
100415	Return Item - Imaging Transmission	Per item		no charge
100402	Return/Reclear Special Handling	Per item		no charge
100230	Pre-encoded rejects	Per item		no charge
100400	Return item - RCK-ACH Chargeback	Per item		no charge
100402	Return item - RCK ACH Reclear	Per item		no charge
150340	NSF Items Paid/Returned Handling Fee	Per item		no charge
150100	Cancelled Check Enclosed	Per item		no charge
	Cashed Checks	Per item		no charge
	Checks in Clearing	Per item		no charge
	Credit Adjustment	Per item		no charge
	COLLECTION SERVICES			no charge
100300	Collection Checks and Drafts	Per item		no charge
100310	Collection - Foreign Draft	Per item		no charge
	ACH PROCESSING			no charge
400001	Monthly Online ACH Maintenance	Per month		no charge
250700	ACH Concentration Maintenance	Per month		no charge
	ACH Processing Fee Per Item	Per item		no charge
250102	ACH Transit One Day	Per file		no charge
250102	ACH Transit Two Day	Per item		no charge
250102	ACH On-Us One Day	Per item		no charge
250102	ACH On Us Two Day	Per item		no charge
250102	Same Day Processing	Per item		no charge

First National Bank of Huntsville

250103	Debit Originated International	Per item		no charge	
250103	Credit Originated International	Per item		no charge	
250200	Debit Posted	Per item		no charge	
250202	Debit Received Item	Per item		no charge	
250202	Credit Received Item	Per item		no charge	
250200	Electronic Credit Posted			no charge	
250101	Consumer On-us Credit	Per item		no charge	
250101	Consumer Off-us Credit	Per item		no charge	
250102	Consumer On-us Debit	Per item		no charge	
250102	Consumer Off-us Debit	Per item		no charge	
250101	Corporate On-us Credit	Per item		no charge	
250101	Corporate Off-us Credit	Per item		no charge	
250102	Corporate On-us Debit	Per item		no charge	
250102	Corporate Off-us Debit	Per item		no charge	
250120	ACH Addendum Received	Per item		no charge	
250120	ACH Addenda Originated	Per item		no charge	
250400	ACH Online Return Subscription	Per account		no charge	
250300	ACH Return Items debit	Per item		no charge	
250301	ACH Return Items credit	Per item		no charge	
250302	ACH Return and Reclear	Per item		no charge	
250703	ACH Online Subscription	Per account		no charge	
251070	ACH Nofication of Change (NOC) from receiveor	Per item		no charge	
250401	Return Items - Fax Notification	Per item		no charge	
250401	Return Item - Photocopy	Per item		no charge	
251010	ACH Special Handling	Per hour		no charge	
250640	ACH File Delete/Reversal	Per item		no charge	
250622	Deletions/ExceptionsCharge per Batch	Per file/batch		no charge	
251010	Manual Issue Input	Per item		no charge	
250500	ACH File processing	Per item		no charge	
250501	ACH Transmissions	Per file		no charge	
250199	Night Cycle Processing	Per item		no charge	
250999	ACH File Deletion/Reversal	Per file		no charge	
250703	ACH Online Subscription - Master			no charge	
250710	ACH Standard Report - Fax	Per item		no charge	
250701	ACH Optional Reports - Fax	Per report		no charge	
259999	ACH Standard Report - Mail	Per report		no charge	
250702	ACH Optional Report - Mail	Per report		no charge	
251050	Fraud Filter - Filter/Block Maintenance	Per month		no charge	
251053	Fraud Filter - Review - Per Item	Per item		no charge	
259999	Fraud Filter Report	Per item		no charge	
250107	Fraud Filter NOC - Fax	Per item		no charge	
251050	ACH ADA Maintenance (Debit Block Maintenance)	Per month		no charge	
251051	ACH ADA Authorization Id (filter on debit block ACH)	Per item		no charge	
	REMOTE CAPTURE/DEPOSIT OF CHECKS			no charge	
001099	One-time set-up or training fees or Implementation				equipment costs would apply
001010	Remote Monthly maintenance	Per month		no charge	
001010	Remote Capture Credit Posted (Deposit Item)	Per item		no charge	
001010	Remote Capture - On-us (100220)	Per item		no charge	
001010	Remote Capture items Deposited	Per item		no charge	
001100	Remote Transmission of data	Per item		no charge	
001110	Remote Transmission detail	Per item		no charge	
	POSITIVE PAY			no charge	
150030	Positive Pay Account Maintenance with Full Recon	Per month		no charge	
150031	Positive Pay with Full Recon Item Processing	Per item		no charge	
150122	Payee Review	Per account		no charge	
150723	Posotive Pay Image - Internet	Per item		no charge	
150040	Positive Pay Account Maintenance with Partial Recon	Per month		no charge	
150041	Positive Pay with Partial Recon Item Processing	Per item		no charge	
159999	Positive Pay Item Charge without Recon	Per item		no charge	

First National Bank of Huntsville

150120	Positive Pay Reject and Returns	Per item		no charge	
159999	Return other than Fraud	Per item		no charge	
150340	Positive Pay NSF Handling Fee	Per item		no charge	
150999	Positive Pay Notification - Fax	Per item		no charge	
150031	Reverse Positive Pay Account Maintenance	Per month		no charge	
150322	Reverse Positive Pay Return - Other	Per item		no charge	
150030	Exceptions	Per item		no charge	
200399	Positive Pay Exception Items	Per item		no charge	
150230	Stale Date Maintenance	Per item		no charge	
	Transmission - File Transmission	Per item		no charge	
150401	Telephone Inquiry Charge	Per item		no charge	
	RECONCILIATION			no charge	
250000	Items Reconciled			no charge	
200020	Partial Recon Monthly Account Maintenance w/positive pay	Per month		no charge	
150100	Partial Recon Detail Items	Per item		no charge	
200201	Partial Recon Item Transmission	Per item		no charge	
200301	Partial Recon Output File Transmission	Per file		no charge	
200201	ARP Partial Positive Pay Issue	Per item		no charge	
200310	ARP Partial Reconciliation	Per item		no charge	
200010	Full Recon Monthly Account Maintenance w/positive pay	Per month		no charge	
250000	Full Recon File Maintenance			no charge	
200100	Full Recon Detail Items	Per item		no charge	
200201	Full Recon Item Transmission	Per item		no charge	
200301	Full Recon Output File Transmission	Per file		no charge	
200400	Deposit Reconciliation Account Maintenance	Per account		no charge	
200401	Deposit Reconciliation Detail Items	Per item		no charge	
209999	Recon ARP Exception Items	Per item		no charge	
209999	Recon Check Exception Return	Per item		no charge	
	STOP PAYS			no charge	
150400	Monthly Account Maintenance	Per account		no charge	
150420	Stop Pays - Manual	Per item		no charge	
150410	Stop Pays - Automated	Per item		no charge	
150450	Stop Pays Renewals	Per item		no charge	
150999	Stop Pay Inquiry	Per item		no charge	
	SAFEKEEPING				
	Service Monthly Maintenance Custody	Per month		5.0000	\$5 SecureConnect \$10 Standard Pricing
	Clearing Fees				
	FRB	Per item			
	DTC	Per item			
	Securities Received/ Del - DVP	Per item		15.0000	No charge if using Secure Connect
	Safekeeping Fees	Per item			
	FRB	Per item		4.0000	
	DTC	Per item		2.0000	
	Custody per Cusip/Holding	Per cusip			
	Income Collection to DDA	Per item			
	Income Collection - Coupons	Per item		3.0000	
	Income Collection - Maturities	Per item		6.5000	
	Income Collection - Calls	Per item		13.0000	
	OVERDRAFT				
159900	Overdraft Item Fee	Per item		28.0000	
159900	Overdraft Rate	For Period		0.0325	Current FNB Base Lending Rate
159999	Overdraft Handling Fee	Per item			
	WIRES AND TRANSFERS				
350000	Monthly Account Maintenance	Per month		no charge	
350300	Incoming - domestic Straight	Per item		no charge	
350541	Incoming - domestic Repair	Per item		no charge	
350700	Incoming - international	Per item			FNBH would pass on to SHSU only the fees we would be charged by a correspondent bank.
350103	Outgoing - repetitive - automated, domestic	Per item		no charge	
350222	Outgoing - repetitive - manual	Per item		no charge	
350101	Outgoing - non-repetitive - automated, domestic	Per item		no charge	

First National Bank of Huntsville

350500	Outgoing - Non-repetitive - Manual or Officer Generated	Per item		no charge	
350113	Outgoing - international USD	Per item		40.0000	FNB uses Frost Bank for International Wires. FNB
350114	Outgoing - International FX	Per item		40.0000	would pass on the fee charged from Frost Bank but
350510	Wire outgoing Standing order	Per item			would not charge any markup.
350521	Wire Out Domestic Drawdown Internet (350104)	Per item			
	OPTIONAL SERVICES PRICING				
	PAY CARDS				
060001	Monthly Pay Card Service Account Maintenance	Per month			paycards would be outsourced to a 3rd party.
060000	PayCard Web User Fee	Per month			no upcharge on 3rd party pricing.
060100	Paycard Enrollment - Automated	Per item			
060310	Paycard Web Load	Per item			
060220	Paycard Replacement Card	Per item			
069999	Paycard File Transmission (load or enroll)	Per item			
010000	Postage	Actual cost			
060220	Generic MC-V Card Initial Card	Per card			
010000	Initial system design and development	Per setup			
010000	Special programming	Per hour			
	<i>Pay Card User Fees</i>				
060320	ATM Cash Withdrawal - On-us	Per item			
060320	ATM Cash Withdrawal - Not On-us	Per item			
060403	ATM Balance Inquiries	Per item			
060320	ATM Withdrawal	Per item			
060320	ATM Decline	Per item			
060322	Point of Sale Use	Per item			
010000	Overdraft Fee	Per item			
060324	Cash Advance OTC	Per item			
060325	Paycard Auto ACH Debits	Per card			
010000	Funding credits	Per item			
010000	Standard reporting	Per item			
010000	Account reconciliation	Per month			
069999	Corrections	Per item			
060400	Paycard Customer Service Request Call	Per call			

First National Bank of Huntsville

TABLE OF CONTENTS

Section

	Cover Page
	Execution of Offer, including pricing page(s)
I	Executive Summary of Proposal
II	Company Information
	2.1 Public Information
	2.2 Clarifications and Interpretations
	2.3 Execution of Offer
	2.4 Proposer Questions
	2.5 Point of Contact
	2.6 Submission of Proposals
	2.7 Evaluation of Proposals
	2.8 TSUS Reservation of Right
	2.9 Acceptance of Evaluation Methodology
	2.10 Non Reimbursement of Costs
	2.11 Historically Underutilized Business Submittal Requirements
	2.12 Certain Proposals and Contracts Prohibited
	2.13 Certification of Franchise Tax Status
	2.14 Delinquency in Paying Child Support
	2.15 Conflicts/Contact
	2.16 Ownership and Use of Work Material
	2.17 Validity Period
	2.18 Contract Administration
	2.19 Presentations
	2.20 Negotiations
III	General Statement of Banking Service Required
IV	Proposal Submission Instructions and Qualifications
	4.1 Local Presence
	4.2 Proposal Format
	4.3 Schedule for Proposal Submission
	4.4 Proposal Submission
	4.5 Pre-Proposal Conference
	4.6 Bank Compensation
V	System Financial Overview
VI	Required Financial Institution Information
VII	Required Banking Services
	7.1 Consolidated Account Structure with Sweep Mechanism
	7.2 Automated Cash Management Information Access
	7.3 Depository Services

First National Bank of Huntsville

	7.4	Standard Disbursing Services and Positive Payee
	7.5	Account Reconciliation
	7.6	ACH Services
	7.7	Wire and Transfer Services
	7.8	Safekeeping of System and Component Owned Securities
	7.9	Collateralization of Deposits
	7.10	Account Analysis
	7.11	Monthly Statements
	7.12	Stop Payments
VIII		Insurance
IX		Execution of Offer
X		Terms & Conditions
XI		HSP
XII		Exhibits 1-15

EXECUTIVE SUMMARY OF PROPOSAL For Regional Banking Services For Sam Houston State University, A Component of The Texas State University System.

First National Bank of Huntsville (the Bank) appreciates the opportunity to present to Sam Houston State University, A Component of The TSUS (the University), a bid to serve as its financial institution for regional banking services. We offer the University both the latest in banking convenience along with old fashioned service that comes from over 127 years of developing and maintaining banking relationships.

If the University chooses to continue its banking relationship with First National Bank of Huntsville. The University would continue to receive the convenience of banking with a local full-service banking institution that provides a well-trained staff to help customers with their banking questions and offers solutions to their needs. Also, as in the past, the bank would offer free check cashing to University employees at any of our locations, and pay the University a competitive rate on its interest bearing account(s). The University would have an officer assigned to its account that is trained to assist if a problem arises, such as an inadvertent overdraft to an account. If this were to occur, the individual assigned to the account would contact University personnel immediately to resolve the problem rather than return the check.

Currently, all services derived within the bank are provided to the University **FREE OF CHARGE**. First National Bank recoups only the cost of services provided indirectly to the University by a third party. First National Bank of Huntsville proposes this same arrangement to the University for services to begin in December 2018 and extend through April of 2025.

FNBH offers the ability to sweep account balances daily. The indexed interest bearing account will pay a rate equal to 100% of the median discount rate for the **3 month** T-Bill resulting from the T-Bill auction on the last Monday of the prior month as stated on the Treasury Direct web-site. <https://www.treasurydirect.gov/instit/annceresult/press/preanre/preanre.htm>. If that Monday is

First National Bank of Huntsville

designated as a holiday, the auction will be held on Tuesday and the results will post on Tuesday. The rate shall be applicable to all regular operating funds of the University but shall not apply to any other funds including the proceeds of any bonds, warrants, or special funding.

First National Bank of Huntsville offers additional services that the University may be interested in utilizing.

Blue Ribbon Banking

To partner with the University's effort to increase utilization of direct deposit, we have created a group banking account for employees of the University. The two requirements for the special account are: 1) available to employees of the University who 2) elect to receive their paycheck via direct deposit. The account, named Blue Ribbon Banking, is a package of special pricing and benefits created especially for the University's employees.

Stored Value Card Products

First National Bank of Huntsville can offer the University a stored value card product with a wide range of applications. The cards can be used as gift cards, payroll cards or money transfer cards. These cards can be used for payroll, employee awards, expense reimbursements, or for petty cash. This product is limited only by your needs.

Trust Investment Services

The bank's trust department works closely with several of our business and municipal clients to maximize the return on their cash. The department offers several opportunities to accomplish your investment goals.

Commercial Debit Card

The First National Bank of Huntsville Business Debit Card lets you make purchases or withdraw funds from your checking account without writing a check. The Business debit card will be accepted anywhere you see the Visa symbol worldwide. You can use the card at places that normally do not allow checks. You can use it for your petty cash purchases.

Credit Card Merchant Services

With our credit card merchant service, the University would be able to offer a wide range of card-based payment options to its customers. Accepting card-based payments can help to enhance the University's cash flow and can help reduce the time burden of billing and collection. First National Bank of Huntsville's merchant card product can accept most major credit cards, offer comprehensive point-of-sale debit card processing solutions and create an additional revenue stream with pin-based user fees.

First National Bank of Huntsville

Positive Pay – Fraud Prevention with full account reconciliation

Positive pay services with full reconciliation can be provided on all accounts. The full reconciliation service would include reconciliation of outstanding checks with detailed check issuance information included in the reconciliation reports. In an effort to further reduce the potential for check fraud. The University may wish to consider the extension of positive pay services to all checking accounts. Positive Pay is provided at no extra charge.

Research Capabilities

With eStatements, the University will have immediate on-line access to account statements and digital copies of any cleared checks issued on the accounts for the past 18 months.

First National Bank of Huntsville has the following locations and hours of operations to serve the needs of the University:

MAIN LOBBY
1300 Eleventh St
9:00 am to 3:00 pm Monday through Friday

MOTOR PARK
1410 Tenth Street
7:30am to 6:00pm Monday through Friday

MOTOR BANK
1001 Avenue M
7:30am to 6:00pm Monday through Friday
9:00am to 1:00pm Saturday

FNB WEST
130 Col. Etheridge, Suite E
9:00am to 6:00pm Monday through Friday

CROCKETT BANK
617 East Houston Avenue
Crockett TX
Lobby: 9:00am to 3:00pm Monday through Thursday
9:00am to 5:30pm Friday
Motor Bank: 7:30am to 5:30pm Monday through Friday

THE BANK OF MADISONVILLE
333 North May Street
Madisonville TX
Lobby: 9:00am to 2:00pm Monday through Thursday
9:00am to 6:00pm Friday
Motor Bank: 7:30am to 5:30pm Monday through Thursday
7:30am to 6:00pm Friday

ROBERTSON COUNTY BANK
1041 West Decherd Street
Franklin, TX 77856
Lobby: 9:00am to 3:00pm Monday through Thursday
9:00am to 5:00pm Friday

BRAZOS COUNTY BANK
3971 University Drive East
Bryan, Texas 77802
9:00am to 4:00pm Monday through Friday

ATM LOCATIONS
1300 11th Street
130 Col. Etheridge, Suite E
1803 Ave J – SHSU Campus, AB-1 Building
SHSU Campus Post Office
485 I-45 Huntsville Memorial Hospital
617 East Houston Avenue, Crockett TX
333 North May Street, Madisonville TX
1041 West Decherd Street, Franklin, TX 77856
3971 University Drive East, Bryan, TX 7782

First National Bank of Huntsville

We thank you for the opportunity to continue our relationship with the University. We hope that our past service proves our dedication to providing the University with excellent banking services in the future.

First National Bank of Huntsville

Company Information:

First National Bank of Huntsville
TIN 74-0702223

1300 11th Street
Huntsville, Tx 77340

P O Box 659
Huntsville, Tx 77342-0659

Phone 936-295-5701

Bank Contacts

Name	Title	Years in Banking
Sam H. Burris, Jr.	Chief Executive Officer	43
Jim Coleman	President	41
John Sanders	Executive Vice President	35
Walter H. Bennett, Jr.	EVP – Trust Division Manager	29
John M. Dowell	Senior Vice President – CFO	28
Debbie Woods	Senior Vice President & Cashier	41
Martina Burdett	SVP – Information Technology	21

First National Bank of Huntsville

ABOUT US

FIRST NATIONAL BANK OF HUNTSVILLE OVER 100 YEARS OLD AND STILL SINGLE!



Starting out in 1841 as a family owned mercantile business in Huntsville, Texas, the "bank" emerged because a large safe in the back room served to hold money and to safekeep valuables for customers in good standing. By 1879, it had become a private bank.



At that time in Texas, loosely organized private financial institutions were popular because Texans feared state or nationally chartered banks would remove wealth and power from local control. However, during the 1880's, many private banks had failed and depositors lost their entire savings. So private banks and financial institutions were later viewed as dangerous.



On January 14, 1890, the Gibbs National Bank was established. Banking activities generally consisted of safekeeping, credit extension, paying and receiving, and acting as a third party in completing financial transactions between two other parties. With the connotation of being the bank for the community, the name was changed to the First National Bank of Huntsville, in January 1923.



Today, the Bank is still an independent community bank and has proven the ability to adapt and accept change and progress. Our service area was expanded on December 31, 1997, with the acquisition of Crockett State Bank; and again on October 15, 2004 with the acquisition of The National Bank of Madisonville. Serving Houston County is Crockett Bank and serving Madison County is The Bank of Madisonville. On June 16, 2008 we opened Robertson County Bank in Franklin, Texas. All three banks are divisions of First National Bank of Huntsville.

First National Bank of Huntsville

SECTION I – INTRODUCTION

The Texas State University System (TSUS) (“System”) and its component Institutions (“Component(s)”) is requesting competitive proposals for a six (6) year regional banking services contract to be awarded November 2018, with service to begin December 2018 and extend through April 2025. All contracts will be subject to the approval of the Texas State University System Board of Regents. Through this contract the System intends to minimize banking costs, improve operational efficiency, and maximize investment capabilities.

It is the intent of TSUS to allow each Component to select a regional banking services institution, should they elect to do so. This regional banking services institution may be the Component’s sole banking services provider or may be in addition to an existing banking services provider. A regional banking institution must be within 10 miles of the main campus address of the Component to qualify as a regional banking service provider.

The Texas State University System and its Components covered under this Request for Proposal are:

The Texas State University System Administration, Austin, Texas
Lamar University, Beaumont, Texas
Sam Houston State University, Huntsville, Texas
Sul Ross State University, Alpine, Texas
Texas State University, San Marcos, Texas
Lamar Institute of Technology, Beaumont, Texas
Lamar State College - Orange, Orange, Texas
Lamar State College - Port Arthur, Port Arthur, Texas

This Request for Proposal (“RFP”) details all TSUS and Components current banking services and specifies all qualifications desired of banking institutions, delineates all banking services needed, sets the method and terms of compensation, establishes required contract provisions, and provides submission instructions.

The banking institution(s) chosen shall agree to make the Required Services available to the System and Components at the proposed pricing levels during the entire contract period and agrees that all applicable service fees will be included on the proposed fee schedule. Initiation of any new service during the contract period but not encompassed by the RFP shall be priced at no more than the then current published rates.

Banks are encouraged to address any service not anticipated by or outlined in this RFP that will improve efficiencies.

All qualified financial institutions are invited to submit a proposal. Every effort has been made to notify banks within the Component(s) local service area. Banks responding to this Request for Proposal must be in good standing with the Texas State Comptroller in accordance with Section 2252.903 of the Texas Government Code, must be insured through the Federal Deposit Insurance Corporation (FDIC), and be able to demonstrate a capacity to meet the Components requirements as stated in this RFP. **Acknowledged.**

First National Bank of Huntsville

SECTION II – GENERAL INFORMATION & REQUIREMENTS

- 2.1 **PUBLIC INFORMATION:** By submission of this agreement, [Vendor] acknowledges that the agreement, and the contents of any underlying proposals or other documents provided to [TSUS] in response to a competitive bid process from which the Agreement resulted, are public information under the Texas Public Information Act (Texas Government Code Chapter 552). [Vendor] agrees that [TSUS] may provide a copy of the Agreement and/or bid documents in response to a public information request, post the Agreement on its public website, or otherwise release the contents of the Agreement and/or bid documents at [TSUS's] discretion and without prior notice to [Vendor]. Vendor acknowledges that the TSUS strictly adheres to all statutes, court decisions, and the opinions of the Texas Attorney General with respect to disclosure of public information. **Acknowledged and agree.**
- 2.2 **CLARIFICATIONS AND INTERPRETATIONS:** Any clarifications or interpretations of this RFP that materially affect or change its requirements will be issued formally by TSUS as a written addendum. Addenda, if required, will be issued by TSUS for this RFP via the Texas Electronic State Business Daily at: <http://www.txsmartbuy.com/sp>. The Agency Number for Texas State University System is 758. It is the responsibility of all Respondents to check the status of formal addenda before the submission deadline and to obtain this information in a timely manner. All such addenda issued by TSUS before the submittals are due shall be acknowledged by Respondents and incorporated into its response to the RFP. **Agree.**
- 2.3 **EXECUTION OF OFFER:** Please complete, sign and return the attached Execution of Offer (Section X) as part of the proposal. The Execution of Offer must be signed by a representative of Proposer duly authorized to bind the Proposer to its proposal. **Failure to sign and return the Execution of Offer will result in the rejection of the proposal.** **Acknowledged.**
- 2.4 **PROPOSER QUESTIONS:** After the RFP is advertised, proposers will have until **Friday, August 31, 2018 at 3:00 p.m. (C.D.T.)**, to submit written questions for clarification of the proposal. Send questions to contact information listed under Section 2.5. All questions submitted and received will be reviewed, consolidated where possible, and answered in one addendum to the proposal. The addendum will be posted on the Texas Electronic State Business Daily at: <http://www.txsmartbuy.com/sp>. The Agency Number for Texas State University System is 758. Addenda are usually posted within 2 business days unless the questions involve legal issues or complex subjects. It is the proposer's responsibility to continually check the website for Addenda. **Acknowledged.**
- 2.5 **POINT-OF-CONTACT:** TSUS designates the following person as its representative and Point-of-Contact for this RFP. Respondents shall restrict all contact with TSUS and direct all questions regarding this RFP, including questions regarding terms and conditions, **in writing** to the Point-of-Contact person no later than **Friday, August 31, 2018 at 3:00 p.m. (Central Daylight Time)**. **Acknowledged.**

Daniel Harper, Vice Chancellor for Finance
Direct Phone: 512-463-6449
The Texas State University System
601 Colorado Street
Austin, Texas 78701-2407
Phone: 512-463-1808 Fax: 512-463-1816

First National Bank of Huntsville

daniel.harper@tsus.edu

- 2.6 **SUBMISSION OF PROPOSALS:** TSUS will receive Proposals, including HUB Plans, for RFP NO.: 758-18-00058 at the time and location described below. The **Proposer (not the carrier/mail service/other or TSUS)** is solely responsible for ensuring that the proposal is received prior to the specified opening date and time as specified on the RFP form. **Acknowledged.**

Proposals Must Be Received By: September 14, 2018 - 3:00 p.m. (C.D.T) **Acknowledged.**

Proposals Are To Be Submitted To:

Daniel Harper, Vice Chancellor for Finance
The Texas State University System
601 Colorado Street
Austin, Texas 78701

Acknowledged.

- 2.6.1 Proposer should submit one (1) complete copy (including HUB plan) of its entire proposal in Adobe Acrobat PDF format on a USB drive to the attention and address listed above. A signature by an authorized officer of Proposer must appear on the Execution of Offer included in the submitted proposal. **Acknowledged.**
- 2.6.2 Unacceptable Proposal Delivery Methods: TSUS will not accept proposals submitted on paper, by telephone, facsimile (fax) transmission, or electronic email submission in response to this RFP. **Acknowledged.**
- 2.6.3 Proposal Envelope/Box/Container: Each proposal should be placed in an envelope, box, or container that is completely and properly identified with the RFP number, due date and time. It is the proposer's responsibility to have the proposal correctly marked and to TSUS' point of contact by the specified date and time for receipt. **Acknowledged.**
- 2.6.4 Format for Proposal: Proposer should submit their complete proposals in **Adobe Acrobat PDF format** using substantially the following format in terms of order of content. Proposer shall make every effort to present the required information in a detailed, orderly, and compact presentation. Proposer should provide visual examples of functionality to clarify and reinforce key product features and services. **Acknowledged.**

Cover Page:

- Execution of offer, including pricing page(s):
- Table of Contents:
- Executive Summary of Proposal:
- Company Information and History: including, but not limited to the following:
- Company name, Federal Tax Identification Number, company address, contact information (company and proposer's representative).
- All required information as requested in the Evaluation Criteria and in Requirements and Specifications as well as any additional information the Proposer feels is relevant to their proposal.
- The Contractors HUB Plan and all required HUB documentation.

First National Bank of Huntsville

NOTE: The above listing of items to be included in the proposal submission is a summary provided to aid proposers in putting together their proposal package. Any items stated in other sections of the RFP, but not listed in this section, are still required to be provided as part of the proposal submission.

- 2.7 **EVALUATION OF PROPOSALS:** All properly submitted Proposals will be reviewed, evaluated, and ranked by TSUS. Proposals will be evaluated by a review panel on the basis of the criteria listed below. Relative weights of the criteria are listed below. Only criteria designated in the solicitation can be considered in the award determination.

50 % - responsiveness, innovativeness, and ability to provide services required,

35 % - banking services and other costs,

5 % - potential earnings through banking facilities and sweeps to maximize System income,

10 % - creditworthiness and stability of the bank.

Award of the contract may not be made to the bank submitting the lowest price proposal. The System will choose the bank which submits the most responsive overall proposal. **Acknowledged.**

- 2.8 **TSUS RESERVATION OF RIGHTS:** TSUS may evaluate the Proposals based on the anticipated completion of all or any portion of the Project. The TSUS reserves the right to divide the Project into multiple parts, to reject any and all Proposals and re-solicit for new Proposals, or to reject any and all Proposals and temporarily or permanently abandon the Project. TSUS makes no representations, written or oral, that it will enter into any form of agreement with any respondent to this RFP for any project and no such representation is intended or should be construed by the issuance of this RFP. **Acknowledged.**

- 2.9 **ACCEPTANCE OF EVALUATION METHODOLOGY:** By submitting its Proposal in response to this RFP, Respondent accepts the evaluation process and acknowledges and accepts the determination of the “best value” firm(s) will require subjective judgments by TSUS. **Acknowledged.**

- 2.10 **NON REIMBURSEMENT FOR COSTS:** Respondent acknowledges and accepts that any costs incurred from the Respondent’s participation in this RFP process shall be at the sole risk and responsibility of the Respondent. Respondents submit Proposals at their own risk and expense. **Acknowledged.**

- 2.11 **HISTORICALLY UNDERUTILIZED BUSINESSES SUBMITTAL REQUIREMENTS:** It is the policy of The Texas State University System and each of its component institutions, to promote and encourage contracting and subcontracting opportunities for Historically Underutilized Businesses (HUB) in all contracts. Accordingly, TSUS has adopted the Policy on Utilization of Historically Underutilized Businesses. The Policy applies to all contracts with an expected value of \$100,000 or more. If TSUS determines that subcontracting opportunities are probable, then a HUB Subcontracting Plan is a required element of the Proposal. Failure to submit a required HUB Subcontracting Plan will result in rejection of the Proposal. **Acknowledged.**

2.11.1 TSUS has determined that subcontracting opportunities are probable.

2.11.2 Forms and Policy on Historically Underutilized Business can be found on the Texas State Comptrollers website at:

<https://www.comptroller.texas.gov/purchasing/vendor/hub/forms.php>

First National Bank of Huntsville

- 2.12 **CERTAIN PROPOSALS AND CONTRACTS PROHIBITED:** Under Section 2155.004, Texas Government Code, a state agency may not accept a proposal or award a contract that includes proposed financial participation by a person who received compensation from the agency to participate in preparing the specifications or request for proposals on which the proposal or contract is based. All vendors must certify their eligibility by acknowledging the following statement, "Under Section 2155.004, Government Code, the vendor certifies that the individual or business entity named in this bid or contract is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate." If a state agency determines an individual or business entity holding a state contract was ineligible to have the contract accepted or awarded as described above, the state agency may immediately terminate the contract without further obligation to the vendor. This section does not create a cause of action to contest a proposal or award of a state contract. **We acknowledge the above statement in this section and certify our eligibility.**
- 2.13 **CERTIFICATION OF FRANCHISE TAX STATUS:** Respondents are advised the successful Respondent will be required to submit certification of franchise tax status as required by State Law (H.B. 175, Acts 70th Leg. R.S., 1987, Ch. 283, p. 3242). The contractor agrees each subcontractor and supplier under contract will also provide a certification of franchise tax status. **See Exhibit 3. State Franchise Tax Certification.**
- 2.14 **DELINQUENCY IN PAYING CHILD SUPPORT:** Under Section 231.006, Family Code, the vendor or applicant certifies the individual or business entity named in this contract, bid, or application is not ineligible to receive the specified grant, loan, or payment and acknowledges that this contract may be terminated and payment may be withheld if this certification is inaccurate. **We certify that First National Bank of Huntsville is not ineligible to receive the specified grant, loan, or payment and acknowledges that this contract may be terminated and payment may be withheld if this certification is inaccurate.**
- 2.15 **CONFLICTS/CONTACT:** Respondents shall not contact existing members of the Board of Regents, TSUS employees as well as those of System's component institutions during the open period. **Acknowledged.**
- 2.16 **OWNERSHIP AND USE OF WORK MATERIAL:** All work material, whether or not accepted or rejected by TSUS, is the sole property of TSUS and for its exclusive use and re-use at any time without further compensation and without any restriction. **Acknowledged.**
- 2.17 **VALIDITY PERIOD:** Each proposal should state that it will remain valid for a minimum of one hundred and eighty (180) days after the submittal deadline to allow time for evaluation of proposals, award determination, and any unforeseen delays. **Acknowledged.**
- 2.18 **CONTRACT ADMINISTRATION:** Contract administration will be by TSUS and the respective Component. Proposer shall provide, as part of their response, a copy of Proposer's Standard Contract Agreement. **Acknowledged.**
- 2.19 **PRESENTATIONS:** TSUS may, at its sole discretion, invite selective responsive firm(s), at the firm(s) expense, to give an oral presentation and respond to questions. **Presentations, at the TSUS' discretion, may be either on site at TSUS or by video conference. Acknowledged.**

First National Bank of Huntsville

- 2.20 **NEGOTIATIONS:** If possible, an award will be made without holding negotiations. If negotiations are necessary, they will be scheduled after all proposals are evaluated. Negotiations will only be held with proposer(s) who have a reasonable chance of receiving contract award. Therefore, do not anticipate negotiations being held. Best and Final Offers will only be requested if negotiations are held. Therefore, you are strongly encouraged to submit your best offer at the time proposals are due. **Acknowledged.**

SECTION III -- GENERAL STATEMENT OF BANKING SERVICES REQUIRED

The banking services described in this RFP are directed toward four major goals:

- efficient utilization of available banking services and technologies,
- minimization of banking costs,
- safety of System funds, and
- effective, market rate, investment of idle bank-held funds.

As a public entity the safety of the funds and assets of the System is paramount. The use of technology to minimize manual or time-consuming operations will be a continuing effort and the bank will be expected to bring applicable new technologies to the System's attention through the RFP and throughout the contract period. Dependent upon the rate environment, the System will review the selected bank's short-term investment rates and may consider bank alternatives or short-term money markets through sweeps.

The System requires a depository that is fiscally strong and able to provide the required services on an uninterrupted basis. System funds are public funds and fall under provisions of the Public Funds Investment Act and the Public Funds Collateral Act (Texas Government Code Chapters 2256 and 2257). All time and demand funds above FDIC insurance coverage must be collateralized at a 102% margin by securities authorized as defined in this RFP. **Acknowledged.**

SECTION IV -- PROPOSAL SUBMISSION INSTRUCTIONS AND QUALIFICATIONS

By submitting a proposal in response to this RFP, depositories will be deemed to agree to the mandatory contract and service provisions contained herein. This RFP and the proposal submitted will be incorporated into and form the basis of the final depository contract. **Acknowledged.**

- 4.1 **Local Presence:** To assure a close working relationship and to facilitate services, the System will give preference to those banks with full service capabilities within 10 miles to the Component. Local support for the Component and its programs will also be considered. **Acknowledged.**
- 4.2 **Proposal Format:** In order to fully and equitably evaluate each bank proposal a standard reply format is required. Each proposal must include a response to each numbered item in the RFP in the order given. Only proposals submitted timely and in the prescribed format will be evaluated for contract award. An electronic copy of this proposal is available on the state proposal website. **Acknowledged.**

First National Bank of Huntsville

- 4.3 **Schedule for Proposal Submission:** The System will make every effort to adhere to the following schedule.

08/06/2018	Release of Request for Proposal
08/31/2018	3:00pm CST Deadline for all questions pertaining to Request for Proposal.
09/14/2018	3:00pm CST Deadline for proposal submission
11/15/2018	Award of contract

Implementation will commence after December 1, 2018 with each component representative who has elected to engage in the contracted banking services. The bank will review with each component representative(s) the functionality required and will agree upon an identified transition timeframe.

Acknowledged.

- 4.4 **Proposal Submission:** Proposals should provide a clear and straightforward description of services and the bank's ability to meet the requirements of the RFP. There is no limit on the size of the proposal, but a complete, succinct, and unambiguous presentation of the services offered and the fees required will be required. **Acknowledged.**

- 4.5 **Pre-Proposal Conference:** No pre-proposal conference will be held for this solicitation.

Acknowledged.

- 4.6 **Bank Compensation:** Each TSUS Component reserves the right to utilize either a fee basis or compensating balance basis (or a combination of each) for payment of services. TSUS and each Component reserves the right to change the payment methodology during the contract period upon no less than 30 days written notice to the bank with the change commencing the first of the following month in order to react to changing interest rate environments. The intention is to use a fee basis when alternative investment earnings surpass the bank's earnings credit rate (ECR).

A consolidated account, and individual account, account analysis for each Component is required monthly regardless of the payment basis. The analysis, although reviewed monthly, is required to be charged on an annualized basis.

All item and account charges will remain at the proposal price quoted for the duration of the contract period regardless of changes in service volumes. If fees are not listed for services provided as requested in this RFP they will not be applied or valid during the contract period. Should new services be required during the contract period not contemplated by this RFP, those services will be provided at fees not more than the bank's then-current published rate and approved by the System.

Acknowledged.

SECTION V -- SYSTEM FINANCIAL OVERVIEW

TSUS and its Components require fully automated transactions, accounting and reporting in its goal of limiting and eliminating paper transactions and manual handling. Please note that continuing balances are not guaranteed. (Any data previous to this will not be provided to any proposer.)

The Components use a combination of ZBA and sub account, as well as general accounts. Primary revenue is received from Tuition and fees and received in August, September and January.

First National Bank of Huntsville

All financial transactions and reconciliation are handled and controlled through the General Accounting Office. Payroll is paid a few times per month, but the majority of the payments happen monthly, with a large amount subscribing to direct deposit. The bank will be expected to follow standard NACHA regulations for deposit of employee funds on the scheduled date as defined by the System.

Any or all System funds may be maintained and invested by the System outside the bank or at another banking service provider. The System will be under no obligation to maintain time or demand funds in the bank except when fees are paid under a compensating balance basis or an interest-bearing checking account is desired. **Acknowledged.**

SECTION VI -- REQUIRED FINANCIAL INSTITUTION INFORMATION

To be considered, the proposal must include a response to each question in this Section in the order asked.

- 6.1 In order to fulfill the System's fiduciary responsibility please provide an audited annual financial statement for the bank's most recent fiscal year. **The bank will be required to submit an audited statement annually during the contract.** Provide the current statement and confirm agreement to this condition. **See Exhibit 1 and we confirm the requirement of submitting an audited statement annually during the contract.**
- 6.2 Provide (a) the bank's most recent Highline, Veribanc or comparable bank rating from an independent rating service or (b) the dual ratings of senior and subordinate holding company debt. The bank will be responsible for notifying the System within thirty (30) days of any change in this rating during the entire contract period. Provide the ratings and confirm agreement to this ongoing condition. **See Exhibit 2 and we confirm the notification requirements.**
- 6.3 Provide a copy of all agreements (even if not directly referenced or required in this RFP) which will be required to be executed under the contract for services rendered. Agreements should include all service agreements as well as the depository and collateral agreement. Any changes to provisions required on the agreements will be made and agreed upon **before award** of the contract is made. **See Exhibits 4,4a,4b,5,6,7,8,9,10,11,12, & 13.**
- 6.4 Customer Service is a primary focus of the System. Describe the bank's philosophy and approach to satisfying the service requirements in responses to the following.
 - a. How does the bank intend to support the ongoing operational and technical needs of the Components?

FNBH is committed to providing SHSU with the benefits of the latest in bank technology along with personal service from a well-trained staff of local bankers. FNBH has been the University's banking choice for several decades. FNBH continues to provide enhanced services by upgrading its core system and peripheral systems on an ongoing basis. With these upgrades FNBH will continue to serve SHSU's banking needs now and in the future.

The entire staff of FNBH is available to assist SHSU with its banking needs including the Bank's Chairman of the Board, President, Senior Vice President, and 60+ additional individuals employed at the Bank's Huntsville location. In addition, we will have a designated contact for the University. Our designated contact, Debbie Woods, Senior Vice President of Operations, will coordinate staff responsibilities to ensure the appropriate service to the University.

First National Bank of Huntsville

First National Bank of Huntsville is the sole subsidiary of a one-bank holding company. The executive officers of the bank are also the executive officers of the Holding Company. Local service is the primary responsibility of management on both the bank and holding company levels. Performance may be monitored through periodic discussions with SHSU to review the accounts and services.

FBNH is bidding to retain its relationship with SHSU. Our goal has always been to provide the University with exemplary personal service and competitive banking products, and we proudly support the University in numerous ways. A few examples of our support and dedication to the University include the following: sponsoring the electronic Raven Nest Golf Club sign, sponsoring two banking rooms in the SHSU business department, hosting the LuEllen Gibbs Scholarship golf tournament since 1986 with 100% of the proceeds benefiting the SHSU golf program, annually sponsoring the SHSU Homecoming Alumni Tailgate, SHSU Rodeo Team sponsor, sponsoring the inaugural program for The James and Nancy Gaertner Performing Arts Center, annual presenter for the SHSU Financial Week. SHSU Baseball Team tournament sponsor, sponsor and donor at the Bearkat Football Banquet, participating and sponsoring teams in numerous university supported fund-raising golf tournaments and providing financial support for various student organizations. Since 1890, FBNH has employed many SHSU students, former students and alumni; we offer internships to SHSU students in conjunction with certain degree plans. We boast of several recent past Presidents of the SHSU Alumni Association and are proud of our association with the University.

- b. What provisions has the bank made for business continuity planning and operations? What, if any, support does the bank intend to offer the Components in a disaster situation to maintain stable banking functions?

FBNH has a thorough Disaster Recovery Plan which is tested on an annual basis by senior officers in conjunction with applicable vendors. The plan is designed to protect personnel, assets and vital records of FBNH in the event of an emergency. We have several preventative measures in place such as off-site information back-up and hot sites located out of state where we can function remotely in case of a disaster. We have general office space in Huntsville and Madisonville, Texas which could be available to SHSU in case of a disaster. We will also assist SHSU with its banking needs if their traditional methods of banking operations are disrupted during a disaster, such as offering a courier service for their banking. All our items are processed at the JHA OutLink Data Center located in Allen, Texas with additional capabilities to process in at 3 other locations if needed. Additionally, a 60 Hz diesel powered generator is on-site and ready to power the whole building if needed. We also have a large portable generator capable of powering up any of our branch locations.

- 6.5 How are the most recent legislative and regulatory changes impacting the bank's ability to service the institution? I.e., Basel III, Department of Education Cash Management Rules, etc.
FBNH is very well capitalized. At June 30, 2018, Our Tier 1 leverage ratio was 11.1751%, well above Basel III requirements. All of the University's deposits would be federally insured and secured by regulatory approved collateral.

First National Bank of Huntsville

- 6.6 Provide a detailed timeline for implementation of the contract including the activities required by both parties and assignment of responsibilities during implementation.

Our proposal is for SHSU only, and since the University is a current customer a conversion would not be necessary. We will work with SHSU on implementing any new products or services the University wishes to utilize. We will assist and guide SHSU through the decision process and implementation process of any new products or services that we offer.

SECTION VII-- REQUIRED BANKING SERVICES

To be considered, the proposal must include a response to each of the questions in this Section in the order given. All fees for associated and anticipated services must be detailed.

- 7.1 **Consolidated Account Structure with Sweep Mechanism:** The Components are intent on earning at the best available interest rates at all times. The Components may consider sweeping balances during the term of this contract.

The bank is being asked to offer an automated, daily sweep to a money market mutual fund, or internal bank alternative account, if applicable and competitive, when rates allow in order to reach its investment goal. A AAA-rated, SEC registered government, or enhanced government, money market fund is preferable for the sweep. A repurchase agreement and/or offshore accounts are not authorized as sweep investment vehicles. **Acknowledged.**

The bank shall clearly stipulate and describe the bank's most cost effective methodology for creating the sweep structure. The proposal should present the bank's most efficient and cost effective methodology in different rate environments (which, it is understood, may eliminate use of the sweep).

- a. Fully describe the proposed sweep mechanism focusing on the bank's most cost effective and highest earning structure.

FNBH is pleased to offer the ability to sweep account balances daily. The indexed interest-bearing account will pay a rate equal to 100% of the median discount rate for the **3 month** T-Bill resulting from the T-Bill auction on the last Monday of the prior month as stated on the Treasury Direct web-site. <https://www.treasurydirect.gov/instit/annceresult/press/preanre/preanre.htm>. If that Monday is designated as a holiday, the auction will be on Tuesday and results posted on that day. This rate is applicable to all regular operating funds of the university but shall not apply to any other funds including the proceeds of any bonds, warrants, or special funding.

The account can be set up either to sweep automatically or to sweep at the University's discretion. Funds are collateralized by bank securities and interest is paid on collected balance and credited monthly.

- b. Provide the average monthly rates on your best sweep option for the last twelve months as indicated. **See Exhibit 13.** Define which fund, of any, is being used. **No fund is used.** The index used is tied to the Median Discount Rate for Three Month T-Bill and determined at the

First National Bank of Huntsville

auction on the last Monday of the prior month the rate is in effect.

- c. If the bank is proposing an alternative to a sweep, detail and describe fully. See exhibit 11. Identify and describe advantages of the account type. The advantages of this account type are described in Exhibit 11. Provide twelve month rates history. See exhibit 12.
- d. Is there a floor or ceiling on the earnings credit rate? No floor or ceiling.

First National Bank of Huntsville

7.2 Automated Cash Management Information Access:

The System and Components strive for efficiencies in their operations and attempts to reduce paper transactions and staff time in the processing of transactions. The Components need complete and timely detail and summary Information and prefer cross-functionality of reporting.

The System and Components require timely access to prior and intra-day detail and balance reporting. It requires automation within the various service areas such as ACH, reconciliation, and, increasingly, EDI. Imaging retention and access is required. Imaging of deposit slips and deposit items is preferred. Preferably, all reports, statements, and account analyses are to be available in electronic form.

- a. Fully describe the bank's online service capabilities. List system capabilities by service (i.e. balance reporting, wires, positive pay, stop pay, etc.).

FNBH offers an Internet Banking product that will provide the ability for SHSU to manage cash among their accounts. The Internet Banking and Cash Management systems are available 24 hours a day. SHSU has the capability to view account balances, access account history, transfer funds between accounts, originate ACH items, reconcile accounts, receive statements via internet banking download, issue stop payment orders, change addresses, order checks, pay bills, view and print copies of checks, initiate wire transfers, download account detail, send a file to FNBH over a secure connection, online Positive Pay/Reconciliation and more. Online service charges are bundled. Charges can vary depending on the volume and types of services used within Internet Banking. There is no charge for image creation, retrievable online. Prior day detail includes amount and image of checks cleared, amount and imaged deposit slip of deposits made, amount and description of ACH items, amount and reference number of wire transfers, balance by date, available balance including incoming ACH items from prior day file. Intra-day totals are available for ACH, intra-day totals on checks in clearing work are available throughout the day as they are received. Prior day information available by 12 am same business day. All viewable information is available for download from Internet Banking. Our Internet Banking system includes one module. History is currently available for the previous 2 years of activity. History builds from time account is added to Internet Banking for access. Our Internet Banking system is hosted off-site and will not be affected by a disaster at our banking location. Our Internet Banking provider also has a disaster recovery plan should the hosting site be affected. We have general office space in Huntsville and Madisonville, Texas which could be available to SHSU in case of a disaster. We can help arrange for an Internet connection in our office space so SHSU can continue to utilize Internet Banking services. FNBH's main facility also has a generator with the capacity to operate the entire building.

Are all services provided through one portal? Cash Management customers login to the system from a separate login page.

First National Bank of Huntsville

- b. Describe the security protocols for online services. How is authentication and authorization provided?

Cash Management is designed for the commercial customers. Cash Management customers log in to the system from a separate Cash Management login page. The customer's ID and PIN can be customized. The login page is only displayed to a user who has been set up by either the financial institution or customer as a Cash Management user. Users who have not been set up with an ID and PIN will not see the Cash Management login screen. There is a menu bar beneath the financial institution's logo on this login page with an "Exit" and "Help" link that explains the Cash Management login requirements. Account holders have the ability to change their PIN, at any time. The time-out setting that renders a user inactive after a period of inactivity is established by institution. Each financial institution must assign administrative authority at the Cash Management user level for Cash Management administration users. Account access is automatically locked out after three invalid access attempts and must be enabled by the financial institution. All Cash Management transactions use the SSL protocol. Certain functions on the system can require dual authentication or additional controls. Pre and post login behavior analysis is performed daily and security reports are reviewed. Real-time transaction monitoring is in place for high-risk activity. Technical support is available Monday through Friday from 8am to 5pm. Technical support is located in Huntsville and may be accessed via phone or email. There is no charge for this service. FNBH's Internet Banking system is available for a test drive at www.fnbhuntsvilletx.com. The Internet Banking and Cash Management system is provided by a third party. Support is provided to SHSU by contacting the Bank directly.

- 7.3 **Depository Services:** Standard commercial deposit services are required. Deposits are typically made in the late afternoon. It is the desire to avoid a third-party courier service. The Components may use multiple methodologies for deposits. All merchant services are handled outside the banking contract. Merchant services will not be addressed in the RFP nor be a part of this contract.

The Components require same bank day credit on all coin and currency deposits, and on-us checks. All cleared deposits received by the bank's established deadline and in accordance with the banking institution's availability schedule must be processed in accordance with that availability schedule or an expedited schedule as offered by the bank. The bank shall guarantee immediate credit on all incoming wire transfers. Failure to credit System and Components accounts in a timely fashion will require interest payment reimbursement to the institution at the then-current daily Fed Funds rate and represent an event of default. **Acknowledged.**

- a. Describe the bank's depository service capabilities.

FNBH's daily cutoff time is 3pm for all locations. There is no requirement for separating checks and cash; however, a tape should be included with the checks. Coins should be rolled unless there are enough coins for a bag. There is no limit to the number of deposits in one bag. Deposits are handled on separate advices. Deposited and received items are not currently available online but are available upon request and can be available if using Remote Deposit Capture, depending on storage capacity.

Receipts reference teller number and branch. Checks and deposit slips are imaged and available online. Deposited items are imaged but not currently available online. Return items of 100.00 or less will automatically be rerun, any item over 100.00 will be handled per the instructions of SHSU, charged back or picked up. Return items will have the reason for the return, location or transaction are not available. SHSU is contacted in the afternoon by telephone of their return items.

First National Bank of Huntsville

The check or the image replacement of the check is given to SHSU along with an attachment that includes the check information and the reason for the return item. Returned items are imaged but not currently available online. Return items are currently processed by a representative from SHSU picking the items up in person. The amount of the items is charged back to SHSU's accounts. 1300 11th St. Huntsville, Texas. Vault supply ordering is available online. Night depository is available at 1300 11th St. Huntsville, Texas. The Bank identifies and adjusts all discrepancies at all levels. Adjustments can be handled as requested by SHSU. Tamper resistant plastic bags are used for coin deposits and locked zipper bags are used for other deposits. Both bags are available from the bank at cost. Dual verification is used on the receipt of deposits at each location when locked bags are used by the depositor. No advance notice is needed on coin and currency orders. There is no minimum purchase requirement and the turnaround time on the requests is immediate. There are no differences in the Bank's availability policy from our stated schedule. Deposits and credits are not typically delayed for any reason. SHSU will be given accelerated credit based on credit given to the Bank for items. Provisional credit will be given on all SHSU deposits. Verification occurs the same business day.

- b. Describe the recommended process for depository services at the Component.
FNBH is flexible regarding the process for depository services. We offer Remote Deposit Capture as the recommended process for deposits and we will work with SHSU to ensure that the RDC process is set up and working properly, but we will always be available to accept deposits in the lobby. Please call Debbie Woods for your depository needs at 936-294-8044.

Remote Electronic Check Acceptance and Conversion

Remote Electronic Check Acceptance and Conversion may be required during the contract period. It is anticipated that the System and Components will expand this collection process to all its campus locations during the contract period, if cost effective. The remote deposits will potentially be used at both point-of-sale and back office operations.

- a. Describe the bank's remote deposit processing and software capabilities.
First National Bank has a Direct Merchant Capture solution that brings convenience and cost savings to your business. With a low-speed image capture device and secure internet access, you can image capture check payments at your business and electronically deliver the images to the bank for processing, eliminating the need to physically transport the checks. You will find our Remote Deposit Capture Services Agreement in "Exhibit 6"
- b. Describe the recommended process for remote processing of checks.
Multiple batches can be processed throughout the day, normal deposit processing fees apply. Currently, the final cutoff time is 4pm. SHSU Staff will need to be available until all processing has been completed for the day, communication will be with the FNB's data processing department. There are no dollar limits; however, foreign items such as Canadian items cannot be accepted through remote capture. These items will have to be brought to the bank for collection. FNB will provide 5 check scanners initially and add 5 through the life of the contract at no cost. SHSU will need to provide workstations dedicated to this process.
- c. Are images provided as part of the processing process? Are images maintained online? When? For how long?
Images are provided as part of the processing process. Images are currently not available online.

First National Bank of Huntsville

Representation of Checks (RCK)

The System and Components may consider the representation of checks through ACH if it would prove cost efficient and improve collection of NSF checks.

- a. Describe the bank's re-representation procedure with an example showing timeline for processing. **Re-representation of Checks is currently available through on-line banking and handled in our debit origination module. As standard procedure the check cannot be run more than two times through the check collection system.**

7.4 Standard Disbursing Services and Positive Payee

Standard disbursing services for all accounts are required to include the payment of all System and Component staff and student checks without charge upon presentation. The System and Components require positive payee services for all its checks and accounts. Currently positive payee is used and will be required on all accounts under this contract. The System and Components require positive payee services with complete indemnification for fraudulent checks.

It is preferred that the proposal provide a fully automated and web compatible transmission process. Transmissions will be made as part of each check run or manual check written. Manual check information must be able to be entered and transmitted online.

The System and Components will be combining positive payee services with partial reconciliation services.

- a. The System and Components require that the bank cash free of charge all on-us checks for employees and students drawn on the System and Components, regardless of the individual's account status with the bank. Confirm agreement with this condition. **FNBH will cash free of charge all on-us checks for employees and students regardless if the individual is an accountholder of FNBH. In addition, FNBH also offers a free of service charge account for all SHSU employees with special benefits not offered on other accounts. FNBH is in agreement with the conditions stated above in this section.**
- b. Describe the handling of exception or non-standard items through a payment consolidation process. **Payment consolidation services are not currently available.**
- c. Are positive payee exceptions managed totally online? **Positive Pay exceptions are managed online. Describe the process. An email alert is sent daily when files are available to work exceptions. An alert is sent to the bank to complete the daily process. The response deadline is by 12 pm. There is no hold option and returns must be processed within 24 hours if the item will not to be accepted for payment.**
- d. What elements are validated on your positive payee processing? **Elements validated on the positive pay process include, check number, account number, payee, and amount. Please confirm that it includes the payee validation? Teller activity is verified to positive pay files.**

First National Bank of Huntsville

7.5 Account Reconciliation

Currently the System and Components use partial reconciliation services. Serial sort may be used. The System and Components require availability of reconciliation services combined with positive payee.

a. Describe the bank's partial reconciliation service.

The bank's partial reconciliation service is provided through Internet Banking along with Positive Pay, Account reconciliation requires some employee interaction, however the account reconciliation system through Internet Banking does offer some flexibility to interface with in-house systems. The Bank will offer our support to improve the interface and on account reconciliation.

b. Describe the bank's full reconciliation service.

The bank's full reconciliation service is provided through Internet Banking along with Positive Pay, Account reconciliation requires some employee interaction, however the account reconciliation system through Internet Banking does offer some flexibility to interface with in-house systems. The Bank will offer our support to improve the interface and on account reconciliation.

7.6 ACH (Automated Clearing House) Services

The System and Components expect to move toward increased use of ACH. The System and Components use electronic transactions (ACH, wires and transfers) to reduce paper transactions and are expected to increase the percentage and volume of electronic transactions. Payments over \$10,000 are mostly made by electronic means. The System and Components will continue to move towards more complete and active use of ACH in both collections and disbursement. Currently, ACH is used for payrolls, transfers, and for many vendor payments and collections. The System and Components actively encourages their employees to move to direct deposit. Utilization of ACH for collections has been limited but increased use is a goal of the System and Components.

a. Describe the bank's recommended process for handling ACH transactions

ACH services are available online via out internet banking product however it is recommended that SHSU use their inhouse system to generate entries for processing and transmit to the bank for release. The cut-off times for ACH items are Monday through Friday 8am to 2pm. The availability for debit and credit ACH transactions follows standard NACHA availability. ACH items can be future dated if utilizing Internet banking ACH origination. Modifications can be made on submitted transactions if before processing time and if you are utilizing Internet banking ACH origination. If you are using your system file origination, you may be able to modify your files but it depends on your software constraints. Changes cannot be made after files have been processed with the Federal Reserve. Blocks can be placed on individual ACH originators by account. ACH addenda is available online for incoming ACH transactions If preferred notices may also be sent to SHSU when there is an addenda record.

7.7 Wire and Transfer Services

Incoming wire transfers must receive immediate same day, collected credit. It is preferred that wire initiation be available online. Real-time online wire and transfer monitoring is preferable. Book

First National Bank of Huntsville

internal transfers are used extensively between accounts. There is an ongoing need for occasional international wires.

- a. Describe the bank's recommended process for handling incoming and outgoing wire transfers
Recommended process for wire initiation and monitoring is available via Internet Banking. Call back procedures are in effect for all outgoing wire transfers. Incoming wires are immediately memo posted and available with email alerts. The system does not provide for batch processing of wire transfers. The Bank processes international wire transfers through a correspondent bank which is different than the way the Bank processes domestic wire transfers. All wires are processed in US dollars. Charges will be passed from correspondent bank on international wires.
- b. Describe the security features that are available to protect Components from unauthorized wire transfers
Authorized signers are required to complete a wire transfer. Online authorization is designated by SHSU through Internet Banking administration. Other wire authorization is controlled by FNBH determined by the account signers SHSU designates. Secondary authorization can be set up within Internet Banking by requiring both an originator and an authorization. Dual authorization is not required by the Bank. The Bank does have wire template storage through Internet Banking at no charge.

7.8 Safekeeping of System and Component Owned Securities

Although local government pools have been used as the primary investment vehicle, the System and Components may have a need for safekeeping services during this contract period. The ability to clear and safe keep securities must be available. The bank will be required to provide book entry safekeeping services. **Acknowledged.**

All investments will be made by the System and Components or its adviser and instructions for clearing and safekeeping will be provided to the bank in writing via e-mail or fax. All clearing shall be made delivery versus payment (DVP). **Acknowledged.**

The System and Components have no obligation to invest its funds with or through the bank. All investments are made on a competitive basis. The depository bank, or its brokerage subsidiaries, will not be authorized as a broker for the System and Components in order to perfect ownership on a DVP settlement. **Acknowledged.**

- a. Describe the safekeeping services that are available.
The bank uses The Federal Home Loan Bank of Dallas for Safekeeping services. A sub-account would be created in the name of Sam Houston State University. Members have streamlined access to safekeeping services that provide a secure and convenient method for clearing and safekeeping securities. Transactions involving receipt or delivery versus payment are cleared through the member's Demand Deposit Account on the date of receipt or delivery. All principal and interest payments will be cleared through the sub-account on the date of maturity or interest payment date.

The System and Components may choose to purchase time deposits from the bank but all time deposits, like securities, will be competitively bid at the time of purchase and not be part of this contract except as regards collateral requirements. **Acknowledged.**

First National Bank of Huntsville

7.9 Collateralization of Deposits

The Depository Contract shall address the following conditions for collateral. These requirements are absolute minimums and will not be altered.

In conformance with State law, the bank must agree to obtain and maintain acceptable collateral to cover all time and demand deposits above FDIC coverage daily during the contract period. The proposal must state agreement and compliance to the following terms and conditions on that collateral.

- a. All time and demand deposits will be collateralized at a minimum of a 102% margin on principal plus accrued interest daily, net of FDIC insurance. **The bank agrees and will comply.**
- b. The bank will be contractually liable for the daily monitoring and maintaining of collateral at the System and Components required margin level of 102%. **The bank agrees and will comply.**
- c. State the bank's acceptance of the collateral conditions above. **The bank accepts the collateral conditions stated above.**
- d. Does the bank propose any collateral charges, if so how is the charge applied? **The bank does not propose any collateral charges.**

7.10 Account Analysis

A monthly account analysis report must be provided for each account and on a consolidated basis for the System and each Component. After five business days of receipt of the monthly account analysis (and subsequent approval of the fees) the bank may direct debit the designated account for fees due if compensation is being calculated on a straight fee or combined fee/balance basis.

A complete account analysis will be required monthly regardless of the payment basis.

- a. Provide a sample account analysis including calculation methodology. **See exhibit 14. The calculating methodology used in this exhibit is the compensating balance methodology. Since FNBH has offered services at no charge, the excess charges above any earnings credit will be waived.**
- b. Is the account analysis available online? **Yes.** In what format? **PDF.**

7.11 Monthly Statements

The bank must provide monthly account statements on all accounts with complete supporting documentation. All accounts must be on a calendar month cycle. Timeliness of statements is critical and non-performance will be grounds for termination of contract.

- a. Provide a sample monthly statement. **See exhibit 15.**
- b. State when monthly statements will be available each month on paper and online. **Monthly statements are generated just after the end of the month and are usually delivered by the fifth business day of the month. Online statements or e-statements become available shortly after the end of the month.**

First National Bank of Huntsville

7.12 Stop Payments

The institutions do have occasional stop pays. An automated stop pay process is desired.

- a. Describe the process for initiating and monitoring stop pays
Stop payments may be requested via Internet Banking, in person, over the telephone or by secure email. This is available 24 hours via internet banking and available by all other methods between the hours of 8 and 5 Monday thru Friday. Teller information is updated immediately for stop payments. The Bank can extend the stop payment if we are notified in writing. The deadline for same day action on stop payments is by 3pm. Stop payment orders may be initiated on-line and paper follow-up documentation is required. Stop Payment information is not currently available online.

SECTION VIII – INSURANCE

8.1 Insurance

8.1.1 Contractor, consistent with its status as an independent contractor will carry and will cause its subcontractors to carry, at least the following insurance in the form, with companies admitted to do business in the State of Texas and having an A.M. Best Rating of A-VII or better, and in amounts (unless otherwise specified), as TSUS may require:

8.1.1.1 Workers' Compensation Insurance with statutory limits, and Employer's Liability

Insurance with limits of not less than

Employers Liability - Each Accident \$1,000,000

Employers Liability - Each Employee \$1,000,000

Employers Liability - Policy Limit \$1,000,000

Policies must include (a) Other States Endorsement to include TEXAS if business is domiciled outside the State of Texas, and (b) a waiver of all rights of subrogation and other rights in favor of TSUS;

8.1.1.2 Commercial General Liability Insurance with limits of not less than:

Each Occurrence Limit \$1,000,000

Damage to Rented Premises \$ 100,000

Medical Expenses (any one person) \$ 10,000

Personal & Advertising Injury \$1,000,000

General Aggregate \$2,000,000

Products - Completed Operations Aggregate \$2,000,000

8.1.1.3 Business Auto Liability Insurance covering all owned, non-owned or hired automobiles, with limits of not less than \$1,000,000 Combined Single Limit Bodily Injury and Property Damage;

8.1.1.4 Errors and Omissions Insurance with limits of not less than \$1,000,000 per claim.

8.1.2 Contractor will deliver to TSUS:

8.1.2.1 Evidence satisfactory to TSUS in its sole discretion, evidencing the existence of all insurance after the execution and delivery of this Contract and prior to the performance or continued performance of any services to be performed by Contractor under this Contract.

First National Bank of Huntsville

- 8.1.2.2 Additional evidence, satisfactory to TSUS in its sole discretion, of the continued existence of all insurance not less than five (5) days prior to the expiration of any insurance. Insurance policies, with the exception of Workers' Compensation and Employer's Liability, shall be endorsed and name TSUS as an Additional Insured. All policies will be endorsed to provide a waiver of subrogation in favor of TSUS. All policies with the exception of Workers' Compensation and Employer's Liability will be endorsed to provide primary and non-contributory coverage. No policy shall be canceled until after thirty (30) days' unconditional written notice to TSUS. All policies shall be endorsed requiring the insurance carrier providing coverage to send notice to TSUS 30 days prior to any cancellation, material change, or non-renewal (60 days for non-renewal) relating to any insurance policy required herein.
- 8.1.3 The insurance policies required in this Agreement will be kept in force for the periods specified below:
- 8.1.3.1 Commercial General Liability Insurance, Business Automobile Liability Insurance; will be kept in force until receipt of Final Payment by TSUS to Contractor; and
- 8.1.3.2 Workers' Compensation Insurance and Employer's Liability Insurance will be kept in force until the Work has been fully performed and accepted by TSUS in writing.
- 8.1.3.3 Errors and Omissions Insurance will be kept in force an additional two years after the Work has been fully performed and accepted by TSUS in writing.
- Acknowledged.

SECTION IX – EXECUTION OF OFFER (SEE BEGINNING OF DOCUMENT)

SECTION X - TERMS & CONDITIONS

Items below apply to and become a part of proposal. Any exceptions there to must be in writing.

10.1 PROPOSAL REQUIREMENTS:

- 10.1.1 **Rules, Regulations & Statutes:** Proposers must comply with all rules, regulations and statutes relating to purchasing in the State of Texas in addition to the requirements of this form.
- 10.1.2 **Unit Price:** Proposers must price per unit shown. Unit prices shall govern in the event of extension errors.
- 10.1.3 **Submittance:** Proposals must be submitted on or before the specified opening date and time.
- 10.1.4 **Late or Unsigned Proposals:** Late and/or unsigned proposals will not be considered under any circumstances. Person signing the proposal must have the authority to bind the firm in a contract. The proposer (not the carrier/mail service/other or the TSUS) who is solely responsible for ensuring that the documentation is received in The Texas State University System's Office prior to the specified opening date and time.
- 10.1.5 **FOB Point:** Quote FOB destination, freight prepaid and allowed unless otherwise stated within the specifications.
- 10.1.6 **Pricing Firm:** Proposal prices are requested to be firm for TSUS acceptance for 180 days from proposal opening date (**unless otherwise stated in specifications**). "Discount from list" proposals are not acceptable unless requested. Cash discounts are not considered in determining an award. Cash discounts will be taken if earned.
- 10.1.7 **Tax Exempt:** Purchases made for State use are exempt from the State Sales tax and Federal Excise tax, per Texas Tax Code, Section 151.309(4). Do not include tax in the proposal.

First National Bank of Huntsville

- 10.1.8 **Right to accept or reject:** The State reserves the right to accept or reject all or any part of any proposal, waive minor technicalities and award the proposal to best serve the interests of the State.
- 10.1.9 **Withdrawal:** Any proposal may be withdrawn prior to the date and time set for receipt of proposals. Any proposal not so withdrawn shall constitute an irrevocable offer, for a period of 180 days, to provide the commodity or service set forth in the specifications, or until a selection has been made by The TSUS.
- 10.1.10 **Proposal Costs:** Proposers electing to respond to this RFP are responsible for any and all costs of proposal preparation. The TSUS is not liable for any costs incurred by a proposer in response to this RFP.
- 10.1.11 **Exceptions:** If a proposer takes exception to any specifications within this Request for Proposal, they must notify The TSUS in writing prior to the scheduled proposal opening date and time.
- 10.1.12 **Cost/Pricing:** All cost/pricing must be in United States dollars.
- 10.1.13 **Texas Public Information Act:** By submission of this Agreement, [Proposer] acknowledges that the Agreement, and the contents of any underlying proposals or other documents provided to [TSUS] in response to a competitive bid process from which the Agreement resulted, are public information under the Texas Public Information Act (Texas Government Code Chapter 552). [Proposer] agrees that [TSUS] may provide a copy of the Agreement and/or bid documents in response to a public information request, post the Agreement on its public website, or otherwise release the contents of the Agreement and/or bid documents at [TSUS's] discretion and without prior notice to [Proposer]. Proposer acknowledges that the TSUS strictly adheres to all statutes, court decisions, and the opinions of the Texas Attorney General with respect to disclosure of public information. **Acknowledged.**

10.2 SPECIFICATIONS

- 10.2.1 **Brand Name Descriptive:** Catalogs, brand names or manufacturer's references are descriptive only, and indicate type and quality desired. Proposals on brands of like nature and quality will be considered unless otherwise stated in the Request for Proposal (RFP). If proposing other than brand referenced, proposal should show manufacturer, brand or trade name, and other description of product offered. If other than brand(s) specified is offered, illustrations and complete description of product offered are requested to be made part of the proposal. Failure to take exception to specifications or reference data will require proposer to furnish specified brand names, numbers, etc.
- 10.2.2 **New Items:** Unless otherwise specified, items shall be new and unused and of current production.
- 10.2.3 **Electrical Standards:** All electrical items must meet all applicable OSHA standards and regulations, and bear the appropriate listing from UL, FMRC or NEMA.
- 10.2.4 **Samples:** Samples, when requested, must be furnished free of expense to the State. Each sample should be marked with the proposer's name, address, and RFP number. Do not enclose in or attach proposal to sample. All samples become the property of The TSUS.
- 10.2.5 **Oral Statements:** TSUS will not be bound by any oral statement or representation contrary to the written specifications of the Request for Proposal (RFP).
- 10.2.6 **Manufacturer's Warranty:** Manufacturer's standard warranty shall apply unless otherwise stated in the RFP.
- 10.2.7 **Warranty-Product:** Proposer shall not limit or exclude any implied warranties and any attempt to do so shall render this contract voidable at the option of TSUS. Proposer warrants that the goods furnished will conform to the specifications, drawings, and

First National Bank of Huntsville

descriptions listed in the RFP, and to the sample(s) furnished by Proposer, if any. In the event of a conflict between the specifications, drawings, and descriptions, the specifications shall govern.

- 10.2.8 **Safety Warranty:** Proposer warrants that the product sold to TSUS shall conform to the standards promulgated by the U.S. Department of Labor under the Occupational Safety and Health Act of 1970. In the event the product does not conform to OSHA standards, TSUS may return the product for correction or replacement at the Proposer's expense. In the event Proposer fails to make the appropriate correction within a reasonable time, correction made by TSUS will be at Proposer's expense.
- 10.2.9 **No Warranty by TSUS Against Infringements:** As part of this contract for sale Proposer agrees to ascertain whether goods manufactured in accordance with the specifications attached to this agreement or the like. TSUS makes no warranty that the production of goods according to the specification will not give rise to such a claim, and in no event shall TSUS be liable to Proposer for indemnification in the event that Proposer is sued on the grounds of infringement or the like. If Proposer is of the opinion that an infringement or the like will result, he will notify TSUS to this effect in writing within two weeks after the signing of this agreement. If TSUS does not receive notice and is subsequently held liable for the infringement or the like, Proposer will save TSUS harmless. If Proposer in good faith ascertains that production of the goods in accordance with the specifications will result in infringement or the like, this contract shall be null and void except that TSUS will pay Proposer the reasonable cost of this search as to infringements. **Acknowledged.**

10.3 DELIVERY

- 10.3.1 **Delivery Days:** Show number of days required to place material in receiving agency's designated location under normal conditions. Delivery days' mean calendar days, unless otherwise specified. Failure to state delivery time obligates proposer to deliver in 14 calendar days. Unrealistic delivery promises may cause proposal to be disregarded.
- 10.3.2 **Foreseen Delays:** If delay is foreseen, vendor shall give written notice to TSUS. Proposer must keep TSUS advised at all times of status of order. Default promised delivery (without accepted reasons) or failure to meet specifications authorizes TSUS to purchase supplies elsewhere and charge full increase, if any, in cost and handling to defaulting proposer.
- 10.3.3 **Substitutions:** No substitutions permitted without written approval of TSUS.
- 10.3.4 **Delivery Hours:** Delivery shall be made during normal working hours (8:00 a.m. to 4:00 p.m.) only, unless prior approval has been obtained from ordering agency. **Acknowledged.**

10.4 INSPECTION AND TESTS

All goods will be subject to inspection and test by TSUS. Authorized TSUS personnel shall have access to supplier's place of business for the purpose of inspection merchandise. Tests shall be performed on samples submitted with the proposal or on samples taken from regular shipment. All costs shall be borne by the proposer in the event products tested fail to meet or exceed all conditions and requirements of the specification. Goods delivered and rejected in whole or in part may, at TSUS' option, be returned to the vendor or held for disposition at proposer's expense. Latent defects may result in revocation of acceptance. **Acknowledged.**

First National Bank of Huntsville

10.5 AWARD OF CONTRACT

10.5.1 A response to this RFP is an offer to contract based upon the best price, terms, conditions and specifications contained herein. **Proposals do not become contracts until they are accepted through a purchase order.** The contract shall be governed, construed and interpreted under the laws of the State of Texas, and TSUS policy as the same may be amended from time to time. Any legal actions must be filed in Travis County, Austin, Texas. **Acknowledged.**

10.6 **Incorporated Law:** In accordance with Texas Education Code 51.9335, any contract for the acquisition of goods and services to which an institution of higher education is a party, a provision required by applicable law to be included in the contract is considered to be a part of the executed contract without regard to:

(1) whether the provision appears on the face of the contract; or

(2) whether the contract includes any provision to the contrary. **Acknowledged.**

10.7 **Dispute Resolution:** If a dispute, or controversy, or claim arises out of or relates to this contract, the parties will make a good faith attempt to resolve the issues. If the dispute cannot be settled by the parties, the parties agree to follow the dispute resolution process in Chapter 2260 of the Texas Government Code. **Acknowledged.**

10.8 **Tie Proposals:** Awards will be made in accordance with Rule 1 TAC Section 113.6 (b) and 113.8 (preferences). **Acknowledged.**

10.9 **No Guarantee of Award:** TSUS makes no warranty or guarantee that an award will be made as a result of this RFP. TSUS reserves the right to accept or reject any or all proposals, waive any formalities or minor technical inconsistencies and delete any requirement or specification from this RFP or the Agreement when deemed to be in TSUS's best interest. TSUS reserves the right to seek clarification of any item contained in Proposer's proposal prior to final selection. Such clarification may be provided by telephone or personal meeting with or in writing to TSUS, at TSUS's discretion. Representations made by Proposer within its proposal will be binding on Proposer. TSUS will not be bound to act by any previous communication or response submitted by Proposer, other than this RFP. **Acknowledged.**

10.10 CANCELLATION OF CONTRACT

If contract is cancelled, for any reason, any prepaid fees shall be refunded on a pro-rated basis. **Acknowledged.**

10.11 PAYMENT

Proposer shall submit an itemized invoice showing TSUS purchase order number. TSUS will incur no penalty for late payment, if payment is made in 30 or fewer days from receipt of goods or services on an uncontested invoice. Regardless of the invoice date, the payment process will begin when TSUS receives the authorized authorization/acceptance from the awarding department, or system components. TSUS may pay proposer for any goods or services provided utilizing any one of the following methods of payment: **Acknowledged.**

a) Paper check

b) ACH

c) Wire

d) WEX Inc. Financial Services' AP Direct

e) Procurement Card

First National Bank of Huntsville

10.12 NON-DISCLOSURE

No public disclosures or news releases pertaining to this RFP shall be made without prior written approval of TSUS. **Acknowledged.**

10.13 CONFLICTS

In event of a conflict between standard proposal requirements and conditions and the attached detail specification, the detail specification shall govern. **Acknowledged.**

10.14 PATENTS OR COPYRIGHTS

The vendor agrees to protect TSUS from claims involving infringement of patents or copyrights. **Acknowledged.**

10.15 PROPOSER ASSIGNMENTS

Proposer hereby assigns to ordering agency any and all claims for overcharges associated with this contract arising under the antitrust laws of the United States 15 U.S.C.A. Section 1, et seq. (1973), and the antitrust laws of the State of Texas, TEX. Bus. & Comm. Code Ann. Sec. 15.01, et seq. (1967). **Acknowledged.**

10.16 FUNDING OUT CLAUSE

TSUS reserves the right to cancel, without penalty, if funds are not appropriated or otherwise made available at any time during the contract period. **Acknowledged.**

First National Bank of Huntsville

10.17 PROPOSER AFFIRMATION

Submitting this proposal with a false statement is material breach of contract and shall void the submitted proposal or any resulting contracts, and the proposer shall be removed from all proposal lists. By submitting this proposal, the proposer herein affirms:

- 10.17.1 The proposer has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted proposal.
- 10.17.2 The proposer is not currently delinquent in the payment of any franchise tax owed with the Texas Comptroller of Public Accounts. For more information see the website for the Texas Comptroller of Public Accounts: <https://mycpa.cpa.state.tx.us/coa/>
- 10.17.3 Neither the proposer nor the firm, corporation, partnership, or institution represented by the proposer, or anyone acting for such firm, corporation or institution has violated the antitrust laws of this State or the Federal Antitrust Laws (See Section 11, above) nor communicated directly or indirectly the proposal made to any competitor or any other person engaged in such line of business.
- 10.17.4 The proposer has not received compensation for participation in the preparation of the specifications for this RFP.
- 10.17.5 regarding child support, the proposer certifies that the individual or business entity named in this proposal is not ineligible to receive the specified payment and acknowledges that this contract may be terminated and payment may be withheld if this certification is inaccurate. Furthermore, any proposer subject to Section 231.006 must include the names and Social Security numbers of each person with at least 25% ownership of the business entity submitting the proposal. This information must be provided prior to contract award.
- 10.17.6 Pursuant to Section 2155.004 Government code re: collection of state and local sales and use taxes, the proposer certifies that the individual or business entity named in this proposal is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and/or payment withheld if this certification is inaccurate.
- 10.17.7 The Proposer shall defend, indemnify, and hold harmless the State of Texas, TSUS, component institutions, all of its officers, agents and employees from and against all claims, actions, suits, demands, proceedings, costs, damages, and liabilities, arising out of, connected with, or resulting from any acts or omissions of proposer or any agent, employee, subcontractor, or supplier of contractor in the execution or performance of this contract.
- 10.17.8 Proposer agrees that any payments due under this contract will be applied towards any debt, including but not limited to delinquent taxes and child support that is owed to the State of Texas
- 10.17.9 Pursuant to Texas Government Code 2252.908 and Texas Ethic Commission Rule 46, for contracts that are either have a value of at least \$1 million or require approval of the TSUS Board of Regents, a business entity (vendor) must submit a copy of Disclosure of Interested Parties filed with the Texas Ethics Commission when the business entity submits the signed contract. No such contract may be presented to the TSUS Board of Regents for approval without the disclosure. Information on the Disclosure of Interested Parties can be found at <http://www.ethics.state.tx.us> .
- 10.17.10 Vendor Ethics -- Gratuities: As an agency of the State of Texas The Texas State University System holds the trust of the public. All Proposers and persons doing business with TSUS must provide the highest level of ethics and service in all business interactions. A Proposer shall not give, offer to give, nor intend to give at any time any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a System employee that might reasonably appear to influence the

First National Bank of Huntsville

employee in the discharge of official duties. TSUS may, by written notice to the Proposer, cancel this contract without liability to Proposer if it determined that gratuities, in the form of entertainment, gifts, or otherwise, were offered or given by the Proposer, or any agent or representative of the Proposer, to any officer or employee of TSUS with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making or any determinations with respect to the performing of such a contract. In the event this contract is cancelled by TSUS pursuant to this provision, TSUS shall be entitled, in addition to any other rights and remedies, to recover or withhold the amount of the cost incurred by Proposer in providing such gratuities.

- 10.17.11 Prohibition Against Personal Interest in Contracts: No employee of TSUS shall transact any business in their official capacity with any business entity of which they are officers, agents, or members, or in which they own a controlling interest unless the Texas State University System Board of Regents has reviewed the matter and determined that there is no conflict of interest. Any violation of the section, with the knowledge, expressed or implies, of the person or corporation contracting with TSUS shall render the contract involved voidable by TSUS.
- 10.17.12 Pursuant to Texas Government Code 2252.908 and Texas Ethic Commission Rule 46, for contracts that are either have a value of at least \$1 million or require approval of the TSUS Board of Regents, a business entity (vendor) must submit a copy of Disclosure of Interested Parties filed with the Texas Ethics Commission when the business entity submits the signed contract. No such contract may be presented to the TSUS Board of Regents for approval without the disclosure. Information on the Disclosure of Interested Parties can be found at <http://www.ethics.state.tx.us>.
- 10.17.13 Proposer certifies that they are in compliance with Texas Government Code, Title 6, Subtitle B, Section 669.003 of the Government Code, relating to contracting with the executive head of a State agency. If Section 669.003 applies, proposer will submit the following information with their response as an attachment in order for the proposal to be evaluated:
Name of Former Executive: _____
Name of State Agency: _____
Date of separation from State Agency: _____
Position with proposer: _____
Date of Employment with proposer: _____
- 10.17.13 No Boycott of Israel: In accordance with Section 2270.002 of the Texas Government Code, Vendor does not, and will not during the term of this Agreement, engage in a boycott of Israel.
- 10.17.14 U.S. Produced Steel: Except as provided below the contract shall include a requirement that any iron or steel product produced through a manufacturing process and used in the Project shall be produced in the United States, within the meaning provided in Texas Government Code Section 2252.201.

Exemptions:

- a. Shall not apply to the Project for which the governing body of the Owner determines that.
 1. iron or steel products produced in the United States are not:
 - a. produced in sufficient quantities;
 - b. reasonably available; or
 - c. of a satisfactory quality;

First National Bank of Huntsville

- total cost of the project by more than 20 percent; or
3. comply with this Section is inconsistent with the public interest.
- b. Electrical components, equipment and systems, and appurtenances thereto, as described in Texas Government Code Section 2252.203 (b), are exempt from the requirements. **First National Bank of Huntsville hereby affirms the above proclamation.**

10.18 TECHNOLOGY ACCESS CLAUSE

The Proposer expressly acknowledges that state funds may not be expended in connection with the purchase of an automated information system unless that system meets certain statutory requirements relating to accessibility by persons with visual impairments. Accordingly, the Proposer represents and warrants to TSUS that the technology provided to TSUS for purchase is capable, either by virtue of features included within the technology or because it is readily adaptable by use with other technology, of:

- providing equivalent access for effective use by both visual and non-visual means;
- presenting information, including prompts used for interactive communications, in format intended for non-visual use; and
- being integrated into networks for obtaining, retrieving, and disseminating information used by individuals who are not blind or visually impaired.

For purposes of this paragraph, the phrase “equivalent access” means a substantially similar ability to communicate with or make use of the technology, either directly by features incorporated within the technology or by other reasonable means such as assistive devices or services which would constitute reasonable accommodations under the Federal Americans with Disabilities Act or similar state or federal laws. Examples of methods by which equivalent access may be provided include, but are not limited to, keyboard alternatives

Access by Individuals with Disabilities. Proposer represents and warrants (the Electronic and Information Resources (EIR) Accessibility Warranty”) that the electronic and information resources and all associated information, documentation and support that it provides to the TSUS under the Agreement (collectively, the “EIRs”) comply with the applicable requirements set forth in Title 1, Chapter 213 of the Texas Administrative Code and Title 1, Chapter 206, Rule §206.70 of the Texas Administrative code (as authorized by Chapter 2054, Subchapter M of the Texas Government Code). To the extent Proposer becomes aware that the EIRs, or any portion thereof, do not comply with the EIR Accessibility Warranty, then Proposer represents and warrants that it will, at no cost to the TSUS, either (1) perform all necessary remediation to make EIRs satisfy the EIR Accessibility Warranty or (2) replace the EIRs with new EIRs that satisfy the EIR Accessibility Warranty. In the event the Proposer fails or is unable to do so, then the TSUS may terminate the Agreement and Proposer will refund to the TSUS all amounts the TSUS has paid under the Agreement within thirty (30) days after the termination date.

All submissions must include all Voluntary Product Accessibility Templates (VPAT), Information Technology Industry Council (ITIC) and General Services Administration (GSA), that describes compliance with Section 508.

The Proposer agrees to protect, defend, and save the TSUS, its elected and appointed officials, agent, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of

First National Bank of Huntsville

and personal injuries, death, damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Proposer and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the TSUS under this Agreement with regard to Title 1, Chapter 213 of the *Texas Administrative Code* and Title 1, Chapter 206, Rule §206.70 of the *Texas Administrative Code* (as authorized by Chapter 2054, Subchapter M of the *Texas Government Code*.) United States Rehabilitation Act of 1973 and its amendments, Section 508; and World Wide Web Consortium (W3C), Web Accessibility Initiative (WAI), Web Content Accessibility Guidelines (WCAG) 1.0 and 2.0AA. **Acknowledged.**

10.19 NOTICE TO PROPOSER

10.19.1 Any terms and conditions attached by the proposer to their proposal will not be considered unless specifically referred to in their response and may result in the disqualification of their proposal.

10.19.2 Equal opportunity – This contractor and subcontractor shall abide by the requirements of 41 CFR § 60-1.4(a), 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, religion, color, national origin, sex, age, sexual orientation, gender identity. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, religion, color, national origin, sex, age, sexual orientation, gender identity, protected veteran status or disability.

10.19.3 In the event that TSUS is closed due to inclement weather and/or emergency situations at the time set aside for the published bid opening, the published due date will default to the next open business day at the same time. **Acknowledged.**



HUB Subcontracting Plan (HSP)

In accordance with Texas Gov't Code §2161.252, the contracting agency has determined that subcontracting opportunities are probable under this contract. Therefore, all respondents, including State of Texas certified Historically Underutilized Businesses (HUBs) must complete and submit this State of Texas HUB Subcontracting Plan (HSP) with their response to the bid requisition (solicitation).

NOTE: Responses that do not include a completed HSP shall be rejected pursuant to Texas Gov't Code §2161.252(b).

The HUB Program promotes equal business opportunities for economically disadvantaged persons to contract with the State of Texas in accordance with the goals specified in the 2009 State of Texas Disparity Study. The statewide HUB goals defined in 34 Texas Administrative Code (TAC) §20.13 are:

- 11.2 percent for heavy construction other than building contracts,
- 21.1 percent for all building construction, including general contractors and operative builders' contracts,
- 32.9 percent for all special trade construction contracts,
- 23.7 percent for professional services contracts,
- 26.0 percent for all other services contracts, and
- 21.1 percent for commodities contracts.

- - Agency Special Instructions/Additional Requirements - -

*In accordance with 34 TAC §20.14(d)(1)(D)(iii), a respondent (prime contractor) may demonstrate good faith effort to utilize Texas certified HUBs for its subcontracting opportunities if the total value of the respondent's subcontracts with Texas certified HUBs meets or exceeds the statewide HUB goal or the agency specific HUB goal, whichever is higher. When a respondent uses this method to demonstrate good faith effort, the respondent must identify the HUBs with which it will subcontract. If using existing contracts with Texas certified HUBs to satisfy this requirement, only the aggregate percentage of the contracts expected to be subcontracted to HUBs with which the respondent **does not** have a **continuous contract*** in place for **more than five (5) years** shall qualify for meeting the HUB goal. This limitation is designed to encourage vendor rotation as recommended by the 2009 Texas Disparity Study.*

SECTION-1 RESPONDENT AND REQUISITION INFORMATION

a. Respondent (Company) Name: First National Bank of Huntsville State of Texas VID #: 74-0702223
 Point of Contact: John M. Dowell Phone #: 936-295-5701
 E-mail Address: mdowell@fnbhuntsvilletx.com Fax #: 936-295-3907

b. Is your company a State of Texas certified HUB? - Yes - No

c. Requisition #: 758-18-00058 Bid Oper Date: 08/06/2018
(mm/dd/yyyy)

Enter your company's name here: First National Bank of HuntsvilleRequisition #: 758-18-00058**SECTION-2: RESPONDENT'S SUBCONTRACTING INTENTIONS**

After dividing the contract work into reasonable lots or portions to the extent consistent with prudent industry practices, and taking into consideration the scope of work to be performed under the proposed contract, including all potential subcontracting opportunities, the respondent must determine what portions of work, **including contracted staffing, goods, services, transportation and delivery will be subcontracted**. Note: In accordance with 34 TAC §20.11, a "Subcontractor" means a person who contracts with a prime contractor to work, to supply commodities, or to contribute toward completing work for a governmental entity.

a. Check the appropriate box (Yes or No) that identifies your subcontracting intentions:

- *Yes*, I will be subcontracting portions of the contract. (If *Yes*, complete Item b of this SECTION and continue to Item c of this SECTION.)
- *No*, I will not be subcontracting any portion of the contract, and I will be fulfilling the entire contract with my own resources, including employees, goods, services, transportation and delivery. (If *No*, continue to SECTION 3 and SECTION 4.)

b. List all the portions of work (subcontracting opportunities) you will subcontract. Also, based on the total value of the contract, identify the percentages of the contract you expect to award to Texas certified HUBs, and the percentage of the contract you expect to award to vendors that are not a Texas certified HUB (i.e., Non-HUB).

Item #	Subcontracting Opportunity Description	HUBs		Non-HUBs
		Percentage of the contract expected to be subcontracted to HUBs with which you <u>do not</u> have a <u>continuous contract</u> * in place for <u>more than five (5) years</u> .	Percentage of the contract expected to be subcontracted to HUBs with which you have a <u>continuous contract</u> * in place for <u>more than five (5) years</u> .	Percentage of the contract expected to be subcontracted to non-HUBs.
1		%	%	%
2		%	%	%
3		%	%	%
4		%	%	%
5		%	%	%
6		%	%	%
7		%	%	%
8		%	%	%
9		%	%	%
10		%	%	%
11		%	%	%
12		%	%	%
13		%	%	%
14		%	%	%
15		%	%	%
Aggregate percentages of the contract expected to be subcontracted:		%	%	%

(Note: If you have more than fifteen subcontracting opportunities, a continuation sheet is available online at <http://window.state.tx.us/procurement/prog/hub/hub-subcontracting-plan/>.)

c. Check the appropriate box (Yes or No) that indicates whether you will be using only Texas certified HUBs to perform all of the subcontracting opportunities you listed in SECTION 2, Item b.

- *Yes* (If *Yes*, continue to SECTION 4 and complete an "HSP Good Faith Effort - Method A (Attachment A)" for each of the subcontracting opportunities you listed.)
- *No* (If *No*, continue to Item d, of this SECTION.)

d. Check the appropriate box (Yes or No) that indicates whether the aggregate expected percentage of the contract you will subcontract with Texas certified HUBs with which you do not have a continuous contract* in place with for more than five (5) years, meets or exceeds the HUB goal the contracting agency identified on page 1 in the "Agency Special Instructions/Additional Requirements."

- *Yes* (If *Yes*, continue to SECTION 4 and complete an "HSP Good Faith Effort - Method A (Attachment A)" for each of the subcontracting opportunities you listed.)
- *No* (If *No*, continue to SECTION 4 and complete an "HSP Good Faith Effort - Method B (Attachment B)" for each of the subcontracting opportunities you listed.)

***Continuous Contract:** Any existing written agreement (including any renewals that are exercised) between a prime contractor and a HUB vendor, where the HUB vendor provides the prime contractor with goods or service, to include transportation and delivery under the same contract for a specified period of time. The frequency the HUB vendor is utilized or paid during the term of the contract is not relevant to whether the contract is considered continuous. Two or more contracts that run concurrently or overlap one another for different periods of time are considered by CPA to be individual contracts rather than renewals or extensions to the original contract. In such situations the prime contractor and HUB vendor are entering (have entered) into "new" contracts.

Enter your company's name here: First National Bank of Huntsville

Requisition #: 758-18-00058

SECTION-2 RESPONDENT'S SUBCONTRACTING INTENTIONS (CONTINUATION SHEET)

This page can be used as a continuation sheet to the HSP Form's page 2, Section 2, Item b. Continue listing the portions of work (subcontracting opportunities) you will subcontract. Also, based on the total value of the contract, identify the percentages of the contract you expect to award to Texas certified HUBs, and the percentage of the contract you expect to award to vendors that are not a Texas certified HUB (i.e., Non-HUB).

Item #	Subcontracting Opportunity Description	HUBs		Non-HUBs
		Percentage of the contract expected to be subcontracted to HUBs with which you do not have a <u>continuous contract*</u> in place for more than five (5) years.	Percentage of the contract expected to be subcontracted to HUBs with which you have a <u>continuous contract*</u> in place for more than five (5) years.	Percentage of the contract expected to be subcontracted to non-HUBs.
16		%	%	%
17		%	%	%
18		%	%	%
19		%	%	%
20		%	%	%
21		%	%	%
22		%	%	%
23		%	%	%
24		%	%	%
25		%	%	%
26		%	%	%
27		%	%	%
28		%	%	%
29		%	%	%
30		%	%	%
31		%	%	%
32		%	%	%
33		%	%	%
34		%	%	%
35		%	%	%
36		%	%	%
37		%	%	%
38		%	%	%
39		%	%	%
40		%	%	%
41		%	%	%
42		%	%	%
43		%	%	%
Aggregate percentages of the contract expected to be subcontracted:		%	%	%

**Continuous Contract: Any existing written agreement (including any renewals that are exercised) between a prime contractor and a HUB vendor, where the HUB vendor provides the prime contractor with goods or service, to include transportation and delivery under the same contract for a specified period of time. The frequency the HUB vendor is utilized or paid during the term of the contract is not relevant to whether the contract is considered continuous. Two or more contracts that run concurrently or overlap one another for different periods of time are considered by CPA to be individual contracts rather than renewals or extensions to the original contract. In such situations the prime contractor and HUB vendor are entering (have entered) into "new" contracts.*

Enter your company's name here: First National Bank of Huntsville Requisition #: 758-18-00058

SECTION-3 SELF PERFORMING JUSTIFICATION (If you responded "No" to SECTION 2, Item a, you must complete this SECTION and continue to SECTION 4.)

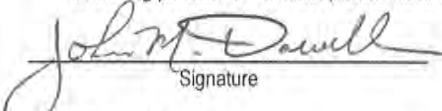
If you responded "No" to SECTION 2, Item a, in the space provided below explain how your company will perform the entire contract with its own employees, supplies, materials and/or equipment, to include transportation and delivery.

First National Bank of Huntsville is a commercial bank. Generally, no sub-contracting is needed to provide regional banking services as specified in the RFP.

SECTION-4: AFFIRMATION

As evidenced by my signature below, I affirm that I am an authorized representative of the respondent listed in SECTION 1, and that the information and supporting documentation submitted with the HSP is true and correct. Respondent understands and agrees that, if awarded any portion of the requisition:

- The respondent will provide notice as soon as practical to all the subcontractors (HUBs and Non-HUBs) of their selection as a subcontractor for the awarded contract. The notice must specify at a minimum the contracting agency's name and its point of contact for the contract, the contract award number, the subcontracting opportunity they (the subcontractor) will perform, the approximate dollar value of the subcontracting opportunity and the expected percentage of the total contract that the subcontracting opportunity represents. A copy of the notice required by this section must also be provided to the contracting agency's point of contact for the contract no later than ten (10) working days after the contract is awarded.
- The respondent must submit monthly compliance reports (Prime Contractor Progress Assessment Report – PAR) to the contracting agency, verifying its compliance with the HSP, including the use of and expenditures made to its subcontractors (HUBs and Non-HUBs). (The PAR is available at <http://www.window.state.tx.us/procurement/prog/hub/hub-forms/progressassessmentrpt.xls>).
- The respondent must seek approval from the contracting agency prior to making any modifications to its HSP, including the hiring of additional or different subcontractors and the termination of a subcontractor the respondent identified in its HSP. If the HSP is modified without the contracting agency's prior approval, respondent may be subject to any and all enforcement remedies available under the contract or otherwise available by law, up to and including debarment from all state contracting.
- The respondent must, upon request, allow the contracting agency to perform on-site reviews of the company's headquarters and/or work-site where services are being performed and must provide documentation regarding staffing and other resources.

	<u>John M. Dowell</u>	<u>Chief Financial Officer</u>	<u>09/12/2018</u>
Signature	Printed Name	Title	Date (mm/dd/yyyy)

Reminder:

- If you responded "Yes" to SECTION 2, Items c or d, you must complete an "HSP Good Faith Effort - Method A (Attachment A)" for each of the subcontracting opportunities you listed in SECTION 2, Item b.
- If you responded "No" SECTION 2, Items c and d, you must complete an "HSP Good Faith Effort - Method B (Attachment B)" for each of the subcontracting opportunities you listed in SECTION 2, Item b.

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

FIRST NATIONAL BANCSHARES OF
HUNTSVILLE, INC. AND SUBSIDIARY
Huntsville, Texas

December 31, 2017 and 2016

C O N T E N T S

Independent Auditors' Report.....	3
Consolidated Balance Sheets	4
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Stockholders' Equity.....	7
Consolidated Statements of Cash Flows.....	8
Notes to Financial Statements.....	9
Independent Auditors' Report on Additional Information	33
Consolidating Balance Sheet - Current Year	34
Consolidating Statement of Income - Current Year.....	35
Consolidating Balance Sheet - Prior Year	36
Consolidating Statement of Income - Prior Year	37

INDEPENDENT AUDITORS' REPORT

Board of Directors
First National Bancshares of
Huntsville, Inc. and Subsidiary
Huntsville, Texas

We have audited the accompanying consolidated financial statements of First National Bancshares of Huntsville, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of First National Bancshares of Huntsville, Inc. and Subsidiary as of December 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lufkin, Texas
April 12, 2018


CERTIFIED PUBLIC ACCOUNTANTS

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and Due from Banks:		
Noninterest-bearing	\$ 4 123 718	\$ 5 837 603
Interest-bearing	16 397 237	12 447 225
	20 520 955	18 284 828
Investment Securities:		
Available for sale, at fair value	190 300 589	187 638 477
Loans, less allowance for loan losses	242 961 649	231 798 317
Federal Reserve Bank stock, at cost	278 195	278 195
Federal Home Loan Bank stock, at cost	717 500	711 100
Texas Independent Bank stock, at cost	96 440	96 440
Bank premises and equipment, net	8 122 046	7 098 775
Goodwill	5 108 175	5 108 175
Cash value life insurance	2 638 388	2 564 672
Accrued interest receivable	1 775 922	1 667 842
Other assets	227 145	187 428
	\$ 472 747 004	\$ 455 434 249
TOTAL ASSETS		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$ 138 336 357	\$ 133 335 234
Interest-bearing	279 341 063	268 580 697
TOTAL DEPOSITS	417 677 420	401 915 931
Accrued interest payable	84 591	70 116
Other liabilities and accrued expenses	880 502	1 321 056
TOTAL LIABILITIES	418 642 513	403 307 103
Stockholders' Equity:		
Common stock; \$2 par value, 3,000,000 shares authorized; 768,120 shares issued; 766,102 shares outstanding	1 536 240	1 536 240
Capital surplus	18 830 668	18 830 668
Retained earnings	33 736 431	31 370 991
Treasury stock; 2,018 shares at cost	(69 758)	(69 758)
Accumulated other comprehensive income, net of tax	70 910	459 005
TOTAL STOCKHOLDERS' EQUITY	54 104 491	52 127 146
	\$ 472 747 004	\$ 455 434 249
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2017 and 2016

	2017	2016
Interest Income:		
Loans, including fees	\$ 11 794 244	\$ 11 079 859
Investment securities	2 558 727	2 481 316
Deposits in banks	127 379	23 207
TOTAL INTEREST INCOME	14 480 350	13 584 382
Interest Expense:		
Deposits	1 124 985	1 009 207
Other	866	5 753
TOTAL INTEREST EXPENSE	1 125 851	1 014 960
NET INTEREST INCOME	13 354 499	12 569 422
Provision for loan losses	299 963	299 963
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13 054 536	12 269 459
Other Income:		
Service fees	2 573 967	2 554 001
Fiduciary fees	508 552	483 414
Other	186 303	339 213
TOTAL OTHER INCOME	3 268 822	3 376 628
Other Expenses:		
Salaries and other employee benefits	6 018 957	5 873 100
Occupancy expenses, net	796 042	750 313
Equipment expense	757 590	827 579
Data processing expense	1 340 415	1 094 155
Professional fees	296 750	374 402
Postage, stationery, and supplies	277 422	295 423
FDIC insurance	144 000	184 500
Other	1 369 079	1 391 801
TOTAL OTHER EXPENSES	11 000 255	10 791 273
INCOME BEFORE FEDERAL INCOME TAXES	5 323 103	4 854 814
Federal income taxes	1 425 459	1 244 385
NET INCOME	\$ 3 897 644	\$ 3 610 429
NET INCOME PER WEIGHTED AVERAGE COMMON SHARE	\$ 5.09	\$ 4.70
WEIGHTED AVERAGE SHARES OUTSTANDING	\$ 766 102	\$ 766 102

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Net income	\$ 3 897 644	\$ 3 610 429
Other Comprehensive Income, Net of Tax:		
Change in net unrealized gains (losses) on securities available for sale, net income taxes (benefit) of \$(217,607) in 2017 and \$(313,670) in 2016	<u>(388 095)</u>	<u>(608 888)</u>
OTHER COMPREHENSIVE INCOME (LOSS)	<u>(388 095)</u>	<u>(608 888)</u>
COMPREHENSIVE INCOME	<u>\$ 3 509 549</u>	<u>\$ 3 001 541</u>

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2017 and 2016

	COMMON STOCK		SURPLUS	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
	SHARES	PAR VALUE					
Balance December 31, 2015	768 120	\$ 1 536 240	\$ 18 830 668	\$ 29 292 766	\$ (69 758)	\$ 1 067 893	\$ 50 657 809
Net income	-	-	-	3 610 429	-	-	3 610 429
Other comprehensive income (loss)	-	-	-	-	-	(608 888)	(608 888)
Dividends paid	-	-	-	(1 532 204)	-	-	(1 532 204)
Balance, December 31, 2016	768 120	1 536 240	18 830 668	31 370 991	(69 758)	459 005	52 127 146
Net income	-	-	-	3 897 644	-	-	3 897 644
Other comprehensive income (loss)	-	-	-	-	-	(388 095)	(388 095)
Dividends paid	-	-	-	(1 532 204)	-	-	(1 532 204)
Balance, December 31, 2017	<u>768 120</u>	<u>\$ 1 536 240</u>	<u>\$ 18 830 668</u>	<u>\$ 33 736 431</u>	<u>\$ (69 758)</u>	<u>\$ 70 910</u>	<u>\$ 54 104 491</u>

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities:		
Net income	\$ 3 897 644	\$ 3 610 429
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Provision for loan losses	299 963	299 963
Provision for depreciation and amortization	552 661	513 103
Principal proceeds from sales of loans held for sale	14 266 589	15 775 582
Originations of loans held for sale	(13 884 358)	(15 416 585)
Net realized gains on sale of loans held for sale	(382 231)	(358 997)
Net loss from sales of premises and equipment	20 788	1 505
Amortization (accretion) of investments, net	121 234	230 824
(Increase) decrease in Federal Reserve Stock	-	(900)
Federal Home Loan Bank stock dividends	(6 400)	(2 400)
Earnings on cash value of life insurance, net	(73 716)	(75 109)
Decrease (increase) in accrued interest receivable and other operating assets	(147 797)	(25 124)
Increase (decrease) in accrued interest payable and other operating liabilities, net of increase in deferred taxes related to securities available-for-sale	(208 472)	130 203
NET CASH PROVIDED BY OPERATING ACTIVITIES	4 455 905	4 682 494
Investing Activities:		
Purchases of available for sale investment securities	(87 627 027)	(50 393 621)
Proceeds from maturities, sales, and principal pay downs of available for sale investment securities	84 237 979	72 916 785
(Increase) decrease in loans, net	(11 474 520)	(16 804 510)
Payments received on previously charged-off loans	11 225	11 225
Purchases of premises and equipment	(1 596 720)	(1 949 003)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(16 449 063)	3 780 876
Financing Activities:		
Increase (decrease) in deposits, net	15 761 489	(412 990)
Increase (decrease) in other borrowings	-	(1 141 000)
Dividends paid to stockholders	(1 532 204)	(1 532 204)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	14 229 285	(3 086 194)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2 236 127	5 377 176
Cash and cash equivalents at beginning of year	18 284 828	12 907 652
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 20 520 955	\$ 18 284 828
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	\$ 1 140 326	\$ 1 010 132
Income taxes	\$ 1 505 000	\$ 1 075 000
Supplemental Schedule of Noncash Investing and Financing Activities:		
(Increase) decrease in unrealized gains on securities available for sale	\$ 605 702	\$ 922 558
Increase (decrease) in deferred taxes on securities available for sale	\$ (217 607)	\$ (313 670)

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

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations:

First National Bancshares of Huntsville, Inc. (the "Company") is a bank holding company headquartered in Huntsville, Texas. It owns 100% of its subsidiary First National Bank of Huntsville (the "Bank"). The Bank is located in Huntsville, Texas, and provides retail commercial banking as well as trust services. The Bank operates branch offices in Walker County, Houston County, Madison County, Brazos County, and Robertson County, Texas.

Summary of Significant Accounting and Reporting Policies:

The accounting and reporting policies of the Company and the Bank conform to generally accepted accounting principles and practices within the banking industry in the United States of America. The following is a description of the more significant of those policies.

Principles of Consolidation:

The consolidated financial statements and related notes include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by collateral. Although the loan portfolio is diversified, its debtors' ability to honor their contracts is heavily dependent upon economic conditions in the service area.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in the economic conditions in the service area. In addition, the regulatory agencies, as an integral part of their examination process, periodically review the adequacy of the allowance for loan losses. These agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowance for loan losses may change in the near term; however, the amount of the possible change cannot be estimated.

Investment Securities:

Securities classified as held-to-maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives. At December 31, 2017 and 2016, the Bank had no investment securities categorized as held to maturity.

Securities classified as available-for-sale are those debt securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Banks' assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of stockholders' equity, net of the related deferred tax effect.

Securities held as trading assets are carried at fair value. At December 31, 2017 and 2016, the Bank had no investment securities categorized as trading.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUEDNOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the consolidated statements of income.

Gains and losses realized on sales of investment securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of income. Additionally, declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer, or that management would not have the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Reserve Bank Stock, Federal Home Loan Bank Stock and Texas Independent Bank Stock:

Investments in stock of the Federal Reserve Bank, Federal Home Loan Bank, and Texas Independent Bank are required as a condition of membership. The investments are carried at cost due to their restrictive nature and no ready market exists for these types of investments.

Loans:

Loans are stated at the amount of unpaid principal, reduced by the undisbursed portion of construction loans (construction loans in process), unearned discount and an allowance for loan losses. The major loan portfolio segments include Commercial, Real Estate, Consumer and Other. Within these categories, loans are secured most significantly by real estate, but are also secured by account receivables, inventory, income producing commercial properties, personal properties such as vehicles and boats and other items of property, plant and equipment. A small segment of consumer loans are unsecured.

Loans held for sale are stated at lower of carrying value or fair value. The specific identification method of accounting is used to compute gains or losses on sales of loans.

Interest on loans is calculated by using the simple interest method on the daily balances of the principal amounts outstanding. The recognition of income on a loan is discontinued, and previously accrued interest is reversed when, in the opinion of management, it is probable that the borrower will be unable to meet payments as they become due. This generally occurs when the loan becomes 90 days delinquent, but may occur sooner should borrower circumstance dictate.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination and commitment fees are recognized as income when received. Direct loan origination costs are expensed when paid. Financial Accounting Standards Board Codification Section 310.20 *Non-Refundable Fees and Costs* requires the net effect of loan origination and commitment fees and certain direct loan origination costs to be deferred and recognized over the life of the related loan as an adjustment of yield. The Bank does not feel the application of this standard would have a material effect on the Bank's consolidated financial position or consolidated results of operations.

Allowance for Loan Losses:

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUEDNOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The allowance is based on two basic principles of accounting: (i) FASB ASC 450, *Contingencies*, which requires that losses be accrued when they are probable of occurring and estimable and (ii) FASB ASC 310, *Receivables*, which requires that losses or impaired loans be accrued based on the differences between the loan balance and either the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, or the present value of future cash flows, or the loan's value as observable in the secondary market. A loan is considered impaired when, based on current information and events, management has concerns about the ability to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines that significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owned.

The Bank's allowance for loan losses has three basic components: the specific allowance, the formula allowance and the pooled allowance. Each of these components is determined based upon estimates that can and do change when the actual events occur. As a result of the uncertainties inherent in the estimation process, management's estimate of loan losses and the related allowance could change in the near term.

The specific allowance component is used to individually establish an allowance for loans identified for impairment testing. When impairment is identified, a specific reserve may be established based on management's calculation of the estimated loss embedded in the individual loan. Impairment testing includes consideration of the borrower's overall financial condition, resources and payment record, support available from financial guarantors and the fair value of collateral. These factors are combined to estimate the probability and severity of inherent losses. Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment. Accordingly, management does not separately evaluate individual consumer and residential loans for impairment.

The formula allowance component is used for estimating the loss on internally risk rated loans exclusive of those identified as impaired. The loans meeting each Bank's internal criteria for classification, such as special mention, substandard, doubtful and loss, as well as specifically identified impaired loans, are segregated from performing loans within the portfolio. These internally classified loans are then grouped by loan type (commercial, real estate, installment, overdrafts, and consumer and other). Each loan type is assigned an allowance factor based on management's estimate of the associated risk, complexity, and size of the individual loans within the particular loan category. Classified loans are assigned higher allowance factor than non-classified loans due to management's concerns regarding collectability or management's knowledge of particular elements surrounding the borrower. Allowance factors increase with the worsening of the internal risk rating.

The pooled formula component is used to estimate the losses inherent in the pools of non-classified loans. These loans are then also segregated by loan type and allowance factors are assigned by management based on delinquencies, loss history, trends in volume and terms of loans, effects of changes in lending policy, the experience and depth of management, national and local economic trends, concentration of credit, results of the loan review system and the effect of external factors (i.e. competition and regulatory requirements).

Allowance factors and overall size of the allowance may change from period to period based on management's assessment of the above-described factors and the relative weights given to each factor. In addition, various regulatory agencies periodically review the allowance for loan losses. These agencies may require the Bank to make additions to the allowance for loan losses based on their judgements of collectability based on information available to them at the time of their examination.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUEDNOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Management considers loans impaired when, based on current information, it is probable that the Bank will not collect all principal and interest payments according to contractual terms. Loans are evaluated for impairment in accordance with the Bank's portfolio monitoring and ongoing risk assessment procedures. Management considers the financial condition of the borrower, cash flow of the borrower, payment status of the loan, and the value of the collateral, if any, securing the loan. Generally, impaired loans do not include large groups of smaller balance homogenous loans such as residential real estate and consumer type loans which are evaluated collectively for impairment and are generally placed on nonaccrual when loan becomes 90 days past due as to principal or interest. Loans specifically reviewed for impairment are not considered impaired during periods of "minimal delay" in payment (90 or less) provided eventual collection of all amounts due is expected. The impairment of a loan is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or the fair value of the collateral if repayment is expected to be provided solely by the collateral. In appropriate circumstances, interest income on impaired loans may be recognized on a cash basis.

The Bank's charge-off policy states after all collection efforts have been exhausted and the loan is deemed to be a loss, it will be charged to the Bank's established allowance for loan losses.

Troubled Debt Restructurings:

In situations where, for economic or legal reasons related to a customer's financial difficulties, the Bank may grant a concession for other than an insignificant period of time to the customer to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Bank grants the customer new terms that provide for a reduction of either interest or principal, the Bank measures any impairment on the restructuring as previously noted for impaired loans.

Bank Premises and Equipment:

Land is stated at cost. Other premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs that do not extend the life of bank premises and equipment are charged to expense. Gains or losses realized on the disposition of properties and equipment are reflected in the consolidated statements of income in other income.

Other Real Estate:

The Bank records real estate acquired by foreclosure at fair value, less estimated costs to sell, at the time of foreclosure. Adjustments are made to reflect declines in value, subsequent to acquisition, if any, below the recorded amounts. Required developmental costs associated with foreclosed property under construction are capitalized and considered in determining the fair value of the property. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in the consolidated statements of income.

The Bank did not have physical possession of any foreclosed residential real estate as of December 31, 2017 and 2016. During the years presented, there were no investments in consumer mortgage loans secured by residential real estate properties where formal foreclosure procedures were in process at year end.

Goodwill:

The Bank reviews goodwill for possible impairment at least annually for each applicable reporting unit. If the reporting unit's fair value is greater than its carrying amount, goodwill is not impaired and no loss is recognized. If the implied fair value of a reporting unit's goodwill is less than the recorded amount, goodwill is considered impaired and the Bank must recognize a loss. Management concluded that there was no significant impairment for the years 2017 or 2016.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUEDNOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUEDBank Owned Life Insurance:

The Bank has purchased single-premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policies is classified as noninterest income in the consolidated statements of income. These insurance policies can be surrendered subject to certain surrender penalties applied by the insurance carriers, as well as potential income taxes to be paid. See Note 8.

Income Taxes:

Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of non-taxable income such as interest on state and municipal securities) and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

FASB Codification Section 740 *Income Taxes* requires recognition, measurement, and disclosure of uncertain tax positions. The Company currently accounts for uncertain tax positions based on the estimated likelihood of assessment and has determined that there are no tax positions requiring an accrual based on current standards of accounting. The Company is generally no longer subject to Federal tax examination for years before 2014.

Net Income per Common Share:

Net income per common share is calculated by dividing the net income by the weighted average number of common shares outstanding.

Cash and Cash Equivalents:

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents are defined as those amounts included as noninterest-bearing and interest-bearing under the balance sheet caption "Cash and Due from Banks".

Advertising:

Advertising costs are expensed when incurred.

Income from Fiduciary Activities:

Trust fees are recorded on the accrual basis.

Fair Values of Financial Instruments:

The Company follows the guidance of FASB ASC 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurement*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies the fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance established 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 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUEDNOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUEDComprehensive Income:

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Reclassifications:

Certain reclassifications have been made to the prior period's financial statements in order to conform to the classifications used for the current year.

Subsequent Events:

Management has evaluated subsequent events through April 12, 2018, the date the financial statements were available to be issued.

New Authoritative Accounting Guidance:

The Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASC) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in this Update make targeted improvements to GAAP as follows: (1) Require equity investments to be measured at fair value with changes in fair value recognized in net income. (2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. (3) Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheets. (4) Require public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes. (5) Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. This ASU will be effective for financial institutions other than public business entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company does not expect the guidance to have a material impact on its financial statements.

The FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification and creating Topic 842, *Leases*. Leasing is utilized by many entities. It is a means of gaining access to assets, of obtaining financing, and/or of reducing an entity's exposure to the full risks of asset ownership. The prevalence of leasing, therefore, means that it is important to users of financial statements. Previous lease accounting was criticized for failing to meet the needs of users of financial statements because it did not always provide a faithful representation of leasing transactions. In particular, it did not require lessees to recognize assets and liabilities arising from operating leases on the balance sheet. As a result, there had been long-standing requests from many users of financial statements and others to change the accounting requirements so that lessees would be required to recognize the rights and obligations resulting from leases as assets and liabilities. This ASU will be effective for financial institutions other than public business entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 31, 2020. At this time, the Company has not determined the impact on its financial statements.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUEDNOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Current GAAP requires an *incurred loss* methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. Users of financial statements expressed concern that current GAAP restricts the ability to record credit losses that are expected, but do not yet meet the *probable* threshold. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by reporting entity at each reporting date. To achieve this objective, the amendments in this Update replace the incurred loss impairment methodology in current GAAP with methodology that reflects current expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU will be effective for financial institutions other than public entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. At this time, the Company has not determined the impact on its financial statements.

The FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which made the following changes that may affect the Company: (1) Debt Prepayment or Debt Extinguishment Costs: Cash payments for debt prepayment or debt extinguishment costs should be classified as cash flows from financing activities. (2) Proceeds from Settlement of Bank-Owned Life Insurance Policies: Cash proceeds received from the settlement of bank-owned life insurance policies should be classified as cash flows from investing activities. The cash payments for premiums on bank-owned policies may be classified as cash flows for investing activities, operating activities, or a combination of investing and operating. The amendments in the ASU will be effective for entities other than public business entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company does not expect the guidance to have a material impact on its financial statements.

Accounting Change:

In January 2018, FASB issued an Accounting Standards Update that provides relief in accounting for the stranded tax effects from the new tax reform law (Tax Cuts and Jobs Act) that was signed by the President on December 22, 2017. The tax act reduced the corporate tax rate from 34% to 21% which affected deferred federal income taxes. Current accounting standards require that the change in deferred income taxes related to a change in tax rates be recorded as federal income tax expense. The Company determined the effects of the newly enacted rates on the portion related to stranded tax in other comprehensive income was immaterial to the financial statements.

NOTE 2 - CASH AND DUE FROM BANKS

Included in "Cash and Due from Banks" are interest-bearing accounts with the Federal Reserve Bank and the Federal Home Loan Bank.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - INVESTMENT SECURITIES

At December 31, 2017 and 2016, the investment securities as shown in the balance sheet were comprised entirely of securities classified as available for sale. The amortized cost and related fair values are as follows:

	DECEMBER 31, 2017			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
U.S. government bonds	\$ 106 831 130	\$ 69	\$ (343 113)	\$ 106 488 086
Obligations of U.S. government agencies	38 661 719	-	(106 971)	38 554 748
Municipal securities	44 317 907	648 100	(117 134)	44 848 873
Mortgage-backed securities and collateralized mortgage obligations	400 072	8 870	(60)	408 882
	<u>\$ 190 210 828</u>	<u>\$ 657 039</u>	<u>\$ (567 278)</u>	<u>\$ 190 300 589</u>
	DECEMBER 31, 2016			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
U.S. government bonds	\$ 118 264 563	\$ 86 299	\$ (78 050)	\$ 118 272 812
Obligations of U.S. government agencies	19 927 008	161	(44 630)	19 882 539
Municipal securities	47 864 963	855 587	(145 964)	48 574 586
Mortgage-backed securities and collateralized mortgage obligations	886 480	22 085	(25)	908 540
	<u>\$ 186 943 014</u>	<u>\$ 964 132</u>	<u>\$ (268 669)</u>	<u>\$ 187 638 477</u>

The amortized cost and fair values of investment securities available for sale at December 31, 2017, by expected maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	FAIR VALUE
Due in one year or less	\$ 95 609 778	\$ 95 427 428
Due after one year but less than five years	84 531 377	84 526 248
Due after five years but less than ten years	5 551 196	5 682 850
Due after ten years	4 118 405	4 255 181
Mortgage-backed securities and collateralized mortgage obligations	400 072	408 882
	<u>\$ 190 210 828</u>	<u>\$ 190 300 589</u>

There were no sales of investment securities in 2017 or 2016.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - INVESTMENT SECURITIES - CONTINUED

FASB Codification Section 320 *Investments* requires the assessment of other-than-temporary impairment regarding debt and equity securities. Information pertaining to securities with gross unrealized losses at December 31, 2017 and 2016, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	LESS THAN 12		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS
DECEMBER 31, 2017:						
U.S. government bonds	\$ 81 561 367	\$ (289 336)	\$ 14 945 703	\$ (53 777)	\$ 96 507 070	\$ (343 113)
U.S. agency bonds	28 190 593	(84 011)	10 364 155	(22 960)	38 554 748	(106 971)
Municipal securities	12 839 789	(69 811)	3 306 125	(47 323)	16 145 914	(117 134)
Mortgage-backed securities and collateralized mortgage obligations	4 631	(44)	1 255	(16)	5 886	(60)
	<u>\$ 122 596 380</u>	<u>\$ (443 202)</u>	<u>\$ 28 617 238</u>	<u>\$ (124 076)</u>	<u>\$ 151 213 618</u>	<u>\$ (567 278)</u>
DECEMBER 31, 2016:						
U.S. government bonds	\$ 39 837 734	\$ (78 050)	\$ -	\$ -	\$ 39 837 734	\$ (78 050)
U.S. agency bonds	15 881 648	(44 630)	-	-	15 881 648	(44 630)
Municipal securities	13 345 096	(145 964)	-	-	13 348 221	(145 979)
Mortgage-backed securities and collateralized mortgage obligations	205	(2)	4 185	(23)	1 265	(10)
	<u>\$ 69 064 683</u>	<u>\$ (268 646)</u>	<u>\$ 4 185</u>	<u>\$ (23)</u>	<u>\$ 69 068 868</u>	<u>\$ (268 669)</u>

Management evaluates securities for other-than-temporary impairment on a periodic basis. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

Investment securities with an amortized cost of approximately \$71,626,000 and \$77,165,000 and a fair value of approximately \$71,794,000 and \$77,301,000 at December 31, 2017 and 2016, respectively, were pledged to secure public deposits, other borrowings, and for other purposes required or permitted by law.

NOTE 4 - LOANS

The Bank's goal is to mitigate risk from an unforeseen threat to the loan portfolio as a result of an economic downturn or other negative influences. Plans that aid in mitigating these potential risks in managing the loan portfolio include: enforcing loan policies and procedures, evaluating the borrower's business plan through the loan term, identifying and monitoring primary and alternative sources of repayment, and obtaining adequate collateral to mitigate loss in the event of liquidation. Specific reserves are established based on credit and/or collateral risks on an individual loan basis. A risk rating system is used to estimate potential loss exposure and to provide a measuring system for setting general and specific reserve allocations.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

Outstanding Loans:

The table below presents total outstanding loans at December 31, 2017 and 2016 and an aging analysis at December 31, 2017 and 2016:

	DECEMBER 31, 2017				
	30-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE 30 DAYS OR MORE	TOTAL CURRENT OR LESS THAN 30 DAYS PAST DUE	TOTAL OUT- STANDING
Real Estate:					
Commercial construction/land development	\$ -	\$ -	\$ -	\$ 11 751 752	\$ 11 751 752
1-4 family construction	-	-	-	12 636 587	12 636 587
Farmland	-	-	-	5 114 630	5 114 630
1-4 family 1 st lien	427 691	8 629	436 320	92 925 341	93 361 661
1-4 family 2 nd lien	-	-	-	607 295	607 295
Multi-family	-	-	-	5 301 244	5 301 244
Owner occupied non-farm non residential	-	-	-	28 455 447	28 455 447
Non-owner occupied non-farm non-residential	-	-	-	27 388 195	27 388 195
TOTAL REAL ESTATE	<u>427 691</u>	<u>8 629</u>	<u>436 320</u>	<u>184 180 491</u>	<u>184 616 811</u>
Consumer:					
Automobile	-	-	-	9 100 358	9 100 358
Other consumer	44 041	-	44 041	16 677 484	16 721 525
Overdrafts	-	-	-	133 185	133 185
TOTAL CONSUMER	<u>44 041</u>	<u>-</u>	<u>44 041</u>	<u>25 911 027</u>	<u>25 955 068</u>
Commercial:					
Agricultural production	-	-	-	5 070 247	5 070 247
Commercial/industrial	31 259	-	31 259	30 163 079	30 194 338
Obligations of states/political subdivisions of US	-	-	-	1 456 006	1 456 006
TOTAL COMMERCIAL	<u>31 259</u>	<u>-</u>	<u>31 259</u>	<u>36 689 332</u>	<u>36 720 591</u>
TOTAL LOANS	<u>\$ 502 991</u>	<u>\$ 8 629</u>	<u>\$ 511 620</u>	<u>\$ 246 780 850</u>	<u>247 292 470</u>
Allowance for loan losses					(4 330 821)
LOANS, NET					<u>\$ 242 961 649</u>
Percentage of outstanding	<u>0.20%</u>	<u>0.01%</u>	<u>0.21%</u>	<u>99.79%</u>	<u>100.00%</u>
	DECEMBER 31, 2016				
	30-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE 30 DAYS OR MORE	TOTAL CURRENT OR LESS THAN 30 DAYS PAST DUE	TOTAL OUT- STANDING
Real Estate:					
Commercial construction/land development	\$ -	\$ -	\$ -	\$ 1 449 916	\$ 1 449 916
1-4 family construction	-	-	-	20 519 668	20 519 668
Farmland	-	-	-	4 567 744	4 567 744
1-4 family 1 st lien	363 096	-	363 096	90 545 138	90 908 234
1-4 family 2 nd lien	-	-	-	200 658	200 658
Multi-family	10 157	-	10 157	5 341 209	5 351 366
Owner occupied non-farm non residential	-	-	-	37 587 598	37 587 598
Non-owner occupied non-farm non-residential	-	-	-	10 653 181	10 653 181
TOTAL REAL ESTATE	<u>373 253</u>	<u>-</u>	<u>373 253</u>	<u>170 865 112</u>	<u>171 238 365</u>
Consumer:					
Automobile	26 394	-	26 394	9 303 532	9 329 926
Other consumer	13 745	-	13 745	16 485 148	16 498 893
Overdrafts	-	-	-	183 657	183 657
TOTAL CONSUMER	<u>40 139</u>	<u>-</u>	<u>40 139</u>	<u>25 972 337</u>	<u>26 012 476</u>
Commercial:					
Agricultural production	-	-	-	4 936 818	4 936 818
Commercial/industrial	-	-	-	31 842 360	31 842 360
Obligations of states/political subdivisions of US	-	-	-	1 742 798	1 742 798
TOTAL COMMERCIAL	<u>-</u>	<u>-</u>	<u>-</u>	<u>38 521 976</u>	<u>38 521 976</u>
TOTAL LOANS	<u>\$ 413 392</u>	<u>\$ -</u>	<u>\$ 413 392</u>	<u>\$ 235 359 425</u>	<u>235 772 817</u>
Allowance for loan losses					(3 974 500)
LOANS, NET					<u>\$ 231 798 317</u>
Percentage of outstanding	<u>0.18%</u>	<u>0.00%</u>	<u>0.18%</u>	<u>99.82%</u>	<u>100.00%</u>

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

Nonaccrual Loans:

The table below includes the Bank's nonaccrual loans, including nonperforming trouble debt restructures, and loans past due 90 days or more at December 31, 2017 and 2016:

	DECEMBER 31,			
	2017		2016	
	NONACCRUAL LOANS AND LEASES	ACCRUING PAST DUE 90 DAYS OR MORE	NONACCRUAL LOANS AND LEASES	ACCRUING PAST DUE 90 DAYS OR MORE
Real Estate:				
1-4 family 1 st lien	\$ -	\$ 8 629	\$ -	\$ -
TOTAL REAL ESTATE	-	8 629	-	-
Consumer:				
Other consumer	-	-	-	-
Automobile	-	-	-	-
TOTAL CONSUMER	-	-	-	-
Commercial:				
Commercial/industrial	1 955	-	5 754	-
TOTAL COMMERCIAL	1 955	-	5 754	-
TOTAL LOANS	\$ 1 955	\$ 8 629	\$ 5 754	\$ -

Credit Quality Indicators:

The Bank monitors credit quality within its three segments based on primary credit quality indicators. The Bank loans are evaluated using the pass rated, special mention, substandard, doubtful, or loss as the primary credit quality indicators.

Pass - A *pass* does not possess any weaknesses by management sufficient to warrant a more adverse classification.

Special Mention - A *special mention* does not warrant adverse classification yet, but possesses credit deficiencies or potential weaknesses requiring management's close attention. A special mention asset is one, which has the potential to weaken and have increased risk in the future. This category is a monitoring and early warning system for assets that have the potential to deteriorate to a substandard level. This category is also for assets that have improved from a substandard classification, but have not improved sufficiently or maintained the improvement for a sufficient time period to be classified satisfactory.

Substandard - A *substandard* asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful - An asset classified *doubtful* has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss - Assets classified *loss* are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. Amounts classified as loss are generally charged off to the allowance for loan losses upon such classification.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

2017	PASS	SPECIAL MENTION	SUB- STANDARD	DOUBTFUL	LOSS	TOTAL
Real Estate:						
Commercial construction/ land development	\$ 11 751 752	\$ -	\$ -	\$ -	\$ -	\$ 11 751 752
1-4 family construction	12 636 587	-	-	-	-	12 636 587
Farmland	4 961 438	153 192	-	-	-	5 114 630
1-4 family 1 st lien	92 830 259	273 289	258 113	-	-	93 361 661
1-4 family 2 nd lien	594 002	-	13 293	-	-	607 295
Multi-family	5 294 798	-	6 446	-	-	5 301 244
Owner occupied non- farm non residential	28 411 146	-	44 301	-	-	28 455 447
Non-owner occupied non- farm non-residential	26 250 198	-	1 137 997	-	-	27 388 195
TOTAL REAL ESTATE	182 730 180	426 481	1 460 150	-	-	184 616 811
Consumer:						
Automobiles	9 072 114	-	24 803	3 441	-	9 100 358
Other consumer	16 439 897	89 289	192 339	-	-	16 721 525
Overdrafts	133 185	-	-	-	-	133 185
TOTAL CONSUMER	25 645 196	89 289	217 142	3 441	-	25 955 068
Commercial:						
Agricultural production	5 070 247	-	-	-	-	5 070 247
Commercial/industrial Obligations of states/political subdivisions of US	30 048 922	-	145 416	-	-	30 194 338
	1 456 006	-	-	-	-	1 456 006
TOTAL COMMERCIAL	36 575 175	-	145 416	-	-	36 720 591
TOTAL LOANS	\$ 244 950 551	\$ 515 770	\$ 1 822 708	\$ 3 441	\$ -	\$ 247 292 470
2016	PASS	SPECIAL MENTION	SUB- STANDARD	DOUBTFUL	LOSS	TOTAL
Real Estate:						
Commercial construction/ land development	\$ 1 449 916	\$ -	\$ -	\$ -	\$ -	\$ 1 449 916
1-4 family construction	20 519 668	-	-	-	-	20 519 668
Farmland	4 567 744	-	-	-	-	4 567 744
1-4 family 1 st lien	89 660 523	259 646	988 065	-	-	90 908 234
1-4 family 2 nd lien	182 634	-	18 024	-	-	200 658
Multi-family	5 341 209	-	10 157	-	-	5 351 366
Owner occupied non- farm non residential	36 909 617	-	677 981	-	-	37 587 598
Non-owner occupied non- farm non-residential	10 653 181	-	-	-	-	10 653 181
TOTAL REAL ESTATE	169 284 492	259 646	1 694 227	-	-	171 238 365
Consumer:						
Automobiles	9 298 601	-	31 325	-	-	9 329 926
Other consumer	16 419 412	9 540	69 941	-	-	16 498 893
Overdrafts	183 657	-	-	-	-	183 657
TOTAL CONSUMER	25 901 670	9 540	101 266	-	-	26 012 476
Commercial:						
Agricultural production	4 936 818	-	-	-	-	4 936 818
Commercial/industrial Obligations of states/political subdivisions of US	30 677 873	2 959	1 161 528	-	-	31 842 360
	1 742 798	-	-	-	-	1 742 798
TOTAL COMMERCIAL	37 357 489	2 959	1 161 528	-	-	38 521 976
TOTAL LOANS	\$ 232 543 651	\$ 272 145	\$ 2 957 021	\$ -	\$ -	\$ 235 772 817

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

Impaired Loans and Trouble Debt Restructurings:

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. During 2017 and 2016, the Bank had no significant troubled debt restructures. Information on impaired loans is as follows:

DECEMBER 31, 2017					
	UNPAID PRINCIPAL BALANCE	CARRYING VALUE	RELATED ALLOWANCE	AVERAGE CARRYING AMOUNT	INTEREST INCOME RECOGNIZED
With no Related Allowance Recorded:					
Real estate	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
TOTAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
With an Allowance Recorded:					
Real estate	\$ 85 928	\$ 67 402	\$ 18 526	\$ 76 665	\$ 3 978
Commercial	147 493	88 199	59 294	117 846	7 094
Consumer	144 499	116 174	28 325	130 337	6 676
TOTAL	<u>\$ 377 920</u>	<u>\$ 271 775</u>	<u>\$ 106 145</u>	<u>\$ 324 848</u>	<u>\$ 17 748</u>
Total:					
Real estate	\$ 85 928	\$ 67 402	\$ 18 526	\$ 76 665	\$ 3 978
Commercial	147 493	88 199	59 294	117 846	7 094
Consumer	144 499	116 174	28 325	130 337	6 676
GRAND TOTAL	<u>\$ 377 920</u>	<u>\$ 271 775</u>	<u>\$ 106 145</u>	<u>\$ 324 848</u>	<u>\$ 17 748</u>
DECEMBER 31, 2016					
	UNPAID PRINCIPAL BALANCE	CARRYING VALUE	RELATED ALLOWANCE	AVERAGE CARRYING AMOUNT	INTEREST INCOME RECOGNIZED
With no Related Allowance Recorded:					
Real estate	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
TOTAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
With an Allowance Recorded:					
Real estate	\$ 56 718	\$ 48 210	\$ 8 508	\$ 52 464	\$ 1 821
Commercial	64 995	34 995	30 000	33 500	3 619
Consumer	39 537	33 366	6 171	36 452	2 315
TOTAL	<u>\$ 161 250</u>	<u>\$ 116 571</u>	<u>\$ 44 679</u>	<u>\$ 122 416</u>	<u>\$ 7 755</u>
Total:					
Real estate	\$ 56 718	\$ 48 210	\$ 8 508	\$ 52 464	\$ 1 821
Commercial	64 995	34 995	30 000	33 500	3 619
Consumer	39 537	33 366	6 171	36 452	2 315
GRAND TOTAL	<u>\$ 161 250</u>	<u>\$ 116 571</u>	<u>\$ 44 679</u>	<u>\$ 122 416</u>	<u>\$ 7 755</u>

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

Allowance for Credit Losses:

The table below summarizes the changes in the allowance for credit losses for 2017 and 2016:

	DECEMBER 31, 2017			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Allowance for loan and lease losses January 1	\$ 1 669 691	\$ 868 518	\$ 1 436 291	\$ 3 974 500
Loans and leases charged off	-	-	(8 078)	(8 078)
Recoveries of loans and leases previously charged off	25 600	-	38 836	64 436
NET CHARGE OFFS	25 600	-	30 758	56 358
Provision for loan and lease losses	119 985	119 985	59 993	299 963
ALLOWANCE FOR LOAN AND LEASE LOSSES DECEMBER 31	<u>\$ 1 815 276</u>	<u>\$ 988 503</u>	<u>\$ 1 527 042</u>	<u>\$ 4 330 821</u>
	DECEMBER 31, 2016			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Allowance for loan and lease losses January 1	\$ 1 580 808	\$ 748 533	\$ 1 378 062	\$ 3 707 403
Loans and leases charged off	(32 653)	-	(11 439)	(44 092)
Recoveries of loans and leases previously charged off	1 551	-	9 675	11 226
NET CHARGE OFFS	(31 102)	-	(1 764)	(32 866)
Provision for loan and lease losses	119 985	119 985	59 993	299 963
ALLOWANCE FOR LOAN AND LEASE LOSSES DECEMBER 31	<u>\$ 1 669 691</u>	<u>\$ 868 518</u>	<u>\$ 1 436 291</u>	<u>\$ 3 974 500</u>

The table below represents the allowance and the carrying value of outstanding loans and leases by portfolio segment at December 31, 2017 and 2016.

	DECEMBER 31, 2017			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Impaired Loans and Trouble Debt Restructures:				
Allowance for loans and lease losses	\$ 59 294	\$ 18 526	\$ 28 325	\$ 106 145
Principal balance	\$ 147 493	\$ 85 928	\$ 144 499	\$ 377 920
Allowance as a percentage of principal value	<u>40.20%</u>	<u>21.56%</u>	<u>19.60%</u>	<u>28.09%</u>
Collectively Evaluated for Impairment:				
Allowance for loans and lease losses	\$ 1 755 982	\$ 969 977	\$ 1 498 717	\$ 4 224 676
Principal balance	\$ 36 573 098	\$ 184 530 883	\$ 25 810 569	\$ 246 914 550
Allowance as a percentage of principal value	<u>4.80%</u>	<u>0.53%</u>	<u>5.81%</u>	<u>1.71%</u>
Total:				
Allowance for loans and lease losses	\$ 1 815 276	\$ 988 503	\$ 1 527 042	\$ 4 330 821
Principal balance	\$ 36 720 591	\$ 184 616 811	\$ 25 955 068	\$ 247 292 470
Allowance as a percentage of principal value	<u>4.94%</u>	<u>0.54%</u>	<u>5.88%</u>	<u>1.75%</u>

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - LOANS - CONTINUED

	DECEMBER 31, 2016			
	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Impaired Loans and Trouble Debt				
Restructures:				
Allowance for loans and lease losses	\$ 30 000	\$ 8 508	\$ 6 171	\$ 44 679
Principal balance	\$ 64 995	\$ 56 718	\$ 39 537	\$ 161 250
Allowance as a percentage of principal value	<u>46.16%</u>	<u>15.00%</u>	<u>15.61%</u>	<u>27.71%</u>
Collectively Evaluated for Impairment:				
Allowance for loans and lease losses	\$ 1 639 691	\$ 860 010	\$ 1 430 120	\$ 3 929 821
Principal balance	\$ 38 456 981	\$ 171 181 647	\$ 25 972 939	\$ 235 611 567
Allowance as a percentage of principal value	<u>4.26%</u>	<u>0.50%</u>	<u>5.51%</u>	<u>1.67%</u>
Total:				
Allowance for loans and lease losses	\$ 1 669 691	\$ 868 518	\$ 1 436 291	\$ 3 974 500
Principal balance	\$ 38 521 976	\$ 171 238 365	\$ 26 012 476	\$ 235 772 817
Allowance as a percentage of principal value	<u>4.33%</u>	<u>0.51%</u>	<u>5.52%</u>	<u>1.69%</u>

Approximate loan maturities, excluding nonaccrual loans, of the loan portfolio are as follows:

	DECEMBER 31,	
	2017	2016
Within one year	\$ 45 965 000	\$ 49 550 000
After one through five years	143 434 000	107 372 000
After five years	57 892 000	78 844 000
TOTAL	<u>\$ 247 291 000</u>	<u>\$ 235 766 000</u>

The Bank had approximately \$459,000 and \$-0- mortgage loans held for sale at December 31, 2017 and 2016, respectively. During 2017 and 2016, the Bank originated and sold approximately \$14,267,000 and \$15,417,000, respectively, of mortgage loans. The Bank receives a service release premium when the loan is sold; these premiums approximated \$382,000 in 2017 and \$359,000 in 2016, and are included in interest income from loans including fees in the accompanying consolidated statements of income.

The Bank had approximately \$4,588,000 and \$5,028,000 of student loans at December 31, 2017 and 2016, respectively. Of these amounts, approximately \$4,588,000 and \$5,028,000 were held for sale at December 31, 2017 and 2016, respectively. Student loans are routinely sold to loan servicing organizations at a contractually pre-determined price (which is usually the loan carrying value plus a percentage) when the student borrower leaves school and the loan goes into repayment status. The Bank accounts for amounts received from sales in excess of carrying value as fee income; for 2017 and 2016, respectively, the Bank realized fee income from sales of student loans of approximately \$9,000 and \$8,000. The fee income is included in interest income from loans, including fees on the accompanying consolidated statements of income.

As of December 31, 2017 and 2016, loans outstanding to directors, officers, and their affiliates were approximately \$5,859,000 and \$8,011,000, respectively. In the opinion of management, all transactions entered into between the Bank and such related parties, in the ordinary course of business, have been and are made on the same terms and conditions as similar transactions with unaffiliated persons.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - BANK PREMISES AND EQUIPMENT

Bank premises and equipment are summarized as follows:

	DECEMBER 31,		USEFUL LIVES IN YEARS
	2017	2016	
Land	\$ 2 506 282	\$ 2 506 282	N/A
Buildings and improvements	9 008 245	8 503 728	5 - 40
Furniture, equipment and autos	6 021 652	6 236 402	3 - 15
Leasehold improvements	289 271	244 121	3 - 20
Application software	1 233 321	1 216 651	3
Work in process	1 179 810	303 149	N/A
	<u>20 238 581</u>	<u>19 010 333</u>	
Less accumulated depreciation	<u>(12 116 535)</u>	<u>(11 911 558)</u>	
	<u>\$ 8 122 046</u>	<u>\$ 7 098 775</u>	

Depreciation and amortization expense was \$552,661 in 2017 and \$513,103 in 2016.

The Bank is under an operating lease for one of its Huntsville branch facilities. The lease term is five years and it expires April 2019. Lease expense is payable monthly, and total lease expense approximated \$54,000 in 2017 and \$54,000 in 2016. Annual lease expense will approximate \$54,000 in 2018 and \$18,000 in 2019.

In January 2014, the Bank entered into an operating lease in College Station, Texas for its Brazos County branch. The lease term was two years and it expired January 31, 2016. The lease was renewed in 2016 for another two year term, expiring on January 31, 2018. The lease will then convert to a month-to-month lease with an expected exit date of April 2018. Lease expense is payable monthly. Total lease expense for 2017 and 2016 approximated \$56,000 and \$56,000, respectively. Annual lease expense will approximate \$19,000 in 2018.

The Bank also leases various items of office equipment such as postage machine, copiers, etc. as well as sign space. Aggregate lease expense approximates \$40,000 per year under these agreements and is expected to approximate \$40,000 annually for the next five years.

The Bank is in the process of constructing a new building for its Brazos County branch. Construction is expected to be completed by April 2018. As of December 31, 2017, total work in process approximated \$1,180,000. The Bank is committed to approximately \$273,000 in additional funds to complete the project as of December 31, 2017.

NOTE 6 - DEPOSITS

Included in interest-bearing deposits are time deposits. These time deposits and their approximate remaining maturities are as follows:

	DECEMBER 31,	
	2017	2016
Within one year	\$ 59 893 000	\$ 66 199 000
One to two years	12 998 000	11 416 000
Two to three years	6 632 000	5 603 000
Three to five years	8 903 000	8 989 000
Over five years	-	-
	<u>\$ 88 426 000</u>	<u>\$ 92 207 000</u>

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUEDNOTE 6 - DEPOSITS - CONTINUED

Certificated deposits and other time deposits issued in denominations that meet or exceed the FDIC insurance limit of \$250,000 or more totaled approximately \$7,909,000 and \$7,736,000 at December 31, 2017 and 2016, respectively, and are included in interest-bearing deposits in the consolidated balance sheets.

The aggregate amount of deposits owed by the Bank to directors, officers, principal stockholders and their related entities approximated \$10,194,000 and \$2,122,000 at December 31, 2017 and 2016, respectively.

NOTE 7 - OTHER BORROWINGS AND LINES OF CREDIT

The Bank is a member of the Federal Home Loan Bank (FHLB). As a member, the Bank has a line of credit through the FHLB. Under this line of credit the Bank may borrow up to approximately \$189,162,000 on a secured basis. The Bank had no amounts drawn against this line as of December 31, 2017 and 2016, respectively.

NOTE 8 - DEFERRED COMPENSATION*Supplementary Executive Retirement Agreements*

As part of the acquisition of The National Bank of Madisonville (TNB) in 2004, the Bank assumed the Supplementary Retirement Agreements and the life insurance policies that TNB had with certain officers of that institution. There are four Agreements and they are accounted for as deferred compensation pursuant to FASB Codification Section 710 *Compensation*. The life insurance policies are an integral part of the Agreements and they are actuarially designed to provide earnings to offset the annual expenses associated with the Agreements. The benefits payable under the Agreements are determined by an indexed formula that is based on the earnings of the respective life insurance policies. Under two of the Agreements, benefits are payable upon retirement with a portion of the benefits being paid over 10 years and the other portion being paid over the remaining life of the officer. The other two Agreements pay a set dollar amount over the remaining life of the officer. The life insurance on each officer is being provided by an Endorsement Split Dollar Plan whereby the Bank endorses 100% of the net-at-risk life insurance portion for payment to the designated beneficiary of the respective officer. The policies and their entire surrender values are owned by the Bank.

The estimated costs of funding the Agreements are being accrued over the respective officers' period of service from inception of the Agreement to retirement. Two of the Agreements were entered into in 1996 and the other two in 2003. In 1996, \$575,000 of premiums were paid to fund the life insurance policies for the first two Agreements, and \$850,000 was paid to fund the life insurance policy on the third and fourth Agreements and revise the Agreements in 2003. Payments are being made under three of the Agreements.

These agreements are not "qualified plans" under the Internal Revenue Code of 1986 and, therefore, tax deductions are allowed only when benefits are paid. Deferred taxes are recognized on the accrued income and expenses of the Agreement and are included with other liabilities and accrued expenses in the accompanying financial statements. Should the insurance contracts be surrendered prior to maturity, (death of the insured), the proceeds representing taxable earnings would be currently taxable.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 - DEFERRED COMPENSATION - CONTINUED

The Bank accrued approximately \$14,000 and \$50,000 of benefit expense and recognized approximately \$74,000 and \$75,000 of income, net of insurance costs, on the life insurance policies in 2017 and 2016, respectively. The liability for benefits was approximately \$665,000 and \$698,000 at December 31, 2017 and 2016, respectively, and is included in other liabilities on the accompanying consolidated balance sheet. The cash surrender value of the life insurance policies was approximately \$2,638,000 and \$2,564,000 at December 31, 2017 and 2016, respectively.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Bank has a 401(k) plan covering substantially all employees. The Bank matches 100% of each employee's contribution up to 5% of the employee's salary. Matching contributions were approximately \$167,000 and \$155,000 for 2017 and 2016, respectively.

NOTE 10 - INCOME TAXES

At December 31, 2017 and 2016 the Bank had a net deferred tax asset (liability) of approximately \$434,000 and \$216,000, respectively, which is included in other liabilities and accrued expenses on the accompanying consolidated balance sheet. The tax effects of the application of a 21% and 34% statutory rate in 2017 and 2016, respectively, on the following temporary differences which gave rise to the net deferred assets (liabilities) are as follows:

	DECEMBER 31,	
	2017	2016
Deferred Tax Assets (Liabilities):		
Unrealized (gain) loss on available-for-sale investment securities	\$ (19 000)	\$ (236 000)
Deferred compensation	140 000	237 000
Depreciable assets	(206 000)	(334 000)
Allowance for loan losses	605 000	858 000
Cash surrender value of life insurance	(261 000)	(397 000)
Other	175 000	88 000
	<u>\$ 434 000</u>	<u>\$ 216 000</u>

In December, 2017, the United States Congress passed the tax bill known as the "Tax Cuts and Jobs Act", and it was signed into law by President Trump on December 22, 2017. The law will go into effect January 1, 2018. A major provision of the law was a change in the corporate tax rate from the maximum graduated rate of 35% to a flat 21%; however, pursuant to generally accepted accounting principles, deferred taxes are to be adjusted for any change in tax rates as of the date of enactment, which was December 22, 2017. Therefore, the change in the enacted rate had the effect of reducing the Company's deferred taxes from the statutory rate of 34%, which was applicable to 2016, to the enacted rate of 21% in 2017.

The approximate provision for federal income taxes from operations for the year ended consists of the following:

	DECEMBER 31,	
	2017	2016
Current tax expense at 34%	\$ 1 643 000	\$ 1 557 300
Deferred tax expense (benefit)	(218 000)	(313 300)
	<u>\$ 1 425 000</u>	<u>\$ 1 244 000</u>

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 10 - INCOME TAXES - CONTINUED

The approximate provision for federal income taxes differs from the amount computed by applying the federal income tax statutory rate of 34% on operations as follows:

	YEAR ENDED DECEMBER 31,	
	2017	2016
Taxes calculated at statutory rate	\$ 1 810 000	\$ 1 651 000
Tax-exempt interest income	(389 000)	(412 000)
Other	4 000	5 000
FEDERAL INCOME TAX EXPENSE	\$ 1 425 000	\$ 1 244 000

NOTE 11 - RENTAL INCOME

The Bank receives rental income from various operating leases for office space on its premises. Income from these leases approximated \$326,000 and \$335,000 in 2017 and 2016, respectively. Rental income for each of the next five years is expected to approximate \$325,000 - \$350,000. Rental income is included with occupancy expenses on the accompanying consolidated statements of income.

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to various financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheets. The contract amounts of these instruments reflect the extent of the Bank's involvement in particular classes of financial instruments. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of the instruments. The Bank uses the same credit policies in making these commitments and conditional obligations as it does for on-balance-sheet instruments.

The following is a summary of the various financial instruments entered into by the Bank as of December 31, 2017 and 2016:

	2017	2016
Financial Instruments Whose Approximate Contract Amounts Represent Credit Risk:		
Commitments to extend credit	\$ 40 827 000	\$ 36 831 000
Standby letters of credit	\$ 1 021 000	\$ 847 000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements.

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but largely consists of real estate, deposits, equipment, and inventory.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers. Some letters of credit are unsecured; however, most are secured by financial instruments, deposits, equipment, and real estate.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 13 - CONCENTRATION OF CREDIT RISK

The Bank grants agribusiness, commercial, consumer and residential loans to customers primarily located in Walker County, Madison County, Houston County, Leon County, Trinity County, Brazos County and Robertson County, Texas. The Bank also owns debt securities issued by local governments of these counties. The economy of these counties is primarily characterized by agriculture and state government. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is primarily dependent upon the economy of these areas.

The Bank periodically carries certain assets with other financial institutions which are subject to credit risk by the amount such assets exceed Federal deposit insurance limits. From time to time, the Bank is also due amounts in excess of FDIC insurance limits for checks and transit items. Management monitors the financial stability of correspondent banks and considers amounts advanced in excess of FDIC insurance limits to present no significant additional risk to the Bank.

NOTE 14 - CAPITAL AND REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Any institution that fails to meet its minimum capital requirements is subject to actions by regulators that could have a direct material effect on its financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines based on its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the regulatory framework for prompt corrective action are also subject to qualitative judgments by the regulators about the components, risk weightings, and other factors.

To meet the capital adequacy requirements, the Bank must maintain minimum capital amounts and ratios as defined in the regulations. Management believes, as of December 31, 2017 and 2016, that the Bank met all capital adequacy requirements to which it was subject.

As of December 31, 2017, the most recent notification from Office of the Comptroller of the Currency, categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, common equity Tier I and Tier I leverage ratios as set forth in the table. There have been no conditions or events since that notification that management believes have changed the Bank's category.

The following is a summary of the Bank's capital ratios at December 31, 2017 and 2016:

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES:		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS:	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 2017:						
Total Capital (to Risk Weighted Assets)	\$ 51 968 000	21.35%	\$ 22 514 000	>9.250%	\$ 24 340 000	> 10.0%
Tier I Capital (to Risk Weighted Assets)	\$ 48 910 000	20.09%	\$ 17 646 000	>7.250%	\$ 19 472 000	> 8.0%
Tier I Capital (to Average Assets)	\$ 48 910 000	10.75%	\$ 18 195 000	>4.000%	\$ 22 744 000	> 5.0%
Common Equity Tier I Capital (to Risk Weighted Assets)	\$ 48 910 000	20.09%	\$ 13 995 000	>5.750%	\$ 15 821 000	> 6.5%
As of December 31, 2016:						
Total Capital (to Risk Weighted Assets)	\$ 49 421 000	21.58%	\$ 19 749 000	>8.625%	\$ 22 897 000	> 10.0%
Tier I Capital (to Risk Weighted Assets)	\$ 46 545 000	20.33%	\$ 15 169 000	>6.625%	\$ 18 318 000	> 8.0%
Tier I Capital (to Average Assets)	\$ 46 545 000	10.52%	\$ 17 701 000	>4.000%	\$ 22 126 000	> 5.0%
Common Equity Tier I Capital (to Risk Weighted Assets)	\$ 46 545 000	20.33%	\$ 11 735 000	>5.125%	\$ 14 883 000	> 6.5%

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 14 - CAPITAL AND REGULATORY MATTERS

The above risk-weighted capital ratios for capital adequacy purposes include a 1.25% (2017) and 0.625% (2016) capital conservation buffer. The capital conservation buffer will be phased in (starting in 2016) over four years to 2.50%. Financial institutions with a buffer greater than 1.25% (2017) and 0.625% (2016) are not subject to limits on capital distributions or discretionary bonus payments beyond those currently included in regulations.

A bank determines its capital conservation buffer by subtracting the minimum regulatory capital ratios (net of the conservation buffer) from actual risk-based capital ratios. The capital buffer is the lowest of the three results. As reflected above, the Bank's capital was sufficient to exceed its minimum regulatory capital requirements, including the required capital conservation buffer.

The Bank is subject to regulatory limitations on the amount of dividends it may pay. At December 31, 2017, approximately \$6,911,000 was available for payment of dividends without obtaining prior regulatory approval. The amount available is based on the current year to date earnings retained plus the previous two years retained income.

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Professional accounting standards require disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets.

FASB ASC 820, *Fair Value Measurements and Disclosures*, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below:

- Level 1 Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- 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.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Professional accounting standards exclude certain financial instruments and all non-financial instruments from disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying consolidated value of First National Bancshares of Huntsville, Inc.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUEDNOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Due From Banks (Demand and Time) - For these short-term instruments, the carrying amount is a reasonable estimate of fair value (Level 1).

Investment Securities - Fair values for investment securities are based on quoted market prices, where available (Level 1). If quoted market prices are not available, fair values are based on discounted cash flow analysis based on observable inputs, which includes market quotes for similar instruments, current market yields and offering sheets (Level 2). The carrying amount of accrued interest approximates its fair value.

Loans - Fair values for loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience, prepayment and risk characteristics (Level 2). The carrying amount of accrued interest receivable approximates its fair value.

Federal Reserve Bank Stock - No ready market exists for Federal Reserve Bank stock. It is a required investment to be a member of the Federal Reserve System. The stock can be redeemed at its cost should the requirement be reduced. Therefore, cost is used as fair value for this purpose (Level 1).

Federal Home Loan Bank Stock - No ready market exists for Federal Home Loan Bank stock. It is a required investment to be a member of the Federal Home Loan Bank system. The stock can be redeemed at its cost should the requirement be reduced. Therefore, cost is used as fair value for this purpose (Level 1).

TIB Stock - No ready market exists for TIB stock. It is a required investment to be a member. The stock can be redeemed at its cost should the requirement be reduced. Therefore, cost is used as fair value for this purpose (Level 1).

Deposits - The fair values for noninterest-bearing and interest-bearing demand and savings accounts are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for certificates of deposit are estimated using a discounted cash flow calculation based on rates currently being offered on certificates with terms approximating the remaining term of the certificates in the portfolio (Level 2). The carrying amount of accrued interest payable approximates fair value.

Cash Surrender Value of Life Insurance - No ready market exists. It is redeemable at the amount of its face to the insurance company. Carrying amount is a reasonable estimate of fair value (Level 1).

Accrued Interest - The carrying amounts of accrued interest receivable and accrued interest payable approximate fair value (Level 1).

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

The approximate carrying amounts and estimated fair values of the Bank's financial instruments at December 31, 2017 and 2016 were as follows:

	2017				
	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING				
			QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES (LEVEL 1)		
	APPROXIMATE CARRYING AMOUNT	APPROXIMATE FAIR VALUE	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
Financial Assets:					
Cash and due from banks	\$ 20 521 000	\$ 20 521 000	\$ 20 521 000	\$ -	\$ -
Securities available-for-sale	\$ 190 301 000	\$ 190 301 000	\$ 106 488 000	\$ 83 813 000	\$ -
Federal reserve bank stock	\$ 278 000	\$ 278 000	\$ 278 000	\$ -	\$ -
Federal home loan bank stock	\$ 718 000	\$ 718 000	\$ 718 000	\$ -	\$ -
TIB stock	\$ 96 000	\$ 96 000	\$ 96 000	\$ -	\$ -
Loans receivable, net	\$ 242 962 000	\$ 241 100 000	\$ -	\$ 241 100 000	\$ -
Accrued interest receivable	\$ 1 776 000	\$ 1 776 000	\$ 1 776 000	\$ -	\$ -
Cash value of life insurance	\$ 2 638 000	\$ 2 638 000	\$ 2 638 000	\$ -	\$ -
Financial Liabilities:					
Deposit liabilities	\$ 417 677 000	\$ 408 240 000	\$ -	\$ 408 240 000	\$ -
Accrued interest payable	\$ 85 000	\$ 85 000	\$ 85 000	\$ -	\$ -

	2016				
	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING				
			QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS/ LIABILITIES (LEVEL 1)		
	APPROXIMATE CARRYING AMOUNT	APPROXIMATE FAIR VALUE	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
Financial Assets:					
Cash and due from banks	\$ 18 285 000	\$ 18 285 000	\$ 18 285 000	\$ -	\$ -
Securities available-for-sale	\$ 187 638 000	\$ 187 638 000	\$ 115 295 000	\$ 72 343 000	\$ -
Federal reserve bank stock	\$ 278 000	\$ 278 000	\$ 278 000	\$ -	\$ -
Federal home loan bank stock	\$ 711 000	\$ 711 000	\$ 711 000	\$ -	\$ -
TIB stock	\$ 96 000	\$ 96 000	\$ 96 000	\$ -	\$ -
Loans receivable, net	\$ 231 798 000	\$ 232 335 000	\$ -	\$ 232 335 000	\$ -
Accrued interest receivable	\$ 1 668 000	\$ 1 668 000	\$ 1 668 000	\$ -	\$ -
Cash value of life insurance	\$ 2 565 000	\$ 2 565 000	\$ 2 565 000	\$ -	\$ -
Financial Liabilities:					
Deposit liabilities	\$ 401 916 000	\$ 396 206 000	\$ -	\$ 396 206 000	\$ -
Accrued interest payable	\$ 70 000	\$ 70 000	\$ 70 000	\$ -	\$ -

Fair values of assets and liabilities presented on the consolidated balance sheets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	2017			
	FIRST NATIONAL BANK HUNTSVILLE			
	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
U. S. government bonds	\$ 106 488 086	\$ 106 488 086	\$ -	\$ -
Obligations of U.S. government agencies	38 554 748	-	38 554 748	-
Municipal securities	44 848 873	-	44 848 873	-
Mortgage-backed securities and collateralized mortgage obligations	408 882	-	408 882	-
	<u>\$ 190 300 589</u>	<u>\$ 106 488 086</u>	<u>\$ 83 812 503</u>	<u>\$ -</u>

	2016			
	FIRST NATIONAL BANK HUNTSVILLE			
	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
U. S. government bonds	\$ 118 272 812	\$ 115 295 312	\$ 2 977 500	\$ -
Obligations of U.S. government agencies	19 882 539	-	19 882 539	-
Municipal securities	48 574 586	-	48 574 586	-
Mortgage-backed securities and collateralized mortgage obligations	908 540	-	908 540	-
	<u>\$ 187 638 477</u>	<u>\$ 115 295 312</u>	<u>\$ 72 343 165</u>	<u>\$ -</u>

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Each major category of assets and liabilities presented on the consolidated balance sheets measured at fair value on a nonrecurring basis during the period are presented as follows:

	FAIR VALUE MEASUREMENTS USING				
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL GAINS (LOSSES)
Goodwill	\$ <u>5 108 175</u>	\$ <u>-</u>	\$ <u>5 108 175</u>	\$ <u>-</u>	\$ <u>-</u>

Fair value of goodwill is determined on a nonrecurring basis in order to determine if any impairment existed at December 31, 2017 or 2016. In order to estimate the fair value, the Bank uses observable inputs such as values of similar entities (goodwill) and published selling prices for other entities.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2017 and 2016. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been significantly revalued for purposes of these financial statements since that date, and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

NOTE 16 - TRUST ASSETS

Trust assets and other property (except cash deposits), held by the Bank in agency or other fiduciary capacities for its customers, are not included in the financial statements since they are not assets of the Bank. Market value of the trust assets at December 31, 2017 and 2016, respectively, was approximately \$136,000,000 and \$126,000,000.

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Directors
First National Bancshares
of Huntsville, Inc. and Subsidiary

We have audited the financial statements of First National Bancshares of Huntsville, Inc. and Subsidiary as of and for the years ended December 31, 2017 and 2016, and our report thereon dated April 12, 2018, which expressed an unmodified opinion on those financial statements, appears on page 3. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The following Consolidating Balance Sheets and Consolidating Statements of Income are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 12, 2018

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2017

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2017
ASSETS				
Cash and Due from Banks:				
Noninterest-bearing	\$ 4 123 718	\$ 31 635	\$ (31 635)	\$ 4 123 718
Interest-bearing	<u>16 397 237</u>	<u>-</u>	<u>-</u>	<u>16 397 237</u>
	<u>20 520 955</u>	<u>31 635</u>	<u>(31 635)</u>	<u>20 520 955</u>
Investment Securities:				
Available for sale, at fair value	190 300 589	-	-	190 300 589
Investment in subsidiary	-	54 089 277	(54 089 277)	-
Loans, net of allowance	242 961 649	-	-	242 961 649
Federal Reserve Bank stock, at cost	278 195	-	-	278 195
Federal Home Loan Bank stock, at cost	717 500	-	-	717 500
Texas Independent Bank stock, at cost	96 440	-	-	96 440
Bank premises and equipment, net	8 122 046	-	-	8 122 046
Goodwill	5 108 175	-	-	5 108 175
Cash value life insurance	2 638 388	-	-	2 638 388
Accrued interest receivable	1 775 922	-	-	1 775 922
Other assets	<u>227 145</u>	<u>-</u>	<u>-</u>	<u>227 145</u>
TOTAL ASSETS	<u>\$ 472 747 004</u>	<u>\$ 54 120 912</u>	<u>\$ (54 120 912)</u>	<u>\$ 472 747 004</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	\$ 138 367 992	\$ -	\$ (31 635)	\$ 138 336 357
Interest-bearing	<u>279 341 063</u>	<u>-</u>	<u>-</u>	<u>279 341 063</u>
TOTAL DEPOSITS	417 709 055	-	(31 635)	417 677 420
Accrued interest payable	84 591	-	-	84 591
Other liabilities and accrued expenses	<u>864 081</u>	<u>16 421</u>	<u>-</u>	<u>880 502</u>
TOTAL LIABILITIES	<u>418 657 727</u>	<u>16 421</u>	<u>(31 635)</u>	<u>418 642 513</u>
Stockholders' Equity:				
Common stock	1 486 078	1 536 240	(1 486 078)	1 536 240
Capital surplus	7 792 364	18 830 668	(7 792 364)	18 830 668
Retained earnings	44 739 925	33 736 431	(44 739 925)	33 736 431
Treasury stock	-	(69 758)	-	(69 758)
Accumulated other comprehensive income	<u>70 910</u>	<u>70 910</u>	<u>(70 910)</u>	<u>70 910</u>
TOTAL STOCKHOLDERS' EQUITY	<u>54 089 277</u>	<u>54 104 491</u>	<u>(54 089 277)</u>	<u>54 104 491</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 472 747 004</u>	<u>\$ 54 120 912</u>	<u>\$ (54 120 912)</u>	<u>\$ 472 747 004</u>

See independent auditors' report on additional information.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2017

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2017
Interest Income:				
Loans, including fees	\$ 11 794 244	\$ -	\$ -	\$ 11 794 244
Investment securities	2 558 727	-	-	2 558 727
Deposits in banks	<u>127 379</u>	<u>-</u>	<u>-</u>	<u>127 379</u>
TOTAL INTEREST INCOME	<u>14 480 350</u>	<u>-</u>	<u>-</u>	<u>14 480 350</u>
Interest Expense:				
Deposits	1 124 985	-	-	1 124 985
Other	<u>866</u>	<u>-</u>	<u>-</u>	<u>866</u>
TOTAL INTEREST EXPENSE	<u>1 125 851</u>	<u>-</u>	<u>-</u>	<u>1 125 851</u>
NET INTEREST INCOME	13 354 499	-	-	13 354 499
Provision for loan losses	<u>299 963</u>	<u>-</u>	<u>-</u>	<u>299 963</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>13 054 536</u>	<u>-</u>	<u>-</u>	<u>13 054 536</u>
Other Income:				
Service fees	2 573 967	-	-	2 573 967
Fiduciary fees	508 552	-	-	508 552
Other	186 303	-	-	186 303
Equity in earnings of subsidiary	<u>-</u>	<u>3 897 644</u>	<u>(3 897 644)</u>	<u>-</u>
TOTAL OTHER INCOME	<u>3 268 822</u>	<u>3 897 644</u>	<u>(3 897 644)</u>	<u>3 268 822</u>
Other Expenses:				
Salaries and other employee benefits	6 018 957	-	-	6 018 957
Occupancy expenses, net	796 042	-	-	796 042
Equipment expense	757 590	-	-	757 590
Data processing expense	1 340 415	-	-	1 340 415
Professional fees	296 750	-	-	296 750
Postage, stationery, and supplies	277 422	-	-	277 422
FDIC insurance	144 000	-	-	144 000
Other	<u>1 369 079</u>	<u>-</u>	<u>-</u>	<u>1 369 079</u>
TOTAL OTHER EXPENSES	<u>11 000 255</u>	<u>-</u>	<u>-</u>	<u>11 000 255</u>
Income before Federal income taxes	5 323 103	3 897 644	(3 897 644)	5 323 103
Federal income taxes	<u>1 425 459</u>	<u>-</u>	<u>-</u>	<u>1 425 459</u>
NET INCOME	<u>\$ 3 897 644</u>	<u>\$ 3 897 644</u>	<u>\$ (3 897 644)</u>	<u>\$ 3 897 644</u>

See independent auditors' report on additional information.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2016

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2016
ASSETS				
Cash and Due from Banks:				
Noninterest-bearing	\$ 5 837 603	\$ 32 330	\$ (32 330)	\$ 5 837 603
Interest-bearing	<u>12 447 225</u>	<u>-</u>	<u>-</u>	<u>12 447 225</u>
	<u>18 248 828</u>	<u>32 330</u>	<u>(32 330)</u>	<u>18 248 828</u>
Investment Securities:				
Available for sale, at fair value	187 638 477	-	-	187 638 477
Investment in subsidiary	-	52 111 931	(52 111 931)	-
Loans, net of allowance	231 798 317	-	-	231 798 317
Federal Reserve Bank stock, at cost	278 195	-	-	278 195
Federal Home Loan Bank stock, at cost	711 100	-	-	711 100
Texas Independent Bank stock, at cost	96 440	-	-	96 440
Bank premises and equipment, net	7 098 775	-	-	7 098 775
Goodwill	5 108 175	-	-	5 108 175
Cash value life insurance	2 564 672	-	-	2 564 672
Accrued interest receivable	1 667 842	-	-	1 667 842
Other assets	<u>187 428</u>	<u>-</u>	<u>-</u>	<u>187 428</u>
TOTAL ASSETS	<u>\$ 455 434 249</u>	<u>\$ 52 144 261</u>	<u>\$ (52 144 261)</u>	<u>\$ 455 434 249</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	\$ 133 367 564	\$ -	\$ (32 330)	\$ 133 335 234
Interest-bearing	<u>268 580 697</u>	<u>-</u>	<u>-</u>	<u>268 580 697</u>
TOTAL DEPOSITS	<u>401 948 261</u>	<u>-</u>	<u>(32 330)</u>	<u>401 915 931</u>
Accrued interest payable	70 116	-	-	70 116
Other borrowings	-	-	-	-
Other liabilities and accrued expenses	<u>1 303 941</u>	<u>17 115</u>	<u>-</u>	<u>1 321 056</u>
TOTAL LIABILITIES	<u>403 322 318</u>	<u>17 115</u>	<u>(32 330)</u>	<u>403 307 103</u>
Stockholders' Equity:				
Common stock	1 486 078	1 536 240	(1 486 078)	1 536 240
Capital surplus	7 792 364	18 830 668	(7 792 364)	18 830 668
Retained earnings	42 374 484	31 370 991	(42 374 484)	31 370 991
Treasury stock	-	(69 758)	-	(69 758)
Accumulated other comprehensive income	<u>459 005</u>	<u>459 005</u>	<u>(459 005)</u>	<u>459 005</u>
TOTAL STOCKHOLDERS' EQUITY	<u>52 111 931</u>	<u>52 127 146</u>	<u>(52 111 931)</u>	<u>52 127 146</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 455 434 249</u>	<u>\$ 52 144 261</u>	<u>\$ (52 144 261)</u>	<u>\$ 455 434 249</u>

See independent auditors' report on additional information.

FIRST NATIONAL BANCSHARES OF HUNTSVILLE, INC.
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2016

	FIRST NATIONAL BANK OF HUNTSVILLE	FIRST NATIONAL BANCSHARES OF HUNTSVILLE	ELIMINATIONS	CONSOLIDATED 2016
Interest Income:				
Loans, including fees	\$ 11 079 859	\$ -	\$ -	\$ 11 079 859
Investment securities	2 481 316	-	-	2 481 316
Deposits in banks	<u>23 207</u>	<u>-</u>	<u>-</u>	<u>23 207</u>
TOTAL INTEREST INCOME	<u>13 584 382</u>	<u>-</u>	<u>-</u>	<u>13 584 382</u>
Interest Expense:				
Deposits	1 009 207	-	-	1 009 207
Other	<u>5 753</u>	<u>-</u>	<u>-</u>	<u>5 753</u>
TOTAL INTEREST EXPENSE	<u>1 014 960</u>	<u>-</u>	<u>-</u>	<u>1 014 960</u>
NET INTEREST INCOME	12 569 422	-	-	12 569 422
Provision for loan losses	<u>299 963</u>	<u>-</u>	<u>-</u>	<u>299 963</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>12 269 459</u>	<u>-</u>	<u>-</u>	<u>12 269 459</u>
Other Income:				
Service fees	2 554 001	-	-	2 554 001
Fiduciary fees	483 414	-	-	483 414
Other	339 213	-	-	339 213
Equity in earnings of subsidiary	<u>-</u>	<u>3 610 429</u>	<u>(3 610 429)</u>	<u>-</u>
TOTAL OTHER INCOME	<u>3 376 628</u>	<u>3 610 429</u>	<u>(3 610 429)</u>	<u>3 376 628</u>
Other Expenses:				
Salaries and other employee benefits	5 873 100	-	-	5 873 100
Occupancy expenses, net	750 313	-	-	750 313
Equipment expense	827 579	-	-	827 579
Data processing expense	1 094 155	-	-	1 094 155
Professional fees	374 402	-	-	374 402
Postage, stationery, and supplies	295 423	-	-	295 423
FDIC insurance	184 500	-	-	184 500
Other	<u>1 391 801</u>	<u>-</u>	<u>-</u>	<u>1 391 801</u>
TOTAL OTHER EXPENSES	<u>10 791 273</u>	<u>-</u>	<u>-</u>	<u>10 791 273</u>
Income before Federal income taxes	4 854 814	3 610 429	(3 610 429)	4 854 814
Federal income taxes	<u>1 244 385</u>	<u>-</u>	<u>-</u>	<u>1 244 385</u>
NET INCOME	<u>\$ 3 610 429</u>	<u>\$ 3 610 429</u>	<u>\$ (3 610 429)</u>	<u>\$ 3 610 429</u>

See independent auditors' report on additional information.

Exhibit 2

VERIBANC, Inc.
Beyond 'CAMELS' · Post Office Box 608 · Greenville, Rhode Island 02828
800-837-4226 · www.veribanc.com

INSTANT RATING CONFIRMATION

Color Code And Star Rating for Period Ending

ID#	Institution Name	City/State	Type	03/31/2018	12/31/2017	09/30/2017	06/30/2017
03269	FIRST NB OF HUNTSVILLE	HUNTSVILLE/TX	BB	GREEN/***	GREEN/***	GREEN/***	GREEN/***

BB = Blue Ribbon (8 Qtrs or More) Bank

Thank you for ordering our instant ratings. Additional information is available on the institution(s) you have selected. Please call or visit our website for details. June 30, 2018 information is expected in September 2018.

TERMS AND CONDITIONS

The information contained in this report (the "Report") has been derived from data released by the federal government Bank and/or Credit Union regulatory agencies, which have, in turn, received their information from the institutions that they regulate. Since VERIBANC has not verified independently the data on which the Report is based, VERIBANC makes no warranty, expressed or implied, or representation as to the accuracy, adequacy, or completeness of information contained in the Report. VERIBANC EXPRESSLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE that may exist with respect to the Report. VERIBANC further disclaims any and all liability for incidental or consequential damages. Your sole and exclusive remedy against VERIBANC, should any information contained in this Report be inaccurate to your detriment, is limited to the purchase price paid by you for the Report.

Since the information contained herein is based on federal regulatory agency reports published at substantial intervals, and since the financial condition of the institution(s) described herein may be subject to change within a short period of time, please consult the top panel of this page for the dates that apply to the data upon which the Report is based. Please check with VERIBANC or the management of the institution itself for additional updated information, should you deem that advisable.

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EARLY DATA

Occasionally, one type of institution's data becomes available considerably before information for other kinds of banking firms is released. For example, Bank financial reports can be received at VERIBANC as much as one month before Credit Union data. When this situation occurs, the "EARLY DATA" column on the top panel of this page is used and the applicable date is printed above the ratings. This procedure allows all four past quarters of ratings for other types of institutions (e.g., Credit Unions) to continue to be displayed. The "EARLY DATA" column is also used when an institution supplies very recent data to VERIBANC for the purpose of establishing a "provisional" rating. The provisional rating, developed from data that has **not been reviewed by any government agency**, represents VERIBANC's policy that a provisional rating (denoted by the symbol †) can never be lower than the current actual rating which is based on federally reviewed data.

Exhibit 2

DESCRIPTION OF RATING CRITERIA: COLOR CLASSIFICATION

VERIBANC's color code is a quick-look measure of an institution's condition based on its equity strength and profitability. Three colors are used - GREEN, YELLOW and RED. The criteria by which VERIBANC determines the color category for an institution are as follows:

GREEN The institution's equity is five percent or more of its assets and it had positive net income during the most recent reporting period. Of the three color categories, this is the highest based on the criteria described.

YELLOW The institution's equity is between three and five percent of its assets or it has incurred a net loss during the most recent reporting period. Both of these conditions may apply. If there is a net loss, the loss was not sufficient to erode a significant[†] portion of the institution's equity. The items that result in a YELLOW classification merit your attention.

RED The institution's equity is less than three percent of its assets or it has incurred a significant[†] net loss during the most recent reporting period. The items that result in a RED classification deserve your close attention.

[†] A quarterly loss is considered significant when it exceeds 18.75 percent of a Bank or Credit Union's equity.

STAR CLASSIFICATION

In addition to the color code, VERIBANC classifies each institution with three stars (***), two stars (**), one star (*) or no stars (U). The star rating considers future trends and contingencies not accounted for in the color classification. The criteria used by VERIBANC to determine the number of stars assigned to an institution are as follows:

*** The institution must meet the following primary conditions: equity which is five or more percent of assets, equity which is four or more percent of assets after deducting problem loans in excess of its loan loss reserves, and positive net income for the most recent reporting period. Banks must also satisfy all three regulatory capital requirements (see * paragraph). In addition, inside lending must not exceed 35 percent of equity. An institution may only have two or fewer volatile periods of asset growth over the past ten quarters. If the Bank is owned by a Holding Company, all of the Holding Company's Banks taken together must meet the criteria necessary for the group to receive at least a two stars rating. For Banks and Credit Unions, problem investments also include investments that, if sold, would realize less than their costs.

** The institution meets any two of the three primary conditions for the three stars category and has equity that meets or exceeds its unreserved problem loans. If the institution has a net loss for the most recent reporting period, the loss was not significant[†]. Banks must also satisfy all three regulatory capital requirements (see * paragraph). An institution may only have three volatile periods of asset growth over the past ten quarters. Additionally, if the Bank is owned by a Holding Company, all of the Holding Company's Banks together must meet the criteria necessary for the group to receive at least a two stars rating. For Banks and Credit Unions that have investments with a current market value that is less than their costs, that difference must not exceed equity.

* The institution meets at least one of the primary conditions required for the three stars category, reports equity which is three or more percent of assets and also meets or exceeds unreserved problem loans. If the institution has a net loss for the most recent reporting period, the loss was not significant[†]. Moreover, if the institution is a Bank, it meets at least two of the three federal capital requirements of tier one (core) capital, total risk based capital as a percentage of risk-weighted assets and tier one capital as a percentage of average assets. An institution has four or more volatile periods of asset growth over the past ten quarters. A Bank may receive no higher than a one-star rating if all of the Banks in its Holding Company, taken together as if they were a single Bank, receive a one-star or a no-stars rating. Also a Bank or Credit Union may receive a one star rating if, absent other reasons for downrating as stated above, the difference between the cost and current market value of its investments exceeds the institution's equity.

No Stars/Unclassified (U) The institution does not meet the criteria above.

FAILED – This institution has been closed by its regulator.

Approximately 2,000 of the Green, three-stars rated Banks qualify for VERIBANC's Blue Ribbon award each quarter. Blue Ribbon Banks are premium banks that have met additional very high standards. **Since 1982, when we began designating Banks for this award, there has only been one Blue Ribbon Bank failure*.**

*Fraud committed by the president whereby he was surreptitiously diverting deposits for his personal use.

VERIBANC's unique color code has been used by investors and depositors to rate the safety of financial institutions since 1981.

VERIBANC invites you to recheck the ratings of your Banks and Credit Unions when the next set of data is released by the government regulatory agencies. Data is usually released 2 months after the quarter end.

Exhibit 3



Franchise Tax Account Status

As of : 08/16/2018 14:22:30

This Page is Not Sufficient for Filings with the Secretary of State

FIRST NATIONAL BANK OF HUNTSVILLE	
Texas Taxpayer Number	17407022239
Mailing Address	PO BOX 659 HUNTSVILLE, TX 77342-0659
Right to Transact Business in Texas	ACTIVE
Domicile State	TX
Effective SOS Registration Date	12/07/1907
Texas SOS File Number	0000420802
Registered Agent Name	SCOTT YOUNG
Registered Office Street Address	P O BOX 659 HUNTSVILLE, TX 77340

Exhibit 4

COLLATERAL AGREEMENT

WHEREAS, this Collateral Agreement (the "Agreement") is entered into by and between Sam Houston State University (the "University"), a component of the Texas State University System, created and operating under the provisions of Subchapter D of Chapter 431, the Texas Transportation Code, and Chapter 394, Texas Local Government Code, as amended, **First National Bank of Huntsville** (the "Bank") and the **Federal Home Loan Bank of Dallas** (the "Safekeeping Institution"); and

WHEREAS, the University has selected the Bank, a bank chartered by the United States, as a depository for certain of its funds in demand deposits and/or time deposits and/or certificates of deposit and the Bank desires to be the depository of such funds; and

WHEREAS, the University has deposited and/or might in the future deposit funds in the Bank in amounts exceeding the applicable insurance provided by the Federal Deposit Insurance Corporation (the "FDIC") or its successor; and

WHEREAS, Section 2257 of the Texas Government Code (the "Public Funds Collateral Act") requires that all deposits of public funds not insured by United States or an instrumentality of the United States be secured by an equal value of eligible security; and

WHEREAS, federal law requires that a pledge of securities is enforceable when the FDIC takes over a failed institution only if said pledge: 1) is in writing, 2) has been properly approved by the Bank, and 3) is kept as an official record of the Bank; and

WHEREAS, the University has requested that its deposits in excess of the insurance provided by the FDIC or its successor (the "Excess Funds") be secured as required by the Public Funds Collateral Act.

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

Section 1: Security. All Excess Funds deposited by the University in the Bank shall be secured by the Bank with pledged collateral in an amount which shall, at all times, be equal to at least 102 percent (102%) of said Excess Funds (including accrued interest). The Bank shall have forty-eight (48) hours to remedy an under-pledge.

Section 2: Safekeeping Provision. The Bank will place the above securities in the Safekeeping Institution for safekeeping. Except as provided in Section 8 of this Agreement, such securities shall be subject only to joint written instructions of both: (1) authorized individuals appointed by the University (authorization shall be accomplished by completing the form attached hereto as Exhibit "A") and (2) specifically authorized officers of the Bank (authorization shall be accomplished by completing the form attached hereto as Exhibit "B"). The Safekeeping Institution hereby agrees to hold and to deliver all securities deposited with it pursuant to the terms of this Agreement. Additionally, the Safekeeping Institution agrees to serve as collateral agent for the Service Center to the extent necessary to allow the Service Center to perfect the security interest granted to it by this Agreement.

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

Exhibit 4

Section 4: Substitution. The Bank shall have the right, with the prior written consent of the University, to purchase and sell, and substitute and replace, any and all of the securities pledged pursuant to this Agreement with other eligible securities of equal or greater value. A written notice stating the par value, maturity date and market value on the proposed date of substitution must be sent to the University by the Bank prior to any substitution or exchange. If approved, the substituted securities shall thereafter be subject to all the terms and conditions of this Agreement.

Section 5: Representations. The Bank represents and warrants to the University:

(a) That the Bank is the sole legal and actual owner of the securities utilized to collateralize University's deposits.

(b) That no other security interest has been, nor will be, granted in the securities utilized to collateralize University's deposits.

(c) That the University's deposits are insured by the FDIC or its successor up to \$250,000 or such other amount as may be applicable in the future.

(d) That this Agreement is duly authorized and approved by the Board of Directors or the appropriate loan committee of the Bank. The Bank will attach hereto a copy of the minutes reflecting the approval of this agreement as Exhibit "C" and return a copy of said minutes to the University.

(e) That this Agreement or proof of the existence of this agreement will be kept as an official record of the Bank.

Section 6: Default. The Bank shall be in default if it fails to pay all or any part of a demand deposit, a matured time deposit, or a matured certificate of deposit, including accrued but unpaid interest, at the specified maturity date. The Bank shall also be in default if ruled "bankrupt," "insolvent" or "failed" by federal or state banking regulators, or if a receiver is appointed for the Bank.

Section 7: Proceeds. In the event of a default by the Bank, the University shall be deemed to have vested full title to all securities pledged pursuant to this Agreement. The University is hereby empowered to take possession of, transfer and/or sell any and all securities pledged pursuant to this Agreement. If the security is transferred, ownership of the security will vest entirely with the University. If the security is liquidated, any proceeds over the value of the defaulted amount of the matured investment, including accrued interest, plus expenses related to the liquidation transaction, shall be returned to the Bank. This power is in addition to other remedies which the University may have under the Agreement and without prejudice to its rights to maintain any suit in any court for redress of injuries sustained by the University under this Agreement.

Section 8: Duties. The Bank shall faithfully do and perform all of the duties and obligations required by the laws of the State of Texas for depositories of public funds, and shall upon presentation pay all checks drawn on it by the duly authorized representatives of the University against collected funds of the University on demand deposit, and shall at the expiration of the term for which it has been chosen as depository of the University turn over to its successor of all funds, property and things of value coming into its hands as depository.

Section 9: Non-Assignability. This agreement is not assignable in whole or in part but is binding on the parties hereto and their successors.

Section 10: Termination. This Agreement may be terminated by either the Bank, the University or the Safekeeping Institution by giving thirty (30) days prior written notice to the other parties.

Section 11: Law Governing. All applicable provisions and requirements of the laws of the State of Texas governing depositories for public funds shall be a part of this Agreement.

Exhibit 4

Section 12: Safekeeping Fees. Any and all fees associated with the safekeeping of securities for the benefit of the Service Center which the Safekeeping Institution may charge shall be borne by the Bank.

WITNESS the execution hereof this _____ day of _____, 2012.

WALKER COUNTY, TEXAS:

By: _____
Executive Director

ATTEST:

Executive Assistant

First National Bank of Huntsville

By: _____

Name: _____

Title: _____

ATTEST:

Cashier

FEDERAL HOME LOAN BANK OF DALLAS

By: _____

Name: _____

Title: _____

ATTEST:

Name: _____

Exhibit 4

Title: _____

Exhibit 4

EXHIBIT A

At its meeting on _____, 2018, the TSUS Board of Regents, Sam Houston State University's Governing body, designated the following individuals as authorized representatives empowered to direct First National Bank of Huntsville (the "Bank") and the Federal Home Loan Bank of Dallas (the "Safekeeping Institution"), selected under Section 2 of the Collateral Agreement in regard to collateral pledges, releases, and substitutions in the joint safekeeping account. Such pledges, releases, and substitutions shall follow the procedures set forth in the Collateral Agreement.

Authorized Representative's Signature

Name and Title

By: _____
President, Board of Directors

Accepted:

By: _____
Senior Vice President
First National Bank of Huntsville

Exhibit 4

EXHIBIT B

First National Bank of Huntsville (the "Bank") has designated the following officers as specifically authorized to instruct Sam Houston State University, a Component of The Texas State University System (the "University") and the Federal Home Loan Bank of Dallas (the "Safekeeping Institution"), selected under Section 2 of the Collateral Agreement in regard to collateral pledges, releases, and substitutions in the joint safekeeping account. Such pledges, releases, and substitutions shall follow the procedures set forth in the Collateral Agreement.

Authorized Officer's Signature

Name and Title

By: _____
Senior Vice President
First National Bank of Huntsville

Accepted:

By: _____
Chairman, Board of Directors

Exhibit 4

EXHIBIT C

(minutes of Board or loan committee meeting to be provided by the Bank)



Member driven.
Community focused.

Custodial Agreement and Confirm

Depositor Information:

Name: _____ Pledge Code: _____

Street Address: _____

City, State, ZIP Code: _____

Member Information:

Name: _____ FHFA ID: _____

Street Address: _____

City, State, ZIP Code: _____

Description of Pledged Collateral:

Original Face of Pledged Amount: _____ CUSIP: _____

Description: _____

Member has granted to Depositor a first priority security interest in the Pledged Collateral. Member and Depositor hereby authorize Federal Home Loan Bank of Dallas ("FHLB Dallas") to act as Custodian of the Pledged Collateral, in accordance with the *Custodial Services Standard Terms and Conditions* ("Terms and Conditions") in effect and as published by FHLB Dallas from time to time, which Terms and Conditions are hereby incorporated into this Custodial Agreement and Confirm as if set forth fully herein. This Custodial Agreement and Confirm is effective on the date that FHLB Dallas signs below.

Member

Depositor*

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

FOR FHLB Dallas USE ONLY Agreement and Acknowledgement

Confirm Mbr Signature, SKG Authorization, & presence of Depositor Signature*: Before input by: _____

2nd Review of all authorizations* and input details by: _____

(initial) (Date)

Federal Home Loan Bank of Dallas

By: _____

Date: _____

*Signature of Depositor necessary only if required by the Member



Member driven.
Community focused.

Federal Home Loan Bank of Dallas Ninth District

CUSTODIAL SERVICES

STANDARD TERMS AND CONDITIONS

These Custodial Services Standard Terms and Conditions (“Terms and Conditions” or this “Agreement”), effective on a continuing basis as of September 1, 1995, govern all future custodial services between Member and Depositor, as defined herein, and the Federal Home Loan Bank of Dallas (the “Bank”), with offices at 8500 Freeport Parkway South, Suite 600, Irving, Texas 75063-2547, mailing address: Attention: Securities Safekeeping Department, P.O. Box 619026, Dallas, Texas 75261-9026.

ARTICLE I

CUSTODIAL ENGAGEMENT

SECTION 1.1 Definitions. “Custodial Agreement and Confirm” means an agreement substantially in the form of Exhibit A wherein the Member agrees to deliver to Bank, for the benefit of Depositor, certain specified collateral as outlined in such agreement and which such agreement incorporates the Terms and Conditions herein.

“Collateral” means the securities pledged by Member to Depositor, as set forth in the Custodial Agreement and Confirm.

“Depositor” means the institution, corporation, municipality, Federal or State Agency or instrumentality having a security interest in the Collateral.

“Member” means a Member of the Bank or an institution eligible to become a Member of the Bank that has entered into a “Master Transactions Agreement” with the Bank and who pledges collateral to Depositor pursuant to a Custodial Agreement and Confirm.

SECTION 1.2 Perfection of Security Interest by Depositor. Depositor is solely responsible for perfecting its security interest in the Collateral. For Collateral that must be in the possession of Depositor to perfect a security interest in such Collateral in favor of Depositor, as determined by Depositor, Member shall transfer to the Bank and the Bank shall accept from Member Collateral to hold as custodian for Depositor, together with any necessary assignments thereof.

SECTION 1.3 Provisional Pledge. To the extent that Member requests in writing that the Bank provisionally segregate specified collateral held in a safekeeping account with the Bank to be pledged to Depositor, these Terms and Conditions shall govern such provisional pledge.

SECTION 1.4 Authorization of Custodial Services. Member and Depositor authorize the Bank to act as custodian of Collateral transferred to it pursuant to the Custodial Agreement and Confirm in accordance with the rights and duties contained in these Terms and Conditions, and to safe keep such Collateral subject to the terms and conditions of the Securities Safekeeping Circular. The Bank shall be compensated for its services in connection with the Custodial Agreement and Confirm by the Member in accordance with the Bank’s fee schedule in effect on the date the Custodial Agreement and Confirm is signed. Member authorizes the Bank to make all necessary and proper debits and credits to the deposit account(s) of Member with the Bank in connection with the performance of custodial services under the Custodial Agreement and Confirm. All charges by the Bank for the handling and safekeeping of Collateral pursuant to the Custodial Agreement and Confirm shall be paid by Member.

ARTICLE II**RIGHTS AND DUTIES OF MEMBER**

SECTION 2.1 Ownership of the Collateral. Member shall be the owner of all Collateral and all income derived therefrom, transferred to the Bank under the Custodial Agreement and Confirm, and the Bank is acting as custodian of the Collateral on behalf of Depositor in accordance with such Custodial Agreement and Confirm of which these Terms and Conditions are a part thereof.

SECTION 2.2 Member's Reservation of Rights in the Collateral. Upon transfer of Collateral by Member to the Bank on behalf of Depositor, and until the Bank has received a Default Notice in accordance with Section 5.2 of this Agreement; Member shall reserve the following rights in the Collateral, unless otherwise agreed to in writing between Member and Depositor:

- a) The right to receive prepayments of principal from mortgage-backed securities and all income from the Collateral; and
- b) The right to control the management, administration and supervision of the Collateral in accordance with these Terms and Conditions and the Securities Safekeeping Circular.

SECTION 2.3 Additions of Collateral. Member may transfer to the Bank additional Collateral that is acceptable to Depositor. Upon transfer to the Bank of such additional Collateral, the Bank will send Member a receipt identifying the additional Collateral.

SECTION 2.4 Substitutions of Collateral. In the event Member requests such in writing, the Bank shall release to Member any of the Collateral upon receipt of other Collateral in substitution thereof on written authorization received from the Depositor. When substitution is made, the Bank shall make a receipt describing both the Collateral substituted and the Collateral released available to Member, with a copy to Depositor. Upon such substitution, all rights and obligations of Member and the Bank and Depositor under the Custodial Agreement and Confirm, including the grant of a security interest in such Collateral in favor of Depositor as set forth in the Custodial Agreement and Confirm, shall automatically apply to all substituted Collateral.

SECTION 2.5 Indemnity of the Bank. Member shall reimburse, indemnify and hold harmless the Bank from and against any and all negligence or fraud on the part of the Bank resulting from the exercise by the Bank of any authority or power granted to it hereunder, or from claims of third parties, Depositor, or from any taxes or other governmental charges, and any expenses related thereto, which may be imposed or assessed in respect to the custodial services performed pursuant to the Custodial Agreement and Confirm. Member further agrees that the Bank shall be entitled to make claim for, and to receive from the value of the Collateral pledged hereunder, all funds due to the Bank from Member pursuant to the indemnity granted herein, and all of the costs and expenses, including without limitation, attorneys' fees arising out of or in any way connected with an action in the nature of an interpleader. Such claims by the Bank shall have priority status (subject to any claims of Depositor) among the claims asserted against the Collateral.

ARTICLE III**RIGHTS AND DUTIES OF THE BANK**

SECTION 3.1 Sale of Collateral. Member may sell Collateral upon an eligible substitution of Collateral in accordance with Section 2.4. of these Terms and Conditions, or upon receipt by the Bank of a duly executed release of such Collateral by Depositor. The Bank is authorized by Member and Depositor to execute all orders with brokers chosen by the Bank.

SECTION 3.2 Principal Payments on Collateral. The proceeds of any payments for maturing obligations, of any redemptions of securities, or of any principal payments made on Collateral, except prepayment of principal on mortgage-backed securities, shall be invested as instructed orally or in writing by Member; and if Member fails to provide such instructions, Member authorizes the Bank to hold such proceeds as bailee for Depositor.

SECTION 3.3 Collection of Income on Collateral. The Bank shall collect any interest, dividends, prepayments of principal on mortgage-backed securities, or other income from the Collateral in accordance with the Securities Safekeeping Circular.

SECTION 3.4 Registration of Securities in the Bank's Nominee. The Bank is authorized to hold any securities in the name of its nominees. The Bank shall not be responsible for any loss, damage or expense that may be incurred by reason of the registration of any security in the name of a nominee.

SECTION 3.5 Responsibility of the Bank. The Bank, its officers, agents, and employees shall not be liable for errors of judgment either in holding Collateral initially delivered to it or in acquiring and afterwards holding additional Collateral as instructed by Member; nor for any loss arising out of any investment; nor for any depreciation in the value of any Collateral held by the Bank pursuant to this Agreement; nor for any act, or omission to act, performed or omitted by the Bank, its officers, employees, or agents, in the execution of this custodianship in good faith. The Bank shall be responsible for the safekeeping of any Collateral held by it pursuant to these Terms and Conditions, but in no event shall the Bank be liable to Member or Depositor for any special, consequential, incidental or punitive damages.

SECTION 3.6 Duties of the Bank. The Bank shall have the duty to take possession of and safekeep all Collateral transferred or assigned to the Bank by Member on behalf of Depositor and to exercise reasonable skill and care when dealing with the Collateral.

SECTION 3.7 Limitation on Scope of the Bank's Duties. Depositor acknowledges that:

- a) The Bank will not make, and has no duty to make, any inquiry into the value or marketability of the Collateral and shall not be responsible for determining whether the value of the Collateral is sufficient to fully collateralize Member's obligation to Depositor;
- b) The Bank shall not record any assignments, file any financial statements with respect to any security interest referred to herein, or take any other action to perfect any such security interests;
- c) Neither the Bank nor any of its officers have made any representations, given any assurances, or expressed any opinions to Depositor as to the effectiveness of any of the procedures and rights herein provided in any situations, including but not limited to a case where Member is placed in receivership or is liquidated;
- d) The Bank has not made, and has no duty to make, any inquiry into the genuineness, validity or negotiability of the Collateral transferred to it; and
- e) The Bank is under no duty to supervise the investment of, or to advise or make any recommendation to, Depositor or Member with respect to the sale of other disposition of any Collateral at any time.

ARTICLE IV

GENERAL PROVISIONS

SECTION 4.1 Incorporated Documents. Except to the extent inconsistent herewith, the Master Transactions Agreement, the Securities Safekeeping Circular, and all future documents distributed by the Bank and related to the subject matter hereof shall apply to any and all Custodial Agreement and Confirms between Member and the Bank as though set forth expressly therein.

SECTION 4.2 Successors and Assigns. The Custodial Agreement and Confirm shall insure to the benefit of and shall be binding upon the Bank, Member and Depositor and their respective successors and assigns.

SECTION 4.3 Consultation with Attorneys. The Bank shall be entitled to employ and consult with counsel of its choosing at the expense of Member and shall be entitled to act on advice of such counsel.

SECTION 4.4 Address for Notice. All notices to be provided hereunder shall be mailed or provided to the parties hereto at their addresses set forth in the Custodial Agreement and Confirm.

SECTION 4.5 Amendment of this Agreement. The Custodial Agreement and Confirm may be amended at any time by written agreement signed by all parties thereto provided; however, that the parties hereto expressly agree that the Bank may amend the Securities Safekeeping Circular as it deems appropriate at its sole discretion without further consent of the Member and the Depositor.

SECTION 4.6 Counterparts and Execution. The Custodial Agreement and Confirm may be executed in any number of counterparts, all of which taken together shall constitute one instrument, and any of the parties hereto may execute the Custodial Agreement and Confirm by signing any of such counterparts. By executing the Custodial Agreement and Confirm, the parties acknowledge receipt of these Terms and Conditions.

ARTICLE V

TERMINATION

SECTION 5.1 Resignation of Custodian. The Bank may resign at any time upon five (5) business days' written notice to Member. Upon receipt of such written notice, the Member shall promptly locate and appoint a successor custodian and the Bank shall transfer all Collateral held by it to such successor custodian. If Member does not locate and appoint a successor custodian within five (5) business days of delivery of notice of resignation from the Bank, the Bank shall deliver the Collateral to Depositor and shall have no further obligations hereunder. The obligations of Member and Depositor to the Bank pursuant to the Custodial Agreement and Confirm shall be deemed to survive any termination hereof and any removal or resignation of the Bank.

SECTION 5.2 Default by Member. If the Bank receives from Depositor written notice ("Default Notice") of Member's failure to pay when due, perform under the terms of any agreement between Member and Depositor secured by the Collateral, or perform under the terms of the Custodial Agreement and Confirm ("Default"), then and notwithstanding any defense, claim, or objection that Member may have to the contrary, the Bank shall act as the exclusive agent of the Depositor for the purpose of delivering such part or all of the Collateral to the Depositor or its nominee as directed in writing by the Depositor. Depositor shall be entitled to retain only the notional value of the Collateral, plus any accumulated interest earned up to the date the Bank receives the Default Notice.

SECTION 5.3 Satisfaction. Upon satisfaction of any security agreement between Member and Depositor, Depositor shall promptly notify the Bank in writing of such satisfaction. Such notice shall be given by Depositor, relative to the deposit with the Bank of any Collateral hereunder, in the form of Exhibit B, which exhibit is attached hereto and incorporated herein by reference. Immediately after receipt of notice by Depositor, the Bank shall deliver the Collateral, together with any necessary assignment(s), to Member, and the Bank shall have no further obligations under the Custodial Agreement and Confirm.

SECTION 5.4 Termination of the Custodial Agreement and Confirm. The Custodial Agreement and Confirm shall terminate when the Bank no longer holds the Collateral identified in a Custodial Agreement and Confirm, unless sooner terminated pursuant to other provisions hereof.

SECTION 5.5 Terms and Conditions of this Agreement Control. In the event of any conflict between these Terms and Conditions and any other agreement executed by the Member with respect to the Collateral, including, but not limited to, a pledge agreement, security agreement, safekeeping agreement or custodial agreement, the provisions of this Agreement shall control, unless otherwise provided herein.

ACH ORIGINATION AGREEMENT

THIS AGREEMENT is made this _____ day of _____, by and between _____ and **First National Bank of Huntsville**, a national banking association ("Bank").

The Company has requested that the Bank permit it to initiate electronic signals for paperless entries through the Bank to accounts maintained at the Bank and in other banks and financial institutions, by means of the Automated Clearing House ("ACH").

Now, therefore, in consideration of the mutual promises contained herein, it is agreed as follows:

1. The Bank will transmit the credit and debit entries initialed by the Company to the ACH as provided in the NACHA RULES ("Rules"), as in effect from time to time and this Agreement.
2. The Company will comply with the Rules insofar as applicable. The specific duties of the Company provided in the following paragraphs of this Agreement in no way limit the foregoing undertaking.
3. The Company will retain the original or a microfilm or other equivalent to a microfilm record of each authorization received by the Company for two (2) years after termination or revocation of such authorization.
4. The Company will send notification that it intends to initiate an entry or entries to a particular account within the time limits prescribed for such notice in the rules such notice shall be provided to the Bank in the format and on the medium provided in Appendix B of the Rules. After the Company has received notice that any such notification has been rejected by a receiving bank, or that a receiving bank will not receive entries without having first received a copy of the authorization signed by its customer, the Company will not initiate any entry to such customer, except the company may initiate entries after providing the receiving bank with such authorization, within the time limits provided in the Rules.
5. The Company will provide computer readable information on the mutually agreed upon medium and in the format specified within the NACHA Rules.
6. Each entry or file shall be delivered to the Bank's processing control clerk not later than forty-eight (48) hours prior to the ACH receiving deadline of 2:00 p.m. for credit transmissions and twenty-four (24) hours prior to the ACH receiving deadline of 2:00 p.m. for debit transmissions.
7. The Company will provide immediately available funds to cover any credit entry initiated by it not later than the Settlement Date applicable thereto.
8. The Company will receive immediately available funds for any debit entry initiated by it on the Settlement Date applicable thereto.
9. If the Company discovers that any entry it has initiated was in error, it may notify the Bank of such error. If such notice is received not later than four (4) hours prior to the ACH receiving deadline, the Bank will utilize its best effort to initiate an adjusting entry or stop payment of any "on us" credit entry within the time limits provided by the Rules. If such notice from the Company is received after the time provided above, the bank will utilize its best efforts on behalf of the Company.

10. In the event any entries are rejected by the ACH for any reason whatsoever, it shall be the responsibility of the Company to remake such entries; provided, however, that the Bank shall remake such entries in any case where such rejection by the ACH was due to mishandling of such entries by the Bank and sufficient data is available to the Bank to permit it to remake such entries. The Company shall retain and provide the Bank on request all information necessary to remake any file for three (3) days after the midnight of the Settlement Date.
11. The Company will promptly provide immediately available funds to indemnify the Bank if any debit entry is rejected after the Bank has permitted the Company to withdraw immediately available funds in the amount thereof or if any adjustment memorandum that relates to any such entry is received by the bank.
12. The Company will indemnify the Bank if the Bank incurs any loss or liability on account of the breach, with respect to any entries initiated by the Company, of any of the warranties of an originating Bank contained in the Rules, except due to the Bank's own negligence.
13. The Company will not initiate entries that violate the laws of the United States of America.
14. The Company will compensate the Bank for providing the services referred to herein at the prices set forth in the bank's account analysis fee schedule.
15. In the event the Company incurs any loss due to mishandling of a particular entry or entries, the Banks liability to the Company shall be limited to (I) liability for its own negligence or willful misconduct; and (II) the amount recoverable by the Bank from the ACH or any third party pursuant to the Rules or any indemnity agreement.
16. The Bank has the right to audit the Originator's compliance with the origination agreement and the Rules.
17. This Agreement may be terminated or suspended upon no more than ten Banking Days' notice for any breach of the ACH rules.

IN WITNESS WHEREOF, the undersigned have duly executed the Agreement by their duly authorized officers.

COMPANY NAME:

FINANCIAL INSTITUTION:

First National Bank of Huntsville

**ALL ACH TRANSACTION FILES/LISTINGS MUST BE DELIVERED WITH
A TRANSMITTAL DOCUMENT WITH AUTHORIZED SIGNATURE(S).**

DATE _____

COMPANY NAME _____

ACCOUNT# _____

COMPANY ID# _____

The _____ signatures below are the signatures of employees vested by our Board of Directors with full authority to sign transmittal registers used in conjunction with the Deposit of ACH files. Number of signatures required to submit a transaction file for processing: _____

	NAME	SIGNATURE
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____

AUTHORIZED SIGNATURE

TITLE

ACH Transmittal Register

ACH Transmittal Register must be completed and returned with each file of ACH Transactions to be processed. Credit transmittals must be delivered to the bank by 2:00 p.m. two business days prior to the effective entry date. Debit transmittals must be delivered to the bank by 2:00 p.m. one business days prior to the effective entry date.

Company Name	Company ID Number	Acct Number
Item Count (Debits)	Amount (Debits)	Total Items
Item Count (Credits)	Amount (Credits)	Total Items
Date Released	Settlement Date	File Name

Authorized Agents

First National Bank of Huntsville assumes no responsibility for the accuracy or timeliness of Data supplied to the Bank, nor for any error or delay on the part of any authorized agent used by the Company in the provision of information or the execution of any transaction. Bank shall not be liable for acting in accordance with instructions from the Company, or authorized agent of the Company, or for refusing to act upon requests made not in accordance with this agreement.

ACCEPTED:

Authorized Company Representative

Date

Time

REMOTE DEPOSIT CAPTURE SERVICES AGREEMENT

This Remote Deposit Capture Services Agreement ("Agreement") amends and supplements the Deposit Account Agreement ("Account Agreement") and any other agreement as amended periodically by and between First National Bank of Huntsville ("Bank") and the undersigned Company ("Company"). Capitalized terms not otherwise defined in this Agreement have the meanings ascribed to them in the Account Agreement. In the event of a conflict between the terms of this Agreement and the terms of the Account Agreement or any other agreement between Bank and Company, with respect solely to Remote Deposit Capture Services, the terms of this Agreement shall prevail.

1. SERVICE

Company subscribes to, and Bank agrees to provide, as part of its banking services, the Remote Deposit Capture Service. Remote Deposit Capture Services enable Company to submit to Bank, for deposit to Company's account(s) listed in Schedule A, as amended periodically, electronic check images and associated information ("Check Images") in lieu of the original checks from which such check images were obtained. The generated check image will be the legal equivalent of the original check. The dollar amount, as well as the amount of deposit transactions transmitted by Company on any single business day, shall not exceed limits set forth in Schedule A for each account, as determined by Bank.

2. EQUIPMENT

In order to use Remote Deposit Capture Services, Company is required to use certain equipment, computer software, office equipment and telecommunication services as Bank may provide or specify from time to time. Company agrees that the equipment may not be used to make deposits at another financial institution. Company agrees that the equipment will be kept and maintained in a safe and secure environment. Company is solely responsible for the operation, performance, and adequacy of the equipment, software, and services. Bank makes no representations or warranties and has no responsibility or liability for such equipment, software, or services even if specified as necessary by Bank. Company agrees to complete any changes and/or upgrades to the system as required by the Bank within thirty (30) days of such request. Company acknowledges that any equipment, including the Remote Deposit Capture scanner, provided by Bank to Company as part of the Remote Deposit Capture Service is and will remain property of Bank. In the event Company or Bank terminates Company's Remote Deposit Capture Service, Company will immediately make arrangements with Bank to return the Remote Deposit Capture scanner.

If Bank provides any software to Company in connection with the Remote Deposit Capture Service, Company may use that software on any Company owned and operated machine. The software may not be provided to any agent of Company without the prior written consent of Bank. The release of software to agent will be dependent upon the agent's agreement to contractual terms deemed acceptable by Bank.

3. TRANSMITTAL OF ENTRIES BY COMPANY

Company shall submit check images to Bank in such format, and with such associated check information, as Bank may require periodically, utilizing Accredited Standards Committee X9's Specifications for Electronic exchange of Check and Image Data (DSTU X9.37-2003). Company agrees to inspect and verify the quality of the Check Images, ensuring that the Check Images of the front and back of the original check are legible. Specifically, Company warrants the following: (i) the Check Image is an accurate representation of the information contained in the original check, and the Check image includes all endorsements from the original check; (ii) each Check Image contains a record of all MICR line information required for a substitute check, and the Check Image satisfies all of the requirements of Check 21 and Regulation CC; (iii) the original check, a duplicate check image, or any copy of the original check or Check Image will not be deposited by Company with the Bank; and (iv) the original check, a duplicate check image, or any copy of the original check or Check Image will not be presented, transferred or returned such that the Bank or any other person will be asked to make a payment based on a check or Check Image that has already been paid. Pursuant to the Deposit Account Agreement, Bank reserves the right to reject any single check image or group of check images for any reason, before or after it/they appear on Bank's system. Bank is not liable for any loss or failure to collect a Check Image that results from an inaccurate or illegible Check Image or failure to provide full and correct MICR date or dollar amount for a Check Image.

Company agrees not to use the Remote Deposit Services to deposit or otherwise process: (1) Noncash items; (2) Checks drawn on foreign financial institutions or payable other than in United States currency; (3) Checks containing apparent alteration to any of the information on the check, or which you know or suspect (or should

know or suspect) are fraudulent or otherwise not authorized by the owner of the account on which the check was drawn; (4) Checks that are remotely created; (5) Checks dated more than six months prior to the date of deposit; (6) Items for which Customer is not a holder in due course; (7) Substitute checks, except those which have been returned to Customer for any reason; (8) Checks issued by Company to itself and drawn on another bank; or (9) third party checks. Such items shall be rejected and returned by Bank to Company.

4. SECURITY PROCEDURES

(a) Company and Bank shall comply with the security protocol requirements described in Schedule B attached hereto with respect to deposits transmitted by Company to Bank. Company acknowledges that the purpose of such security procedure is for verification of authenticity and not to detect errors in transmission or content of a deposit. No security procedure for the detection of any such error has been established between Bank and Company.

(b) Company is strictly responsible to establish and maintain the security protocol to safeguard against unauthorized transmissions. Company warrants and guarantees that no individual will be allowed to initiate transfers in the absence of proper supervision and safeguards. Company also agrees to take reasonable steps to maintain confidentiality of the security procedures and any logons, passwords, codes, security devices, and related instructions provided by Bank in connection with the security procedures described in Schedule B for the access rights granted under Schedule A.

If Company believes or suspects that any such information or instructions are known or have been accessed by unauthorized persons, Company agrees to immediately notify Bank through email, fax, or telephone by contacting any of the people identified in Schedule B. The occurrence of unauthorized access will not affect any transactions processed in good faith by Bank as a result of a deposit made by Company prior to receipt of such notification and within a reasonable time period to prevent unauthorized transfers.

Company agrees to have in place and in effect such software, procedures, and systems as comply with security best practices for transmission of sensitive data. These shall include, at a minimum, appropriate firewalls, anti-virus programs, spyware detection, anti-phishing and mal-ware programs.

5. COMPLIANCE WITH SECURITY PROCEDURE

(a) If a deposit received by Bank alleges to have been transmitted or authorized by Company, it will be deemed effective as Company's deposit and Company shall be obligated to Bank for the amount of the deposit. In the event the deposit was not authorized by Company, Company will be liable for the amount of the deposit, provided Bank accepted the deposit in good faith and acted in compliance with the security procedures referred to in Schedule B with respect to such deposit.

(b) If a deposit received by Bank is erroneous in any manner and was transmitted or authorized by Company, Company shall reimburse Bank the amount of the deposit, whether or not Bank complied with the security procedures referred to in Schedule B with respect to that deposit, and whether or not the error would have been detected if Bank had complied with such procedure. Reimbursement may be accomplished by Bank initiating a chargeback to Company's account identified in Schedule A.

6. RECORDING AND USE OF COMMUNICATIONS

Company and Bank agree that all telephone conversations, emails, or other forms of data transmissions between them or their agents, made in connection with this Agreement, may be electronically recorded and retained by either party by use of reasonable means.

7. PROCESSING, TRANSMITTAL, AND SETTLEMENT BY FINANCIAL INSTITUTION

(a) Except as provided in Section 8, Rejection of Entries, Bank shall (I) process deposits received from Company, (II) transmit such deposits to Bank's correspondent Federal Reserve Bank, (III) settle for such deposits as provided by Bank in the procedures listed in Schedule B.

(b) Bank shall transmit or complete the necessary batch authorization of such deposits by the delivery date deadline of the deposits as set forth in Schedule B attached hereto prior to the effective entry date provided (I) such deposits are received by Bank's related cut-off time on a business day as set forth on Schedule B, (II) the effective entry date is at least one day after such business day, and (III) the Federal Reserve is open for business on such business day. For purposes of this Agreement, (i) a "business day" is a day on which Bank is open to the public for carrying on substantially all of its business [other than a Saturday or Sunday], and (ii) entries or deposits shall be deemed received by Bank in the case of transmittal by electronic transmission,

when the transmission (and compliance with any related security procedure provided for herein) is completed as provided in Schedule A.

(c) If any of the requirements of clause (I), (II), or (III) of Section 7(b) are not met, Bank shall use reasonable efforts to transmit such deposits to the Federal Reserve by the next deposit deadline of the Federal Reserve following that specified in Schedule B which is a business day and a day on which the Federal Reserve is open for business.

(d) The cut-off time specified in Schedule B shall prevail over Banks funds availability schedule cut-off time.

8. REJECTION OF ENTRIES OR DEPOSITS

Bank may reject any entry which does not comply with the requirements set forth in Section 3, Transmittal Of Entries By Company, or Section 4, Security Procedures. Bank may reject any entry if Company has failed to comply with its account balance obligations under Section 12, The Account. Bank may reject any deposit of Company that does not adhere to security procedures as described in Schedule B. Bank shall notify Company by phone or electronic transmission, including email and fax, of such rejection no later than the business day such deposit would otherwise have been transmitted by Bank to the Federal Reserve.

Notices of rejection shall be effective when given. Bank shall have no liability to Company by reason of the rejection of any such deposit or the fact that such notice is not given at an earlier time than that provided for herein.

9. CANCELLATION OR AMENDMENT BY COMPANY

Company shall have no right to cancel or amend any deposit after its receipt by Bank. However, if such request complies with the security procedures, Bank shall use reasonable efforts to act on a request by Company for cancellation of a deposit prior to transmitting it to the Federal Reserve, but shall have no liability if such cancellation is not implemented. Company shall reimburse Bank for any expenses, losses, or damages Bank may incur in implementing or attempting to implement Company's request for the reversal of a deposit.

10. NOTICE OF RETURNED ENTRIES

Bank shall notify Company by phone or electronic transmission, including email and fax, of the receipt of a returned deposit from the Federal Reserve no later than one business day after the business day of such receipt.

Except for an entry retransmitted by Company in accordance with the requirements of Section 3, Transmittal Of Entries By Company, Bank shall have no obligation to retransmit or re-present a returned deposit to the Federal Reserve if Bank complied with the terms of this Agreement with respect to the original deposit. Bank may return items to company through transmission of an Image Replacement Document ("IRD").

11. PAYMENT BY COMPANY FOR RETURNED DEPOSITS

Company shall pay Bank the amount of each returned deposit transmitted by Bank pursuant to this Agreement at such time specified on Schedule B.

12. THE ACCOUNT: OFFSET RIGHTS

Bank may, without prior notice or demand, obtain payment of any account due and payable to it under this Agreement by debiting the account(s) of Company identified in Schedule A attached hereto (the "Account"), and shall credit or debit the Account for any amount received by Bank by reason of the return of a deposit transmitted by Bank for which Bank has previously received payment or credit from Company. Such credit or debit shall be made as of the day of such receipt by Bank.

Company shall at all times maintain a balance of available funds in the account sufficient to cover any payment obligations under this Agreement. In the event there are not sufficient available funds in the account to cover Company's obligations under this Agreement, Company agrees that Bank may debit any account maintained by Company with Bank or any affiliate of Bank or that Bank may off set against any amount it owes to Company, in order to obtain payment of Company's obligations under this Agreement.

13. ACCOUNT RECONCILIATION

Deposits transmitted by Bank will be reflected as part of Company's transaction activity, through online access via Bank's internet banking system, with respect to the account pursuant to the Deposit Account Agreement between Bank and Company. Company agrees to notify Bank promptly of any discrepancy between

Company's records and the information shown as account history, online, or on a periodic statement. If Company fails to notify Bank of any discrepancy after the account statement containing such discrepancy is mailed or otherwise made available to Company, Company agrees that Bank shall not be liable for any losses resulting from Company's failure to give such notice or any loss of interest or any interest equivalent with respect to any deposit shown as transaction activity and shall be precluded from asserting such discrepancy against Bank.

14. COMPANY REPRESENTATIONS AND AGREEMENTS; INDEMNITY

With respect to each and every deposit initiated by Company, Company represents and warrants to Bank and agrees that to the best of Company's knowledge (a) each deposit is made payable to Company (b) any necessary authorization is operative at the time of transmittal or crediting/debiting by Bank as provided herein, and (c) Company shall perform its obligations under this Agreement in accordance with all applicable laws and regulations, including the sanctions laws administered by OFAC.

Company shall indemnify Bank against any loss, liability, or expense (including attorney's fees and expenses) resulting from or arising out of any breach of any of the foregoing representations or agreements.

15. FINANCIAL INSTITUTION RESPONSIBILITIES; LIABILITY; LIMITATIONS ON LIABILITY; INDEMNITY

(a) In the performance of the services required by this Agreement, Bank shall be entitled to rely solely on the information, representations, and warranties provided by Company pursuant to this Agreement, and shall not be responsible for the accuracy or completeness thereof. Bank shall be responsible only for performing the services expressly provided for in this Agreement, and shall be liable only for its negligence or willful misconduct in performing those services.

Bank shall not be responsible for Company's acts or omissions (including without limitation the amount, accuracy, timeliness of transmittal or authorization of any deposit received from Company) or those of any other person, including without limitation any Federal Reserve Bank, or transmission or communications facility, and no such person shall be deemed Bank's agent.

Company agrees to indemnify Bank against any loss, liability, or expense (including attorney's fees and expenses) resulting from or arising out of any claim of any person that Bank is responsible for any act or omission of Company or any other person described in this Section 15(a).

(b) Bank shall be liable only for Company's actual damage; **in no event shall Bank be liable for any consequential, special, incidental, punitive, or indirect loss or damage which Company may incur or suffer in connection with this agreement**, whether or not the likelihood of such damages was known or contemplated by Bank and regardless of the legal or equitable theory of liability which Company may assert, including, without limitation, loss or damage from subsequent wrongful dishonor resulting from Bank's acts or omissions pursuant to this Agreement.

Liability shall not exceed the sum of the amount of any loss suffered by Company as a result of a breach of warranties under Regulation CC (12 CFR Part 229) up to the amount of any substitute check, interest and expenses (including cost and reasonable attorney fees and other expenses of presentation) related to the substitute check reduced by any amount that Company receives and retains as a re-credit. Furthermore, such liability shall be further reduced by the amount of any damages incurred as a result of the negligence or bad faith of Company.

(c) Without limiting the generality of the foregoing provisions, Bank shall be excused from failing to act or delay in acting if such failure or delay is caused by legal constraint, interruption of transmission of communication facilities, equipment failure, war, emergency conditions, or other circumstances beyond Bank's control.

In addition, Bank shall be excused from failing to transmit or delay in transmitting a deposit if such transmittal would result in Bank's having exceeded any limitation upon its intra-day net funds position established pursuant to present or future Federal Reserve guidelines or in Bank's reasonable judgment otherwise violating any provision of any present or future risk control program of the Federal Reserve or any rule or regulation of any other U.S. governmental regulatory authority. In such event, Company shall be responsible for having a contingency plan in place including temporarily depositing original, paper items at any branch facility of Bank.

(d) Subject to the foregoing limitations, Bank's liability for loss of interest resulting from its error or delay shall be calculated by using a rate equal to the average Federal Funds rate at the Federal Reserve Bank of Dallas for

the period involved. At Bank's option, payment of such interest may be made by crediting the account resulting from or arising out of any claim of any person that Bank is responsible for any act or omission of Company or any other person described in this Section 15(a).

16. PAYMENT FOR SERVICES

Company shall pay Bank the charges for the services provided in connection with this Agreement, as set forth in Bank's Commercial Services Fee Schedule. All fees and services are subject to change upon thirty (30) calendar day's prior written notice from Bank to Company. Such charges do not include, and Company shall be responsible for payment of, any sales, use, excise, value added, utility, or other similar taxes relating to such services, and any fees or charges provided for in the Account Agreement.

17. AMENDMENTS

From time to time, Bank may amend any of the terms and conditions contained in this Agreement, including without limitation, any cut-off time, any business day, and any part of the Schedules attached hereto. Such amendments shall become effective upon receipt of notice by Company or such later date as may be stated in Bank's notice to Company.

18. NOTICES, INSTRUCTIONS, ETC.

(a) Except as otherwise expressly provided herein, Bank shall not be required to act upon any notice or instruction received from Company or any other person, or to provide any notice or advice to Company or any other person with respect to any matter.

(b) Bank shall be entitled to rely on any written notice or other written communication believed by it in good faith to be genuine and to have been signed by an authorized representative, and any such communication shall be deemed to have been signed by such person. The names and signatures of authorized representatives are set forth in the account application and corresponding Company documentation as those individuals that are officers or employees authorized to individually sign for or bind the Company.

(c) Except as otherwise expressly provided herein, any written notice or other written communication required or permitted to be given under this Supplement shall be delivered, or sent by United States registered or certified mail, postage prepaid, or by express carrier, and if to Bank, addressed to:

**First National Bank of Huntsville
Attn: Bookkeeping Department
1300 11th Street
Huntsville, TX 77340**

And if to Company, addressed to the address listed below unless another address is substituted by notice delivered or sent as provided herein. Except as otherwise expressly provided herein, any such notice shall be deemed given when received.

Attn: _____

19. DATA RETENTION

Company shall retain physical checks that represent the deposit for at least fourteen (14) days following the date of their transmittal to Bank and agrees to make the originals available to Bank for fraud control purposes. Company is responsible for destroying all physical checks deposited through the Remote Deposit Capture Service within a maximum of fourteen (14) days. Company shall be responsible for maintaining physical control over processed checks and agrees to indemnify and hold Bank harmless for any losses resulting from physical loss, whether by theft or otherwise, of any check.

20. RECORDS

All electronic media, security procedures, and related records used by Bank for transactions contemplated by this Agreement shall be and remain Bank's property. Bank may, at its sole discretion, make available such

information upon Company's request. Any expense incurred by Bank in making such information available to Company shall be paid by Company.

21. COOPERATION IN LOSS RECOVERY EFFORTS

In the event of any damages for which Bank or Company may be liable to each other or to a third party pursuant to the services provided under this Agreement, Bank and Company will undertake reasonable efforts to cooperate with each other, as permitted by applicable law, in performing loss recovery efforts and in connection with any actions that the relevant party may be obligated to defend or elects to pursue against a third party.

22. TERMINATION

Company may terminate this Agreement by providing Bank with thirty (30) calendar days advance written notice. Such termination shall be effective on the date as is specified in that notice. Bank reserves the right to terminate this Agreement immediately upon providing written notice of such termination to Company. Any termination of this Agreement shall not affect any of Bank's rights and Company's obligations with respect to deposits initiated by customer prior to such termination, or the payment obligations of Company with respect to services performed and equipment provided by Bank prior to termination, or any other obligations that survive termination of this Agreement.

23. ENTIRE AGREEMENT

This Agreement (including the Schedules attached hereto) together with the Account Agreement is the complete and exclusive statement of the agreement between Bank and Company with respect to the subject matter hereof and supersedes any prior agreement(s) between Bank and Company with respect to such subject matter.

In the event of any inconsistency between the terms of this Agreement and the Account Agreement, the terms of this Agreement shall govern. In the event performance of the services provided herein in accordance with the terms of this Agreement would result in a violation of any present or future statute, regulation, or government policy to which Bank is subject, and which governs or affects the transactions contemplated by this Agreement, then this Agreement shall be deemed amended to the extent necessary to comply with such statute, regulation, or policy, and Bank shall incur no liability to Company as a result of such violation or amendment. No course of dealing between Bank and Company will constitute a modification of this Agreement or the security procedures or constitute an agreement between Bank and Company regardless of whatever practices and procedures Bank and Company may use.

24. NON-ASSIGNMENT

Company may not assign this Agreement or any of the rights or duties hereunder to any person without Bank's prior written consent.

25. WAIVER

Bank may waive enforcement of any provision of this Agreement. Any such waiver shall not affect Bank's rights with respect to any other transaction or modify the terms of this Agreement.

26. BINDING AGREEMENT; BENEFIT

This Agreement shall be binding upon and solely for the benefit of the parties hereto and their respective legal representatives, successors, and assigns. This Agreement is not for the benefit of any other person, and no other person shall have any right against Bank or Company hereunder.

27. HEADINGS

Headings are used for reference purposes only and shall not be deemed a part of this Agreement.

28. SEVERABILITY

In the event that any provision of this Agreement shall be determined to be invalid, illegal, or unenforceable to any extent, the remainder of this Agreement shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

29. GOVERNING LAW

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED BY DULY AUTHORIZED OFFICERS.

FIRST NATIONAL BANK OF HUNTSVILLE

By _____

Name _____

Title _____

Date _____

COMPANY

By _____

Name _____

Title _____

Date _____

SCHEDULE A: AUTHORIZED BUSINESS BANKING SERVICES AND ORIGINATION LIMITS

This schedule will define Company’s allowed transactions using Bank’s Remote Deposit Capture System to originate, create, and/or deliver deposits for further processing in accordance with the attached agreement. All deposits should be captured via equipment and software approved and authorized by Bank. The allowed services granted to Company may consist of multiple features, such as web-enabled data entry screens, file transfers, and uploads. This Schedule contains the account numbers of Company’s settlement accounts for the purpose of receipt of deposit(s) submitted by Company to Bank, and itemizes the maximum dollar limits for each type of origination service.

COMPANY NAME: _____

PRIMARY ACCOUNT: _____

OTHER ACCOUNTS: _____

ADMINISTRATOR NAME: _____

LOGIN ID: _____

PASSWORD: _____

EMAIL ADDRESS: _____

PHONE: _____

AUTHORIZED LIMITS

ACCOUNT NUMBER	DOLLAR AMOUNT LIMIT	PER ITEM AMOUNT LIMIT

SCHEDULE B: SECURITY PROCEDURES AND TRANSACTION SETTLEMENT/DELIVERY DEADLINES

Bank grants access to the Remote Deposit Capture System to perform transactions authorized in Schedule A. Company agrees to establish prudent security standards and policies that include proper safeguards to protect the confidentiality of all login IDs and passwords that are assigned to Company for initiating transactions using this system. Any transaction initiated or authorized using a valid combination of a login ID and password will be considered authentic, valid, and binding by Company and Bank.

Bank agrees to provide reasonable assistance to establish login IDs and passwords, training, and support to Company for properly using services. If files or entries need to be delivered to Bank, the information must be delivered to the address below. If Company suspects or believes any such information has been compromised, it shall immediately contact Bank.

Bank Emergency Contacts: Debbie Woods, VP & Cashier

During Business Hours, please contact Customer Service: 936-295-5701

After hours, please contact:

Name: Debbie Woods, VP & Cashier

Phone No: 936-661-1756

Email: dwoods@fnbhuntsvilletx.com

Address: 1300 11th Street

City/State/ZIP: Huntsville, TX 77340

Fax No: 936-294-8020

In the event Bank needs to contact Company, the following contact information shall constitute notice if delivered to:

Company Emergency Contact Information

Name _____ Phone Number _____

Address _____ City/State _____

Fax No _____ Email _____

Transaction Settlement/Delivery Timeframes

All deposits utilizing distributed transaction processing should be received by Bank prior to the end-of-day cutoff time. If the deposits are not received by the required timeframe, Bank cannot guarantee that deposits will be processed that day. Bank may accept these deposits and they will be forwarded to the Federal Reserve no later than Bank's next regularly scheduled delivery time. The end-of-day cutoff time for deposits is shown below:

END-OF-DAY CUTOFF TIME: 4 PM CENTRAL STANDARD TIME

- **Customer Service will be available for assistance from 8 a.m. – 4 p.m. at 936-295-5701. After 4 p.m., please call the emergency contact person above.**

Provisional Settlement

Bank shall give provisional credit as provided in this Schedule subject to revocation of credit for deposits as provided in Regulation CC and the Uniform Commercial Code as it applies to deposits.

WIRE TRANSFER AGREEMENT

This agreement, dated, is by and between **First National Bank of Huntsville** (hereinafter referred to as "Bank") and _____ (hereinafter referred to as "Customer"). In consideration of the mutual promises set forth below, the parties hereto agree as follows:

1. Bank is hereby authorized and directed, whenever Bank receives an instruction which on its face is in compliance with the security procedures established by this agreement, to transfer funds from any of Customer's accounts listed on Exhibit A to this agreement to any account maintained by Customer or any third party designated in the instruction, whether the receiving account is at Bank or at any other institution. As used in this agreement, the term "transfer" shall be deemed to include a transfer of funds by means of the Federal Reserve FEDWIRE, the Society for Worldwide InterBank Financial Telecommunications ("SWIFT"), TELEX, computer terminal, or other means. The term shall be deemed not to include transfers made through the Automated Clearing House ("ACH") system within the United States, as defined by the National Automated Clearing House Association ("NACHA") operating rules as those rules may be amended from time to time.
2. Customer represents and warrants to Bank that the persons named on Exhibit A-1 to this agreement as Authorized Agents are authorized by Customer to give instructions to Bank for transfers of funds and matters related to transfers of funds with respect to the accounts listed on Exhibit A-1. Bank may, at its option, assign each Authorized Agent a personal identification number ("PIN") for identification of the Authorized Agent when he or she gives instructions to Bank concerning transfers of funds. In the event a PIN is utilized for wire transfers, the Customer understands, and will cause each Authorized Agent to understand, that Customer and the Authorized Agents are responsible for maintaining the confidentiality of each PIN. Additionally, Customer agrees that Bank shall have no liability to Customer or anyone claiming through Customer for any loss resulting, directly or indirectly, from breach of security of any PIN. In its discretion, Bank may add or delete any procedures (security or otherwise) established under this agreement, from time to time, upon written notice to Customer. Customer may change the list of account or Authorized Agents from time to time upon written notice to Bank.
3. Subject to Bank's normal cutoff hours and other deadlines, whether legal, regulatory, or contractual, Bank is hereby authorized and directed to make transfers and to act upon other instructions relating to transfers upon receipt of instructions, whether oral (including those via telephone), written, via facsimile transmission, or via electronic or other means, which on their face are in compliance with the security procedures established by this agreement.
4. In its sole discretion, Bank may seek verification or further authorization of any transfer request or related instruction. Bank may contact Customer by any reasonable means in order to obtain assurance of the authenticity or other correctness of a transfer request, these conversations will be recorded. Bank shall be under no obligation to do so in any case, however. If, upon attempting to obtain such verification, Bank is unable to do so, Bank may, in its sole discretion, either make the transfer or decline to make the transfer or follow the instructions or decline to follow the instructions. In such an event, Bank shall not be liable to Customer for any actual loss of any kind or for any consequential, punitive, or exemplary damages in any amount, provided Bank has acted in good faith.
5. Customer understands that the numbers assigned to banks and to the accounts of recipients of transfers are critical to the transfer function. If Customer describes the intended recipient of a transfer, the intended recipient's bank, or any intermediary bank in a transfer request by name and number and makes an error in giving the number, the error may cause that payment to be made through the bank or to the account specified by the number, rather than through the named Bank or to the named intended recipient. Customer agrees that it will be responsible for the amount of the transfer in any such case.
6. Customer may ask Bank to amend or cancel any transfer or related instruction, and Bank will use its best efforts to comply with such request if the request is made at a time and in a manner which gives Bank a reasonable opportunity to act on the request before it makes the transfer or carries out the instruction as Customer originally requested. If Customer asks Bank to recover funds which Bank has already transferred, Bank shall be under no obligation to do so unless and until Customer deposits with Bank an amount reasonably determined in good faith by Bank to approximate the costs and expenses (including attorney's fees) which Bank may incur in attempting to recover the funds transferred. Upon such deposit, Bank will take such action, as it deems reasonable under the circumstances, including, for example, sending a request to reverse the transfer to any financial institution, which received such funds. In no event, however, shall Bank be deemed to have guaranteed or otherwise assured the recovery of any portion of the amount transferred, nor to have accepted responsibility for any amount transferred before Bank received and had time to act upon the request to amend or cancel the transfer request.
7. Customer agrees that if it requests a transfer of funds in a currency other than United States dollars, Bank will convert the currency at the Bank's current exchange for the specified foreign currency. If any funds are returned to Customer in a currency other than United States dollars, Bank will convert the returned foreign currency into United States dollars at its current exchange rate for such currency at the time of the return. If Bank does not have current exchange rates for the particular foreign currency involved, Bank will use its best efforts to convert the currency promptly through reasonable commercial and/or banking channels, and Customer shall pay Bank a reasonable fee for such services. In no event shall Bank be liable to Customer for any losses arising from currency conversions effected by Bank in good faith within a reasonable time after receiving funds for conversion.
8. Customer shall pay all charges, which Bank may impose, from time to time for transfers and for following related instructions. Customer also shall reimburse Bank for any out-of-pocket costs incurred by Bank in carrying out the instructions given by customer pursuant to this agreement.

Exhibit 7

9. In no event shall Bank be responsible for any loss, claim, liability, damage or other amount arising in any way, directly or indirectly, from any error, failure, or delay in the performance of any of Bank's obligations under this agreement caused by natural disaster, fire, war, strike, civil unrest, error in or inoperability of communication equipment or lines, or any other circumstance beyond the reasonable control of Bank.
10. Customer agrees to indemnify Bank against, and hold Bank harmless from, any and all losses, costs, damages, and expenses (including reasonable attorney's fees and costs of investigation, at trial and on appeal) arising directly or indirectly from, or relating in any manner to, any actions taken by Bank which were reasonably believed by Bank to be taken pursuant to this agreement, including, but not limited to, actions taken by Bank to amend or cancel any funds transfer instructions or any decision by Bank to effect or not to effect a transfer as provided in this agreement, or any other action taken by Bank in good faith pursuant to its responsibilities under this agreement.
11. Any other agreement between Customer and Bank relating to Customer's financial transactions with Bank (including, but not limited to, any signature card or account agreement) shall be superseded to the extent of any inconsistency or conflict between its terms and the terms of this agreement.
12. This agreement shall be governed by all applicable operating circulars of any Federal Reserve Bank, which may handle any transaction that is the subject of this agreement, and by all applicable provisions of federal law and regulation. To the extent allowed by federal law, this agreement shall also be governed by the operating rules and other governing documents of SWIFT, NACHA, or any other funds transfer or advice service or facilitator, and by the laws of any foreign nation having jurisdiction over the transfer (or any segment thereof, to the extent of that segment only). To the extent such laws, regulations, rules do not govern it and other governing documents; the laws of the state of Texas shall govern this agreement. This agreement shall be binding upon and inure to the benefit of Customer and Bank, and their respective successors, assigns, and legal representatives.
13. Should any provision of this agreement be declared invalid or unenforceable, that provision shall be ineffective only to the extent of the invalidity or unenforceability. The remaining provisions of this agreement shall remain in full force and effect.
14. Bank may amend this agreement from time to time by written notice to customer. If Customer uses any services provided for by this agreement after receipt of such notice of amendment, such use shall be deemed to constitute agreement to the terms of the amendment.
15. The Exhibits to this agreement are incorporated into this agreement as though set forth fully herein.
16. Either party may terminate this agreement by written notice to the other. Bank may terminate this agreement instantly if it has reasonable cause to believe that Customer or any Authorized Agent is committing or attempting to commit an illegal or otherwise improper act, whether by means of transfer requests or other instructions covered by this agreement or by any other means. All representations, warranties, and obligations of Customer shall survive any termination of this agreement, whether with or without cause.

Customer: _____

Bank: **First National Bank of Huntsville**

**WIRE TRANSFER AGREEMENT
AUTHORIZED REPRESENTATIVES FOR TRANSFERS**

<u>Account Number</u>	<u>Account Name</u>	<u>Authorized Persons</u>	<u>\$Limit</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

AUTHORIZED REPRESENTATIVES FOR CALL-BACK

<u>Authorized Personnel</u>	<u>Password</u>	<u>Phone Number</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Customer hereby represents and warrants to Bank that the names of the Authorized Agents, the account numbers from which they are authorized to request transfers and the maximum amount for which each authorized Agent is authorized to request transfers are correctly stated above. If at any time Customer wishes to add or delete Authorized Agents, change account numbers for Authorized Agents, or change maximum amounts for Authorized Agents, Customer will submit a new Exhibit A-1 form to Bank. Each Exhibit A-1 will supersede all previous Exhibit A-1's, so any change will require a new form with all current Authorized Agents listed.

***Customer: _____

By: _____

Date: _____

***These persons must be those authorized to execute the Wire Transfer Agreement between Customer and Bank. Signatures by other persons will not be accepted.

DEPOSIT DOCUMENT SELECTION SESSION SUMMARY

CSI WARRANTED TRANSACTION

SESSION INFORMATION

Time Stamp: 13:22:34 Thursday, August 23, 2018

Financial Institution is Governed by the Laws of the State of: Texas

Primary Account Holder's Tax ID Number Status: Has SSN/TIN or has applied for SSN/TIN and expects to receive it within the next 30 days

Instructions NOT Requested for Tax Documents.

Selection will include Simplicity disclosures.

Number of Activities: 1

Number of Accounts: 1

Number of Customers: 2

ACCOUNT HOLDER INFORMATION

Type of Account Holder: Individual

Business Name: BANK TEST

(A valid Resolution for this commercial entity is already on file at the Financial Institution.)

ACTIVITY

Activity # 1: Revise Account Terms and Conditions
(Account: Account_1)

ACCOUNT

Account: NOW PF-SHSU -- Account_1
(NOW (Negotiable Order of Withdrawal))
Account Number: 700088347

Account Ownership: Governmental Entity

Primary Account Holder: AccountOwner_1

All Account Owners: AccountOwner_1

SELECTED DOCUMENTS

Deposit Product Fee Schedule (DepositProductFeeSchedule.FXL)

Funds Availability Policy (FundsAvailabilityPolicy.FXL)

Privacy Policy (PrivacyPolicy.FXL)

Account: NOW (Negotiable Order of Withdrawal) (Account_1)

Account Agreement (AccountAgreement.FXL)

Account Information (AccountInformation.FXL)

Session Summary Comments

You have indicated that you are not obligated to provide a FACT Act Notice and have affirmatively chosen not to provide this notice.

CUSTOM SELECTION LOGIC

File Name: First National Bank of Huntsville_GLOBAL.txt
Data Set Name: GLOBAL
Description: 7/24/2018 12:47:34 PM

**ACCOUNT AGREEMENT
NOW ACCOUNT**

FIRST NATIONAL BANK OF HUNTSVILLE
and All Divisions of First National Bank of Huntsville
1300 11th Street, PO Box 659
Huntsville, Texas 77342-0659
(936)295-5701
www.fnbhuntsvilletx.com

ACCOUNT TITLE AND ADDRESS

BANK TEST
1300 11TH ST
HUNTSVILLE, TX 77340-0000

ACCOUNT OPEN DATE	ACCOUNT NUMBER	OWNERSHIP TYPE	PRODUCT NAME	INITIAL DEPOSIT
August 22, 2018	700088347	Governmental Entity	NOW PF-SHSU	\$0.00

DEFINITIONS. Throughout this Agreement, the terms "you," "your," and "account owner" refer to the Customer named on the account, and the terms "we," "our," and "us" refer to the Bank, FIRST NATIONAL BANK OF HUNTSVILLE. The acronym "NOW" means Negotiable Order of Withdrawal.

GENERAL AGREEMENT. You understand that the following Account Agreement ("Agreement") governs your NOW account with us, along with any other documents applicable to your account, including all account opening disclosures that have been provided to you, which are incorporated by reference. You understand that your account is also governed by applicable law. The information found in the account opening disclosures may change from time to time in our sole discretion. If the fees, charges, minimum balance requirements, or other items change in a manner that would adversely affect you, we will provide you with written notice prior to the change. By providing a written or electronic signature on the Account Information document or other agreement to open your account, or by using any of our deposit account services, you and any identified account owners agree to the terms contained in this Account Agreement.

YOUR CHOICE OF ACCOUNT. As an entity eligible to open a NOW account under applicable law, you have instructed us as to the title and type of the account that you have chosen. You acknowledge that it is your sole responsibility to determine the full legal effect of opening and maintaining the type of account you have chosen. We have not set forth all laws that may impact your chosen account. You must determine whether the account you select is appropriate for your current and future needs. Except as required by law, we assume no legal responsibility to inform you as to the effect of your account choice on your legal interests.

GOVERNMENTAL OR MUNICIPAL ACCOUNTS. For accounts opened by all political subdivisions and governmental or municipal units, we reserve the right to require separate written authorization, in a form acceptable to us, telling us who is authorized to act on your behalf. We are authorized to follow the directions of a person designated as having authority to act on the entity's behalf until we receive written notice that the authority has been terminated and have had a reasonable time to act upon that notice.

ADDITIONAL DOCUMENTS TO OPEN ACCOUNT. You agree to supply us with a copy of any chartering document, Operating Agreement, or related documents requested by us.

ESCROW, TRUST, FIDUCIARY AND CUSTODIAL ACCOUNTS. When your account is set up as an escrow account, trust account, fiduciary account or custodial account, it is your sole responsibility to determine the legal effects of opening and maintaining an account of this nature. We have no obligation to act as trustee or to inquire into your powers or responsibilities over this account. We reserve the right to require the documentation necessary under applicable law to establish, maintain, manage, and close this account. There may be additional terms and conditions that apply to this account that are governed by a separate agreement.

TRANSFERS AND ASSIGNMENTS. We may assign or transfer any or all of our interest in this account. You cannot assign or transfer any interest in your account unless we agree in writing.

RESTRICTIVE LEGENDS. We are not required to honor any restrictive legend on checks you write unless we have agreed to the restriction in writing signed by an officer of the Bank. Examples of restrictive legends are "two signatures required", "must be presented within 90 days" or "not valid for more than \$1,000.00."

STALE OR POSTDATED CHECKS. We reserve the right to pay or dishonor a check more than six (6) months old without prior notice to you. You agree not to postdate any check drawn on the account. If you do, and the check is presented for payment before the date of the check, we may pay it or return it unpaid. We are not liable for paying any stale or postdated check. Any damages you incur that we may be liable for are limited to actual damages not to exceed the amount of the check.

PREAUTHORIZED CHECKS OR DRAFTS. You should guard information about your account (such as your routing number and your account number) as carefully as you would guard blank checks. If you voluntarily give such information about your account to a party which is seeking to sell you goods or services, without physically delivering a check to that party, any debit to or withdrawal from your account it initiates will be deemed authorized by you.

VERIFYING FUNDS AVAILABILITY FOR CHECK. You authorize us to release funds availability information about your account to individuals or merchants who represent to us that they have received a check from you.

CHECK SAFEKEEPING. If you utilize a check safekeeping system or any other system offered by us for the retention of your checks, you understand that the canceled checks will be retained by us and destroyed after a reasonable time period or as required by law. Any request for a copy of any check may be subject to a fee, as indicated in the Schedule of Fees or Disclosures and as allowed by law. If for any reason we

cannot provide you with a copy of a check, our liability will be limited to the lesser of the face amount of the check or the actual damages sustained by you.

SUBSTITUTE CHECKS. To make check processing faster, federal law permits financial institutions to replace original checks with "substitute checks." These substitute checks are similar in size to the original items with a slightly reduced image of the front and back of the original item. The front of a substitute check states: "This is a legal copy of your check. You can use it the same way you would use the original check." You may use a substitute check as proof of payment just like the original item. Some or all of the items that you receive back from us may be substitute checks.

WITHDRAWALS. Deposits will be available for withdrawal consistent with the terms of the Disclosures. Withdrawals may be subject to a service charge.

DEPOSITS. Deposits may be made in person, by mail, or in another form and manner as agreed by us in our sole discretion. We are not responsible for transactions mailed until we actually receive and record them. We may in our sole discretion refuse to accept particular instruments as a deposit to your account. Cash deposits are credited to your account according to this Agreement. Other items you deposit are handled by us according to our usual collection practices. If an item you deposit is returned unpaid, we will debit your account for the item and adjust any interest earned. You are liable to us for the amount of any check you deposit to your account that is returned unpaid and all costs and expenses related to the collection of all or part of such amount from you. Funds deposited to your account, excluding any Time Deposit accounts, are available in accordance with the Disclosures.

COLLECTION OF DEPOSITED ITEMS. In receiving items for deposit or collection, we act only as your agent and assume no responsibility beyond the exercise of ordinary care. All items are credited subject to final settlement in cash or credits. We shall have the right to forward items to correspondents including all Federal Reserve Banks, and we shall not be liable for default or neglect of said correspondents for loss in transit, nor shall any correspondent be liable except for its own negligence. You specifically authorize us or our correspondents to utilize Federal Reserve Banks to handle such items in accordance with provisions of Regulation J (12 CFR Part 210), as revised or amended from time to time by the Federal Reserve Board. In the event we are subject to local clearinghouse rules, you specifically authorize us to handle such items in accordance with the rules and regulations of the clearinghouse.

If we permit you to withdraw funds from your account before final settlement has been made for any deposited item, and final settlement is not made, we have the right to charge your account or obtain a refund from you. In addition, we may charge back any deposited item at any time before final settlement for whatever reason. We shall not be liable for any damages resulting from the exercise of these rights. Except as may be attributable to our lack of good faith or failure to exercise ordinary care, we will not be liable for dishonor resulting from any reversal of credit, return of deposited items or for any damages resulting from any of those actions.

REMOTELY CREATED CHECKS. A remotely created check, as defined in Regulation CC, means a check that is not created by the paying bank and that does not bear a signature applied, or purported to be applied, by the person on whose account the check is drawn. By having a deposit account with us, you certify that all remotely created checks deposited to your account(s) will be expressly and verifiably authorized by the payer. And we reserve the rights to refuse for deposit any such remotely created check if we have any reason to believe that the item is fraudulent in any manner and to obtain from you the payer's express, verifiable authorization for any such item.

UNLAWFUL INTERNET GAMBLING. Restricted transactions are prohibited from being processed through your account with us as required by the Unlawful Internet Gambling Enforcement Act of 2006 and Regulation GG. A restricted transaction is a transaction or transmittal involving any credit, funds, instrument, or proceeds in connection with the participation of another person in unlawful Internet gambling.

STATEMENTS. We will provide you with a periodic statement showing the account activity. The last address you supply us in writing will be deemed the proper address for mailing this statement to you. The account holder who receives this statement is the agent for his/her co-account holder(s) for purposes of receiving the statement and items. You must exercise reasonable care in reviewing your statement and reasonable promptness in notifying us of any discrepancies, such as alterations or forged or unauthorized signatures, even if by the same wrongdoer. Reasonable promptness will not exist if you fail to notify us within 60 days after we mail or otherwise make the statement available to you. If you fail to notify us of any discrepancies, with reasonable promptness, your right to assert such discrepancies will be barred or limited to the extent permitted by law. Is you think your bill is wrong, or if you need more information about a transaction on your bill, write us as soon as possible on a separate sheet at the address listed on the front of this statement. We must here from you no later than 60 days after we went you the first bill on which the error or problem appeared. You telephone us, but doing so will not preserve your rights. In your letter, give us the following information: 1) Your name and account number, 2) A description on the error and explanation. If you can, why you believe this is an error. 3) The dollar amount of the suspected error.

You do not have to pay any amount in question while we are investigating, but you are still obligated to pay the parts of your bill that are not in question. If you have authorized us to automatically pay your bill from your checking account, you can stop or reverse payment on any amount you think is wrong by mailing your notice so we can receive it within 16 days after the bill was sent to you. However, if the discrepancy is the result of an electronic fund transfer, the provisions of the Disclosures will control its resolution. If you do not receive a statement from us because you have failed to claim it or have supplied us with an incorrect address, we may stop sending your statements until you specifically make written request that we resume sending your statements and you supply us with a proper address.

ACH AND WIRE TRANSFERS. This Agreement is subject to Article 4A of the Uniform Commercial Code - Funds Transfers as adopted in the state of Texas. If you send or receive a wire transfer, you agree that Fedwire® Funds Service may be used. Federal Reserve Board Regulation J is the law that covers transactions made over Fedwire® Funds Service. When you originate a funds transfer for which Fedwire® Funds Service is used, and you identify by name and number a beneficiary financial institution, an intermediary financial institution or a beneficiary, we and every receiving or beneficiary institution may rely on the identifying number to make payment. We may rely on the number even if it identifies a financial institution, person or account other than the one named.

If you are a party to an Automated Clearing House ("ACH") entry, you agree that we may transmit an entry through the ACH, and you agree to be bound by the National Automated Clearing House Association ("NACHA") Operating Rules and Guidelines, the rules of any local ACH, and the rules of any other systems through which the entry is made.

PROVISIONAL PAYMENT. Credit we give you is provisional until we receive final settlement for that entry. If we do not receive final settlement, you agree that we are entitled to a refund of the amount credited to you in connection with the entry, and the party making payment to you via such entry (i.e., the originator of the entry) shall not be deemed to have paid you in the amount of such entry.

INTERNATIONAL ACH TRANSACTIONS. If your transaction originates from a financial agency that is outside of the territorial jurisdiction of the United States, it may be subject to additional review for compliance with the rules of the Office of Foreign Assets Control (OFAC). If additional review is required, the International ACH transaction will not be available to you until it passes final verification.

NOTICE OF RECEIPT. We will not provide you with notice of our receipt of the order, unless we are so requested by the transfer originator in the order. However, we will continue to notify you of the receipt of payments in the periodic statements we provide to you.

CHOICE OF LAW. We may accept on your behalf payments to your account which have been transmitted, that are not subject to the Electronic Fund Transfer Act, and your rights and obligations with respect to such payments shall be construed in accordance with and governed by the laws of the state where we are located.

YOUR RESPONSIBILITY FOR BACK OF CHECK. All negotiable paper ("checks") presented for deposit must be in a format that can be processed and we may refuse to accept any check that does not meet this requirement. All endorsements on the reverse side of any check deposited into your account must be placed on the left side of the check when looking at it from the front, and the endorsements must be placed so as not to go beyond an area located 1-½ inches from the left edge of the check when looking at it from the front. It is your responsibility to ensure that these requirements are met and you are responsible for any loss incurred by us for failure of an endorsement to meet this requirement.

STOP PAYMENTS. You may stop payment on a check drawn against your account by a written order or other confirmation as allowed by us. The Stop Payment Order must describe the item or account with certainty and be received by an officer of this Bank during a banking day and at a time and in a manner that affords us a reasonable opportunity to act on it. We may in our sole discretion accept oral stop payment requests on checks. If we exercise our right to accept your oral request and you fail to confirm this request in a record or writing within 14 days, we reserve the right to cancel your request. A Stop Payment Order on a check remains in effect for six months or until we receive a record or writing revoking the Stop Payment Order, whichever occurs first. If the item on which a Stop Payment Order has been placed has not cleared or been returned to you by the payee, you may renew the Stop Payment Order for an additional six months by providing a request to us in a record or writing within the time period the Stop Payment Order is in effect. A Stop Payment Order on an EFT debit remains in effect until the earlier of 1) your withdrawal of the Stop Payment Order, 2) the return of the debit entry, or 3) six months from the date of the Stop Payment Order, unless you renew the Stop Payment Order. You may renew the Stop Payment Order for an additional six months to prevent the transfer from being paid by providing a request to us within the time period the Stop Payment Order is in effect. When a stop is placed on a multiple debit entry transfer, we may require your confirmation in a record or writing stating that you have canceled your authorization for the transfer with the payee (a Stop Payment Order does not revoke authorization). You will be charged a fee every time you request a Stop Payment Order, and for each Stop Payment Order renewal you make. You understand that we may accept the Stop Payment Order request from any of the authorized signers of the account regardless of who signed the check. A release of the Stop Payment Order may be made only by the person who initiated the stop payment request. Our acceptance of a stop payment request does not constitute a representation by us that the item has not already been paid or that we have had a reasonable opportunity to act on the request.

A Stop Payment Order may be placed on either a one-time transfer or on a multiple debit entry transfer. If you request a stop payment on a multiple debit entry transfer, we must receive the Stop Payment Order, orally or in a record or writing, at least three business days before a scheduled multiple debit entry. If the Stop Payment Order is requested for an Electronic Check Conversion or other one-time transfer, we must receive the request, orally or in a record or writing, in a period of time that provides us a reasonable opportunity to act on it prior to acting on the debit entry, otherwise this Stop Payment Order shall be of no effect. Oral stop payment orders are binding on us for 14 calendar days only, and must be confirmed by you in a record or writing within that period.

The Stop Payment Order shall be governed by the provision of the Uniform Commercial Code 4A in effect in the state in which we are located, *NACHA Operating Rules*, and any applicable state law.

We have a daily cutoff time by which we must receive any knowledge, notice, Stop Payment Order, set-off or legal process affecting our right or duty to pay a check. That cutoff time is one hour after the opening of your branch's banking day, following the banking day on which your branch received the check.

DEATH OR INCOMPETENCY. Neither the death nor the legal adjudication of incompetence of any individual authorized to act on your behalf revokes our authority to accept, pay, or collect items until we know of the fact of death or of an adjudication of incompetence and have a reasonable opportunity to act on it. To the extent permitted by law, even with knowledge, we may for 10 days after the date of death, pay checks drawn on or before the date of death unless ordered to stop payment by a person claiming an interest in the account.

NON-SUFFICIENT FUNDS AND OVERDRAFTS. If your account lacks sufficient funds available to pay a check, preauthorized transfer or other debit activity presented for payment, we may (1) return the item, or (2) pay the item at our discretion. If we return the item without paying it, we may charge you a non-sufficient funds fee. If we do pay the item on your behalf, you will be responsible to pay the overdrawn balance and an overdraft fee. Overdrafts may be covered by our standard overdraft practice that comes with your account or an overdraft protection plan, such as a link to an account or a line of credit. As part of our standard overdraft practice, we do not authorize and pay overdrafts on ATM or everyday debit card transactions unless you request us to do so. Our handling of these items may subject your account to a fee as disclosed in the fee schedule or other Disclosures. Unless we advise you otherwise, we will process checks and other debit items in an order determined in our sole discretion.

PROCESSING ORDER. We will process items, such as credits, checks, and other debit items in accordance with our processing order policy. The processing order of these items is important because if there is not enough money in the account to pay for the items in the order they are processed in accordance with the processing order, there may be an overdraft on your account which may result in overdraft or non-sufficient funds fees or an increase in the amount of these fees.

SIGNATURES. Your signature on the Account Information document is your authorized signature. You authorize us, at any time, to charge you for all checks, drafts or other orders for the payment of money, that are drawn on us regardless of by whom or by what means (including facsimile signature(s)) your signature may have been affixed so long as the signature resembles the signature specimen in our files. For withdrawal and other purposes relating to any account you have with us, we are authorized to recognize your signature; and we will not be liable to you for refusing to honor signed instruments or instructions if we believe in good faith that one or more of the signatures appearing on the instrument or instructions is not genuine.

If your items are signed using any facsimile signature or non-manual form of signature, you acknowledge that it is solely for your benefit and convenience. You agree that no facsimile signature you have authorized us to honor may be considered a forgery or an unauthorized signature, and that every authorized facsimile signature shall be effective as the signatory's own original, manual signature. You accept sole responsibility for maintaining security over any device affixing the signature as such signature will be effective regardless of whether the person affixing it was authorized to do so. Your authorization notwithstanding, we are not obligated to accept or pay any items bearing facsimile signatures.

Further, most checks, and other items are processed automatically, i.e., without individual review of each item. Therefore, unless we agree in a separate writing, in our sole discretion, upon your request and due to unique circumstances to conduct individual review of each item, you agree that we are acting within common and reasonable banking practices by automatically processing checks, and other items, i.e., without individual review of each check, or item. You agree to indemnify, defend, and hold us harmless from and against all loss, costs, damage, liability, and other injury (including reasonable attorney fees) that you or we may suffer or incur as a result of this practice.

FEES, SERVICE CHARGES AND BALANCE REQUIREMENTS. You agree to pay us and are responsible for any fees, charges or balance/deposit requirements as provided in the Fee Schedule or Disclosures provided to you at the time you opened the account. Fees, charges and balance requirements may change from time to time. We also reserve the right to impose a service charge for cashing checks drawn on your account if the person cashing the check is not a customer of this Bank.

WITHDRAWAL NOTICE REQUIREMENTS. We have the right to require seven days prior written notice from you of your intent to withdraw any funds from your account.

SET-OFFS AND SECURITY INTEREST. If you ever owe us money as a borrower, guarantor or otherwise, and it becomes due, we have the right under the law (called "set-off") and under this Agreement (by which you grant us a security interest in your deposit account and any other accounts held by you) to use your account funds to pay the debt, where permitted by law. The security interest granted by this Agreement is consensual and is in addition to our right of set-off.

CLAIMS. In response to any garnishment, attachment, restraining order, injunction, levy, citation to discover assets, judgment, reclamation, other order of court or other legal process ("Claim(s)"), we have the right to place a hold on, remove from your account(s) and/or remit to the designated third-party(ies) any amount on deposit in your account as set forth in and required by such Claim(s). In addition, we may charge against your account(s) any fee authorized by law in connection with the Claim(s) or as otherwise set forth in the fee schedule.

DORMANT ACCOUNTS. You understand that if your account is dormant, we may cease any interest payments to the extent permitted by the law. You agree that we are relieved of all responsibility if your account balance is escheated (that is, turned over to the state) in accordance with state law.

ATTORNEYS' FEES AND EXPENSES. You agree to be liable to us for any loss, costs or expenses, including reasonable attorneys' fees to the extent permitted by law, that we incur as a result of any dispute involving your account, and you authorize us to deduct any such loss, costs or expense from your account without prior notice to you. This obligation includes disputes between yourself and us involving the account and situations where we become involved in disputes between you and an authorized signer, another joint owner, or a third party claiming an interest in the account. It also includes situations where you, an authorized signer, another joint owner, or a third party takes action with respect to the account that causes us, in good faith, to seek the advice of counsel, whether or not we actually become involved in a dispute.

LEGAL PROCESS AGAINST ACCOUNT. You agree to be responsible for, to reimburse us, and/or have your account charged for any expenses or reasonable attorney fees we incur due to an attachment, garnishment, levy or subpoena of records of your account. Any garnishment or other levy against your account is subject to our right of set-off and security interest. We may restrict the use of your account if it is involved in any legal proceeding.

CLOSING ACCOUNT. We may close the account at any time, with or without cause, after sending you notice as required by the law. At our discretion, we have the authority to pay an otherwise properly payable check, which is presented after the closing of your account. Such a termination will not release you from any fees or other obligations incurred before the termination. We will send a check for the balance in our possession to which you are entitled.

OUR WAIVER OF RIGHTS. You understand and agree that no delay or failure on our part to exercise any right, remedy, power or privilege available to us under this Agreement shall affect or preclude our future exercise of that right, remedy, power or privilege.

YOUR WAIVER OF NOTICE. By signing the Account Information form, you waive any notice of non-payment, dishonor or protest regarding any items credited to or charged against your deposit account. For example, if a check that you deposited is dishonored and returned to us, we are not required to notify you of the dishonor.

NOTICE. You are responsible for notifying us of any change to the name, type or address of your entity or other information affecting your account. Notices must be in a form and manner acceptable to us with enough information to allow us to identify the account. Notice sent by you

to us is not effective until we have received it and have had a reasonable opportunity to act upon it. Written notice sent by us to you is effective when mailed to the last address supplied.

AMENDMENTS AND ALTERATIONS. You agree that the terms and conditions governing your account may be amended by us from time to time. We will notify you of amendments as required by applicable law. Your continued use of the account evidences your agreement to any amendments. Notices will be sent to the most recent address shown on the account records.

EFFECTIVE APPLICABLE LAWS AND REGULATIONS. You understand that this Agreement is governed by the laws of Texas, except to the extent that federal law is controlling. Changes in these laws and regulations may modify the terms and conditions of your account(s). We do not have to notify you of these changes, unless required to do so by law. If any of the terms of this Agreement come into conflict with the applicable law and are declared to be invalid or unenforceable, those terms will be nullified to the extent that they are inconsistent with the law and the applicable law will govern. However, this shall not affect the validity of the remaining provisions.

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**ACCOUNT INFORMATION
NOW ACCOUNT**

**FIRST NATIONAL BANK OF HUNTSVILLE
and All Divisions of First National Bank of Huntsville
1300 11th Street, PO Box 659
Huntsville, Texas 77342-0659
(936)295-5701
www.fnbhuntsvilletx.com**

ACCOUNT TITLE AND ADDRESS

BANK TEST
1300 11TH ST
HUNTSVILLE, TX 77340-0000

ACCOUNT OPEN DATE	ACCOUNT NUMBER	OWNERSHIP TYPE	PRODUCT NAME	INITIAL DEPOSIT
August 22, 2018	700088347	Governmental Entity	NOW PF-SHSU	\$0.00

GOVERNMENTAL ENTITY INFORMATION

Name: BANK TEST
Address: 1300 11TH ST
HUNTSVILLE, TX 77340-0000

Under Governing Laws of: _____

DEFINITIONS. "You," "your," and "account owner" refer to the Customer, whether or not there are one or more Customers named on the account, and the terms "we," "us," and "our" refer to the Bank, FIRST NATIONAL BANK OF HUNTSVILLE.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

ACKNOWLEDGMENT. By signing this document, you acknowledge that you have opened the type of account designated above. The undersigned certify that all information provided to the Bank is true and accurate. As the account is in the name of a business entity, you acknowledge that you are acting on behalf of the business entity, and with respect to which you have legal authority to transact business. Your signature acknowledges the receipt of the appropriate Account Agreement for the type of account designated above and that you agree to be bound by the Account Agreement. You acknowledge that you have received a Funds Availability Policy Disclosure. You also acknowledge receipt of a copy of our Privacy Policy, if a copy was not previously provided to you. All signers authorize this Bank to make inquiries from any consumer reporting agency, including a check protection service, in connection with this account. You also acknowledge that you have requested a change to your account and the terms of the Account Agreement and the Disclosures related to your existing account have been revised in their entirety effective on August 23, 2018.

One Signer Required for Withdrawals

BANK TEST

By: CUSTOMER TEST
Its: TEST

Signer: CUSTOMER TEST
Address: 1300 11TH ST
HUNTSVILLE, TX 77340-3802
Title/Capacity: TEST

Tax ID Number: 111-11-1111
Date of Birth: February 2, 2018

TAXPAYER IDENTIFICATION NUMBER (T.I.N.) CERTIFICATION

123-45-6789

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined in the instructions for the IRS Form W-9), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN.

Signature of U.S. person:

Exemptions (see IRS Form W-9 instructions):

Exempt payee code (if any) _____

Exemption from FATCA reporting code (if any) _____

CUSTOMER TEST

FOR INSTITUTION USE.

OFAC: Yes

FEE SCHEDULE

FIRST NATIONAL BANK OF HUNTSVILLE
and All Divisions of First National Bank of Huntsville
1300 11th Street, PO Box 659
Huntsville, Texas 77342-0659
(936)295-5701
www.fnbhuntsvilletx.com

FEES AND CHARGES. The following fees and charges may be assessed against your account:

Check printing fees vary by the style of check ordered.

Account Closing Within First 90 Days	\$25.00
Account Research per hour (\$25.00 minimum)	\$25.00
Amortization Schedule	\$5.00
Cash Non-Customer Check	1% of amount of check (\$5.00 minimum fee)
Bond Coupon Collection	\$7.00
Cashier's Check (Customer)	\$3.00
Cashier's Check (Non-Customer)	\$5.00
Collection Item Outgoing (Customer)	\$7.00
Collection Item Outgoing (Non-Customer)	\$10.00
Collection Item Incoming	\$7.00
Daily Balance Report	\$5.00
Debit Card Card Replacement	\$5.00
Deposited Item Return (Reclear)	\$2.00
Deposited Item Return (Special Handling)	\$4.00
Deposited Item Return (Charge-Back)	\$3.00
Deposited Correction Advice (telephone)	\$3.00
Deposited Checks (and their items) returned unpaid	\$3.00
Deposit Correction Advice (mail)	\$0.50
Foreign ATM Balance Inquiry (per inquiry)	\$0.50
Foreign ATM Transaction (per transaction)	\$1.50
Loan Coupon Book	\$5.00
Lock Bags (per year)	\$18.00
Merchant Card Set-up	\$50.00
Money Order (Customer)	\$1.00
Money Order (Non-Customer)	\$3.00
MSB Monthly Account Maintenance	\$300.00
Night Depository Keys (per key)	\$5.00
Notary Services (Non-Customer)	\$5.00
Pop Money (per transaction)	\$9.95
Rolled Coin (per roll)	\$0.08
Strapped Currency (per strap)	\$0.15
Service of Levy	\$10.00
Statement Second Copy	\$5.00
Statement Paper Copy Mailed	\$3.00
Stop Payment Charge (per item)	\$28.00
Temporary Checks (per 12 checks)	\$1.00
Wire Transfer Fees - Customer Outgoing Wire Fee (Domestic)	\$10.00
Wire Transfer Fees - Non-Customer Outgoing Wire Fee (Domestic)	\$20.00
Wire Transfer Fees - Customer Outgoing Wire Fee (International)	\$10.00
Wire Transfer Fees - Non-Customer Outgoing Wire Fee (International)	\$20.00
Zipper Bags (per bag)	\$5.00
Copy/Fax Service per item	\$1.00
*NSF/Overdraft Fees	\$28.00

*Non Sufficient Fund and Overdrafts may be created by check
in person withdrawal, ATM withdrawal, or other electronic
means.

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FUNDS AVAILABILITY POLICY DISCLOSURE

FIRST NATIONAL BANK OF HUNTSVILLE
and All Divisions of First National Bank of Huntsville
1300 11th Street, PO Box 659
Huntsville, Texas 77342-0659
(936)295-5701
www.fnbhuntsvilletx.com

YOUR ABILITY TO WITHDRAW FUNDS

PURPOSE OF THIS DISCLOSURE. The information here describes our policy of holding deposited items in a transaction account before funds are made available to you for withdrawal. This is our Funds Availability Policy. In summary, our policy is to make your funds available on the first Business Day after the day of deposit. Please refer to the section DETERMINING THE AVAILABILITY OF YOUR DEPOSIT for the complete policy.

For purposes of this disclosure, the terms "you"/"your" refer to the customer and the terms "our"/"we"/"us" refer to FIRST NATIONAL BANK OF HUNTSVILLE.

Generally, transaction accounts are accounts which would permit an unlimited number of payments by check to third persons, and also an unlimited number of telephonic and preauthorized transfers to third persons or other accounts you may have with us.

DETERMINING THE AVAILABILITY OF YOUR DEPOSIT. The length of the delay varies depending on the type of deposit and is explained below. When we delay your ability to withdraw funds from a deposit, you may not withdraw the funds in cash, and we will not pay checks you have written on your account by using these funds. Even after we have made funds available to you and you have withdrawn the funds, you are still responsible for checks you deposit that are returned to us unpaid and for any other problems involving your deposit.

When we delay your ability to withdraw funds, the length of the delay is counted in Business Days from the day of your deposit. The term "Business Day" means any day other than a Saturday, Sunday or federally declared legal holiday, and the term "Banking Day" means that part of any Business Day on which we are open to the public for carrying on substantially all of our banking functions.

If you make a deposit before 6 PM p.m. on a Business Day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after 6 PM p.m. or on a day that we are not open, we will consider the deposit made on the next Business Day we are open.

AVAILABILITY SCHEDULE

Same Day Availability. Funds from electronic direct deposits to your account will be available on the day we receive the deposit. In addition, funds from deposits of:

- cash (if made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)
- wire transfers
- checks drawn on us

will also be available on the day of deposit.

*If you do not make your deposit in person to one of our employees (for example, if you mail the deposit), funds from these deposits will be available no later than the second Business Day after the day of your deposit.

Next Day Availability. Funds from the following checks will be made available on the first Business Day after the day of deposit.

- U.S. Treasury checks (if payable to you and deposited into your account)
- U.S. Postal Service money orders (if payable to you and deposited into your account, and the deposit is made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)
- Federal Reserve Bank or Federal Home Loan Bank checks (if payable to you and deposited into your account, and the deposit is made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)
- State or Local Government checks (if payable to you and deposited into your account, and the deposit is made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)
- Cashier's, Certified, or Teller's checks (if payable to you and deposited into your account, and the deposit is made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)

*If you do not make your deposit in person to one of our employees (for example, if you mail the deposit), funds from these deposits will be available no later than the second Business Day after the day of your deposit.

Other Check Deposits. Funds from all other check deposits will be available on the first Business Day after the day of your deposit.

LONGER DELAYS MAY APPLY. In some cases, we will not make all of the funds that you deposit by check available to you according to the previously stated availability schedule. Depending on the type of check that you deposit, funds may not be available until the second Business Day after the day of your deposit. The first \$200.00 of your deposits, however, may be available on the day of deposit.

If we are not going to make all of the funds from your deposit available to you according to the previously stated availability schedule, we will notify you at the time you make your deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our employees, or if we decide to take this action after you have left the premises, we will mail you the notice by the day after we receive your deposit. If you will need the funds from a deposit right away, you should ask us when the funds will be available.

Funds you deposit by check may be delayed for a longer period under the following circumstances:

- (a) if we believe a check you deposit will not be paid;
- (b) if you deposit checks totaling more than \$5,000 on any one day;
- (c) if you redeposit a check that has been returned unpaid;
- (d) if you have overdrawn your account repeatedly in the last six months; or
- (e) if an emergency condition arises that would not enable us to make the funds available to you, such as the failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the Seventh Business Day after the day of your deposit. If you will need the funds from a deposit right away, you should ask us when the funds will be available.

SPECIAL RULES FOR NEW ACCOUNTS. If you are a new customer, the following special rules may apply during the first 30 days your account is open.

Same Day Availability. Funds from electronic direct deposits, cash (if made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*) and wire transfers made to your account will be available on the day we receive the deposit. In addition, the first \$5,000 of a day's total deposits of

- U.S. Treasury checks (if payable to you and deposited into your account)
- State or Local Government checks (if payable to you and deposited into your account, and the deposit is made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)
- Cashier's, Certified, or Teller's checks (if payable to you and deposited into your account, and the deposit is made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)
- Traveler's Checks (if payable to you and deposited into your account, and the deposit is made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)
- checks drawn on us

will also be available the day of deposit. The excess over \$5,000 will be available on the ninth Business Day after the day of your deposit.

*If you do not make your deposit in person to one of our employees (for example, if you mail the deposit), funds from these deposits will be available no later than the second Business Day after the day of your deposit.

Next Day Availability. Funds from the first \$5,000 of a day's total deposits of

- U.S. Postal Service money orders (if payable to you and deposited into your account, and the deposit is made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)
- Federal Reserve Bank or Federal Home Loan Bank checks (if payable to you and deposited into your account, and the deposit is made in person to an employee of FIRST NATIONAL BANK OF HUNTSVILLE*)

are available on the first Business Day after the day of your deposit. The excess over \$5,000 will be available on the ninth Business Day after the day of your deposit.

*If you do not make your deposit in person to one of our employees (for example, if you mail the deposit), funds from these deposits will be available no later than the second Business Day after the day of your deposit.

Other Check Deposits. Funds from all other check deposits will be available on the ninth Business Day after the day of deposit.

FACTS**WHAT DOES FIRST NATIONAL BANK OF HUNTSVILLE DO WITH YOUR PERSONAL INFORMATION?****Why?**

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- Account balances and payment history
- Transaction history and account transactions

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons FIRST NATIONAL BANK OF HUNTSVILLE chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does FIRST NATIONAL BANK OF HUNTSVILLE share?	Can you limit this sharing?
For our everyday business purposes-- such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes-- to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes-- information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes-- information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?

Call (936)295-5701 or go to www.fnbhuntsvilletx.com

Who we are**Who is providing this notice?**

FIRST NATIONAL BANK OF HUNTSVILLE

What we do**How does FIRST NATIONAL BANK OF HUNTSVILLE protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

How does FIRST NATIONAL BANK OF HUNTSVILLE collect my personal information?

We collect your personal information, for example, when you

- Open an account or give us your contact information
- Tell us who receives the money or tell us where to send the money
- Show your driver's license

We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.

Why can't I limit all sharing?

Federal law gives you the right to limit only

- sharing for affiliates' everyday business purposes - information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

Definitions**Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *FIRST NATIONAL BANK OF HUNTSVILLE has no affiliates.*

Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- *FIRST NATIONAL BANK OF HUNTSVILLE does not share with nonaffiliates so they can market to you.*

Joint marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *FIRST NATIONAL BANK OF HUNTSVILLE doesn't jointly market.*

**ACCOUNT AGREEMENT
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ACCOUNT TITLE AND ADDRESS

BANK TEST
1300 11TH ST
HUNTSVILLE, TX 77340-0000

ACCOUNT OPEN DATE	ACCOUNT NUMBER	OWNERSHIP TYPE	PRODUCT NAME	INITIAL DEPOSIT
August 22, 2018	700088347	Governmental Entity	NOW PF-SHSU	\$0.00

DEFINITIONS. Throughout this Agreement, the terms "you," "your," and "account owner" refer to the Customer named on the account, and the terms "we," "our," and "us" refer to the Bank, FIRST NATIONAL BANK OF HUNTSVILLE. The acronym "NOW" means Negotiable Order of Withdrawal.

GENERAL AGREEMENT. You understand that the following Account Agreement ("Agreement") governs your NOW account with us, along with any other documents applicable to your account, including all account opening disclosures that have been provided to you, which are incorporated by reference. You understand that your account is also governed by applicable law. The information found in the account opening disclosures may change from time to time in our sole discretion. If the fees, charges, minimum balance requirements, or other items change in a manner that would adversely affect you, we will provide you with written notice prior to the change. By providing a written or electronic signature on the Account Information document or other agreement to open your account, or by using any of our deposit account services, you and any identified account owners agree to the terms contained in this Account Agreement.

YOUR CHOICE OF ACCOUNT. As an entity eligible to open a NOW account under applicable law, you have instructed us as to the title and type of the account that you have chosen. You acknowledge that it is your sole responsibility to determine the full legal effect of opening and maintaining the type of account you have chosen. We have not set forth all laws that may impact your chosen account. You must determine whether the account you select is appropriate for your current and future needs. Except as required by law, we assume no legal responsibility to inform you as to the effect of your account choice on your legal interests.

GOVERNMENTAL OR MUNICIPAL ACCOUNTS. For accounts opened by all political subdivisions and governmental or municipal units, we reserve the right to require separate written authorization, in a form acceptable to us, telling us who is authorized to act on your behalf. We are authorized to follow the directions of a person designated as having authority to act on the entity's behalf until we receive written notice that the authority has been terminated and have had a reasonable time to act upon that notice.

ADDITIONAL DOCUMENTS TO OPEN ACCOUNT. You agree to supply us with a copy of any chartering document, Operating Agreement, or related documents requested by us.

ESCROW, TRUST, FIDUCIARY AND CUSTODIAL ACCOUNTS. When your account is set up as an escrow account, trust account, fiduciary account or custodial account, it is your sole responsibility to determine the legal effects of opening and maintaining an account of this nature. We have no obligation to act as trustee or to inquire into your powers or responsibilities over this account. We reserve the right to require the documentation necessary under applicable law to establish, maintain, manage, and close this account. There may be additional terms and conditions that apply to this account that are governed by a separate agreement.

TRANSFERS AND ASSIGNMENTS. We may assign or transfer any or all of our interest in this account. You cannot assign or transfer any interest in your account unless we agree in writing.

RESTRICTIVE LEGENDS. We are not required to honor any restrictive legend on checks you write unless we have agreed to the restriction in writing signed by an officer of the Bank. Examples of restrictive legends are "two signatures required", "must be presented within 90 days" or "not valid for more than \$1,000.00."

STALE OR POSTDATED CHECKS. We reserve the right to pay or dishonor a check more than six (6) months old without prior notice to you. You agree not to postdate any check drawn on the account. If you do, and the check is presented for payment before the date of the check, we may pay it or return it unpaid. We are not liable for paying any stale or postdated check. Any damages you incur that we may be liable for are limited to actual damages not to exceed the amount of the check.

PREAUTHORIZED CHECKS OR DRAFTS. You should guard information about your account (such as your routing number and your account number) as carefully as you would guard blank checks. If you voluntarily give such information about your account to a party which is seeking to sell you goods or services, without physically delivering a check to that party, any debit to or withdrawal from your account it initiates will be deemed authorized by you.

VERIFYING FUNDS AVAILABILITY FOR CHECK. You authorize us to release funds availability information about your account to individuals or merchants who represent to us that they have received a check from you.

CHECK SAFEKEEPING. If you utilize a check safekeeping system or any other system offered by us for the retention of your checks, you understand that the canceled checks will be retained by us and destroyed after a reasonable time period or as required by law. Any request for a copy of any check may be subject to a fee, as indicated in the Schedule of Fees or Disclosures and as allowed by law. If for any reason we

cannot provide you with a copy of a check, our liability will be limited to the lesser of the face amount of the check or the actual damages sustained by you.

SUBSTITUTE CHECKS. To make check processing faster, federal law permits financial institutions to replace original checks with "substitute checks." These substitute checks are similar in size to the original items with a slightly reduced image of the front and back of the original item. The front of a substitute check states: "This is a legal copy of your check. You can use it the same way you would use the original check." You may use a substitute check as proof of payment just like the original item. Some or all of the items that you receive back from us may be substitute checks.

WITHDRAWALS. Deposits will be available for withdrawal consistent with the terms of the Disclosures. Withdrawals may be subject to a service charge.

DEPOSITS. Deposits may be made in person, by mail, or in another form and manner as agreed by us in our sole discretion. We are not responsible for transactions mailed until we actually receive and record them. We may in our sole discretion refuse to accept particular instruments as a deposit to your account. Cash deposits are credited to your account according to this Agreement. Other items you deposit are handled by us according to our usual collection practices. If an item you deposit is returned unpaid, we will debit your account for the item and adjust any interest earned. You are liable to us for the amount of any check you deposit to your account that is returned unpaid and all costs and expenses related to the collection of all or part of such amount from you. Funds deposited to your account, excluding any Time Deposit accounts, are available in accordance with the Disclosures.

COLLECTION OF DEPOSITED ITEMS. In receiving items for deposit or collection, we act only as your agent and assume no responsibility beyond the exercise of ordinary care. All items are credited subject to final settlement in cash or credits. We shall have the right to forward items to correspondents including all Federal Reserve Banks, and we shall not be liable for default or neglect of said correspondents for loss in transit, nor shall any correspondent be liable except for its own negligence. You specifically authorize us or our correspondents to utilize Federal Reserve Banks to handle such items in accordance with provisions of Regulation J (12 CFR Part 210), as revised or amended from time to time by the Federal Reserve Board. In the event we are subject to local clearinghouse rules, you specifically authorize us to handle such items in accordance with the rules and regulations of the clearinghouse.

If we permit you to withdraw funds from your account before final settlement has been made for any deposited item, and final settlement is not made, we have the right to charge your account or obtain a refund from you. In addition, we may charge back any deposited item at any time before final settlement for whatever reason. We shall not be liable for any damages resulting from the exercise of these rights. Except as may be attributable to our lack of good faith or failure to exercise ordinary care, we will not be liable for dishonor resulting from any reversal of credit, return of deposited items or for any damages resulting from any of those actions.

REMOTELY CREATED CHECKS. A remotely created check, as defined in Regulation CC, means a check that is not created by the paying bank and that does not bear a signature applied, or purported to be applied, by the person on whose account the check is drawn. By having a deposit account with us, you certify that all remotely created checks deposited to your account(s) will be expressly and verifiably authorized by the payer. And we reserve the rights to refuse for deposit any such remotely created check if we have any reason to believe that the item is fraudulent in any manner and to obtain from you the payer's express, verifiable authorization for any such item.

UNLAWFUL INTERNET GAMBLING. Restricted transactions are prohibited from being processed through your account with us as required by the Unlawful Internet Gambling Enforcement Act of 2006 and Regulation GG. A restricted transaction is a transaction or transmittal involving any credit, funds, instrument, or proceeds in connection with the participation of another person in unlawful Internet gambling.

STATEMENTS. We will provide you with a periodic statement showing the account activity. The last address you supply us in writing will be deemed the proper address for mailing this statement to you. The account holder who receives this statement is the agent for his/her co-account holder(s) for purposes of receiving the statement and items. You must exercise reasonable care in reviewing your statement and reasonable promptness in notifying us of any discrepancies, such as alterations or forged or unauthorized signatures, even if by the same wrongdoer. Reasonable promptness will not exist if you fail to notify us within 60 days after we mail or otherwise make the statement available to you. If you fail to notify us of any discrepancies, with reasonable promptness, your right to assert such discrepancies will be barred or limited to the extent permitted by law. Is you think your bill is wrong, or if you need more information about a transaction on your bill, write us as soon as possible on a separate sheet at the address listed on the front of this statement. We must here from you no later than 60 days after we went you the first bill on which the error or problem appeared. You telephone us, but doing so will not preserve your rights. In your letter, give us the following information: 1) Your name and account number, 2) A description on the error and explanation. If you can, why you believe this is an error. 3) The dollar amount of the suspected error.

You do not have to pay any amount in question while we are investigating, but you are still obligated to pay the parts of your bill that are not in question. If you have authorized us to automatically pay your bill from your checking account, you can stop or reverse payment on any amount you think is wrong by mailing your notice so we can receive it within 16 days after the bill was sent to you. However, if the discrepancy is the result of an electronic fund transfer, the provisions of the Disclosures will control its resolution. If you do not receive a statement from us because you have failed to claim it or have supplied us with an incorrect address, we may stop sending your statements until you specifically make written request that we resume sending your statements and you supply us with a proper address.

ACH AND WIRE TRANSFERS. This Agreement is subject to Article 4A of the Uniform Commercial Code - Funds Transfers as adopted in the state of Texas. If you send or receive a wire transfer, you agree that Fedwire® Funds Service may be used. Federal Reserve Board Regulation J is the law that covers transactions made over Fedwire® Funds Service. When you originate a funds transfer for which Fedwire® Funds Service is used, and you identify by name and number a beneficiary financial institution, an intermediary financial institution or a beneficiary, we and every receiving or beneficiary institution may rely on the identifying number to make payment. We may rely on the number even if it identifies a financial institution, person or account other than the one named.

If you are a party to an Automated Clearing House ("ACH") entry, you agree that we may transmit an entry through the ACH, and you agree to be bound by the National Automated Clearing House Association ("NACHA") Operating Rules and Guidelines, the rules of any local ACH, and the rules of any other systems through which the entry is made.

PROVISIONAL PAYMENT. Credit we give you is provisional until we receive final settlement for that entry. If we do not receive final settlement, you agree that we are entitled to a refund of the amount credited to you in connection with the entry, and the party making payment to you via such entry (i.e., the originator of the entry) shall not be deemed to have paid you in the amount of such entry.

INTERNATIONAL ACH TRANSACTIONS. If your transaction originates from a financial agency that is outside of the territorial jurisdiction of the United States, it may be subject to additional review for compliance with the rules of the Office of Foreign Assets Control (OFAC). If additional review is required, the International ACH transaction will not be available to you until it passes final verification.

NOTICE OF RECEIPT. We will not provide you with notice of our receipt of the order, unless we are so requested by the transfer originator in the order. However, we will continue to notify you of the receipt of payments in the periodic statements we provide to you.

CHOICE OF LAW. We may accept on your behalf payments to your account which have been transmitted, that are not subject to the Electronic Fund Transfer Act, and your rights and obligations with respect to such payments shall be construed in accordance with and governed by the laws of the state where we are located.

YOUR RESPONSIBILITY FOR BACK OF CHECK. All negotiable paper ("checks") presented for deposit must be in a format that can be processed and we may refuse to accept any check that does not meet this requirement. All endorsements on the reverse side of any check deposited into your account must be placed on the left side of the check when looking at it from the front, and the endorsements must be placed so as not to go beyond an area located 1-½ inches from the left edge of the check when looking at it from the front. It is your responsibility to ensure that these requirements are met and you are responsible for any loss incurred by us for failure of an endorsement to meet this requirement.

STOP PAYMENTS. You may stop payment on a check drawn against your account by a written order or other confirmation as allowed by us. The Stop Payment Order must describe the item or account with certainty and be received by an officer of this Bank during a banking day and at a time and in a manner that affords us a reasonable opportunity to act on it. We may in our sole discretion accept oral stop payment requests on checks. If we exercise our right to accept your oral request and you fail to confirm this request in a record or writing within 14 days, we reserve the right to cancel your request. A Stop Payment Order on a check remains in effect for six months or until we receive a record or writing revoking the Stop Payment Order, whichever occurs first. If the item on which a Stop Payment Order has been placed has not cleared or been returned to you by the payee, you may renew the Stop Payment Order for an additional six months by providing a request to us in a record or writing within the time period the Stop Payment Order is in effect. A Stop Payment Order on an EFT debit remains in effect until the earlier of 1) your withdrawal of the Stop Payment Order, 2) the return of the debit entry, or 3) six months from the date of the Stop Payment Order, unless you renew the Stop Payment Order. You may renew the Stop Payment Order for an additional six months to prevent the transfer from being paid by providing a request to us within the time period the Stop Payment Order is in effect. When a stop is placed on a multiple debit entry transfer, we may require your confirmation in a record or writing stating that you have canceled your authorization for the transfer with the payee (a Stop Payment Order does not revoke authorization). You will be charged a fee every time you request a Stop Payment Order, and for each Stop Payment Order renewal you make. You understand that we may accept the Stop Payment Order request from any of the authorized signers of the account regardless of who signed the check. A release of the Stop Payment Order may be made only by the person who initiated the stop payment request. Our acceptance of a stop payment request does not constitute a representation by us that the item has not already been paid or that we have had a reasonable opportunity to act on the request.

A Stop Payment Order may be placed on either a one-time transfer or on a multiple debit entry transfer. If you request a stop payment on a multiple debit entry transfer, we must receive the Stop Payment Order, orally or in a record or writing, at least three business days before a scheduled multiple debit entry. If the Stop Payment Order is requested for an Electronic Check Conversion or other one-time transfer, we must receive the request, orally or in a record or writing, in a period of time that provides us a reasonable opportunity to act on it prior to acting on the debit entry, otherwise this Stop Payment Order shall be of no effect. Oral stop payment orders are binding on us for 14 calendar days only, and must be confirmed by you in a record or writing within that period.

The Stop Payment Order shall be governed by the provision of the Uniform Commercial Code 4A in effect in the state in which we are located, *NACHA Operating Rules*, and any applicable state law.

We have a daily cutoff time by which we must receive any knowledge, notice, Stop Payment Order, set-off or legal process affecting our right or duty to pay a check. That cutoff time is one hour after the opening of your branch's banking day, following the banking day on which your branch received the check.

DEATH OR INCOMPETENCY. Neither the death nor the legal adjudication of incompetence of any individual authorized to act on your behalf revokes our authority to accept, pay, or collect items until we know of the fact of death or of an adjudication of incompetence and have a reasonable opportunity to act on it. To the extent permitted by law, even with knowledge, we may for 10 days after the date of death, pay checks drawn on or before the date of death unless ordered to stop payment by a person claiming an interest in the account.

NON-SUFFICIENT FUNDS AND OVERDRAFTS. If your account lacks sufficient funds available to pay a check, preauthorized transfer or other debit activity presented for payment, we may (1) return the item, or (2) pay the item at our discretion. If we return the item without paying it, we may charge you a non-sufficient funds fee. If we do pay the item on your behalf, you will be responsible to pay the overdrawn balance and an overdraft fee. Overdrafts may be covered by our standard overdraft practice that comes with your account or an overdraft protection plan, such as a link to an account or a line of credit. As part of our standard overdraft practice, we do not authorize and pay overdrafts on ATM or everyday debit card transactions unless you request us to do so. Our handling of these items may subject your account to a fee as disclosed in the fee schedule or other Disclosures. Unless we advise you otherwise, we will process checks and other debit items in an order determined in our sole discretion.

PROCESSING ORDER. We will process items, such as credits, checks, and other debit items in accordance with our processing order policy. The processing order of these items is important because if there is not enough money in the account to pay for the items in the order they are processed in accordance with the processing order, there may be an overdraft on your account which may result in overdraft or non-sufficient funds fees or an increase in the amount of these fees.

SIGNATURES. Your signature on the Account Information document is your authorized signature. You authorize us, at any time, to charge you for all checks, drafts or other orders for the payment of money, that are drawn on us regardless of by whom or by what means (including facsimile signature(s)) your signature may have been affixed so long as the signature resembles the signature specimen in our files. For withdrawal and other purposes relating to any account you have with us, we are authorized to recognize your signature; and we will not be liable to you for refusing to honor signed instruments or instructions if we believe in good faith that one or more of the signatures appearing on the instrument or instructions is not genuine.

If your items are signed using any facsimile signature or non-manual form of signature, you acknowledge that it is solely for your benefit and convenience. You agree that no facsimile signature you have authorized us to honor may be considered a forgery or an unauthorized signature, and that every authorized facsimile signature shall be effective as the signatory's own original, manual signature. You accept sole responsibility for maintaining security over any device affixing the signature as such signature will be effective regardless of whether the person affixing it was authorized to do so. Your authorization notwithstanding, we are not obligated to accept or pay any items bearing facsimile signatures.

Further, most checks, and other items are processed automatically, i.e., without individual review of each item. Therefore, unless we agree in a separate writing, in our sole discretion, upon your request and due to unique circumstances to conduct individual review of each item, you agree that we are acting within common and reasonable banking practices by automatically processing checks, and other items, i.e., without individual review of each check, or item. You agree to indemnify, defend, and hold us harmless from and against all loss, costs, damage, liability, and other injury (including reasonable attorney fees) that you or we may suffer or incur as a result of this practice.

FEES, SERVICE CHARGES AND BALANCE REQUIREMENTS. You agree to pay us and are responsible for any fees, charges or balance/deposit requirements as provided in the Fee Schedule or Disclosures provided to you at the time you opened the account. Fees, charges and balance requirements may change from time to time. We also reserve the right to impose a service charge for cashing checks drawn on your account if the person cashing the check is not a customer of this Bank.

WITHDRAWAL NOTICE REQUIREMENTS. We have the right to require seven days prior written notice from you of your intent to withdraw any funds from your account.

SET-OFFS AND SECURITY INTEREST. If you ever owe us money as a borrower, guarantor or otherwise, and it becomes due, we have the right under the law (called "set-off") and under this Agreement (by which you grant us a security interest in your deposit account and any other accounts held by you) to use your account funds to pay the debt, where permitted by law. The security interest granted by this Agreement is consensual and is in addition to our right of set-off.

CLAIMS. In response to any garnishment, attachment, restraining order, injunction, levy, citation to discover assets, judgment, reclamation, other order of court or other legal process ("Claim(s)"), we have the right to place a hold on, remove from your account(s) and/or remit to the designated third-party(ies) any amount on deposit in your account as set forth in and required by such Claim(s). In addition, we may charge against your account(s) any fee authorized by law in connection with the Claim(s) or as otherwise set forth in the fee schedule.

DORMANT ACCOUNTS. You understand that if your account is dormant, we may cease any interest payments to the extent permitted by the law. You agree that we are relieved of all responsibility if your account balance is escheated (that is, turned over to the state) in accordance with state law.

ATTORNEYS' FEES AND EXPENSES. You agree to be liable to us for any loss, costs or expenses, including reasonable attorneys' fees to the extent permitted by law, that we incur as a result of any dispute involving your account, and you authorize us to deduct any such loss, costs or expense from your account without prior notice to you. This obligation includes disputes between yourself and us involving the account and situations where we become involved in disputes between you and an authorized signer, another joint owner, or a third party claiming an interest in the account. It also includes situations where you, an authorized signer, another joint owner, or a third party takes action with respect to the account that causes us, in good faith, to seek the advice of counsel, whether or not we actually become involved in a dispute.

LEGAL PROCESS AGAINST ACCOUNT. You agree to be responsible for, to reimburse us, and/or have your account charged for any expenses or reasonable attorney fees we incur due to an attachment, garnishment, levy or subpoena of records of your account. Any garnishment or other levy against your account is subject to our right of set-off and security interest. We may restrict the use of your account if it is involved in any legal proceeding.

CLOSING ACCOUNT. We may close the account at any time, with or without cause, after sending you notice as required by the law. At our discretion, we have the authority to pay an otherwise properly payable check, which is presented after the closing of your account. Such a termination will not release you from any fees or other obligations incurred before the termination. We will send a check for the balance in our possession to which you are entitled.

OUR WAIVER OF RIGHTS. You understand and agree that no delay or failure on our part to exercise any right, remedy, power or privilege available to us under this Agreement shall affect or preclude our future exercise of that right, remedy, power or privilege.

YOUR WAIVER OF NOTICE. By signing the Account Information form, you waive any notice of non-payment, dishonor or protest regarding any items credited to or charged against your deposit account. For example, if a check that you deposited is dishonored and returned to us, we are not required to notify you of the dishonor.

NOTICE. You are responsible for notifying us of any change to the name, type or address of your entity or other information affecting your account. Notices must be in a form and manner acceptable to us with enough information to allow us to identify the account. Notice sent by you

to us is not effective until we have received it and have had a reasonable opportunity to act upon it. Written notice sent by us to you is effective when mailed to the last address supplied.

AMENDMENTS AND ALTERATIONS. You agree that the terms and conditions governing your account may be amended by us from time to time. We will notify you of amendments as required by applicable law. Your continued use of the account evidences your agreement to any amendments. Notices will be sent to the most recent address shown on the account records.

EFFECTIVE APPLICABLE LAWS AND REGULATIONS. You understand that this Agreement is governed by the laws of Texas, except to the extent that federal law is controlling. Changes in these laws and regulations may modify the terms and conditions of your account(s). We do not have to notify you of these changes, unless required to do so by law. If any of the terms of this Agreement come into conflict with the applicable law and are declared to be invalid or unenforceable, those terms will be nullified to the extent that they are inconsistent with the law and the applicable law will govern. However, this shall not affect the validity of the remaining provisions.

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**ACCOUNT INFORMATION
NOW ACCOUNT**

FIRST NATIONAL BANK OF HUNTSVILLE
 and All Divisions of First National Bank of Huntsville
 1300 11th Street, PO Box 659
 Huntsville, Texas 77342-0659
 (936)295-5701
 www.fnbhuntsvilletx.com

ACCOUNT TITLE AND ADDRESS

BANK TEST
 1300 11TH ST
 HUNTSVILLE, TX 77340-0000

ACCOUNT OPEN DATE	ACCOUNT NUMBER	OWNERSHIP TYPE	PRODUCT NAME	INITIAL DEPOSIT
August 22, 2018	700088347	Governmental Entity	NOW PF-SHSU	\$0.00

GOVERNMENTAL ENTITY INFORMATION

Name: BANK TEST
 Address: 1300 11TH ST
 HUNTSVILLE, TX 77340-0000

Under Governing Laws of: _____

DEFINITIONS. "You," "your," and "account owner" refer to the Customer, whether or not there are one or more Customers named on the account, and the terms "we," "us," and "our" refer to the Bank, FIRST NATIONAL BANK OF HUNTSVILLE.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

ACKNOWLEDGMENT. By signing this document, you acknowledge that you have opened the type of account designated above. The undersigned certify that all information provided to the Bank is true and accurate. As the account is in the name of a business entity, you acknowledge that you are acting on behalf of the business entity, and with respect to which you have legal authority to transact business. Your signature acknowledges the receipt of the appropriate Account Agreement for the type of account designated above and that you agree to be bound by the Account Agreement. You acknowledge that you have received a Funds Availability Policy Disclosure. You also acknowledge receipt of a copy of our Privacy Policy, if a copy was not previously provided to you. All signers authorize this Bank to make inquiries from any consumer reporting agency, including a check protection service, in connection with this account. You also acknowledge that you have requested a change to your account and the terms of the Account Agreement and the Disclosures related to your existing account have been revised in their entirety effective on August 23, 2018.

One Signer Required for Withdrawals

BANK TEST

By: CUSTOMER TEST
 Its: TEST

Signer: CUSTOMER TEST
Address: 1300 11TH ST
HUNTSVILLE, TX 77340-3802
Title/Capacity: TEST

Tax ID Number: 111-11-1111
Date of Birth: February 2, 2018

TAXPAYER IDENTIFICATION NUMBER (T.I.N.) CERTIFICATION

123-45-6789

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined in the instructions for the IRS Form W-9), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN.

Signature of U.S. person:

Exemptions (see IRS Form W-9 instructions):

Exempt payee code (if any) _____

Exemption from FATCA reporting code (if any) _____

CUSTOMER TEST

FOR INSTITUTION USE.

OFAC: Yes

AGENCY AGREEMENT

THE STATE OF TEXAS

COUNTY OF WALKER

THIS AGREEMENT made and entered into on the day hereinafter set out by and between, _____, (hereinafter called "Owner"), whose name and signature appears hereinafter, and the First National Bank of Huntsville, Huntsville, Texas (hereinafter called Bank) provides as follows:

WHEREAS, Owner desires that Bank act as agent and custodian in respect thereto pursuant to the terms hereinafter set forth; and

WHEREAS, Bank is willing to act as such Agent and Custodian in accordance with the terms of this agreement;

THEREFORE, the parties hereto agree as follows:

1.

Owner hereby employs Bank as agent and custodian to open and maintain an agency account in its trust department in the name of _____ for all cash, securities, and other property that Owner may place with Bank under the terms of this agreement.

2.

Unless otherwise notified in writing by Owner or Owner's designated Agent, Bank shall invest, reinvest and maintain invested the assets covered hereunder in such stocks, bonds, securities and other property as:

- Bank may determine in its sole discretion.
- Bank and Owner may determine after consultation regarding transactions.

If so directed, Bank is specifically authorized to invest in Certificates of Deposit and money market funds of First National Bank of Huntsville.

3.

Bank shall collect the income from such investments and the proceeds of the sales and/or maturities of same and reinvest the income and proceeds, or pay over all or any part of same to Owner or his designee or designees, as Owner directs.

4.

Bank shall furnish Owner with quarterly statements (or statements at other intervals as Owner may direct) showing all receipts and disbursements and a statement of condition of Owner's account.

5.

Bank may place and hold any registerable securities in a securities depository, settlement system or in book entry form in the name of Owner or in the name of the Bank's nominee, it being understood, however, that actual ownership of all the assets hereunder shall remain in the Owner and that any registration or retention in any name other than the Owner's shall be for convenience only and to expedite the handling thereof. Further, Bank may use sub-agents and sub-custodians, for investment advice and for custody at its own cost.

6.

Bank shall be responsible for the safeguarding of the assets comprising the account in the bank or a sub custody account. Bank shall keep books of account reflecting all such assets and all transactions occurring in respect to the account.

7.

It is understood that the account established hereby is not a taxable entity for federal income tax purposes, and that therefore, Bank will not be responsible for preparing or filing income tax returns on said account. Bank shall, however, furnish Owner with such information as it may require for tax purposes.

8.

Owner may add assets to the account at any time subject to acceptance by Bank, provided that such additional assets shall be dealt with by Bank under the terms of this agreement. The Owner expressly reserves the right at any time and from time to time to revoke, alter, amend or terminate the agency hereby created, provided, however, that such alterations or amendments shall be only with the written consent of the Bank. Owner may withdraw all or any part of corpus on hand in the account at any time by giving Bank sufficient notice to allow it to accomplish the procedures necessary for such withdrawal.

9.

Bank shall be entitled to reasonable compensation based on its published fee schedule for its services and reimbursement of out of pocket expenses hereunder which shall be paid from the income or principal of the account.

10.

The Bank may resign hereunder by mailing a notice in writing to the Owner at the last known address of said Owner, such resignation to become effective thirty (30) days after the date of the mailing of such notice. Upon any such resignation, the Bank shall assign, transfer, pay over or deliver to Owner the account assets then held, subject to its proper expenses and charges; upon such delivery, the Bank shall be completely released and discharged from any further liability under this agreement.

11.

Bank shall not be held liable for losses or declines in the values of securities property owned, bought, sold or held under the terms of this agreement, but shall be liable only for its own fraud and bad faith.

12.

The Bank is expressly authorized to accept and act upon direction from Owner orally, or in writing including by telephone and facsimile, for the purchase or sale of securities in the account or for the transfer of funds. In lieu of a separate notification for each transaction, all required information on transactions shall be included in the periodic statement for the period involved.

13.

It is understood that Owner is entitled to receive, at no additional cost, a written notification of each purchase and sale made on behalf of my account. It is also understood that the Owner has a right to receive the notification on the date of the transaction. In lieu of a separate notification for each securities transaction, Owner requests that you include all required information on securities transactions in the periodic account statement for the period involved.

14.

Owner understands that the Securities and Exchange Commission has adopted a rule to enable issuing corporations to learn the identity of beneficial owners whose securities are held by a bank and registered in the name of the Bank's nominee. A beneficial owner is defined to be a person with shared or sole voting authority with respect to the security. Owner understands that Bank's policy has been to prohibit the disclosure of such information to insure the confidentiality of your fiduciary accounts. Owner also

understands that, unless Owner specifically objects to the disclosure, Bank is now required to disclose this information to companies who request it. Owner understands that if Owner consents or fails to object, Owners name and address will be disclosed. Owner also understands that the rule prohibits the issuing company from using their name and address for any purpose other than corporate communications.

 X NO I do not want my name, address and number of shares held disclosed to all companies in which I own securities which are registered in the nominee form.

 YES I want my name, address and number of shares held disclosed to all companies in which I own securities which are registered in nominee form.

The parties hereto herein below sign their names as evidence of their agreement the terms hereinabove stated, on this the _____ day of _____, 2018.

By: _____

By: _____

By: _____

FIRST NATIONAL BANK OF HUNTSVILLE

By: _____

Walter H. Bennett, Jr.
Executive Vice President
Trust Officer

CUSTODIAL AGENCY AGREEMENT

THE STATE OF TEXAS

COUNTY OF WALKER

THIS AGREEMENT made and entered into on the day hereinafter set out by and between, _____, (hereinafter called "Owners"), whose name and signature appears hereinafter, and the First National Bank of Huntsville, Huntsville, Texas, (hereinafter called "Bank"), provides as follows:

WHEREAS, Owner desires that Bank act as agent and custodian in respect thereto pursuant to the terms hereinafter set forth; and

WHEREAS, Bank is willing to act as such agent and custodian in accordance with the terms of this agreement;

NOW THEREFORE, the parties hereto agree as follows:

1.

Owner hereby employs Bank as agent and custodian to open and maintain an agency account in its trust department styled in the name of _____, for all cash, securities, and other property that Owner may place with Bank under the terms of this agreement.

2.

The Bank has no duty to render investment advice and assumes no liability for the investment performance of Owner's account. The Bank shall notify Owner of matured or called securities, exchange or conversion privileges and subscription rights held in account. The Bank shall make only such sales, exchanges, purchases, or delivery of such properties as Owner or Owner's designated Agent/Broker/Advisor shall direct in writing or orally except that Bank may round out corporate stock holdings to full shares by purchase or sale of fractional shares, and, unless otherwise previously directed by Owner, sell at the prevailing market at any time on or after four (4) days prior to the expiration thereof, subscription rights, options and similar rights pertaining to securities held in the account. If so directed, bank is specifically authorized to invest in Certificates of Deposit and money market funds of First National Bank of Huntsville; Owner agrees that Bank shall have no liability for failing to carry out any instruction from Owner if Bank is unable to do so through the exercise of reasonable diligence.

3.

Bank shall collect the income from such investments and the proceeds of the sales and/or maturities of same and reinvest the same in like securities or investments, or pay over all or any part of same to Owner or his designee or designees, as Owner directs.

4.

Bank shall furnish Owner with quarterly statements (or statements at other intervals as Owner may direct) showing all receipts and disbursements and a statement of condition of Owner's account.

5.

Bank may place and hold any registrable securities in a securities depository, settlement system or in book entry form in the name of Owner or in the name of the Bank's nominee, it being understood, however, that actual ownership of all the assets hereunder shall remain in the Owner and that any registration or retention in any name other than Owner's shall be for convenience only and to expedite the handling thereof. Further, Bank may use sub-agents and sub custodians, for investment advice and for custody at its own cost.

6.

Bank shall be responsible for the safeguarding of the assets comprising the account and shall keep books of the account reflecting all such assets and all transactions occurring in respect to the account.

7.

It is understood that the account established hereby is not a taxable entity for federal income tax purposes, and that therefore, Bank will not be responsible for preparing or filing income tax returns on said account. Bank shall, however, furnish Owner with such information as it may require for tax purposes.

8.

Owner may add assets to the account at any time subject to acceptance by Bank, provided that such additional assets shall be dealt with by Bank under the terms of this agreement. The Owner expressly reserves the right at any time and from time to time to revoke, alter, amend or terminate the agency hereby created, provided, however, that such alterations or amendments shall be only with the written consent of the Bank. Owner may withdraw all or any part of corpus on hand in the account at any time by giving Bank sufficient notice to allow it to accomplish the procedures necessary for such withdrawal. It is expressly provided that these rights of revocation shall be exercised only by the Owner

personally and shall not be exercisable by any agent or personal representative of said Owner in the event of Owner's incapacity.

9.

Bank shall be entitled to reasonable compensation based on its published fee schedule for its services and reimbursement of out of pocket expenses hereunder which shall be paid from the income or principal of the account, and exact amount of expenses incurred in handling the account.

10.

The Bank may resign hereunder by mailing a notice in writing to the Owner at the last known address of said Owner, such resignation to become effective thirty (30) days after the date of the mailing of such notice. Upon any such resignation, the Bank shall render an accounting and shall assign, transfer, pay over or deliver to Owner the account assets then held, subject to its proper expenses and charges; upon such accounting and delivery, the Bank shall be completely released and discharged from any further liability under this agreement.

11.

Bank shall not be held liable for losses or declines in the values of property owned, bought, sold or held under the terms of this agreement, but shall be liable only for its own fraud and bad faith.

12.

The Bank is expressly authorized to accept and act upon direction from Owner orally, including by telephone and facsimile, for the purchase or sale of securities in the account or for the transfer of funds. In lieu of a separate notification for each transaction, all required information on transactions should be included in the periodic statement for the period involved.

13.

It is understood that Owner is entitled to receive, at no additional cost, a written notification of each purchase and sale made on behalf of my account. It is also understood that the Owner has a right to receive the notification on the date of the transaction. In lieu of a separate notification for each securities transaction, Owner requests that you include all required information on securities transactions in the periodic account statement for the period involved.

14.

Owner understands that the Securities and Exchange Commission has adopted a rule to enable issuing corporations to learn the identity of beneficial owners whose securities are held by a bank and registered in the name of the Bank's nominee. A beneficial owner is defined to be a person with shared or sole voting authority with respect to the security. Owner understands that Bank's policy has been to prohibit the disclosure of such information to insure the confidentiality of your fiduciary accounts. Owner also understands that, unless Owner specifically objects to the disclosure, Bank is now required to disclose this information to companies who request it. Owner understands that if Owner consents or fails to object, Owners name and address will be disclosed. Owner also understands that the rule prohibits the issuing company from using their name and address for any purpose other than corporate communications.

_____ NO I do not want my name, address and number of shares held disclosed to all companies in which I own securities which are registered in the nominee form.

_____ YES I want my name, address and number of shares held disclosed to all companies in which I own securities which are registered in nominee form.

The parties hereto herein below sign their names as evidence of their agreement the terms hereinabove stated, on this the _____ day of _____, 2018.

By: _____

By: _____

FIRST NATIONAL BANK OF HUNTSVILLE

By: _____
Walter H. Bennett, Jr., Executive Vice
President, Trust Officer

August 30, 2018

The First National Bank Trust Department offers you the opportunity to invest in the Invesco Government & Agency Fund. The current yield on the fund is approximately 1.82%. The fund is a dollar for dollar fund and pays a monthly dividend. The fund offers liquidity, funds may be redeemed daily by 10:00 am. The investments of the fund consist of direct obligations of the US Treasury and other securities issued or guaranteed by the US Government. This investment is further explained in Exhibit 13.

Please note, your investment is not insured and may lose value. Any deposit with the Trust Department is not FDIC Insured and not a deposit of First National Bank of Huntsville.

Our Trust Department has a variety of additional portfolio's that may be appropriate for you to consider. If you would like any additional information regarding these portfolios, please let me know.

In addition to our investment portfolios, we are pleased to offer cash management services. Based on parameters provided by the university we can sweep money back and forth between your trust account and your accounts with the commercial bank. Funds would be swept in and out of a money market fund in your account.

Our annual fee would be .10% of the average market value of the account. This represents a significant discount from our normal fee for similar services.

Thank you again for the opportunity to present our services. Please contact me if you need any additional information or have any questions regarding this information.



Invesco Government & Agency Portfolio

Short-Term Investments Trust

Data as of July 31, 2018
Institutional Class

Fund Information

Inception	September 01, 1998
CUSIP	825252885
NASDAQ	AGPXX
Total Net Assets	\$24.66 billion
Reflects all classes of the portfolio.	
Weighted Average Maturity (WAM)	28 days
Weighted Average Life (WAL)	100 days

SEC Portfolio Liquidity Requirements (%)

1-day	60.35
7-day	76.88

Ratings²

Standard & Poor's	AAAm
Moody's	Aaa-mf
Fitch Ratings	AAAmf

S&P Credit Quality Ratings³ (%)

A-1+	96.7
A-1	3.3

Management Team

Laurie Brignac, Joe Madrid, Brandon Maitre,
Justin Mandeville, Marques Mercier,
Wesley Rager, and Ripal Tilara

All data provided by Invesco unless otherwise stated.

1 iMoneyNet, Inc. is an independent mutual fund performance monitor. The Government Institutional Category is an unmanaged group of money market funds with similar investment objectives and pricing structures as the Institutional Class of the Invesco Government & Agency Portfolio. iMoneyNet performance figures represent the category average. An investment cannot be made into the category.

2 A credit rating is an assessment provided by Nationally Recognized Statistical Ratings Organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other debts. Fund ratings are subject to change and are based on several factors, including an analysis of a portfolio's overall credit quality, market price exposure and management. Fund ratings are provided to indicate the creditworthiness of the underlying holdings in the portfolio and offer a forward-looking opinion about fixed income funds' capacity to maintain stable principal (net asset value). The ratings will generally range from AAA (highest) to D (lowest). For more information on rating methodologies, please visit the following NRSRO websites: www.standardandpoors.com and select "Understanding Ratings" under Rating Resources on the homepage; www.moody's.com and select "Rating Methodologies" under Research and Ratings on the homepage; www.fitchratings.com and select "Ratings Definitions" on the homepage.

3 S&P credit quality ratings reflect the ratings of the underlying securities in the portfolio and are subject to change without notice. A-1 represents the highest rating assigned indicating that the degree of safety regarding timely payment is strong. Securities that possess extremely strong safety characteristics are denoted with a plus sign (+) designation.

4 Portfolio composition is subject to change. An investment category listed with "other" in the name indicates that the underlying holdings did not fall into the SEC's more narrowly defined investment categories.

Effective Dec. 15, 2017, the Government and Agency Portfolio was renamed the Invesco Government and Agency Portfolio. There were no changes to the CUSIPs, tickers or investment objective.

You could lose money by investing in the Fund. Although the Fund seeks to preserve your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Investment Objective

Provide current income consistent with preservation of capital and liquidity.

Permissible Investments

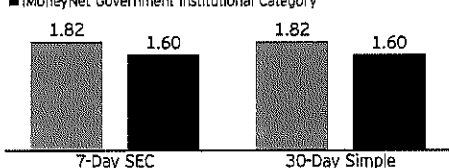
The fund pursues its objective by investing primarily in short-term, high-credit-quality money market instruments. These instruments are direct obligations of the US Treasury and other securities issued or guaranteed as to principal and interest by the US Government or by its agencies or instrumentalities, as well as repurchase agreements secured by such obligations.

Fund Highlights

- The portfolio management team follows a conservative investment process with respect to minimal credit risk, interest rate risk and liquidity.
- The fund is designed for short- to medium-term cash investments, operating cash, cash sweeps and the liquidity components of investment portfolios.
- The fund aims to preserve capital, maintain liquidity and produce a competitive yield.

Yields (%)

as of July 31, 2018



Average Annual Total Returns (%)

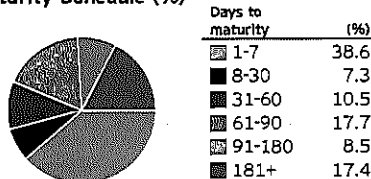
Period	as of July 31, 2018 (%)
Inception	1.97
10 Years	0.32
5 Years	0.41
3 Years	0.66
1 Year	1.31

The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance data quoted above. The investment return and principal value of your investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. You may obtain performance data current to the most recent month-end by visiting invesco.com/cash. Average annual total returns reflect reinvested distributions, net of expenses for the periods. The 7-day SEC yield more closely reflects the current earnings of the fund than the total returns shown.

Portfolio Composition (%) ⁴

SEC Investment Category	(%)
U.S. Treasury Debt	36.9
U.S. Government Agency Debt	25.2
U.S. Treasury Repurchase Agreement	21.4
U.S. Government Agency Repurchase Agreement	16.5

Maturity Schedule (%)



Maturity schedule is based on weighted average maturity and is subject to change.

Simple Monthly Yields

Period	as of July 31, 2018 (%)
July 2018	1.82
June	1.74
May	1.63
April	1.59
March	1.41
February	1.27
January	1.22
December 2017	1.08
November	0.97
October	0.95
September	0.94
August	0.93

30-day simple and simple monthly yield are the sum of the distribution rates for the number of days in the yield period annualized by 365 and divided by net asset value (NAV).

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

This report must be accompanied or preceded by a currently effective fund prospectus, which contains more complete information, including fees and expenses. Read it carefully before investing.

Exhibit 13

Three Month T-Bill
Median Discount Rate resulting from the T-Bill auction on the last
Monday of the prior month as indicated on the Treasury Direct web site

Prior Month Auction	Month	Rate
Jul-17	Aug-17	1.060%
Aug-17	Sep-17	0.990%
Sep-17	Oct-17	1.025%
Oct-17	Nov-17	1.105%
Nov-17	Dec-17	1.270%
Dec-17	Jan-18	1.395%
Jan-18	Feb-18	1.400%
Feb-18	Mar-18	1.615%
Mar-18	Apr-18	1.720%
Apr-18	May-18	1.800%
May-18	Jun-18	1.860%
Jun-18	Jul-18	1.875%
Jul-18	Aug-18	1.970%
Aug-18	Sep-18	2.075%

Exhibit 14

AUGUST 2018
GROUP SUMMARY ANALYSIS

SAM HOUSTON STATE UNIVERSITY
NON-EDUCATIONAL FUNDS
ATTN DANA HOYT
PO BOX 2027
HUNTSVILLE TX 77341-2027

OFFICER: James R. Coleman
PHONE NO: (936) 295-5701
BRANCH: 1

DATE PREPARED 9/06/18
DAYS IN STATEMENT CYCLE 31
Public Fund Account Analysis

AVERAGE DAILY LEDGER BALANCE	4,356,750.97	
LESS AVERAGE DAILY FLOAT	.00	
AVERAGE DAILY COLLECTED BALANCE	4,356,750.97	
AVERAGE COLLECTED NEGATIVE BALANCE	.00	
AVERAGE COLLECTED POSITIVE BALANCE	4,356,750.97	
LESS REQUIRED RESERVES	435,675.09	
BALANCES AVAILABLE FOR OTHER SERVICES	3,921,075.88	

EARNINGS ON	\$3,921,075.88	
		6,770.35
NEGATIVE BALANCE SERVICE CHARGE ON	\$.00	.00
NET EARNINGS CREDIT		6,770.35

SERVICE	ACTIVITY	UNIT PRICE	ACTIVITY CHARGE	REQUIRED BALANCES

-				
Cycle Statements	2	10.0000	20.00	11,583.07
Cashed Checks & Over Counter	3	.1300	.39	225.87
Deposits	129	.2500	32.25	18,677.70
On-Us Items Deposited	3	.0600	.18	104.25
Transit Items Local	35	.0700	2.45	1,418.93
Interest Paid			8,991.62	5,207,529.47
ACH Credits	21	.1500	3.15-	1,824.33-
ACH Debits	1	.0300	.03-	17.37-

TOTAL SERVICES AND REQUIRED BALANCES			9,043.71	5,237,697.59

CURRENT MONTH NET LOSS			2,273.36-	1,316,624.72

			CHARGES WAIVED	2,273.36-

ACCOUNTS INCLUDED:
59220 70854



SAM HOUSTON STATE UNIVERSITY
 NON-EDUCATIONAL FUNDS
 ATTN DANA HOYT
 PO BOX 2027
 HUNTSVILLE TX 77341-2027

Date 8/31/18 Page 1
 Primary Account Acct Ending 9220
 Enclosures 108

****Checking Accounts****

Account Title: SAM HOUSTON STATE UNIVERSITY
 NON-EDUCATIONAL FUNDS

NOW PF-SHSU		Number of Enclosures	108
Account Number	Acct Ending 9220	Statement Dates	8/01/18 thru 9/03/18
Beginning Balance	4,187,977.78	Days in the statement period	34
130 Deposits/Credits	386,713.03		
1 Checks/Debits	297.79		
Service Charge	.00	Interest Earned	9,906.94
Interest Paid	8,991.52	Annual Percentage Yield Earned	2.46%
Ending Balance	4,583,384.54	2018 Interest Paid	63,614.56

	Total For This Period	Total Year-to-Date
Overdraft item fees year to date	\$.00	\$.00
Return item fees year to date	\$.00	\$.00

Deposits and Credits

Date	Description	Amount
8/01	PN ACH PayPal	45.00
	PPD	
8/01	Deposit/Credit	55.32
8/01	Deposit/Credit	340.00
8/01	Deposit/Credit	944.39
8/01	Deposit/Credit	1,339.50
8/01	Deposit/Credit	2,554.61
8/01	Trsf from NPFSHSU 0854 JV0097413	1.55
	Confirmation number 801180029	
8/02	PN ACH PayPal	135.00
	PPD	
8/02	Deposit/Credit	109.00
8/02	Deposit/Credit	282.34
8/02	Deposit/Credit	3,534.63
8/03	PN ACH PayPal	1,110.00
	PPD	
8/03	Deposit/Credit	41.21

SAM HOUSTON STATE UNIVERSITY
 NON-EDUCATIONAL FUNDS
 ATTN DANA HOYT
 PO BOX 2027
 HUNTSVILLE TX 77341-2027

Date 8/31/18 Page 2
 Primary Account Acct Ending 9220
 Enclosures 108

NOW PF-SHSU Acct Ending 9220 (Continued)

Deposits and Credits

Date	Description	Amount
8/03	Deposit/Credit	115.00
8/03	Deposit/Credit	380.00
8/03	Deposit/Credit	892.26
8/06	PN ACH PayPal	50.00
	PPD	
8/06	Deposit/Credit	185.00
8/06	Deposit/Credit	1,376.72
8/06	Deposit/Credit	1,450.90
8/07	PN ACH PayPal	85.00
	PPD	
8/07	Deposit/Credit	40.00
8/07	Deposit/Credit	300.00
8/07	Deposit/Credit	4,928.73
8/07	Deposit/Credit	12,635.71
8/07	Trsf from NPFSSHSU 0854 Ref JV97660	369.74
	Confirmation number 807180025	
8/08	PN ACH PayPal	235.00
	PPD	
8/08	Deposit/Credit	25.00
8/08	Deposit/Credit	216.98
8/08	Deposit/Credit	290.00
8/08	Deposit/Credit	750.00
8/08	Deposit/Credit	1,824.16
8/09	PN ACH PayPal	955.00
	PPD	
8/09	Deposit/Credit	10.00
8/09	Deposit/Credit	383.30
8/09	Deposit/Credit	495.01
8/09	Deposit/Credit	1,317.50
8/10	PN ACH PayPal	1,440.00
	PPD	
8/10	Deposit/Credit	799.24
8/10	Deposit/Credit	977.95
8/10	Deposit/Credit	1,530.11
8/10	Deposit/Credit	4,010.00
8/13	PN ACH PayPal	520.00
	PPD	
8/13	Deposit/Credit	95.00
8/13	Deposit/Credit	3,622.73
8/13	Deposit/Credit	4,764.15
8/13	Deposit/Credit	7,377.60
8/14	PN ACH PayPal	780.00
	PPD	
8/14	Deposit/Credit	1,146.00
8/14	Deposit/Credit	2,635.59
8/14	Deposit/Credit	7,201.51
8/14	Deposit/Credit	10,435.55

SAM HOUSTON STATE UNIVERSITY
 NON-EDUCATIONAL FUNDS
 ATTN DANA HOYT
 PO BOX 2027
 HUNTSVILLE TX 773 41-2027

Date 8/31/18 Page 3
 Primary Account Acct Ending 9220
 Enclosures 108

NOW PF-SHSU Acct Ending 9220 (Continued)

Deposits and Credits

Date	Description	Amount
8/15	PN ACH PayPal	350.00
	PPD	
8/15	Deposit/Credit	10.00
8/15	Deposit/Credit	2,878.61
8/15	Deposit/Credit	3,754.86
8/15	Deposit/Credit	7,937.51
8/16	PN ACH PayPal	585.00
	PPD	
8/16	Deposit/Credit	383.80
8/16	Deposit/Credit	2,891.61
8/16	Deposit/Credit	5,670.00
8/16	Deposit/Credit	9,666.50
8/16	Deposit/Credit	11,124.00
8/17	PN ACH PayPal	785.00
	PPD	
8/17	Deposit/Credit	162.29
8/17	Deposit/Credit	3,740.69
8/17	Deposit/Credit	4,356.36
8/17	Deposit/Credit	4,414.51
8/17	Deposit/Credit	4,859.17
8/20	PN ACH PayPal	130.00
	PPD	
8/20	Deposit/Credit	.27
8/20	Deposit/Credit	157.12
8/20	Deposit/Credit	505.09
8/20	Deposit/Credit	1,071.93
8/20	Deposit/Credit	1,291.00
8/20	Deposit/Credit	3,204.25
8/20	Deposit/Credit	6,197.00
8/20	Deposit/Credit	7,201.97
8/20	Deposit/Credit	9,047.40
8/20	Deposit/Credit	14,118.50
8/20	Deposit/Credit	14,179.50
8/20	Deposit/Credit	18,365.50
8/21	PN ACH PayPal	130.00
	PPD	
8/21	Deposit/Credit	7,188.60
8/21	Deposit/Credit	9,484.10
8/21	Deposit/Credit	9,514.77
8/21	Deposit/Credit	11,506.86
8/21	Deposit/Credit	14,589.25
8/22	PN ACH PayPal	435.00
	PPD	
8/22	Deposit/Credit	2,260.14
8/22	Deposit/Credit	6,766.00
8/22	Deposit/Credit	9,331.00
8/22	Deposit/Credit	15,136.17
8/22	Deposit/Credit	17,503.15

SAM HOUSTON STATE UNIVERSITY
 NON-EDUCATIONAL FUNDS
 ATTN DANA HOYT
 PO BOX 2027
 HUNTSVILLE TX 773 41-2027

Date 8/31/18 Page 4
 Primary Account Acct Ending 9220
 Enclosures 108

NOW PF-SHSU Acct Ending 9220 (Continued)

Deposits and Credits

Date	Description	Amount
8/23	PN ACH PayPal	260.00
	PPD	
8/23	Deposit/Credit	85.00
8/23	Deposit/Credit	94.89
8/23	Deposit/Credit	488.16
8/23	Deposit/Credit	1,261.64
8/23	Deposit/Credit	3,851.50
8/24	PN ACH PayPal	830.00
	PPD	
8/24	Deposit/Credit	167.00
8/24	Deposit/Credit	238.84
8/24	Deposit/Credit	1,286.49
8/24	Deposit/Credit	1,400.70
8/24	Deposit/Credit	2,579.00
8/27	PN ACH PayPal	175.00
	PPD	
8/27	Deposit/Credit	173.01
8/27	Deposit/Credit	780.13
8/27	Deposit/Credit	1,702.81
8/27	Deposit/Credit	4,156.08
8/28	Deposit/Credit	50.00
8/28	Deposit/Credit	1,337.15
8/28	Deposit/Credit	1,426.72
8/28	Deposit/Credit	10,788.99
8/28	Deposit/Credit	12,840.45
8/29	PN ACH PayPal	390.00
	PPD	
8/29	Deposit/Credit	10.00
8/29	Deposit/Credit	406.00
8/29	Deposit/Credit	714.40
8/29	Deposit/Credit	722.02
8/29	Deposit/Credit	1,840.00
8/30	Deposit/Credit	60.00
8/30	Deposit/Credit	384.60
8/30	Deposit/Credit	543.00
8/30	Deposit/Credit	920.15
8/30	Deposit/Credit	3,065.00
8/31	Deposit/Credit	72.00
8/31	Deposit/Credit	624.60
8/31	Deposit/Credit	964.23
8/31	Interest Depos it	8,991.52

Checks and Withdrawals

Date	Description	Amount
8/16	BUS PROD DLX For Business CCD	297.79-

SAM HOUSTON STATE UNIVERSITY
 NON-EDUCATIONAL FUNDS
 ATTN DANA HOYT
 PO BOX 2027
 HUNTSVILLE TX 773 41-2027

Date 8/31/18 Page 5
 Primary Account Acct Ending 9220
 Enclosures 108

NOW PF-SHSU

Acct Ending 9220 (Continued)

Daily Balance Information

Date	Balance	Date	Balance	Date	Balance
8/01	4,193,258.15	8/13	4,252,918.12	8/23	4,523,744.65
8/02	4,197,319.12	8/14	4,275,116.77	8/24	4,530,246.68
8/03	4,199,857.59	8/15	4,290,047.75	8/27	4,537,233.71
8/06	4,202,920.21	8/16	4,320,070.87	8/28	4,563,677.02
8/07	4,221,279.39	8/17	4,338,388.89	8/29	4,567,759.44
8/08	4,224,620.53	8/20	4,413,858.42	8/30	4,572,732.19
8/09	4,227,781.34	8/21	4,466,272.00	8/31	4,583,384.54
8/10	4,236,538.64	8/22	4,517,703.46		

Interest Rate Summary
 Date Rate
 7/31 2.320000%
 8/01 2.430000%