



Control Number: 44463



Item Number: 39

Addendum StartPage: 0



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OF COUNSEL TERRY TOPHAM BETSY JOHNSON

July 30, 2015

VIA – Hand-delivered
Filing Clerk
Public Utility Commission of Texas
1701 N. Congress Avenue
PO Box 13326
Austin, TX 78711-3326

Re: P. U. C. DOCKET NO. 44463; Petition Of Blueberry Hills Before The
State Office Water Works, LLC Appealing A Decision By The City Of
Beeville To Change Wholesale Water Rates

Dear Sir/Madam:

This law firm represents the City of Beeville, the respondent in the above-captioned proceeding.

Pursuant to Order No. 4, Beeville requests PUCT approval of an escrow account required by the Administrative Law Judge. Order No. 4 states, in part, "Beeville is ordered to place the difference between the above rate and rate specified in the original Agreement (\$2.76 per 1,000 gallons plus \$574 per month reimbursement form[sic] the Agreement as originally written) since January 1, 2015, into an escrow account in accordance with P.U.C. Subst. R. 24.30." Rule 24.30(a) states in part:

- (1) During the pendency of its rate proceeding, a utility may be required to deposit all or part of the rate increase into an interest-bearing escrow account with a federally insured financial institution, under such terms and conditions as determined by the commission.
- (2) The utility shall file a completed escrow agreement between the utility and the financial institution with the commission for review and approval.¹

Due to the relatively small amount of funds involved, averaging \$1,032.42 per month since January 1, 2015, Beeville was unable to identify a federally insured financial institution willing to serve as an escrow agent pursuant to a formal escrow agreement.

¹ Beeville is a municipally-owned utility; Rule 24.30 only applies to "utilities," and the statutory definition of the term "utilities" excludes municipally-owned utilities.

In lieu of an escrow agent and agreement, Beeville caused to be established an interest bearing account at First National Bank of Beeville, a federally insured financial institution. The account is separate and apart from other Beeville accounts and the bank has agreed that withdrawals or transfers from the account will be made only upon the delivery of an order of the PUCT authorizing the withdrawal or transfer.² Beeville stipulates and agrees that it will not withdraw funds from the account or request the transfer of funds from the account into another account except as may be authorized by an order of the PUCT.

Attached is the documentation relating to the account, but the routing number and account number is redacted, since this request and the attachments are publicly available and no confidentiality order has been entered in this proceeding.³

As of July 10, 2015, Beeville has deposited \$4,717.58 into the account, that sum being the amount required to be deposited into the account per Order No. 4 based upon payments by the petitioner as of that date. A copy of the deposit slip is attached. A spreadsheet showing the calculation is also attached.

Beeville submits that the above-described alternative to the escrow account should be sufficient to protect the petitioner should the PUCT, upon final order, determine that the petitioner is entitled to any relief requested in this proceeding because Beeville has been incorporated as a city since 1908, it has approximately 13,000 residents, its budget for its utility fund only for the current fiscal year projects revenue of slightly more than \$7,000,000, and the S&P "unenhanced" rating on Beeville's recently-issued debt was an "A."

Upon the written request of the PUCT or upon such other terms as the PUCT may dictate, Beeville agrees and stipulates that it will provide the PUCT with a copy of the monthly bank statements relating to the escrow account for the time period covered by the request (with the routing number and account number redacted), together with a copy of the bill submitted to the petitioner, the payment received from the petitioner, and the amounts allocated by Beeville for deposit into an account within Beeville's utility fund and for deposit into the above-described account from which the PUCT may authorize disbursements.

In conclusion, Beeville requests the PUCT to approve the above-described account and accounting, including a specific requirement that funds not be withdrawn or transferred without the written approval by the PUCT.

² Bank charges relating to the account, if any, may be deducted from the account per the bank's depository agreement.

³ If a confidentiality order is entered in this case under which the routing number and account number is exempt from public disclosure, Beeville will provide this information subject to the terms and requirements of such confidentiality order.

Mr. Brian H. Lloyd
Executive Director, Public Utility Commission of Texas
July 30, 2015
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Respectfully submitted,

DAVIDSON, TROILO, REAM & GARZA, P.C.
7550 West IH-10, Suite 800
San Antonio, Texas 78229-5815
Telephone: (210) 349-6484
Facsimile: (210) 349-0041

By: 

Patrick W. Lindner

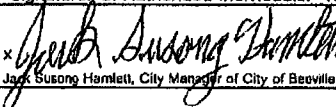
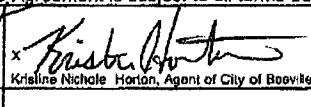
PWL/ec
Attachments
Cc:

Ronnie Jones VIA: Regular mail, fax and email: rjones@ronniejoneslaw.com
Attorney at Law
9951 Anderson Mill Road, Unit 201
Austin, Texas 78750
(512) 291-6823 (Facsimile)

Brian MacLeod VIA: Regular mail, fax and email: Brian.MacLeod@puc.texas.gov
Legal Division
Public Utility Commission of Texas
1701 N. Congress Avenue
P. O. Box 13326
Austin, Texas 78711-3326
(512) 936-7268 (Facsimile)

Steven D. Arnold VIA: Regular Mail and fax
Administrative Law Judge,
State Office of Administrative Hearings
300 West 15th Street, Suite 502
Austin, Texas 78701
(512) 475-4993 (Telephone)
(512) 322-2061 (Facsimile)

The First National Bank of Beeville

Account Holder Name(s): City of Beeville	
Reporting SSN/TIN:	
Mailing Address: 400 N Washington St, Beeville, TX 78102	
Telephone Number: (361) 358-4641	Work #: (361) 358-4641
Number of Signatures Required: 1 CIF Number:	
Signatures of Authorized Individuals. This Agreement is subject to all terms below.	
	
Jack Susong Hamlett, City Manager of City of Beeville	Kristine Nichole Horton, Agent of City of Beeville

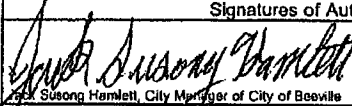
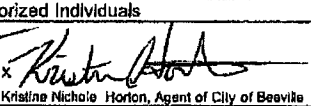
(Signatures and printed names of each account signer)

The Authorized Individual(s) signing above agree(s) that the Account Holder's Account(s) will be governed by the terms set forth in the Deposit Account Agreement and Disclosure, the Time Certificate of Deposit or Confirmation of Time Deposit Agreement (if applicable), the Rate and Term Schedule, the Funds Availability Policy Disclosure, the Substitute Check Policy Disclosure, the Electronic Funds Transfer Agreement and Disclosure, (if requested below), as amended by the Financial Institution from time to time, and such other authorization documents provided to the Financial Institution from time to time. The Authorized Individual(s) also acknowledge that they have received at least one copy of these deposit account documents. The Authorized Individual(s) understand(s) accounts opened after 4:00 PM are dated effective the next business day. The Authorized Individual(s) represent(s) that they hold the position(s) indicated above and they are authorized to enter into this Agreement on behalf of the Account Holder.

Account Purpose: Non Consumer		EFT Services: No	
OWNERSHIP TYPE Government/Municipal/Public Funds			
ACCOUNT TYPE First Rate Business Checking			
ACCOUNT NUMBER		OPENED By DIANA	
Date Opened	Date Revised	Opening Deposit	ATM Card
07-10-15			N
Verified By		Account Formerly With	
ChexSystems			
Date Closed	Closing Balance	Closed By	Reason For Closing
Statement Disposition		Service Chg Disposition	
Mail		Regular	

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The First National Bank of Beeville

Account Holder Name(s): City of Beeville	
Reporting SSN/TIN:	
Mailing Address: 400 N Washington St, Beeville, TX 78102	
Telephone Number: (361) 358-4641	Work #: (361) 358-4641
Number of Signatures Required: 1 CIF Number:	
Signatures of Authorized Individuals	
	
Jack Susong Hamlett, City Manager of City of Beeville	Kristine Nichole Horton, Agent of City of Beeville

Customer Copy

The following information may be used to further identify individual(s) for telephone instructions, large transactions, or if a signature varies. MMN=Mother's Maiden Name

Name:	Jack Susong Hamlett	SSN:	
Street:	, Beeville, TX 78102		
Mailing:			
Phone:	(H):	(W): (361) 358-4641	
Job:	City Manager, City of Beeville		
DOB:		MMN:	
ID:			

Name:	Kristine Nichole Horton	SSN:	
Street:	, Beeville, TX 78102		
Mailing:			
Phone:	(H):	(W): (361) 358-4641	
Job:	City of Beeville, Finance Director		
DOB:		MMN:	
ID:			

TIN/BACKUP WITHHOLDING

Reporting TIN:

Important: Under penalties of perjury, I certify that 1) the number shown above is the Government Entity's correct taxpayer identification number, 2) I am a U.S. citizen or other U.S. person (defined in the instructions), 3) I am exempt from reporting under the Foreign Account Tax Compliance Act (FATCA), and 4) that (check appropriate box):

☒ The Government Entity is not subject to backup withholding, because the Government Entity is exempt from backup withholding, or because the Government Entity has not been notified by the IRS that the Government Entity is subject to backup withholding as a result of failure to report all interest or dividends, or because the IRS has notified the Government Entity that the Government Entity is no longer subject to backup withholding.

☐ The Government Entity is subject to backup withholding.

Signature of Authorized Individual: **X**

Date

Customer Copy

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REGULATION CC FUNDS AVAILABILITY DISCLOSURE

Account Holder: City of Beeville
400 N Washington St
Beeville, TX 78102

Financial Institution: The First National Bank of Beeville
Main Office
1400 E. Houston Street
Beeville, TX 78102

YOUR ABILITY TO WITHDRAW FUNDS AT THE FIRST NATIONAL BANK OF BEEVILLE. Our policy is to make funds from your cash and check deposits available to you on the first business day after the day we receive your deposit. However, funds from electronic direct deposits will be available on the day we receive the deposit. Once the funds are available, you can withdraw them in cash and/or we will use them to pay checks that you have written. For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. We have different deposit cut-off hours for different locations. Our cut-off hours are as follows:

4:00 p.m. Main Office, 1400 E. Houston Street, Beeville, Tx 78102
2:30 p.m. ATM Machine, 1400 E. Houston Street, Beeville, Texas
4:00 p.m. Branch Office, 142 N. Riedel, Yorktown, TX 78164
2:30 p.m. Branch ATM Machine, 142 N. Riedel, Yorktown, Texas
4:00 p.m. Branch Office, 125 S. Highway 46, Seguin, Tx 78155
2:30 p.m. Branch ATM Machine, 125 S. Highway 46, Seguin, Tx 78155

If you make a deposit before our cut-off hour 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 our cut-off hour or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

Reservation of Right to Hold. In some cases, we will not make all of the funds that you deposit by check available to you on the first business day after the day of your deposit. 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 of your deposit, however, may be available on the first business day after the day of your deposit. If we are not going to make all of the funds from your deposit available on the first business day, 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 business day after we receive your deposit. If you need the funds from a deposit right away, you should ask us when the funds will be available.

Longer Delays May Apply. We may delay your ability to withdraw funds deposited by check into your account an additional number of days for these reasons:

- * You deposit checks totaling more than \$5,000 on any one day.
- * You redeposit a check that has been returned unpaid
- * You have overdrawn your account repeatedly in the last six months.
- * We believe a check you deposit will not be paid.
- * There is an emergency, such as 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.

Holds On Other Funds. If we cash a check for you that is drawn on another financial institution, we may withhold the availability of a corresponding amount of funds that are already in your account. Those funds will be available at the time funds from the check we cashed would have been available if you had deposited it. If we accept for deposit a check that is drawn on another financial institution, we may make funds from the deposit available for withdrawal immediately but delay your availability to withdraw a corresponding amount of funds that you have on deposit in another account with us. The funds in the other account would then not be available for withdrawal until the time periods that are described elsewhere in this disclosure for the type of check that you deposited.

Special Rules For New Accounts. If you are a new customer, the following special rules will apply during the first 30 days your account is open:

Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first \$5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you. The excess over \$5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first \$5,000 will not be available until the second business day after the day of your deposit.

Funds from deposits of checks drawn on The First National Bank of Beeville will be available on the first business day after the day of your deposit.

Funds from all other check deposits will be available on the ninth business day after the day of your deposit.

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RATE AND FEE SCHEDULE

Account Holders: City of Beeville
400 N Washington St
Beeville, TX 78102

Financial Institution: The First National Bank of Beeville
Main Office
1400 E. Houston Street
Beeville, TX 78102

We appreciate your decision to open a deposit account with us. This schedule sets forth certain conditions, rates, fees, and charges that are specific to your Account. Each Account Holder agrees to the terms set forth on this Deposit Account Rate and Fee Schedule, and acknowledges that it is a part of the Account Agreement. Subject to applicable law and the terms of the Account Agreement, we may amend the rates, fees and charges contained in this schedule from time to time.

FIRST RATE BUSINESS CHECKING - [REDACTED]

Account Opening Date: 07-10-2015

Account Holder: City of Beeville

Account Ownership: Government/Municipal/Public Funds

Account Purpose: Non Consumer

Rate Information: This Account is an interest bearing account. If the daily balance is less than \$5,000.00, the interest rate paid on that portion of the balance will be 0.10%. The annual percentage yield for this tier will be 0.10%. If the daily balance is more than \$4,999.99, but less than \$25,000.00, the interest rate paid on that portion of the balance will be 0.10%. The annual percentage yield for this tier will range from 0.10% to 0.10%. If the daily balance is more than \$24,999.99, but less than \$250,000.00, the interest rate paid on that portion of the balance will be 0.10%. The annual percentage yield for this tier will range from 0.10% to 0.10%. If the daily balance is more than \$249,999.99 the interest rate paid on that portion of the balance will be 0.10%. The annual percentage yield for this tier will range from 0.10% to 0.10%.

The interest rate and annual percentage yield may change. At our discretion, we may change the interest rate on the account Daily. Interest begins to accrue no later than the business day we receive credit for the deposit of noncash items (for example, checks). Interest will be compounded monthly and will be credited to the account monthly.

Balance Information: We use the daily balance method to calculate the interest on the account. This method applies a daily periodic rate to the principal in the account each day. We will use an interest accrual basis of 365 (or 366 in leap year) for each day in the year. You must maintain a minimum balance of \$0.01 in the account each day to obtain the disclosed annual percentage yield.

Limitations: You must deposit \$100.00 to open this account.

Account Fees: A \$10.95 monthly maintenance fee will be charged if the Daily Minimum Balance is less than \$1,500.00. There is no charge for the first 100 paper items. Thereafter, a charge of \$.21 per item will be charged for processing in excess of 100 items. If funds are not available in the account, items created by check, in-person withdrawal, ATM withdrawals, or other electronic means will be subject to an Overdraft Fee of \$28.95 per item or a Return Item Charge of \$28.95 per item. The following fees apply to this account: Debit Card. \$5.00 fee for replacement card; Inactive Card Fee: \$2.00 per inactive statement cycle; and Account closed within first 90 days of opening: \$25.00.

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BOARDING DATA ACCOUNT SUMMARY

The information contained on this form is for the Financial Institution's use only.

July 9, 2015

Account Holder: City of Beeville
400 N Washington St
Beeville, TX 78102

Financial Institution: The First National Bank of Beeville
Main Office
1400 E. Houston Street
Beeville, TX 78102

Reporting TIN: [REDACTED]
Business Phone: (361) 358-4641
Home Phone: (361) 358-4641
CIF Number:

Backup Withholding Status: Customer is not Subject to Backup Withholding

Account Information

Product Category: Interest Bearing Checking; Interest Checking
Account Number: [REDACTED]
Opening Date: 07-10-2015

Product Name: First Rate Business Checking

Account Purpose: Non Consumer
Service Charge: Regular

Funds Source	Amount	Existing Funds
Cash Back		
Opening Deposit		

Marketing Category:

Interest Information

Initial Interest Rate:
Initial APY:
Accrual Basis: Actual/Actual
Index Name:

Rate Selection: Rate changes at the institution's discretion

Compounding: Monthly
Crediting: Monthly
Interest Payment:
Current Index Rate: **Margin:**

**BOARDING DATA ACCOUNT SUMMARY
(Continued)**

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Account Type: Government/Municipal/Public Funds

Account Ownership: Government/Municipal/Public Funds

Signers and Identification

Number of Signers Required: 1

<u>Signer Name/SSN</u>	<u>Address</u>	<u>Phone</u>	<u>Employer</u>
City of Beeville SSN/TIN: [REDACTED]	400 N Washington St Beeville, TX 78102	Primary: (361) 358-4641	

Contact Information

Primary Phone:	(361) 358-4641	Instructions:
Work Phone:	(361) 358-4641	Instructions:

Identification

Primary ID	Type: Certificate of Existence	Number:	Issued:	Exp. Date:
	Issued By: USA			
Secondary ID	Type:	Number:	Issued:	Exp. Date:
	Issued By:			

Jack Susong Hamlett SSN/TIN: [REDACTED]	[REDACTED] Beeville, TX 78102	Primary: [REDACTED]	City of Beeville
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Contact Information

Primary Phone:	[REDACTED]	Instructions:
Work Phone:	(361) 358-4641	Instructions:

Identification

DOB: [REDACTED]				
Primary ID	Type: Drivers License	Number: [REDACTED]	Issued:	Exp. Date: [REDACTED]
	Issued By: TX, USA			
Secondary ID	Type:	Number:	Issued:	Exp. Date:
	Issued By:			

Kristine Nichole Horton SSN/TIN: [REDACTED]	[REDACTED] Beeville, TX 78102	Primary: [REDACTED]	Finance Director
--	----------------------------------	---------------------	------------------

Contact Information

Primary Phone:	[REDACTED]	Instructions:
Work Phone:	(361) 358-4641	Instructions:

Identification

DOB: [REDACTED]				
Primary ID	Type: Drivers License	Number: [REDACTED]	Issued:	Exp. Date: [REDACTED]
	Issued By: TX, USA			
Secondary ID	Type:	Number:	Issued:	Exp. Date:
	Issued By:			

BOARDING DATA ACCOUNT SUMMARY
(Continued)

Page 3

Opening Information

Branch Number: 1 Branch Name: Main Office
Officer ID:
Open By: DIANA
Verified By: ChexSystems
Checks Ordered: YES

<u>Type of Check</u>	<u>Check Book</u>	<u>Check Type</u>	<u>Color/Design</u>	<u>Quantity</u>
PERSONAL				200
Comments:				

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DEPOSIT ACCOUNT AGREEMENT AND DISCLOSURE

Depositor: City of Beeville
400 N Washington St
Beeville, TX 78102

Financial Institution: The First National Bank of Beeville
Main Office
1400 E. Houston Street
Beeville, TX 78102

INTRODUCTION. In this Deposit Account Agreement and Disclosure, each and all of the depositors are referred to as "you" and "your." The Financial Institution is referred to as "we," "our," and "us." This Deposit Account Agreement contains the terms and conditions governing certain of your deposit accounts with us. As used in this document, the term "Agreement" means this document, the signature card, a rate and fee schedule (which may be in the form of a Rate and Fee Schedule, Time Certificate of Deposit, or Confirmation of Time Deposit, hereinafter called the "Schedule"), Truth in Savings disclosures, a Funds Availability Policy Disclosure, and an Electronic Funds Transfer Agreement and Disclosure, if applicable. Each of you signing the signature card for a deposit account acknowledges receipt of this Agreement, and agrees to the terms set forth in the Agreement, as amended from time to time. You agree that we may waive, in our sole discretion, any fee, charge, term, or condition set forth in this Agreement at the time the Account is opened or subsequent thereto, on a one-time basis or for any period or duration, without changing the terms of the Agreement or your obligation to be bound by the Agreement, and we are not obligated to provide similar waivers in the future or waive our rights to enforce the terms of this Agreement.

DATE ACCOUNT OPENED. If you open an account with us after 4:00 PM on a business day that we are open, we will consider that the transaction was made at the opening of the next business day for account opening, effective date and issue date purposes.

DEPOSIT ACCOUNTS. From time to time, we may offer or you may open a variety of deposit accounts. Each such account (the "Account") is subject to the general terms and conditions and any specific terms and conditions relating to that type of account that may be set forth in this Agreement. If you open multiple Accounts, you may receive Schedule information for each Account, but this Agreement will cover all your Accounts with us. Each of you will be jointly and severally liable to us for debit balances in the Account, including without limitation overdrafts and Account charges, and jointly and severally promise to pay, upon demand, any and all debit balances, all fees and charges, and our reasonable attorneys' fees and costs and expenses of collection, including but not limited to those incurred at trial and on any appeal.

INTEREST. If your Account earns interest, the following information applies: (A) **Payment of Interest.** We will pay interest at the annual rate specified on the Schedule, which does not reflect compounding ("Interest Rate"). The Schedule also sets forth the frequency of interest payments, the frequency of any compounding and crediting, the interest accrual basis, the balance on which interest will be paid, and any minimum balance requirements. (B) **Minimum Balance Requirements.** The Schedule may specify a minimum balance that you are required to maintain in your Account. If the minimum balance is not maintained during a specified period, we, at our option, may not pay interest on your Account and/or may charge a fee for that period. You should review any minimum balance requirements on the Schedule. (C) **Initial Interest Rate.** The initial interest rate is the current annual rate of interest that we will pay on the specified balance in your Account. We may pay interest at different rates, depending on the amount deposited and the type of depositor (individual, business, non-profit organization, etc.). (D) **Interest Compounding and Crediting.** The Schedule will indicate the interest compounding and crediting frequency for your Account (if any). Compounding generally means that interest is being accrued on earned interest. Interest may be compounded more frequently than interest is credited to your Account. (E) **Interest Accrual.** We may accrue interest on your Account more frequently than we pay or credit interest. The interest that has been calculated, but not paid to the Account, is called accrued unpaid interest. (F) **Changes.** We have the right to change the rates and fees in accordance with the terms of the Schedule. We also reserve the right to change any other term of this Agreement at our sole discretion.

FEES AND CHARGES. Subject to applicable law, you agree to pay us the fees and charges shown in the Schedules as are applicable to your Account or for other services performed by us. You agree the fees and charges may be changed by us from time to time and authorize us to charge your account for their payment whether or not each charge results in an overdraft of your account. Existing and future charges may be based upon the over-all costs of providing account services and may or may not be based upon the direct cost or expense associated with providing the particular service involved. The charges may be based on consideration of profit, competitive position, deterrence of misuse of account privileges by customers, and the safety and soundness of the financial institution. We will notify you of the changes, to the extent required by law.

BALANCE METHODS. As used in this Agreement, the "average daily balance" method means "the application of a periodic rate to the average daily balance in the account for the period, determined by adding the full amount of principal in the account for each day of the period and dividing that figure by the number of days in the period." The "daily balance" method means "the application of a daily periodic rate to the full amount of principal in the account each day."

DEPOSIT RULES. The following terms apply to deposits made to your Account: (A) **Endorsements.** You authorize us to accept transfers, checks, and other items for deposit to your Account if they are made payable to, or to the order of, any one or more of you, whether or not they are endorsed by you. You authorize us to supply missing endorsements, and you warrant that all endorsements are genuine. All checks and other items deposited to your Account should be endorsed payable to the order of us for deposit only, followed by your signature and Account number. All endorsements must appear on the back of the check or other item within the first 1-1/2 inches from the left side of the item when looking at it from the front. Endorsements should be in black ink. While we may accept non-conforming endorsements, you will be responsible for any loss incurred by us due to the delay in processing or returning the item for payment. (B) **Final Payment.** All non-cash items (for example, checks) deposited to your Account are posted subject to our receipt of final payment by the payor bank. Upon receipt of final payment, the item becomes a collected item. If final payment is not received or if any item you have deposited or cashed is charged back to us for any reason, you authorize us to charge any of your Accounts, without prior notice and at any time, for the amount of the returned item, our returned item fee, any interest paid on that item, and any other fee we pay or incur. If an item to be charged back is lost in the process of collection or unavailable for return, we may rely upon a photocopy of the item or upon any other generally accepted notification of return of the item, in charging you or any of your Accounts for the amount of the returned item. We reserve the right to refuse any item for deposit into your Account. (C) **Notice of Stop Payment, Legal Process, or Setoff.** A check received by us before the close of the banking day may be subject to any stop payment order received, legal process served upon, or setoff exercised by us prior to 4:00 PM of the next banking day. Any knowledge, notice, stop payment order, legal process, or setoff comes too late to affect our right or duty to pay a check if it is received after that time. Additional limitations regarding stop payment orders, the right of setoff, or other legal process may be found elsewhere in this Agreement. (D) **Direct Deposits.** If we offer direct deposit services for automatic preauthorized deposits to your Account of Social Security payments or automatic transfers from your other accounts with us, you must notify us at least 30 days prior to the next scheduled direct deposit or preauthorized transfer if you wish to cancel the direct deposit or transfer service. If any amount deposited must be returned to the government for any reason, you authorize us to deduct the amount from your Account as provided in the Final Payment paragraph above. (E) **Crediting of Deposits.** The Funds Availability Policy Disclosure provided to you reflects our policies relating to the availability of deposited funds. (F) **Substitute Checks and Electronic Files Pertaining to Original Checks.** If you deposit a "substitute check" (as defined in Regulation CC § Section 229.2(aaa)) or a purported substitute check into your Account, you agree to reimburse us for losses, costs and expenses we may pay or incur associated with the item not meeting applicable substitute check standards and/or from duplicate payments associated with the item. If you provide us with an electronic representation of a substitute check for deposit into your account instead of an original check, you agree to reimburse us for losses, costs and expenses we may pay or incur associated with the substitute check resulting from the electronic representation not meeting applicable substitute check standards and/or from duplicate payments associated with the item.

WITHDRAWAL RULES. The following terms apply to withdrawals from your Account: (A) **Manner of Withdrawal.** You may make withdrawals from your Account in any manner that is permitted by us for the type of Account that you have opened. Withdrawals by mail will be posted to your Account as of the day the transaction is processed by us. We may refuse to accept any check other than standard checks provided by us, or approved by us in advance. Withdrawals and transfers from your Account may be restricted as provided in the Agreement, or in the Schedule, or by applicable law. (B) **Withdrawal Restrictions and Overdrafts.** We do not have to allow you to make a withdrawal from your Account if you don't have sufficient available funds in the Account to cover the full amount of the withdrawal. If there are available funds to cover some, but not all, of the withdrawals or other debits to your Account on a single business day, we will post the checks for which there are sufficient funds available in your Account to cover the smallest dollar check to the largest. We may pay other withdrawals or debit items (such as charges) prior to paying any checks, and we may post those other withdrawals or debit items in any order we may choose at our sole discretion. If there are insufficient funds available in your Account to cover a withdrawal or debit presented against your Account, this is called an "overdraft." We will handle each overdraft in accordance with our Standard Overdraft Policy (described below) or in accordance with any other agreement you may have with us (such as an overdraft protection agreement). Even if we choose to pay one or more overdrafts, we are not obligated to cover any future overdrafts. When we determine whether payment of an item will create an overdraft, we may determine the balance of your account at any time between the time we receive the item and the deadline for us to take action on the item. We are not required to determine your protection agreement with you, the following rules apply. (C) **Standard Overdraft Policy.** Unless we have agreed to a separate overdraft below for transactions at an ATM and one-time debit card transactions, we may assess a service charge on any withdrawal created by check, in-person withdrawal, ATM withdrawal, or other electronic means that results in an overdraft, whether we pay the overdraft or not. If we pay the overdraft, you agree, immediately upon notice from us, to deposit funds sufficient to cover the overdraft plus any service charge we impose. We may not impose a service charge in connection with an overdraft that results from a transaction at an ATM or a one-time debit card transaction unless you have given us your consent to pay service charges in connection with overdrafts that result from these transactions and

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we have sent written confirmation of that consent to you. You may revoke that consent at any time. (D) Notice Requirements. Federal regulations require us to retain the right to require you to give at least seven (7) days notice in writing prior to any intended withdrawal from a savings, negotiable order of withdrawal ("NOW"), or money market account. Although we usually pay withdrawals or checks without notice on these accounts, doing so does not mean that we give up this right. (E) Postdated Items. You agree that when you write a check, you will not date the check in the future. If you do and the check is presented for payment before the date of the check, we may pay it or return it unpaid. You agree that if we pay the check, the check will be posted to your Account on the date we pay the check, even though the posting date is prior to the date of the check. You further agree that we are not responsible for any loss to you in doing so. If we are required by state law not to honor a postdated check after advance notice from you, you agree to give us advance notice early enough for us to act on it, to do so in writing, and to specify the date, exact amount, and number of the check, along with the name of the payee. You agree that we may return a postdated check to the presenter. (F) Power of Attorney. The person executing a power of attorney will be referred to as the principal and the person acting for the principal as the agent. We may refuse to comply with a power of attorney for reasonable cause, or until we receive an affidavit from the agent stating that the Power of Attorney presented is a true copy and that, to the best of the agent's knowledge, the principal is alive and that the relevant powers of the agent have not been altered or terminated. (G) Signatures. You recognize that we have adopted automated collection and payment procedures so that we can process the greatest volume of items at the lowest possible cost to our customers. In light of this, you agree that we do not fail to exercise ordinary care in paying an item solely because our procedures do not provide for the sight examination of items with a face amount below an amount specified by us from time to time. You authorize us to store and use Signature Card Information in any reasonable form we deem necessary, including any digitized signature capture process. If you use a facsimile signature or other form of mechanically reproduced signature (such as, but not limited to, desktop publishing, digitized, or computer software generated signature), you agree you shall have the sole responsibility for maintaining security of the facsimile or mechanically reproduced signature and the device by which the facsimile or mechanically reproduced signature is affixed and you shall bear the entire risk for unauthorized use thereof whether or not you are negligent. You agree that no facsimile or mechanically reproduced signature we have been authorized to honor may be considered a forgery or an unauthorized signature, but that such facsimile or mechanically reproduced signature shall be effective as your signature or endorsement whether or not you have been negligent. You further agree to indemnify and hold us harmless from and against any and all loss, costs, damage, liability, or exposure (including reasonable attorney's fees) we or you may suffer or incur as a result of the unlawful use, unauthorized use, or misuse by any person of any such facsimile or mechanically reproduced signature or the device by which it is affixed. If you use any form of facsimile or mechanically reproduced signature device, you agree to deliver a sample to us if we request it. (H) Preauthorized Drafts. If we are unable to enforce presentment and transfer warranties on remotely created checks under Regulation CC, then if you voluntarily give information about your Account (such as our routing number and your account number) to a party who is seeking to sell you goods or services, and you do not physically deliver a check to the party, any debit to your account initiated by the party to whom you gave the information is deemed authorized by you. (I) Electronic Check Conversion. You may authorize a merchant or other payee to make a one-time electronic payment from your account using information from your check to pay for purchases or pay bills. The merchant or other payee uses the check information, along with the transaction amount, to initiate an ACH debit transaction. The transaction is electronically transferred through the ACH system and the funds will be debited directly from your account and deposited automatically into the merchant or payee's account. When information from your check is used to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day you make your payment. A description of the transaction will appear on your statement from us. Checks used in these types of transactions will not be returned with your statement. This type of electronic funds transfer from a consumer account is governed by the Electronic Funds Transfer Act and subject to the Electronic Funds Transfer Agreement and Disclosure(s). (J) Re-presented Checks. If a merchant electronically re-presents a check returned due to insufficient or uncollected funds, that transaction is not covered by the Electronic Funds Transfer Act. Checks involved in this type of transaction will not be included with your statement. You may authorize a merchant to electronically collect a fee associated with the re-presentation of a check. If a merchant electronically collects a fee associated with the re-presentation of a check, the fee transaction is covered by the Electronic Funds Transfer Act and subject to the Electronic Funds Transfer Agreement and Disclosures if the fee is debited as an electronic funds transfer from a consumer account. A description of the transaction will appear on your statement. (K) Check Legends. We may disregard information on any check or item other than the signature of the drawer, the identification of the drawee financial institution and payee, the amount, the endorsements, and any other information that appears on the MICR line. In addition, we are not responsible to take action on, or for failure to notify you of restrictive language placed on checks or other items, including but not limited to terms such as, "Void after 90 Days," "Paid in Full," "Two Signatures Required," "Void Over \$100" or similar statements. In accordance with reasonable banking standards, most checks and other items are processed through automated processing and, except in limited circumstances and in our discretion, most items are not individually examined. You agree that we act within reasonable banking standards by processing most checks and other items through automated processing systems. We may agree to adhere to extraneous legends if you notify us of such legends and we have agreed in writing to honor such legends.

STALE CHECKS. We reserve the right to pay or dishonor a check more than six (6) months old without prior notice to you.

CHECKING ACCOUNTS. If your account is a checking account, the following terms may apply. If we offer NOW accounts, the account must consist solely of funds in which the entire beneficial interest is held by one or more individuals in an individual capacity, a sole proprietor, or a governmental unit, but not professional corporations or business partnerships. A NOW account may also be held by a for profit organization serving in a fiduciary or trustee capacity for an entity that is itself permitted to hold a NOW account. Otherwise, an organization may hold a NOW account only if it is operated primarily for religious, philanthropic, charitable, educational, or other similar purpose.

SAVINGS ACCOUNTS. If your account is an interest bearing account and is not a NOW account or time deposit, the following terms may apply. (A) Transfers and Withdrawals. If your Account is a savings or money market deposit account, federal law requires that an Account Holder may make no more than six (6) transfers and/or withdrawals during any one (1) calendar month or statement cycle (the period from one statement to the next) or similar period of at least four weeks, to another of your accounts with us or to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order or instruction or by check, draft, debit card, or similar order made by you and payable to third parties. A "preauthorized transfer" includes any arrangement by us to pay a third party from your account upon written or oral instruction (including an order received through an automated clearing house (ACH) or any arrangement by us to pay a third party from your account at a predetermined time or on a fixed schedule.) (B) Excess Transactions. In accordance with federal law, if you have more than the allowable preauthorized transfers or preauthorized checks or drafts (for money market accounts) in any one period, your Account may be subject to closure by us and the funds placed in another account that you are eligible to maintain, or we may take away the transfer and draft capabilities of the account. In addition to the above preauthorized transfers, you may make unlimited withdrawals (payments directly to you or transfers of funds from your Account to any of your other deposit accounts or loan accounts with us), either in person at our locations, by mail, messenger, telephone (via check mailed to you), or use of an ATM card (if applicable).

FNB PREFERRED OVERDRAFT PRIVILEGE PROGRAM. If you participate in the FNB Preferred Overdraft Privilege Program, the following features apply. FNB Preferred Overdraft Privilege (ODP) is a benefit service feature available to all qualified consumer deposit account holders at The First National Bank of Bozville who have chosen to participate in this program. A \$600.00 FNB Preferred Overdraft Privilege is activated for accounts that have maintained a continual positive balance and have had no returned items for a minimum of sixty (60) days after account opening, after which time FNB Preferred Overdraft Privilege allows you to overdraw your account up to \$500.00 for items created by check, in-person withdrawals, ATM withdrawals, or other electronic means. This benefit feature is provided to previously described qualifying personal account holders and can be revoked or withdrawn by the bank at any time. There is no maintenance charge for FNB Preferred Overdraft Privilege. BUT, your account will be charged the bank's standard overdraft fee for each item that is presented for payment. Those fees will be subtracted from your overdraft limit along with the amount of the item presented for payment. If you exceed your \$600.00 overdraft limit, checks may be returned and your account will be charged the bank's standard Return Item fee. Each time you access your overdraft privilege or checks are returned you will receive a notice from the bank. After accessing your overdraft privilege you have thirty (30) days to bring your account back to a positive balance in order to avoid interruption or suspension of your overdraft privilege. Only one (1) FNB Preferred Overdraft Privilege is available per individual.

At the time of account opening you:

☐ elected to participate in the FNB Preferred Overdraft Privilege program

☐ elected NOT to participate in the FNB Preferred Overdraft Privilege program.

TIME DEPOSITS. If your Account is a time deposit, you have agreed to keep the funds on deposit until the maturity of your Account. If your Account has not matured, any withdrawal of all or part of the funds from your Account may result in an early withdrawal penalty. We will consider requests for early withdrawal and, if granted, the penalty provided in the Schedule will apply. (A) Penalty. The early withdrawal penalty is calculated as a forfeiture of part of the accrued interest that has or would be earned on the Account. If your Account has not yet earned enough interest so that the penalty can be deducted from earned interest, or if the interest already has been paid, the difference will be deducted from the principal amount of your Account. For fixed rate Accounts, we will use the rate in effect for your deposit. (B) Exceptions. We may let you withdraw money from your Account before the maturity date without an early withdrawal penalty: (1) when one or more of you dies or is determined legally incompetent by a court or other administrative body of competent jurisdiction; or (2) when the Account is an Individual Retirement Account (IRA) established in accordance with 26 USC 408 and the money is paid within seven (7) days after the Account is opened; or (3) when the Account is a Keogh Plan (Keogh). If you forfeit at least the interest earned on the withdrawn funds; or (4) if the time deposit is an IRA or Keogh Plan established pursuant to 26 USC 408 or 26 USC 401, when you reach age 59 1/2 or become disabled, or

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(5) within an applicable grace period (if any).

STOP PAYMENT ORDERS. Subject to certain limitations, you may order us to stop payment on any check, automated clearing house/pre-authorized electronic funds transfer ("ACH/EFT"), or other item payable from your Account, whether drawn or authorized by you or any other account holder, as follows:

Stop Payment Against a Check or Other Item. A stop payment request against a check or other item payable from your Account will be effective if we receive the order at such time and in such manner as to afford us a reasonable opportunity to act upon the order. Stop payment orders must be received in writing to be effective. A stop payment order against a check or other item payable from your Account is effective for six (6) months. A stop payment order against a check or other item payable from your Account may be renewed for additional six (6) month periods if renewed during a period within which the stop payment order is effective.

Stop Payment Against an ACH/EFT. A stop payment order against an ACH/EFT may be honored if received at least three (3) banking days before the scheduled date of the transfer. Stop payment orders must be received in writing to be effective. If we honor a stop payment request against an ACH/EFT received on or within three (3) banking days of the scheduled transfer, we do so without any liability or responsibility to any party having any interest in the entry. A stop payment order against an ACH/EFT is effective until the earlier of: (i) you withdraw the stop payment order, or (ii) the debit entry is returned, or, where a stop payment order is applied to more than one debit entry under a specific authorization involving a specific party, all such debit entries are returned. Additionally, if you request us to stop all future payments pursuant to a specific ACH/EFT authorization involving a particular party, we may require you to confirm in writing that you have revoked such authorization.

All stop payment order requests will require you to provide the date, the amount, and the number of the item or authorization, together with the name of the payee. If you give us incorrect information, we will not be liable for failing to stop payment on the item or authorization. Our acceptance of a stop payment order will not constitute a representation that the item or authorization has not already been paid or that we have a reasonable opportunity to act upon the order. You may not stop payment on an official, certified, cashier's, or teller's check issued by us, or request us to stop payment if we have otherwise become accountable for the item or authorization. In addition, you may not stop payment on checks governed by a separate agreement, such as a check guaranty agreement. Further you may not stop payment on an item or authorization after acceptance of the same by us.

Based upon the type of account ownership that you have designated, the following terms and conditions apply.

NOTICE: THE TYPE OF ACCOUNT YOU SELECT MAY DETERMINE HOW PROPERTY PASSES ON YOUR DEATH. YOUR WILL MAY NOT CONTROL THE DISPOSITION OF FUNDS HELD IN SOME OF THE FOLLOWING ACCOUNTS. You may select some of the following accounts by placing your initials next to the account you select on the Texas Uniform Single or Multiple-Party Account Selection Form.

INDIVIDUAL ACCOUNTS. An Individual ("Single-Party") Account is an account in the name of one depositor only.

Single-Party Account Without P.O.D. (Payable on Death) Designation. The party to the account owns the account. On the death of the party, ownership of the account passes as a part of the party's estate under the party's will or by intestacy.

Single-Party Account With P.O.D. (Payable on Death) Designation. The party to the account owns the account. On the death of the party, ownership of the account passes to the P.O.D. beneficiaries of the account. The account is not a part of the party's estate. Note, a sole proprietorship may be considered a Single-Party Account and may contain a payable on death (P.O.D.) designation.

MULTIPLE-PARTY ACCOUNTS. Our rights and liabilities for payment of any sums on deposit in this account shall be governed by the Texas Estates Code, as amended from time to time.

This section pertains to multiple-party accounts.

(A) Joint Account Ownership. An account with two or more Account Holders is a joint ("multiple-party") account.

Multiple-Party Account Without Right of Survivorship. The parties to the account own the account in proportion to the parties' net contributions to the account. The financial institution may pay any sum in the account to a party at any time. On the death of a party, the party's ownership of the account passes as a part of the party's estate under the party's will or by intestacy.

Community Property Without Right of Survivorship. If you have designated your Account as a community property account without right of survivorship, the money in your Account is the community property of the named parties who are husband and wife. You will need to select the Multiple-Party Account Without Right of Survivorship designation on the Texas Uniform Single or Multiple-Party Account Selection Form according to Section 113.052 of the Texas Estates Code. The ownership of the community property account during the lifetime and after death of a spouse is determined by state law and may be affected by a will.

Multiple-Party Account With Right of Survivorship. The parties to the account own the account in proportion to the parties' net contributions to the account. The financial institution may pay any sum in the account to a party at any time. On the death of a party, the party's ownership of the account passes to the surviving parties.

Community Property With Right of Survivorship. Texas law allows a husband and wife to agree in writing that community property funds in an account shall become the property of the surviving spouse on the death of either spouse. If the parties to the account have community property funds and desire to have right of survivorship in those funds, they will not only need to choose the Multiple-Party Account With Right of Survivorship designation on the Texas Uniform Single or Multiple-Party Account Selection Form according to Section 113.052 of the Texas Estates Code, but will also need to execute an additional agreement signed by both the husband and wife regarding the disposition of the community property funds. We will furnish a written survivorship agreement to be placed on file with us for community property accounts with right of survivorship, however, you should consult your own attorney if you have any questions regarding community property laws and the division of property at the death of either spouse.

Multiple-Party Account With Right of Survivorship and P.O.D. (Payable on Death) Designation. The parties to the account own the account in proportion to the parties' net contributions to the account. The financial institution may pay any sum in the account to a party at any time. On the death of the last surviving party, the ownership of the account passes to the P.O.D. beneficiaries.

(B) Convenience Account. The parties to the account own the account. One or more convenience signers to the account may make account transactions for a party. A convenience signer does not own the account. On the death of the last surviving party, ownership of the account passes as a part of the last surviving party's estate under the last surviving party's will or by intestacy. The financial institution may pay funds in the account to a convenience signer before the financial institution receives notice of the death of the last surviving party. The payment to a convenience signer does not affect the parties' ownership of the account.

(C) Totten Trust Account. The party or parties named trustee(s) to the account own the account in proportion to the party's or parties' net contributions to the account. A trustee may withdraw funds from the account. A beneficiary may not withdraw funds from the account before all trustees are deceased. On the death of the last surviving trustee, the ownership of the account passes to the beneficiary. The trust account is not part of a trustee's estate and does not pass under the trustee's will or by intestacy, unless the trustee survives all of the beneficiaries and all other trustees.

Each joint ("multiple-party") Account Holder, without the consent of any other Account Holder, may, and hereby is authorized by every other joint Account Holder, to make any transaction permitted under the Agreement, including without limitation: to withdraw all or any part of the account funds; to pledge the account funds as collateral to us for any obligation, whether that of one or more Account Holders or of a third party; to endorse and deposit checks and other items payable to any joint Account Holder; to give stop payment orders on any check or item, whether drawn by that Account Holder or not; to consent to or revoke consent to payment of service charges on overdrafts that result from ATM transactions or one-time debit card transactions under the Standard Overdraft Policy; and, to close the account, with the disbursement of account proceeds as instructed by the joint Account Holder. Each joint Account Holder is authorized to act for the other Account Holder(s) and we may accept orders and instructions regarding the account from any joint Account Holder. If we believe there to be a dispute between joint Account Holders or we receive inconsistent instructions from the Account Holders, we may suspend or close the account, require a court order to act, and/or require that all joint Account Holders agree in writing to any transaction concerning the account.

Your obligations under the Agreement are joint and several. This means that each joint Account Holder is fully and personally obligated under the terms of the Agreement, including liability for overdrafts and debit balances as set forth above, irrespective of which joint Account Holder benefited from the withdrawal. If you establish a joint account without the signature of the other joint Account Holder(s), you agree to hold us harmless for our reliance upon your designation of the other joint Account Holder(s) listed on our documents. Further, the Account is subject to the right of sequestration as set forth below.

ADDITIONAL ACCOUNT TYPES. This section applies to other deposit account types.

(A) Formal Trust Account. A Formal Trust Account is an account held by one or more trustees for the benefit of one or more beneficiaries according to a written trust agreement. Upon our request, the trustee(s) will supply to us a copy of any trust agreement covering the account. We act only as custodian of the trust funds and are under no obligation to act as a trustee or to inquire as to the powers or duties of the

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trustee(s). The trustee(s) and/or any person opening the Account, in their individual capacity and jointly and severally, agree to indemnify and hold us harmless from and against any and all loss, costs, damage, liability, or exposure, including reasonable attorney's fees, we may suffer or incur arising out of any action or claim by any beneficiary or other trustee with respect to the authority or actions taken by the trustee(s) in handling or dealing with the Account.

(B) **Uniform Transfer to Minors.** If you have established the account as a custodian for a minor beneficiary under our state version of the Uniform Transfers to Minors Act or the Uniform Gifts to Minors Act, your rights and duties are governed by the Act. You will not be allowed to pledge the account as collateral for any loan to you. Deposits in the account will be held by us for the exclusive right and benefit of the minor. The custodian and/or any person opening the Account, in their individual capacity, agree to indemnify and hold us harmless from and against any and all loss, costs, damage, liability, or exposure, including reasonable attorney's fees, we may suffer or incur arising out of any action or claim by any beneficiary or other custodian with respect to the authority or actions taken by the custodian in handling or dealing with the Account.

(C) **Representative Payee Accounts.** Subject to applicable law, a Representative Payee Account is a type of fiduciary account in which a representative payee (appointed by the Social Security Administration) manages Social Security and Supplemental Security funds received on behalf of a beneficiary. Upon our request, the representative payee will provide sufficient documentation from the Social Security Administration indicating his or her appointment as a representative payee for the Account Holder. We may require additional documentation from the representative payee indicating his or her authority to act on behalf of the Account Holder. The representative payee does not have an ownership interest in funds in the Account. The representative payee does not have a right of survivorship in the Account on the death of the Account Holder. We act only as custodian of the funds and are under no obligation to act as a trustee or to inquire as to the powers or duties of the representative payee. The representative payee agrees to indemnify, and hold us harmless from and against any and all loss, cost, damage, liability, or exposure, including reasonable attorneys' fees, we may suffer or incur arising out of any action or claim by the beneficiary, a government entity or by any other party regarding the authority or actions taken by the representative payee in handling or dealing with the Account.

(D) **Agency Account.** An Agency Account is an account to which funds may be deposited and withdrawals made by an Agent designated by the owner of the funds. An Agent has full authority with regard to the Account but does not have an ownership interest in the account. An Agency Account is revocable at any time by notifying us in writing. An Agency designation may be combined with one of the other forms of account ownership.

(E) **Business Accounts.** If the Account is not owned by a natural person (for example, it is owned by a corporation, partnership, limited liability company, sole proprietorship, unincorporated association, etc.), then the Account Holder must provide us with a copy of the business entity's certificate of incorporation or other comparable organizational document, and evidence to our satisfaction of the authority of the individuals who sign the signature card to act on behalf of the Account Holder. On any transactions involving the Account, we may act on the instructions of the person(s) authorized in the resolutions, banking agreement, or certificate of authority to act on behalf of the Account Holder. If you operate as a sole proprietorship, you agree to notify us at least annually of any change in the name of the business owner, in the physical address of the business, in the home address of the business owner, in the driver's license number of the business owner, or in the business owner's personal identification card number issued by the Department of Public Safety. You further agree to notify us in writing of any changes in the person(s) authorized to act on behalf of the Account Holder, any change in the business entity's certificate of incorporation or other organizational document, or the form of ownership. If we receive conflicting instructions or a dispute arises as to authorization with regard to the handling of the Account, you agree we may place a hold on the Account until such conflict or dispute is resolved to our satisfaction and we will not be liable for dishonored items as a result of such hold.

(F) **Fiduciary Accounts.** With respect to all fiduciary accounts, including but not limited to estate accounts, guardianship accounts, representative payee accounts, and conservatorship accounts, and any Formal Trust Account, Uniform Transfers to Minors Act Account, or Agency Account, we reserve the right to require such documents and authorizations as we may deem necessary or appropriate to satisfy that the person(s) requesting or directing the withdrawal of funds held in the Account have the authority to withdraw such funds. This applies at the time of account opening and at all times thereafter.

(G) **Attorney Client Trust.** Subject to applicable law, an Attorney Client Trust or IOLTA Trust Account is an account set up by an attorney or law firm to hold client or third party funds in trust, separate from the attorney's or law firm's funds. Upon our request, the authorized signers for an Attorney Client Trust or IOLTA Trust Account will provide documentation required by applicable state law and applicable bar association (or similar entity) rules. We act only as custodian of the trust funds and are under no obligation to act as a trustee or to inquire as to the powers or duties of the attorney or law firm as trustee(s). The attorney, law firm, or any authorized individual on the account agrees to indemnify and hold us harmless from and against any and all loss, costs, damage, liability, or exposure, including reasonable attorney's fees, we may suffer or incur arising out of any action or claim by any beneficiary or third party with respect to the authority, actions, or inaction taken by the trustee(s) or authorized individuals in handling or dealing with the account. Additional account terms are governed by a separate agreement. If this is an IOLTA Trust Account, we will not permit the lawyer or law firm to receive the interest. The interest (minus applicable fees) on an IOLTA Trust Account will be remitted to the Texas Equal Access to Justice Foundation, pursuant to your instructions and at your request. IOLTA Trust Accounts are used to hold an attorney's or law firm's client funds that are nominal in amount or held for short periods of time.

(H) **Real Estate Broker Client Trust Accounts.** Subject to applicable law, a real estate broker may open account(s) to hold client or third party funds in trust, separate from the broker's funds. We act only as custodian of the funds. We are under no obligation to act as a trustee or to inquire as to the powers or duties of the broker or other authorized signer(s) as trustee(s). The broker and any authorized individual on the account in their individual capacity and jointly and severally, agree to indemnify and hold us harmless from and against any and all loss, costs, damage, liability, or exposure, including reasonable attorney's fees, we may suffer or incur arising out of any action or claim by any client or third party with respect to the authority, actions or inaction taken by the broker or authorized signer(s) in handling or dealing with the Account. Upon our request, the authorized signer(s) for this type of account will provide to us any documents required by applicable law and for real estate professional rules.

(I) **Government/Municipal/Public Funds Accounts.** This type of account is owned by a government or public entity. For this type of account, you agree to provide us with authorization document(s) (in a form acceptable to us) stating that we are designated as a depository for the funds of the government or public entity and such documentation shall state the individual(s) authorized to act on behalf of the government or public entity and the extent of their authority. We may rely upon such documentation until we receive written notice of a change and new authorization documents. We are not responsible for any transaction conducted by a previously authorized individual until we actually receive written notice that the authorized individual's authority has been revoked. Unless specifically stated otherwise in the authorization document(s), we can rely on one authorization for all accounts owned by the government or public entity. If required by law, you agree to enter into a Collateral Security Agreement regarding this type of account.

ASSIGNABILITY. The account established under this Agreement is not assignable or transferable except with our consent. We must approve any pledge of the Account and any such pledge remains subject to any right we have under the Agreement and applicable state and federal law. If ownership is proposed to be transferred, we may require the Account be closed and a new account opened in the name of the transferee or pledgee.

FINANCIAL INSTITUTION LIABILITY. You agree that if we do not properly complete a transaction according to the Agreement, we will not be liable in any event for losses or damages in excess of the amount of the transaction, and we will not be liable if circumstances beyond our control prevent the transaction, or the funds in your Account are or may be subject to legal process or other claim. In no event will we be liable for consequential damages. In receiving items from you for withdrawal or deposit, we act only as your agent. You are responsible for the condition of a check or item when you issue it. If a check or item is returned or payment is delayed as a result of any writing or marking that you or a prior endorser placed on the front or back of the check or item, you will be responsible for any cost and liabilities associated with such return or delay. We reserve the right to refuse any item for deposit or to reverse credit for any deposited items or to charge your Account for items should they become lost in the collection process.

RIGHT OF SETOFF. Subject to applicable law, we may exercise our right of setoff or security interest against any and all of your Accounts (except IRA, HSA, Keogh plan and Trust Accounts) without notice, for any liability or debt of any of you, whether joint or individual, whether direct or contingent, whether now or hereafter existing, and whether arising from overdrafts, endorsements, loans, attachments, garnishments, levies, attorneys' fees, or other obligations. However, under Article XVI, Section 50(a)(5)(H) of the Texas Constitution, we may not setoff against any of your accounts for a liability arising from a home equity loan secured by Texas Homestead Property. If the Account is a joint or multiple-party account, each joint or multiple-party account holder authorizes us to exercise our right of setoff against any and all Accounts of each Account Holder.

DORMANT ACCOUNTS. If you have not made a withdrawal from, or a deposit to, your Account for an extended period of time and we have been unable to contact you, your Account may be classified by us as dormant. Subject to applicable law, we may charge a dormant account fee on the Account, and the Account will be presumed to be abandoned. In accordance with state law, funds in abandoned accounts will be remitted to the custody of the applicable state agency, and we will have no further liability to you for such funds. We reserve the right not to send statements on accounts we consider dormant, subject to applicable law.

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DEPOSIT ACCOUNT AGREEMENT AND DISCLOSURE
(Continued)

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ACCOUNT STATEMENTS. You are responsible for promptly examining your statement each statement period and reporting any irregularities to us. Each account statement will be considered to correctly reflect your transactions, such as deposits, withdrawals, credits, refunds, imposition of fees, interest or dividends, and other additions and subtractions to your Account, unless you notify us in writing within certain time limits after the statement that incorrectly reflects your transactions is made available to you. We will not be liable for any check that is altered or any signature that is forged unless you notify us within Thirty (30) calendar days after the statement and the altered or forged item(s) are made available. Also, we will not be liable for any subsequent items paid, in good faith, containing an unauthorized signature or alteration by the same wrongdoer unless you notify us within Ten (10) calendar days after the statement and first altered or forged items were made available. You must report any other Account problem including encoding errors, and errors involving additions or subtractions (debits and credits) not otherwise covered herein, including electronic transactions not covered by the Electronic Fund Transfer Act, within Thirty (30) calendar days. If the suspected account problem involves a substitute check that you receive, you may (under some circumstances) be entitled to make a claim for an expedited refund. Such a claim may be subject to different notification timeframes. See the Substitute Check Policy Disclosure (if applicable) for further information. If you have requested us to hold your Account statements, we have the right to mail your statements if you have not claimed them within Thirty (30) calendar days. If we truncate your checks, you understand that your original checks will not be returned to you with your statement. You agree that our retention of checks does not alter or waive your responsibility to examine your statements or change the time limits for notifying us of any errors.

WHOLESALE WIRE AND ACH TRANSACTIONS. With respect to wire transfers or other transfers of funds not governed by the Electronic Funds Transfer Act, you agree to enter into and comply with our wire transfer (if applicable) agreement and to comply with our security procedures and this section. We advise you that any receiving financial institution (including us) is entitled to rely on any account or bank number you have provided even though that account or bank number may identify a party different from the person or entity you have described by name in any transfer order.

(A) Provisional Payment. Credit given by us to you with respect to an ACH credit or wholesale (wire) funds transfer entry is provisional until we receive final settlement for such entry through a Federal Reserve Bank. If we do not receive final settlement, you are hereby notified and agree that we are entitled to a refund of the amount credited to your Account in connection with such entry, and the party (the originator of the entry) making payment to you via such entry shall not be deemed to have paid you the amount of such entry.

(B) Notice of Receipt. We will notify you of the receipt of payments in the periodic account statements we provide to you. You acknowledge that we will not give next day notice to you of receipt of an ACH or wholesale (wire) funds transfer item.

UNLAWFUL INTERNET GAMBLING TRANSACTIONS PROHIBITED. If you are a commercial customer, you certify that you are not now engaged in, and during the life of this Agreement will not engage in, any activity or business that is unlawful under the Unlawful Internet Gambling Enforcement Act of 2006, 31 USC 5361, at seq., (the "UIGEA"). You may not use your Account or any other service we offer to receive any funds, transfer, credit, instrument or proceeds that arise out of a business that is unlawful under the UIGEA. You agree that if anyone asks us to process a transaction that we believe is restricted under the UIGEA, we may block the transaction and take any other action we deem to be reasonable under the UIGEA and this Agreement.

NOTICES. The following terms apply to notices relating to your Account. **(A) Notice of Amendments.** You agree that the terms and conditions of the Agreement, including without limitation all rates, fees, and charges, 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 amendment. Notices will be sent to the most recent address shown on our records for your Account. Only one notice will be given in the case of joint account holders. **(B) Account Changes.** Any account holder or person authorized to sign on an account is required to notify us in writing if any account holder or other person authorized to sign on an account dies or is declared incompetent by a court. It is your responsibility to notify us of any change in your address or name. We are required to honor items drawn only on the listed Account name. Further, we are required to attempt to communicate with you only at the most recent address provided to us.

ACCOUNT TERMINATION. You and we agree that either of us may close your Account and terminate this Agreement at any time with or without cause. We will provide written notice to you in advance if we decide to terminate your Account relationship for any reason other than abuse of the account relationship or to prevent a loss. You agree that advance written notice from us will be reasonable if it is mailed to your statement mailing address immediately upon account closure. You agree that in instances of account abuse or to prevent a loss, notice is reasonably given by us if mailed immediately upon account closure. You may close any of your accounts by notifying us in writing. We will consider your Account closed if your balance remains at \$0.00 (Zero) for more than 30 (Thirty) days, or if we exercise any of our rights of setoff as disclosed in your account contract or if you request that your account be closed. When an interest bearing account is closed, there may be accrued interest that has not been credited to the account. In that case, we will pay you the interest UNLESS we have told you otherwise. Further, for security reasons, we may require you to close your Account and to open a new account if: there is a change in authorized signers; there has been a forgery or fraud reported or committed involving your Account; any Account checks are lost or stolen; you have too many transfers from your Account; or, any other provision of our Agreement with you is violated. After the Account is closed, we have no obligation to accept deposits or pay any outstanding checks. You agree to hold us harmless for refusing to honor any check drawn on a closed account. In the event that we close your Account, we may mail you a Cashier's Check for the applicable remaining Account balance. The termination of this Agreement and closing of an account will not release you from any fees or other obligations incurred prior to the date upon which this Agreement is terminated and an account closed, any fees assessed by us in the process of closing an account, or from your responsibility to maintain sufficient funds in an account to cover any outstanding checks or other debit items.

GOVERNING LAW. This Agreement shall be governed by and construed in accordance with all applicable federal laws and all applicable substantive laws of the State of Texas in which we are located and where you opened your account. In addition, we are subject to certain federal and state regulations and local clearing house rules governing the subject matter of the Agreement. You understand that we must comply with these laws, regulations, and rules. You agree that if there is any inconsistency between the terms of the Agreement and any applicable law, regulation, or rule, the terms of the Agreement will prevail to the extent any such law, regulation, or rule may be modified by agreement.

SYSTEMS AND SOFTWARE. We shall not be responsible to you for any loss or damages suffered by you as a result of the failure of systems and software used by you to interface with our systems or systems and software utilized by you to initiate or process banking transactions whether such transactions are initiated or processed directly with our systems or through a third party service provider. You acknowledge that you are solely responsible for the adequacy of systems and software utilized by you to process banking transactions and the ability of such systems and software to do so accurately.

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.

CREDIT VERIFICATION. You authorize us to request and obtain one or more credit reports about you from one or more credit reporting agencies for the purposes of considering your application for the Account, reviewing or collecting any Account opened for you, or for any other legitimate business purpose. You authorize us to disclose information about your account to a credit reporting agency if your Account was closed because you have abused it.

MISCELLANEOUS PROVISIONS. If you or your Account becomes involved in any legal proceedings, your use of the Account may be restricted. You agree not to use the Account in any illegal activity. We shall be entitled to act upon any legal process served upon us which we reasonably believe to be binding, with no liability to you for doing so. You understand that supervisory personnel may randomly monitor customer service telephone conversations to ensure that you receive accurate, courteous, and fair treatment. If you ask us to follow instructions that we believe might expose us to any claim, liability, or damages, we may refuse to follow your instructions or may require a bond or other protection, including your agreement to indemnify us. You agree to be liable to us, to the extent permitted by law, for any loss, costs, or expenses that we may incur as a result of any dispute or legal proceeding involving your Account. You authorize us to deduct any such loss, costs, or expenses from your Account without prior notice to you or to bill you separately. This obligation includes disputes between you and us involving your Account and situations where we become involved in disputes between you and an authorized signer, a joint owner, or a third party claiming an interest in your Account. It also includes situations where any action taken on your Account by you, an authorized signer, a joint owner, or a third party causes us to seek the advice of an attorney, whether or not we actually become involved in a dispute. Any action by us for reimbursement from you for any costs or expenses may also be made against your estate, heirs and legal representatives, who shall be liable for any claims made against and expenses incurred by us. If a court finds any provision of the Agreement to be invalid or unenforceable, such finding shall not make the rest of the Agreement invalid or unenforceable. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of the Agreement in all other respects shall remain valid and enforceable.

REPORTING OF NEGATIVE INFORMATION. We may report information about your account to credit bureaus. Late payments, missed payments, or other defaults on your account may be reflected in your credit report.

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**DEPOSIT ACCOUNT AGREEMENT AND DISCLOSURE
(Continued)**

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Member
FDIC

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We're Here
For You!

Thank You For
Your Business!

The First National Bank

SEGUIN

BEEVILLE

YORKTOWN

Branch Office
125 S. Hwy. 46
Seguin, Texas 78155

Main Office
1400 F. Houston St
Beaville, Texas 78102

Branch Office
142 N. Rinaldi / P.O. Box 825
Yorktown, Texas 78164

THIS IS A RECEIPT FOR YOUR DEPOSIT

ALL DEPOSITS MADE BY OR FOR THE ACCOUNT AND/OR LOAN PAYMENT OF A CUSTOMER ARE ACCEPTED BY THE BANK SUBJECT TO THE CONDITIONS AS SHOWN ON THE REGULAR FORM DEPOSIT TICKET FURNISHED BY THE BANK TO ITS CUSTOMERS

DATE, DEPOSIT AND ACCOUNT NUMBER SHOWN BELOW

QDA Deposit 4,717.58

ALWAYS OBTAIN AN OFFICIAL PRINTED RECEIPT FOR YOUR DEPOSIT

CITY OF BEEVILLE

400 N. Washington
Beeville, Texas 78102

CHECK NUMBER **132117**

DATE	I.D.	PO #	DESCRIPTION	AMOUNT
07/09/2015	201507104754		BLUEBERRY HILLS ESCROW ACCT	4,717.58
JANUARY - MAY 2015				

PLEASE DETACH STUB BEFORE DEPOSITING

CHECK TOTAL 4,717.58

VEND: 5970

CHECK DATE: 07/10/2015 CHECK NO: 132117

**Blueberry Hills
Escrow Calculations**

		Meter # 8149612 & 8149612CM			Meter # 8149612 & 8149612CM			
Period of Consumption	Month of Payment	Total Consumption (ex. 95.9 is read as 95,900 gal.)	Rate	Total	Total Consumption (ex. 95.9 is read as 95,900 gal.)	Rate	Total	Difference
12/17 to 1/16	Feb. 2015	1195.4	4.00	4,781.60	1195.4	2.76	3,299.30	1,482.30
1/16 to 2/15	Mar. 2015	757.2	4.00	3,028.80	757.2	2.76	2,089.87	938.93
2/15 to 3/17	Apr. 2015	335.1	4.00	1,340.40	335.1	2.76	924.88	415.52
3/17 to 4/16	May 2015	1059.1	4.00	4,236.40	1059.1	2.76	2,923.12	1,313.28
4/16 to 5/16	Jun. 2015	457.7	4.00	1,830.80	457.7	2.76	1,263.25	567.55
								\$ 4,717.58

Total Escrow Amount