

CONSUMER INTERNET BANKING AGREEMENT

Effective January 1, 2007

From time to time, necessary changes will be made to the Internet Banking agreement terms. We thank you for reading the updated version and agreeing to the terms provided. All fees and services have remained the same.

Introduction

In this agreement, “we”, “us”, or “our” refers to Lytle State Bank, and “you”, “your”, or “yours” refers to Lytle State Bank customers with access to Internet Banking.

Use of this service indicates you agree to be bound by all rules and regulations applicable to your deposit accounts at Lytle State Bank as established and amended from time to time by us. This agreement explains the terms and conditions which govern the following Internet Banking services:

- View account balances and transaction history
- Search account history by check number, amount, or date
- Transfer funds between accounts

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 also to the Account Disclosures and Fees and Limitations 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, the 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 preprinted deposit slip. You should only provide your bank and 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: you may provide your check to a merchant or service provider who 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 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.

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 intimated 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.
- A stop payment order against an ACH/EFT transfer is effective **ONLY** against the initial ACH/EFT transfer. The customer is responsible for contacting the originator of the ACH/EFT to stop future transfers.

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 you 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

Any disputes concerning Electronic Fund Transfers (Reg E) or Truth in Lending (Reg Z) received by e-mail 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 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 with 10 business days (5 days for errors involving UISA 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 of our investigation. You may request copies of the documents used in our investigation.

Accessing Your Accounts

You are responsible for maintaining the confidentiality of your password and account data. We are entitled to act on transaction instructions received using your password. You agree that the use of your password will have the same effect as your signature, authorizing the transaction(s).

YOU SHOULD NOT, UNDER ANY CIRCUMSTANCES, DISCLOSE YOUR PASSWORD BY TELEPHONE, E-MAIL, IN WRITING, OR ORALLY TO ANYONE CLAIMING TO REPRESENT LYTLE STATE BANK. BANK EMPLOYEES WILL NEVER ASK FOR YOUR PASSWORD OR OTHER ACCOUNT INFORMATION.

Multifactor Authentication

As of December 31, 2006, financial institutions are required to comply with the Federal Financial Institutions Examination Council (FFIEC) guidance to implement a form of multifactor authentication (MFA). MFA requires the user to supply at least one additional identification factor.

Multifactor authentication security enrollment will include:

- Internet banking User ID and Password
- Customer enrollment
 1. An authentication phrase for the randomly selected authentication image
 2. Selected and answer three challenge questions
 3. Selected personal or public computer

As a customer of Lytle State Bank, you may access your accounts by selecting and using multifactor authentication. Any person having access to your Internet Banking authentication will be able to access Internet Banking Services and perform all transactions, including reviewing account information and making transfers to other accounts that have mutual ownership. You are responsible for all transactions made or authorized using your authentication.

The first time you log on to Internet Banking you will be asked to choose an Access ID and Password. The Access ID you select may be any combination of alpha/numeric characters from five to ten digits in length. Access IDs and Passwords are case sensitive. For example, if you enter your password as 1234abcd you cannot use 1234ABCD. It is recommended that you change your password periodically to enhance security.

Customer enrollment will require an authentication phrase for the randomly selected authentication image. It will also require you to select and answer three challenge questions and select personal or public computer.

For security purposes, your account will be locked after three invalid access attempts. The lock out will remain in effect for five minutes. If your account becomes locked a second time, you must contact the Electronic Banking Department of Lytle State Bank before you will be permitted future access.

Fees and Charges

Fees for this service shall be payable in accordance with a schedule of charges as established and amended from time to time (see Limits and Fees). Charges will automatically be deducted from your account. We shall provide monthly notice of such charges to you. There will be no fee associated with account inquiries.

We reserve the right to cancel your online service at any time without notice due to insufficient funds in one or more of your accounts. After cancellation, service may be reinstated at the discretion of the bank provided an agreement is made regarding payment of any fees and or pending transfers.

Hours of Accessibility

You may access Internet Banking seven days a week, 24 hours a day. Necessary system maintenance will be scheduled for hours during which system traffic is normally at a minimum. If the system is unavailable due to an unanticipated problem, the automated telephone voice response system shall be available for your use.

If you do not access your accounts via Internet Banking for any consecutive six-month period, we reserve the right to disconnect your service.

Unauthorized Transactions

You must notify us immediately if you suspect that another person has improperly obtained and/or used your online password. You must also notify us if someone has transferred or may transfer money from your bank account without your permission, or if you suspect any fraudulent activity related to your account. To notify us, call the Lytle State Bank Electronic Banking Department at (830) 709-3601.

If you believe your online password has been lost, stolen, or compromised and you tell us within two business days after you learn of the loss or theft, your loss will be limited to not more than \$50.00 by federal law.

If you do NOT tell us within two business days after you learn of the loss or theft, where we could have prevented a loss had you told us, you could lose as much as \$500.00.

If your statement shows transactions that you did not make or authorize, please notify us at once. If you do not notify us within sixty days (60) after the paper or online statement was sent to you, and we could have prevented a loss if you had notified us, you may not get back any lost funds. If documented extenuating circumstances, such as an extended trip or hospital stay, kept you from telling us, the time periods in this section may be extended.

Scheduling Payments

If you choose to use on-line bill payment service (iPay) you will be governed by the rules of bill paying service which you will also be required to accept.

Governing Law

The laws of the State of Texas shall govern this agreement and all transactions hereunder. You acknowledge that you have reviewed this customer agreement, understand the terms and conditions set forth herein, and agree to be bound hereby.

Limits and Liabilities

We will not be responsible for the following incidents, errors or failures:

Access

We will not be responsible for failure to provide access or for interruptions in access to Lytle State Bank Internet Banking service due to a system failure or due to other unforeseen acts or circumstances.

You Computer Equipment or Software

We will not be responsible for any errors or failures caused by any malfunction or your computer or any computer virus or other problems related to your computer equipment.

We are not responsible for any error, damages, or other losses you may suffer due to the malfunction or misapplication any system used by you, including your browser, your online service provider, your personal financial management or other software, or any equipment you may use to access or communicate with Lytle State Bank Internet Banking service.

We recommend you use a browser with 128-bit encryption to ensure the highest level of security available on the Internet.

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