

CONSUMER iPay BILL PAYING AGREEMENT/DISCLOSURE
Effective February 1, 2008

This is your bill paying agreement with Lytle State Bank. You may use Lytle State Bank's bill paying service, iPay, to direct Lytle State Bank to make payments from your designated checking account to the payees you choose in accordance with this agreement. The terms and conditions of this Agreement are in addition to the account agreements, disclosures and other documents in effect from time to time governing your account.

In this agreement, "we", "us", or "our" refers to Lytle State Bank, and "you", "your" or "yours" refers to Lytle State Bank customers with valid access to bill pay or any person to whom access is provided to use the system on your behalf. A "payee" is any individual business or merchant you designate as the recipient of a payment including financial institutions.

ELECTRONIC FUND TRANSFERS (CONSUMER ACCOUNTS ONLY)

Regulation E of the Federal Reserve Board requires bank disclosure of the most important terms and conditions governing electronic fund transfers, Internet Banking, and use of your Lytle State Bank Visa® Check Card on consumer accounts. Please refer to the Limits and Fees/Combined Disclosure.

Pre-authorized electronic fund transfers include payments or deposits you have authorized to be made to your checking or savings account at least once every 60 days by your employer, Social Security Administration, other governmental agencies, or by some specific company or individual. Pre-authorized electronic fund transfers also include regular payments you have authorized us to make from your checking or savings account to cover insurance premiums, utility bills, rent or house payments, or other recurring obligations.

Indicated below are additional types of Electronic Fund Transfers we are capable of transacting, some of which may not be available for your account. Please read this disclosure carefully and keep it for future reference.

Electronic Fund Transfers Initiated by Third Parties: You may authorize a third party to initiate electronic fund transfers between your account and the third party's account. These transfers to make or receive payment may be one-time occurrences or may recur as directed by you. These transfers may use the Automated Clearinghouse (ACH) or other payments network. Your authorization to the third party to make these transfers can occur in a number of ways. In some cases, your authorization can occur when the merchant posts a sign informing you of their policy. In all cases, the transaction will require you to provide the third party with your account number and bank information. This information can be found on your check as well as on a pre-printed deposit slip. You should only provide your bank account information (whether over the phone, the Internet, or via any other method) to trusted third parties whom you have authorized to initiate these electronic fund transfers.

Examples of these transfers include, but are not limited to: Electronic Check Conversion, in which you may provide your check to a merchant or service provider whom will scan the check for the encoded bank and account information. The merchant or service provider will then use this information to convert the transaction into an electronic fund transfer. This may occur at the point of purchase or when you provide your check by other means such as by mail or drop box.

Electronic Returned Check Charge: Some merchants or service providers will initiate an electronic fund transfer to collect a charge in the event a check is returned for insufficient funds.

VISA® Check Card

You may use your card at ATMs to:

- Effect withdrawals of cash from your checking or savings account;
- Obtain the current bank balance in your checking or savings account;

To complete any transaction with your VISA® Debit Card, it will be necessary for you to use a 4-digit Personal Identification Number. Transactions cannot be completed unless your Personal Identification Number and your card are entered into the terminal. This requirement is to protect you from having your Debit Card misused in the event it is lost or stolen. You may use your card and Personal Identification Number only for purposes authorized by us in accordance with the instructions we provide you for usage of the terminals referred to above. You must not permit any unauthorized use of either your card or your Personal Identification Number. You may use your Debit Card at locations displaying the VISA® logo. VISA® Check Card transactions are only available with your checking account at Lytle State Bank.

You may withdraw cash from your checking or savings account with your Debit Card in amounts up to \$400.00 in each 24-hour period. Your VISA® Check Card may be used to withdraw or transfer only “collected Funds” in your Lytle State Bank accounts. Collected/funds are those for which we have received payments, including, in addition to cash, checks and other items deposited in your account that are drawn on an account with us, and checks and other items deposited to your account that were drawn on other financial institutions and for which we have received payment.

If you believe your VISA® Debit Card has been lost or stolen or that someone used or may use your card to transfer or withdraw money from your account without your permission, immediately call (830) 709-3601 between the hours of 8:00a.m. and 6:00p.m. Monday and Friday and 8:00a.m. and 3:00p.m. Tuesday through Thursday, excluding weekends or holidays, or write:

Lytle State Bank
Customer Service (Electronic Banking)
P. O. Box 575
Lytle, Texas 78052

If you are unable to contact us because it is after hours, a weekend or a holiday you may contact our processor, SHAZAM at (800) 383-8000 to inform them of a lost or stolen card.

You may notify us by e-mail at anytime concerning any disputes about Electronic Fund Transfers (Reg E) or Truth in Lending (Reg Z). E-mails received after business hours, weekends or holidays will be addressed on the next business day. E-mails are scheduled for review by Customer Service Department at 8:00 a.m., 12:00 p.m. and 3:00 p.m. or as necessary.

If you choose to notify us by telephone, we will request you to provide written confirmation of the loss or theft or misuse of your card within 14 days following your notice. You may also notify us by contacting in person our Customer Service (Electronic Banking) Department during regular business hours as posted. These rules

cover your liability for all unauthorized electronic fund transfers except for your point of sale (POS) transactions initiated with a VISA® Debit Card or unauthorized by use of a card at an INTERLINK merchant (your liability for those types of transactions is explained in the next paragraph).

Tell us at once if you believe your VISA® Debit Card has been lost or stolen. Advising us by telephone is the best way to minimize any losses you might incur.

- If you believe your card is lost or stolen and you tell us within 2 business days after you learn of the loss or theft, you can lose no more than \$0 if someone used your VISA® Debit Card without your permission.
- If you do not tell us within 2 business days after you learn of the loss or theft of your card and we can prove we could have stopped someone from using your card without your permission if you had told us, you could lose as much as \$500.
- Also, if your account statement shows transfers or withdrawals you did not make, tell us at once. If you do not tell us within 60 days after the statement was mailed or electronically sent to you, you might not get back any money you lost after the 60 days, if we can prove we could have stopped someone from taking the money if you had told us in time. If a good reason (such as a long trip or hospital stay) kept you from telling us, we may extend the time periods.

A fee may be imposed by an automated teller machine operator if you initiate a transaction from an automated teller machine not operated by Lytle State Bank. A fee may also be imposed by any national, regional, or local network used to carry out the transaction. The fee applies except for POS transactions made with your VISA® Debit Card.

Your liability for unauthorized transactions by use of your VISA® Debit Card for POS Transactions with a VISA® or Interlink Merchant will be as follows: (a) no liability for such unauthorized transactions initiated with your lost or stolen VISA® Debit Card if you notify the Bank within 2 business days after you learn of the loss or theft of your VISA® Debit Card. Your VISA® Debit Card liability is \$0.

All transactions at ATMs not owned by Lytle State Bank (foreign ATMs) will be charged \$1.00 per transaction, regardless of the balance in the account. There is no charge for POS transactions.

When you initiate transactions with your VISA® Debit Card you may request a receipt documenting the transaction.

Your authorization to use your VISA® Debit Card may be cancelled by us at any time. Cancellations, termination, or expiration of your authorization to use your Card will not affect our rights with respect to any liability you have to us at the time of the cancellation, termination or expiration.

The VISA® Debit Card(s) issued to you remain the property of Lytle State Bank. If, for any reason, we request you to return the card(s) to us, you are obligated to do so immediately. You will be charged \$10 for your original Lytle State Bank VISA® Debit Card. A replacement Card is also \$10.

Where a Joint Account is maintained and a VISA® Debit Card is issued to more than one account holder, each cardholder warrants to Lytle State Bank he or she has the

authority to bind the other to the terms and conditions of this Agreement and each agrees to be jointly and severally bound by the terms and conditions of this Agreement.

Pre-authorized Electronic Fund Transfers

The following provisions are applicable to deposit or payment transactions you have pre-authorized us to complete for you.

- If you have told us in advance to make regular payments out of your checking or savings account, you may stop any of these payments. In order for us to receive and act upon your request, please allow 5 business days or more before the payment is scheduled to be made. If you call, we will require you to put your request in writing and get it to us within 14 days after your call. Call us at (830) 709-3601, or write to:
Lytle State Bank
Customer Service Department
P.O. Box 575
Lytle, Texas 78052
- If you order us to stop one of these payments and we receive your request 5 business days or more before the transfer is scheduled and we do not stop the payment, we will be liable for your losses or damages.

Additional Terms, Conditions and Disclosures

We will send you periodic account statements by mail or electronically, which include pre-authorized deposits and payments applied to your account and transactions completed with your VISA® Debit Card. All such transfers affecting your checking account will be reported on statements sent to you monthly. Transfers affecting your savings account will also be reported on periodic statements sent to you monthly by mail or electronically, unless no transfers have occurred. In such case, we will send you a savings account statement by mail or electronically at least quarterly.

If we do not complete a transfer of funds to or from your account on time or in the correct amount, according to our agreement with you, we will be liable for your losses and damages. However, there are some exceptions. We will not be liable, for instance:

- If, through no fault of ours, you do not have enough money in your account to complete the transfer.
- If the transfer would result in your exceeding the credit limit of your checking overdraft protection or line of credit;
- If the terminal or the system you were using with your VISA® Debit Card was not working properly and you knew about the breakdown when you initiated your transaction;
- If circumstances beyond our control (such as fire, flood, strike, equipment malfunction, or power failure) prevent the transfer of funds being made, despite reasonable precautions we have taken;
- If we do not receive the data necessary to complete the transfer, or if the data we receive is erroneous or incomplete;
- If the funds involved in the transfer are subject to legal process or other claims restricting transfer;
- If the authorization we have to initiate or transmit transfers or the authorization for third parties to initiate or transmit transfers is terminated by operation of law (such as death or legal disability).

We may change a term or condition of this Agreement by mailing or delivering to you a written notice at least 21 days before the effective date of any such change if the change

will result in increased fees or changes to you, your increased liability, fewer types of available electronic fund transfers, or stricter limitations on the frequency or dollar amounts of transfers we allow. We do not need to provide you with any prior notice where an immediate change in the terms or conditions of the Agreement is necessary to maintain or restore the security of our system or an account. Notices mailed or delivered to you under this paragraph will be considered effective if mailed to the most recent address we show for you in either our checking or savings account records.

We will disclose information to third parties about your account or the transfers you make:

- Where is necessary for completing transfers;
- In order to verify the existence and condition of your account for a third party, such as a credit bureau or merchant;
- In order to comply with a government agency or court order
- In response to a garnishment, levy, or a subpoena;
- If you give us written permission.

This Agreement is subject to the rules and regulations of Lytle State Bank and other agreements you may have with us, including the agreement covering your Lytle State Bank checking and savings account, except as these agreements are changed by this Agreement or are inconsistent with the above terms and conditions.

Error Resolution Notice

In case of errors or questions about your electronic transfers, contact us at (830) 709-3601, or write us at:

Lytle State Bank
Customer Service (Electronic Banking)
P. O. Box 575
Lytle, Texas 78052

If you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt, contact us as soon as possible. We must hear from you no later than 60 days after we sent you the first statement on which the problem or error appeared. You must give us the following information:

1. Your name and account number;
2. The dollar amount of the suspected error;
3. A description of the error or transfer in question, and an explanation, as clearly as possible, why you believe it is an error or why you need more information.

If you tell us orally, we will require you to send us your complaint or question in writing within 10 business days.

We will communicate the results of our investigation within 10 business days after we hear from you and will correct any error promptly. If we need more time, however, we may take up to 45 days to investigate your complaint or question. If we decide to do this, we will credit your account within 10 business days (5 days for errors involving VISA® Check Card point-of-sale transactions) for the amount you think is in error so you will have use of the money during the time it takes to complete our investigation. If we ask for your complaint or question in writing and we do not receive it within 10 business days (5 days for errors involving VISA® Check Card point-of-sale transactions) we may not credit your account. For errors involving new accounts, point-of-sale, or foreign-initiated transactions, we may take up to 90 days to investigate your complaint

or question. For new accounts, we may take up to 20 business days to credit explanation within 3 business days of the completion or our investigation. You may request copies of the documents used in our investigation.

HOW TO SET UP PAYEES/PAYMENTS

By completing a bill pay enrollment form, you may add a new payment (fixed or recurring) to a payee only if the payee is listed as an authorized payee at iPay. Most other additions, deletions, or changes can be made in writing or by using the iPay Service. If you want to add a new payee, use “set up account/payee” on the Internet or speak to a service representative. A newly added payee may not be available until it has been verified and accepted by the bank. Each new payee accepted by the bank will be assigned a payee code; however, Lytle State Bank reserves the right to refuse the addition of a payee for any reason.

You may pay almost anyone you wish; however, there are several restrictions: 1.) The payee/merchant must be located in the United States; 2.) Payments may not be remitted to tax authorities or government and collection agencies; 3.) Payments may not be remitted to Security/Investment companies such as Ameritrade for stock purchases or trade taxing authorities and 4.) Payments may not be directed to Court directed payees such as alimony, child support, or other legal debts.

Lytle State Bank will not be responsible if a bill payment can not be made due to incomplete, incorrect, or outdated information provided by you regarding a payee or if the payment is rejected or reversed for cause (see below) or if attempt to pay a payee that is not on your “Authorized Payee List”.

THE BILL PAYING PROCESS

Single Payments:

Any payment(s) will be processed on the business day (generally Monday through Friday, except certain holidays) that you designate as the payment’s process date, provided the payment is submitted prior to 2:00 p.m. Central Time on that date. A single payment submitted after the cut-off time on the designated process date will be processed on the following business day. If you designate a non-business date (generally weekends and certain holidays) as the payment’s process date, the payment will be processed on the first business day following the designated process date. Lytle State Bank reserves the right to change the cut-off time as necessary and to provide you notice of the change.

Recurring Payments:

When a recurring payment is processed, it is automatically rescheduled by the system. Based upon your selected frequency settings for the payment, a process date is calculated for the next occurrence of the payment. If the calculated process date is a non-business date (generally weekends and certain holidays), it is adjusted based upon the following rules:

- If the recurring payments “Pay Backward” option is selected; the process date for the new occurrence of the payment is adjusted to the first business date prior to the calculated process date.
- If the recurring payments “Pay Backward” option is not selected (or if the “Pay Backward” option is not available), the process date for the new occurrence of the payment is adjusted to the first business date after the calculated process date.

NOTE: If your frequency settings for the recurring payment specify the 29th, 30th, or 31st as a particular day of the month for processing and that day does not exist in the

month the calculated process date, then the last calendar day of that month is used as the calculated process date.

Electronic payments will occur in 2-4 days. For payments made by check, depending on where the payee resides, to reach the payee you must allow at least 4-8 days, prior to the due date as delivery will depend on US Mail. Any bill payment can be changed or canceled, provided you access the bill pay service prior to the cut-off time on the business day prior to the business day the bill payment is going to be initiated.

REJECTION OR REVERSAL OF PAYMENTS

You agree to have available and collected funds on deposit in the account you designate in amounts sufficient to pay for all bill payments requested, as well as, any other payment obligations you have to us. Lytle State Bank reserves the right without liability, to reject or reverse a bill payment if you fail to comply with this requirement unless you have sufficient available "Ready Reserve" or overdraft privilege. If you do not have sufficient funds in the Account and Lytle State Bank has not exercised its right to reverse or reject a bill payment, you agree to pay for such payment obligations on demand. You further agree Lytle State Bank, at its option, may charge any of your accounts with the Bank to cover such obligations and resulting fees such as an overdraft fee.

LIABILITY

You are solely responsible for controlling the safekeeping of and access to your access device (Personal Identification Number – PIN), and any additional access devices you establish for your use.

- You are liable for all transactions you or your authorized representative makes even if that person exceeds his or her authority. If you want to terminate your main access authority, you must notify Lytle State Bank and arrange to change your PIN. If you wish to terminate any additional access devices you have established you must remove or change them.
- You will be responsible for any bill payment (your request) containing errors or a duplicate request (you have entered).
- Lytle State Bank is not responsible for a bill payment that is not made if you did not properly follow the instructions for making such a bill payment.
- Lytle State Bank is not liable for any failure to make a bill payment if you fail to promptly notify the bank after you learn that you not received credit from a payee for a bill payment.
- Lytle State Bank is not responsible for your acts, omissions, or those of any other authorized person including, without limitation, any related transmission or communication. No such party shall be deemed to be Lytle State Bank's agent.
- Lytle State Bank will not be liable for any special, consequential, incidental, or punitive losses, damages, or expenses in connection with this Agreement or the service.
- Lytle State Bank is not liable for any act, failure to act or delay in acting if it is caused, in whole or in part, by any cause beyond Lytle State Bank's reasonable control.

AMENDMENT AND TERMINATION

Lytle State Bank has the right to change this Agreement at any time by providing you notice to the last address shown on your bank account, by posting notices or as otherwise permitted by law.

Lytle State Bank has the right to terminate this Agreement at any time.

You may terminate this Agreement by written notice to Lytle State Bank. However, the bank is not responsible for any fixed payment made before Lytle State Bank has a reasonable opportunity to act on your termination notice. Therefore, you remain obligated for any payments made by Lytle State Bank on your behalf.

FEE SCHEDULE

Lytle State Bank reserves the right to change any and all fees at its option. Should a change be made to any fee you will be notified before the change is effective.

Additional charges for customer requested services and other items:

These charges will be assessed if you incur a fee or request one or more of the following services listed:

1. Fees.

- Overdraft Item Fees – You may be charged \$25.00 for each item that creates an overdraft.
- Returned Item Fees – You may be charged \$25.00 for each item that is returned.
- Items needed to correct our error. \$0.00
- Stop Payments – You may be charged \$20.00 for each item you place a stop order on.

2. Services.

- We reserve the right to charge for research time \$15.00 an hour. You will be informed of any such charges before they are incurred.

3. Expedited Payment Fees will include:

- Overnight Fee - \$14.95
- 2nd Day Fee - \$9.95
- Reinstate Fee - \$50.00

4. Gift Pay Fees will include:

- Gift Check - \$2.99
- Charitable Donations Fee - \$1.99

NOTE

Please reference:

1. Electronic Fund Transfers Disclosure Statement you received when you opened your account(s), which discloses important information concerning your rights and obligations.
2. Disclosures and fees which covers your obligations, the banks obligations and the cost of services.

I have read and agree to the terms of the Internet Banking Agreement and Error Resolution Notice terms.