

BRUNING STATE BANK

Your Country Bank Since 1891



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Ups in the Downside?

Is there an upside to this downside? Recently it seems all the news media have spent a lot of time on the decline of farm income. They are right about the decline, but this is probably a time for serious adjustments.

The old German saying that "the trees don't grow to the sky" brings us back to reality. Another saying of my dad's was that sometimes we can't stand prosperity. My neighbor Chauncey reminded me that as we walk through the doorways of life, several adjustments need to be made.

With the profit squeeze in agriculture and rural businesses, the time for some of those adjustments is either here or getting closer.

We can't ignore the profit squeeze, but we want to be careful not to hit the panic button, or freeze without turning our businesses around. But then, not making any decision is making a decision.

In all walks of life, we need to step back and see where we have been, then look ahead to where it is reasonable to go. So where do farmers look?

- Rent adjustment – do some mid-year and year-end cash flows, and share them with your lender, if applicable. Make some changes if they are necessary or possible.
- Family living cost – not the cost of living high, but the cost of high living.
- Machinery sharing, labor sharing, off-season off-farm work – All of these involve difficult decisions when you have been in charge of your own destiny, and now you need to share your time with others.

This is not the 30s, which I can remember, but there are similarities. Back then, people took out their phones, many parked their cars, but there were also many that came up with innovative ideas to generate cash.

The point I'm trying to make is this: Be proactive! It is a good time to build relationships with your landlords, business "partners", family, and neighbors – share ideas and help one another. I can reflect back to old people talking about the 30s, saying it was the best time for family and friends – difficult times brought them together emotionally. We need to strengthen those ties.

Technology has helped agriculture tremendously, but we need to keep that from overshadowing intelligence. There is a time lag in which hard times end before we realize it, and a time lag before we can see that things get better. It's time to recognize the change. After all, if you can't recognize a problem, how can you change it?

I'm betting on better times and stronger people in agriculture and business.

*Banker Frank – Frank L. Bruning
Chairman of the Board*

*"Adversity causes some men to break, and others to break records."
- William Arthur Ward*

Taxes and the IRS...

If you have been listening to the radio lately, you may have heard an ad from a group called "Taxpayers' Lives Matter" in which a landlord and a tenant are writing each other a letter. It goes something like this:

"Dear Landlord, I regret to ask you to lower your rent for the coming year as commodity prices have dropped considerably."

Then you hear:

"Dear Tenant, I regret to tell you that your rent will be going up as my real estate taxes are higher next year."

This illustrates quite a dilemma, and we, as bankers, are asked the same questions from both landlords and tenants. Nebraska real estate taxes are some of the highest in the nation, and we have more government workers per capita than most states.

The problem is that real estate (farmland, at least) values have increased dramatically in the last ten years and landowners are bearing the brunt of the increase. In some places, real estate taxes are approaching \$100 per acre on irrigated land and some of these increases are up more than 300% over the last ten years. It is not the tax levy that goes up, it is the value that changes the equation.

We are recommending that landlords and tenants consider taxes and commodity prices when discussing leases this fall and winter. And be sure to pay attention to how and where your taxes are being used.

Changing gears a bit, an IRS ruling that may affect farmers, ranchers, and small businesses is being considered for implementation yet this December. Section 2704 of the IRS Code now allows family-owned businesses to pass assets on to their children at a discounted book value of about 60% if they gift or settle an estate. With land values at all-time highs, passing on a \$10,000 per acre farm at a \$6,000 per acre value would be quite helpful for families in estate planning with closely-held businesses.

This tax benefit could be eliminated this December if IRS rules change. Family-owned businesses have used this to obtain favorable discounts on gifts and bequests, and has been a common estate-planning strategy for years.

In view of the foregoing, those who are considering transfers of interest in a family-controlled entity are encouraged to visit with their accountant, attorney, and banker while there is still time to act.

Fred D. Bruning – President

"We must care for each other more, and tax each other less." – Bill Archer

Managing To Break Even...

While it may not sound very glamorous, it could be the only “play” on the table for the next few years, if you’re in production agriculture. From the cash grain farmer to the livestock producer, the next few years are going to be tough, according to almost any farm economist you talk to.

As your bank, we are concerned about your financial well-being. We want to do everything we can to help you protect your equity. It could be an opportunity to go from being in the red to breaking even or making a small profit. Usually it isn’t pleasant, as you are forced to do some things you are not that excited about doing.

Managing to break even means many different things based on your specific operation, and what you and your family’s skills are, as well as what changes you are willing to live with.

While there are numerous things you can do to adjust your operation, I have a few which are the most common in reconfiguring your business:

- Lowering your personal standard of living may be part of the solution. Living expense is the number one expense item that has to be managed. For most farm families, the standard of living has gone up significantly over the past several years. Cutting your living expenses is very painful and may cause some disruption in the household, but it has to be addressed to protect your equity and keep your business viable for the future.
- Scrubbing the cash flow to see if any fat can be trimmed off the expenses or finding efficiencies. You should not cut production input cost that will negatively impact your yield, unless the projected increase in yield won’t pay for the expense.
- It may mean selling assets which are near and dear to your heart but are not very practical or cost you money to own. If your equity loss has been or projects to be substantial, you may have to sell assets that you consider vital to your operation as it is run today. Looking at all of the assets on your balance sheet and establishing which ones have the highest return will help you decide.
- You, your spouse, or both of you may need to go find jobs. If you’re over fifty, this is really making a change and it could be the consequence of having had to sell enough assets to reduce your debt and thus you are no longer a full time farmer.

None of the ideas I have listed are pleasant, but remember it’s your equity and your family’s future. I’ve seen too many times in the 80s when people were not willing to face reality and make adjustments, then ended up losing everything. There’s an old saying “You can either manage your business or the economy will do it for you, and it will do it in a very ruthless way.”

*Darrell Raum –
Senior Vice President*

Things are Changing...

With the losses in the fed cattle industry and the low prices in grains, it is time for all borrowers to get to know their bankers better. If they haven’t before now, it is really important that borrowers meet with their bankers before harvest or immediately after and begin a frank discussion about where they stand and how the bank views their situation. Remember, you will not be alone in your financial condition. Be proactive and don’t make your banker come and find you!

Every so many years, we go through some down times and we (Banker and Farmer) have to change some habits.

On the banking side we need to pay more attention to detail. Our loaned money becomes a bigger part of the overall expenses and we start to have much more at stake with the farmer’s operation.

In early September, I was able to attend a Dr. Kohl presentation. Many of you know who he is. He will be in Holdrege on December 15th, so mark your calendars.

Dr. Kohl said that those that will be able to grow in agriculture in the future will be able to:

1. Reduce cash rents that are excessive
2. Cut \$25-50 per acre on their inputs cost
3. Ability to cut family living by \$25,000-\$50,000
4. Have a good marketing plan
5. Have an overall risk management plan that includes crop insurance, etc.
6. Diversification

I would add that cash flows will be essential in today’s world if you borrow a majority of your expenses. This will help you manage your operation by giving you a cost of production. With this figure, you can market more effectively and you can make better management decisions.

Do you and your family put together your short and long term goals? This exercise is important and you should provide this to your banker.

If you have a tight situation, your banker may require you to provide a one page plan of how you will correct your situation.

All in all, as we move through this next cycle your banker will be requiring you to communicate closely and provide various management plans that can be used for your use and the bank’s use. These plans are important for your business.

During these times, we always seem to get better at managing our overall business because we are forced to plan at a higher level.

*John Boehler –
Holdrege Branch President*

How Credit Problems Can Hurt You...

Most adults are aware that credit problems can have an adverse impact on applications to obtain credit to buy a car or a home. Credit problems resulting in a low credit score result from a poor repayment history, job loss, marital discord, illness, or many other life challenges. A low credit score adverse effect is immediately noticeable when a loan application may be declined or a much higher rate charged due to a higher degree of perceived risk by the creditor.

However, many adults would be surprised to learn that credit problems can affect them in many aspects of their life. An increasingly common event is the use of credit histories to screen prospective employees. A troubled credit history can be problematic to an employer for several reasons. Most prominently, an employee struggling to pay bills may be viewed (rightly or wrongly) as more apt to commit theft or to embezzle company funds. They may also be considered to be more susceptible to bribery or the employer may simply think the failure to handle obligations responsibly is a negative reflection on the ability of the applicant.

Employers, with some restrictions, are permitted to conduct background checks on applicants and later with employees being considered for promotion or reassignment. According to industry sources (Society for Human Resource Management) approximately 60% of private employers check credit histories on some job applicants while as many as 13% check all potential hires. Many government positions or positions requiring surety bonds require a credit history report.

Many property and casualty insurance companies use credit histories as a factor in underwriting insurance policies and the premiums being charged. A poor history of financial dealings can be interpreted by the insurance underwriters as recklessness, inattention to detail, or carelessness and none of these are admirable attributes to a company covering you for loss or liability.

Lastly, landlords and real estate management companies are beginning to use credit histories for many of the same reasons as the insurance industry, plus finding a way to assess trustworthiness in payment rentals due on time.

In conclusion, good payment habits and a track record of being financially responsible will never hurt you, and instead may save you many dollars and headaches in your life.

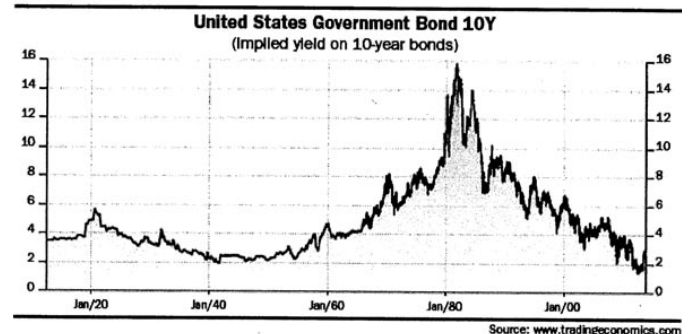
*Douglas King –
Kearney Branch President*

Interest Rate Trends...

Below you will find a chart reflecting interest rate yields for the 10 year US Government Bond during the past 100 years. It is wise to review this chart and reflect on the past trend for interest rates. Many of us assume interest rates are going to increase. If you look back over time, it's apparent that 4% has been the standard for most of the past century. Many of us can recall the problems that high interest rates caused in the middle 1980s. This created financial hardships when interest rates to borrowers climbed to around 20%. Those who had money deposited in Bank CDs, and enjoyed the benefits of retirement income from interest earnings. The high interest rate was a contributing factor to the severe recession during that time.

LONG-TERM RATE TRENDS

Interest rates have just recently broken low levels set in the 1940s.



Despite this history, the Federal Reserve Bank continues to discuss raising interest rates. Raising the Fed Rate is a method to slow down the growth of the US economy or Gross Domestic Product (GDP). When GDP rises too fast, this becomes inflationary to our economy. The Federal Reserve Bank reacts to slow the inflation rate by making borrowing more expensive to curb expansion. The Fed becomes like a governor on our economy.

In recent years, the US economy has slowed down, so the Fed reduced interest rates to stimulate the economy. This has increased investment such as home building and manufacturing expansion. These activities increase employment needs causing our economy or GDP to increase.

The Fed seems to like to see a 2-3% annual growth. About the time the Fed meets to discuss raising interest rates, it seems that the US economy "catches a cold." The Federal Reserve has again hesitated raising Fed rates. The August Job Growth creation report was lower than expected, so increasing rates are put on hold again.

In summary, those who have borrowed money have been the benefactor of low cost interest rates. On the contrary, depositors have earned little interest on their savings, not even keeping up with inflation. We all think interest rates are going to increase which will probably happen gradually. The chart reveals that today's interest rates are quite normal.

*Dan Jelinek –
Broken Bow Branch President*

Do You Have A Plan?

I came across a satirically written article by Mike Wilson of Farm Futures magazine. While reading, I couldn't help but chuckle a little as to how it relates to a lot of producers and small business people alike when they don't have a well thought-out plan in place. In this story, the writer paints a picture of a farmer whose wife thinks he needs to have his head examined when he explained to her he has all of last year's crop in the bins and no money in the bank.

A few excerpts of the conversation go as follows:

"What seems to be the problem?" the doctor asks.
"Well, doc, it's like this, I'm afraid to sell my grain."
The doctor pauses, then says, "Isn't that why you're a farmer? To produce and sell grain that will go on to make feed, fiber, and fuel?"
The farmer explains himself, "Whenever I sell, the market goes up the next day! So it makes sense to me that if the market is going up, I should just wait to see if it goes up the next day."
"And then what happens?" said the doctor.
"Sometimes it does go up."
"And then you sell?" asked the doctor.
"Heck, no, it might go up again the next day, too!"
The doctor then asks the farmer what happens when the market goes down.
"Well, doc, I couldn't possibly sell if the price is going down either; I don't want to sell in a down-market, do you think I'm nuts?!"
The doctor then yells out to his receptionist, "Hold all my calls, this may take a while!"

This particular individual was paralyzed by indecision. I think we all can relate to a time when we didn't particularly have a plan in place and when events out of our control create uncertainty, we become unable to decide what to do next. As we proceed through this time of lower farm income and economic/political uncertainty, it becomes imperative that every operation has a solid plan in place and that you have effectively communicated your plan to your marketing advisor, agronomy professional, and banker, to name a few. How about other members of your team such as spouses and family employees who have a vested interest in the viability of the operation?

You may not be able to hit that home run every time, but having a solid plan in place to limit unnecessary expenses and take advantage of opportunities as they are presented, is just the ticket to both survival and growth. Aspire to be the batter with the best average, rather than the one who strikes out always looking for the home run.

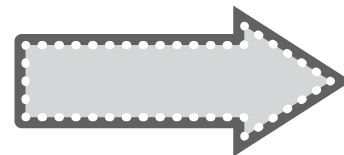
*Zach Messman - Loan Officer
Young Bankers of BSB*

Updated Disclosures...

The insert included is our updated deposit account Terms & Conditions. As you know, banking regulations change frequently and while the changes in this disclosure will not greatly affect how your account is managed by Bruning State Bank, we encourage you to look through it and contact us with any questions you may have. A few highlights:

- The Deposit and Withdrawal sections have been updated with language that better reflect current banking laws and the changing legal landscape.
- A new Notice section that makes information about notifying the Bank of changes to your account, as well as notice of changes coming from the Bank easier to find.
- Clarification on Check Processing, Stop Payments, ACH, and Wires as they apply to your account.

TERMS AND CONDITIONS



CROP INSURANCE – IMPORTANT DATES

- Oct 1st – Interest begins accruing on unpaid MPCI Row Crop premium
- Oct 1st – Hail insurance premium due
- Oct 15th – Final Plant Date for Wheat in Nebraska
- Oct 30th – End of Late Plant period for Nebraska Wheat
- Oct 31st – Final Plant Date for Wheat in Kansas
- Nov 15th – End of Late Plant period for Kansas Wheat
- Nov 15th - Acreage Reporting deadline for 2017 Wheat
- Nov 15th - Pasture Rangeland Forage Sales Closing/Acreage Reporting
- Dec 10th – End of Insurance for Corn, Milo, Soybeans



Bruning State Bank
INSURANCE AGENCY

**Kathy, Jeff, Shari, Craig, Brian,
Janet, Ryne, Zach**
Crop Insurance Agents

Not FDIC Insured. Not a guarantee of the Bank.
Not a deposit of the Bank. Not insured by any federal
government agency. May go down in value.

TERMS AND CONDITIONS OF YOUR ACCOUNT

NOTICE OF CHANGE - This is a notice of changes to the Terms and Conditions of your account with us. Effective 30 calendar days after we sent this notice to you, your account(s) shall be governed by the following terms and conditions. Continued use of your account(s) after receipt of these terms and conditions constitutes acceptance of, and agreement to, the terms and conditions.

Contents:

- (1) Important Information about Procedures for Opening a New Account
- (2) Agreement
- (3) Liability
- (4) Deposits
- (5) Withdrawals
 - Generally*
 - Postdated Checks*
 - Checks and Withdrawal Rules*
 - A Temporary Debit Authorization Hold Affects Your Account Balance*
 - Overdrafts*
 - Multiple Signatures, Electronic Check Conversion, and Similar Transactions*
 - Notice of Withdrawal*
- (6) Ownership of Account and Beneficiary Designation
 - Single-Party Account*
 - Multiple-Party Account*
- (7) Rights at Death
 - Single-Party Account*
 - Multiple-Party Account With Right of Survivorship*
 - Multiple-Party Account Without Right of Survivorship*
 - Single-Party Account With Pay-on-Death Designation*
 - Multiple-Party Account With Right of Survivorship and Pay-on-Death Designation*
- (8) Business, Organization, and Association Accounts
- (9) Stop Payments
- (10) Telephone Transfers
- (11) Amendments and Termination
- (12) Notices
- (13) Statements
 - Your Duty to Report Unauthorized Signatures, Alterations, and Forgeries*
 - Your Duty to Report Other Errors*
 - Errors Relating to Electronic Fund Transfers or Substitute Checks*
- (14) Direct Deposits
- (15) Temporary Account Agreement
- (16) Setoff
- (17) Check Processing
- (18) Check Cashing
- (19) Truncation, Substitute Checks, and Other Check Images
- (20) Remotely Created Checks
- (21) Unlawful Internet Gambling Notice
- (22) ACH and Wire Transfers
- (23) Facsimile Signatures
- (24) Agency (Power of Attorney) Designation
- (25) Restrictive Legends or Indorsements
- (26) Account Transfer
- (27) Indorsements
- (28) Death or Incompetence
- (29) Fiduciary Accounts
- (30) Credit Verification
- (31) Legal Actions Affecting Your Account
- (32) Security
- (33) Telephonic Instructions
- (34) Monitoring and Recording Telephone Calls and Consent to Receive Communications
- (35) Claim of Loss
- (36) Early Withdrawal Penalties
- (37) Address or Name Changes
- (38) Resolving Account Disputes
- (39) Waiver of Notices

(1) 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.

(2) AGREEMENT - This document, along with any other documents we give you pertaining to your account(s), is a contract that establishes rules which control your account(s) with us. Please read this carefully and retain it for future reference. If you sign the signature card or open or continue to use the account, you agree to these rules. You will receive a separate schedule of rates, qualifying balances, and fees if they are not included in this document. If you have any questions, please call us.

This agreement is subject to applicable federal laws, the laws of the state of Nebraska and other applicable rules such as the operating letters of the Federal Reserve Banks and payment processing system rules (except to the extent that this agreement can and does vary such rules or laws). The body of state and federal law that governs our relationship with you, however, is too large and complex to be reproduced here. The purpose of this document is to:

- (1) summarize some laws that apply to common transactions;

- (2) establish rules to cover transactions or events which the law does not regulate;
- (3) establish rules for certain transactions or events which the law regulates but permits variation by agreement; and
- (4) give you disclosures of some of our policies to which you may be entitled or in which you may be interested.

If any provision of this document is found to be unenforceable according to its terms, all remaining provisions will continue in full force and effect. We may permit some variations from our standard agreement, but we must agree to any variation in writing either on the signature card for your account or in some other document. Nothing in this document is intended to vary our duty to act in good faith and with ordinary care when required by law.

As used in this document the words "we," "our," and "us" mean the financial institution and the words "you" and "your" mean the account holder(s) and anyone else with the authority to deposit, withdraw, or exercise control over the funds in the account. However, this agreement does not intend, and the terms "you" and "your" should not be interpreted, to expand an individual's responsibility for an organization's liability. If this account is owned by a corporation, partnership or other organization, individual liability is determined by the laws generally applicable to that type of organization. The headings in this document are for convenience or reference only and will not govern the interpretation of the provisions. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular. "Party" means a person who, by the terms of an account, has a present right, subject to request, to payment from the account other than as a beneficiary or agent.

(3) LIABILITY - You agree, for yourself (and the person or entity you represent if you sign as a representative of another) to the terms of this account and the schedule of charges. You authorize us to deduct these charges, without notice to you, directly from the account balance as accrued. You will pay any additional reasonable charges for services you request which are not covered by this agreement.

Each of you also agrees to be jointly and severally (individually) liable for any account shortage resulting from charges or overdrafts, whether caused by you or another with access to this account. This liability is due immediately, and can be deducted directly from the account balance whenever sufficient funds are available. You have no right to defer payment of this liability, and you are liable regardless of whether you signed the item or benefited from the charge or overdraft.

You will be liable for our costs as well as for our reasonable attorneys' fees, to the extent permitted by law, whether incurred as a result of collection or in any other dispute involving your account. This includes, but is not limited to, disputes between you and another joint owner; you and an authorized signer or similar party; or a third party claiming an interest in your account. This also includes any action that you or a third party takes regarding the account that causes us, in good faith, to seek the advice of an attorney, whether or not we become involved in the dispute. All costs and attorneys' fees can be deducted from your account when they are incurred, without notice to you.

(4) DEPOSITS - We will give only provisional credit until collection is final for any items, other than cash, we accept for deposit (including items drawn "on us"). Before settlement of any item becomes final, we act only as your agent, regardless of the form of indorsement or lack of indorsement on the item and even though we provide you provisional credit for the item. We may reverse any provisional credit for items that are lost, stolen, or returned. Unless prohibited by law, we also reserve the right to charge back to your account the amount of any item deposited to your account or cashed for you which was initially paid by the payor bank and which is later returned to us due to an allegedly forged, unauthorized or missing indorsement, claim of alteration, encoding error or other problem which in our judgment justifies reversal of credit. You authorize us to attempt to collect previously returned items without giving you notice, and in attempting to collect we may permit the payor bank to hold an item beyond the midnight deadline. Actual credit for deposits of, or payable in, foreign currency will be at the exchange rate in effect on final collection in U.S. dollars. We are not responsible for transactions by mail or outside depository until we actually record them. We will treat and record all transactions received after our "daily cutoff time" on a business day we are open, or received on a day we are not open for business, as if initiated on the next business day that we are open. At our option, we may take an item for collection rather than for deposit. If we accept a third-party check for deposit, we may require any third-party indorsers to verify or guarantee their indorsements, or indorse in our presence.

(5) WITHDRAWALS -

Generally - Unless clearly indicated otherwise on the account records, any of you, acting alone, who signs to open the account or has authority to make withdrawals may withdraw or transfer all or any part of the account balance at any time. Each of you (until we receive written notice to the contrary) authorizes each other person who signs or has authority to make withdrawals to indorse any item payable to you or your order for deposit to this account or any other transaction with us.

Postdated checks - A postdated check is one which bears a date later than the date on which the check is written. We may properly pay and charge your account for a postdated check even though payment was made before the date of the check, unless we have received written notice of the postdating in time to have a reasonable opportunity to act. Because we process checks mechanically, your notice will not be effective and we will not be liable for failing to honor your notice unless it precisely identifies the number, date, amount and payee of the item.

Checks and withdrawal rules - If you do not purchase your check blanks from us, you must be certain that we approve the check blanks you purchase. We may refuse any withdrawal or transfer request which you attempt on forms not approved by us or by any method we do not specifically permit. We may refuse any withdrawal or transfer request which is greater in number than the frequency permitted, or which is for an amount greater or less than any withdrawal limitations. We will use the date the transaction is completed by us (as opposed to the date you initiate it) to apply the frequency limitations. In addition, we may place limitations on the account until your identity is verified.

Even if we honor a nonconforming request, we are not required to do so later. If you violate the stated transaction limitations (if any), in our discretion we may close your account or reclassify it as a transaction account. If we reclassify your account, your account will be subject to the fees and earnings rules of the new account classification.

If we are presented with an item drawn against your account that would be a "substitute check," as defined by law, but for an error or defect in the item introduced in the substitute check creation process, you agree that we may pay such item.

See the funds availability policy disclosure for information about when you can withdraw funds you deposit. For those accounts to which our funds availability policy

disclosure does not apply, you can ask us when you make a deposit when those funds will be available for withdrawal. An item may be returned after the funds from the deposit of that item are made available for withdrawal. In that case, we will reverse the credit of the item. We may determine the amount of available funds in your account for the purpose of deciding whether to return an item for insufficient funds at any time between the time we receive the item and when we return the item or send a notice in lieu of return. We need only make one determination, but if we choose to make a subsequent determination, the account balance at the subsequent time will determine whether there are insufficient available funds.

A temporary debit authorization hold affects your account balance - On debit card purchases, merchants may request a temporary hold on your account for a specified sum of money, which may be more than the actual amount of your purchase. When this happens, our processing system cannot determine that the amount of the hold exceeds the actual amount of your purchase. This temporary hold, and the amount charged to your account, will eventually be adjusted to the actual amount of your purchase, but it may be up to three days before the adjustment is made. Until the adjustment is made, the amount of funds in your account available for other transactions will be reduced by the amount of the temporary hold. If another transaction is presented for payment in an amount greater than the funds left after the deduction of the temporary hold amount, that transaction will be a nonsufficient funds (NSF) transaction if we do not pay it or an overdraft transaction if we do pay it. You will be charged an NSF or overdraft fee according to our NSF or overdraft fee policy. You will be charged the fee even if you would have had sufficient funds in your account if the amount of the hold had been equal to the amount of your purchase.

Here is an example of how this can occur – assume for this example the following: (1) you have opted-in to our overdraft services for the payment of overdrafts on ATM and everyday debit card transactions, (2) we pay the overdraft, and (3) our overdraft fee is \$35 per overdraft, but we do not charge the overdraft fee if the transaction overdraws the account by less than \$10.

You have \$120 in your account. You swipe your card at the card reader on a gasoline pump. Since it is unclear what the final bill will be, the gas station's processing system immediately requests a hold on your account in a specified amount, for example, \$80. Our processing system authorizes a temporary hold on your account in the amount of \$80, and the gas station's processing system authorizes you to begin pumping gas. You fill your tank and the amount of gasoline you purchased is only \$50. Our processing system shows that you have \$40 in your account available for other transactions (\$120 - \$80 = \$40) even though you would have \$70 in your account available for other transactions if the amount of the temporary hold was equal to the amount of your purchase (\$120 - \$50 = \$70). Later, another transaction you have authorized is presented for payment from your account in the amount of \$60 (this could be a check you have written, another debit card transaction, an ACH debit or any other kind of payment request). This other transaction is presented before the amount of the temporary hold is adjusted to the amount of your purchase (remember, it may take up to three days for the adjustment to be made). Because the amount of this other transaction is greater than the amount our processing system shows is available in your account, our payment of this transaction will result in an overdraft transaction. Because the transaction overdraws your account by \$20, your account will be assessed the overdraft fee of \$35 according to our overdraft fee policy. You will be charged this \$35 fee according to our policy even though you would have had enough money in your account to cover the \$60 transaction if your account had only been debited the amount of your purchase rather than the amount of the temporary hold or if the temporary hold had already been adjusted to the actual amount of your purchase.

Overdrafts - You understand that we may, at our discretion, honor withdrawal requests that overdraw your account. However, the fact that we may honor withdrawal requests that overdraw the account balance does not obligate us to do so later. So you can NOT rely on us to pay overdrafts on your account regardless of how frequently or under what circumstances we have paid overdrafts on your account in the past. We can change our practice of paying overdrafts on your account without notice to you. You can ask us if we have other account services that might be available to you where we commit to paying overdrafts under certain circumstances, such as an overdraft protection line-of-credit or a plan to sweep funds from another account you have with us. You agree that we may charge fees for overdrafts. For consumer accounts, we will not charge fees for overdrafts caused by ATM withdrawals or one-time debit card transactions if you have not opted-in to that service. We may use subsequent deposits, including direct deposits of social security or other government benefits, to cover such overdrafts and overdraft fees.

Multiple signatures, electronic check conversion, and similar transactions - An electronic check conversion transaction is a transaction where a check or similar item is converted into an electronic fund transfer as defined in the Electronic Fund Transfers regulation. In these types of transactions the check or similar item is either removed from circulation (truncated) or given back to you. As a result, we have no opportunity to review the check to examine the signatures on the item. You agree that, as to these or any items as to which we have no opportunity to examine the signatures, you waive any requirement of multiple signatures.

Notice of withdrawal - We reserve the right to require not less than 7 days' notice in writing before each withdrawal from an interest-bearing account other than a time deposit or demand deposit, or from any other savings account as defined by Regulation D. (The law requires us to reserve this right, but it is not our general policy to use it.) Withdrawals from a time account prior to maturity or prior to any notice period may be restricted and may be subject to penalty. See your notice of penalty for early withdrawal.

(6) OWNERSHIP OF ACCOUNT AND BENEFICIARY DESIGNATION - These rules apply to this account depending on the form of ownership and beneficiary designation, if any, specified on the account records. We make no representations as to the appropriateness or effect of the ownership and beneficiary designations, except as they determine to whom we pay the account funds.

Single-Party Account - Such an account is owned by one party.

Multiple-Party Account - Parties own account in proportion to net contributions unless there is clear and convincing evidence of a different intent.

(7) RIGHTS AT DEATH - Single-Party Account - At the death of a party, ownership passes as part of the party's estate.

Multiple-Party Account With Right of Survivorship - At death of party, ownership passes to surviving parties. If two or more parties survive and one is the surviving spouse of the deceased party, the amount to which the deceased party, immediately before death, was beneficially entitled by law belongs to the surviving spouse. If two or more parties survive and none is the spouse of the decedent, the amount to which the deceased party, immediately before death, was beneficially entitled by law belongs to the surviving parties in equal shares, and augments the proportion to

which each surviving party, immediately before the deceased party's death, was beneficially entitled under law, and the right of survivorship continues between the surviving parties.

Multiple-Party Account Without Right of Survivorship - At death of party, deceased party's ownership passes as part of deceased party's estate.

Single-Party Account With Pay-on-Death Designation - At death of the party, ownership passes to the designated pay-on-death beneficiaries and is not part of the party's estate.

Multiple-Party Account With Right of Survivorship and Pay-on-Death Designation - At death of last surviving party, ownership passes to the designated pay-on-death beneficiaries and is not part of the last surviving party's estate.

(8) BUSINESS, ORGANIZATION AND ASSOCIATION ACCOUNTS - Earnings in the form of interest, dividends, or credits will be paid only on collected funds, unless otherwise provided by law or our policy. You represent that you have the authority to open and conduct business on this account on behalf of the entity. We may require the governing body of the entity opening the account to give us a separate authorization telling us who is authorized to act on its behalf. We will honor the authorization until we actually receive written notice of a change from the governing body of the entity.

(9) STOP PAYMENTS - Unless otherwise provided, the rules in this section cover stopping payment of items such as checks and drafts. Rules for stopping payment of other types of transfers of funds, such as consumer electronic fund transfers, may be established by law or our policy. If we have not disclosed these rules to you elsewhere, you may ask us about those rules.

We may accept an order to stop payment on any item from any one of you. You must make any stop-payment order in the manner required by law and we must receive it in time to give us a reasonable opportunity to act on it before our stop-payment cutoff time. Because stop-payment orders are handled by computers, to be effective, your stop-payment order must precisely identify the number, date, and amount of the item, and the payee. You may stop payment on any item drawn on your account whether you sign the item or not. Your stop payment order is effective for six months if it is given to us in writing or by another type of record (Generally, a "record" is information that is stored in such a way that it can be retrieved and can be heard or read and understood – you can ask us what type of stop payment records you can give us). Your order will lapse after that time if you do not renew the order in writing before the end of the six-month period. If the original stop-payment order was oral your stop-payment order will lapse after 14 calendar days if it is not confirmed in writing or by another type of record within that time period. We are not obligated to notify you when a stop-payment order expires. A release of the stop-payment request may be made only by the person who initiated the stop-payment order.

If you stop payment on an item and we incur any damages or expenses because of the stop payment, you agree to indemnify us for those damages or expenses, including attorneys' fees. You assign to us all rights against the payee or any other holder of the item. You agree to cooperate with us in any legal actions that we may take against such persons. You should be aware that anyone holding the item may be entitled to enforce payment against you despite the stop-payment order.

Our stop-payment cutoff time is one hour after the opening of the next banking day after the banking day on which we receive the item. Additional limitations on our obligation to stop payment are provided by law (e.g., we paid the item in cash or we certified the item).

(10) TELEPHONE TRANSFERS - A telephone transfer of funds from this account to another account with us, if otherwise arranged for or permitted, may be made by the same persons and under the same conditions generally applicable to withdrawals made in writing. Unless a different limitation is disclosed in writing, we restrict the number of transfers from a savings account to another account or to third parties, to a maximum of six per month (less the number of "preauthorized transfers" during the month). Other account transfer restrictions may be described elsewhere.

(11) AMENDMENTS AND TERMINATION - We may change any term of this agreement. Rules governing changes in interest rates are provided separately in the Truth-in-Savings disclosure or in another document. For other changes, we will give you reasonable notice in writing or by any other method permitted by law. We may also close this account at any time upon reasonable notice to you and tender of the account balance personally or by mail. Items presented for payment after the account is closed may be dishonored. When you close your account, you are responsible for leaving enough money in the account to cover any outstanding items to be paid from the account. Reasonable notice depends on the circumstances, and in some cases such as when we cannot verify your identity or we suspect fraud, it might be reasonable for us to give you notice after the change or account closure becomes effective. For instance, if we suspect fraudulent activity with respect to your account, we might immediately freeze or close your account and then give you notice. If we have notified you of a change in any term of your account and you continue to have your account after the effective date of the change, you have agreed to the new term(s).

(12) NOTICES - Any written notice you give us is effective when we actually receive it, and it must be given to us according to the specific delivery instructions provided elsewhere, if any. We must receive it in time to have a reasonable opportunity to act on it. If the notice is regarding a check or other item, you must give us sufficient information to be able to identify the check or item, including the precise check or item number, amount, date and payee. Written notice we give you is effective when it is deposited in the United States Mail with proper postage and addressed to your mailing address we have on file. Notice to any of you is notice to all of you.

(13) STATEMENTS - Your duty to report unauthorized signatures, alterations and forgeries - You must examine your statement of account with "reasonable promptness." If you discover (or reasonably should have discovered) any unauthorized signatures or alterations, you must promptly notify us of the relevant facts. As between you and us, if you fail to do either of these duties, you will have to either share the loss with us, or bear the loss entirely yourself (depending on whether we used ordinary care and, if not, whether we substantially contributed to the loss). The loss could be not only with respect to items on the statement but other items with unauthorized signatures or alterations by the same wrongdoer.

You agree that the time you have to examine your statement and report to us will depend on the circumstances, but will not, in any circumstance, exceed a total of 30 days from when the statement is first sent or made available to you.

You further agree that if you fail to report any unauthorized signatures, alterations or forgeries in your account within 60 days of when we first send or make the statement available, you cannot assert a claim against us on any items in that statement, and as between you and us the loss will be entirely yours. This 60-day limitation is without regard to whether we used ordinary care. The limitation in this paragraph is in addition to that contained in the first paragraph of this section.

Your duty to report other errors - In addition to your duty to review your statements for unauthorized signatures, alterations and forgeries, you agree to examine your statement with reasonable promptness for any other error - such as an encoding error. In addition, if you receive or we make available either your items or images of your items, you must examine them for any unauthorized or missing indorsements or any other problems. You agree that the time you have to examine your statement and items and report to us will depend on the circumstances. However, this time period shall not exceed 60 days. Failure to examine your statement and items and report any errors to us within 60 days of when we first send or make the statement available precludes you from asserting a claim against us for any errors on items identified in that statement and as between you and us the loss will be entirely yours.

Errors relating to electronic fund transfers or substitute checks (For consumer accounts only) - For information on errors relating to electronic fund transfers (e.g., computer, debit card or ATM transactions) refer to your Electronic Fund Transfers disclosure and the sections on consumer liability and error resolution. For information on errors relating to a substitute check you received, refer to your disclosure entitled Substitute Checks and Your Rights.

(14) DIRECT DEPOSITS - If we are required for any reason to reimburse the federal government for all or any portion of a benefit payment that was directly deposited into your account, you authorize us to deduct the amount of our liability to the federal government from the account or from any other account you have with us, without prior notice and at any time, except as prohibited by law. We may also use any other legal remedy to recover the amount of our liability.

(15) TEMPORARY ACCOUNT AGREEMENT - If the account documentation indicates that this is a temporary account agreement, each person who signs to open the account or has authority to make withdrawals (except as indicated to the contrary) may transact business on this account. However, we may at some time in the future restrict or prohibit further use of this account if you fail to comply with the requirements we have imposed within a reasonable time.

(16) SETOFF - We may (without prior notice and when permitted by law) set off the funds in this account against any due and payable debt any of you owe us now or in the future. If this account is owned by one or more of you as individuals, we may set off any funds in the account against a due and payable debt a partnership owes us now or in the future, to the extent of your liability as a partner for the partnership debt. If your debt arises from a promissory note, then the amount of the due and payable debt will be the full amount we have demanded, as entitled under the terms of the note, and this amount may include any portion of the balance for which we have properly accelerated the due date.

This right of setoff does not apply to this account if prohibited by law. For example, the right of setoff does not apply to this account if: (a) it is an Individual Retirement Account or similar tax-deferred account, or (b) the debt is created by a consumer credit transaction under a credit card plan (but this does not affect our rights under any consensual security interest), or (c) the debtor's right of withdrawal only arises in a representative capacity, or (d) setoff is prohibited by the Military Lending Act or its implementing regulations. We will not be liable for the dishonor of any check when the dishonor occurs because we set off a debt against this account. You agree to hold us harmless from any claim arising as a result of our exercise of our right of setoff.

(17) CHECK PROCESSING - We process items mechanically by relying solely on the information encoded in magnetic ink along the bottom of the items. This means that we do not individually examine all of your items to determine if the item is properly completed, signed and indorsed or to determine if it contains any information other than what is encoded in magnetic ink. You agree that we have exercised ordinary care if our automated processing is consistent with general banking practice, even though we do not inspect each item. Because we do not inspect each item, if you write a check to multiple payees, we can properly pay the check regardless of the number of indorsements unless you notify us in writing that the check requires multiple indorsements. We must receive the notice in time for us to have a reasonable opportunity to act on it, and you must tell us the precise date of the check, amount, check number and payee. We are not responsible for any unauthorized signature or alteration that would not be identified by a reasonable inspection of the item. Using an automated process helps us keep costs down for you and all account holders.

(18) CHECK CASHING - We may charge a fee for anyone that does not have an account with us who is cashing a check, draft or other instrument written on your account. We may also require reasonable identification to cash such a check, draft or other instrument. We can decide what identification is reasonable under the circumstances and such identification may be documentary or physical and may include collecting a thumbprint or fingerprint.

(19) TRUNCATION, SUBSTITUTE CHECKS, AND OTHER CHECK IMAGES - If you truncate an original check and create a substitute check, or other paper or electronic image of the original check, you warrant that no one will be asked to make payment on the original check, a substitute check or any other electronic or paper image, if the payment obligation relating to the original check has already been paid. You also warrant that any substitute check you create conforms to the legal requirements and generally accepted specifications for substitute checks. You agree to retain the original check in conformance with our internal policy for retaining original checks. You agree to indemnify us for any loss we may incur as a result of any truncated check transaction you initiate. We can refuse to accept substitute checks that have not previously been warranted by a bank or other financial institution in conformance with the Check 21 Act. Unless specifically stated in a separate agreement between you and us, we do not have to accept any other electronic or paper image of an original check.

(20) REMOTELY CREATED CHECKS - Like any standard check or draft, a remotely created check (sometimes called a telecheck, preauthorized draft or demand draft) is a check or draft that can be used to withdraw money from an account. Unlike a typical check or draft, however, a remotely created check is not issued by the paying bank and does not contain the signature of the account owner (or a signature purported to be the signature of the account owner). In place of a signature, the check usually has a statement that the owner authorized the check or has the owner's name typed or printed on the signature line.

You warrant and agree to the following for every remotely created check we receive from you for deposit or collection: (1) you have received express and verifiable authorization to create the check in the amount and to the payee that appears on the check; (2) you will maintain proof of the authorization for at least 2 years from the date of the authorization, and supply us the proof if we ask; and (3) if a check is returned you owe us the amount of the check, regardless of when the check is returned. We may take funds from your account to pay the amount you owe us, and if there are insufficient funds in your account, you still owe us the remaining balance.

(21) UNLAWFUL INTERNET GAMBLING NOTICE - Restricted transactions as defined in Federal Reserve Regulation GG are prohibited from being processed through this account or relationship. Restricted transactions generally include, but are not limited to, those in which credit, electronic fund transfers, checks, or drafts are knowingly accepted by gambling businesses in connection with the participation by others in unlawful Internet gambling.

(22) ACH AND WIRE TRANSFERS - This agreement is subject to Article 4A of the Uniform Commercial Code - Fund Transfers as adopted in the state in which you have your account with us. If you originate a fund transfer and you identify by name and number a beneficiary financial institution, an intermediary financial institution or a beneficiary, we and every receiving or beneficiary financial institution may rely on the identifying number to make payment. We may rely on the number even if it identifies a financial institution, person or account other than the one named. You agree to be bound by automated clearing house association rules. These rules provide, among other things, that payments made to you, or originated by you, are provisional until final settlement is made through a Federal Reserve Bank or payment is otherwise made as provided in Article 4A-403(a) of the Uniform Commercial Code. If we do not receive such payment, we are entitled to a refund from you in the amount credited to your account and the party originating such payment will not be considered to have paid the amount so credited. Credit entries may be made by ACH. If we receive a payment order to credit an account you have with us by wire or ACH, we are not required to give you any notice of the payment order or credit.

(23) FACSIMILE SIGNATURES - Unless you make advance arrangements with us, we have no obligation to honor facsimile signatures on your checks or other orders. If we do agree to honor items containing facsimile signatures, you authorize us, at any time, to charge you for all checks, drafts, or other orders, for the payment of money, that are drawn on us. You give us this authority regardless of by whom or by what means the facsimile signature(s) may have been affixed so long as they resemble the facsimile signature specimen filed with us, and contain the required number of signatures for this purpose. You must notify us at once if you suspect that your facsimile signature is being or has been misused.

(24) AGENCY (Power of Attorney) DESIGNATION (Single-Party Accounts only) - A single individual is the owner. The agent is merely designated to conduct transactions on the owner's behalf. The owner does not give up any rights to act on the account, and the agent may not in any manner affect the rights of the owner or beneficiaries, if any, other than by withdrawing funds from the account. The owner is responsible for any transactions of the agent. We undertake no obligation to monitor transactions to determine that they are on the owner's behalf.

The owner may terminate the agency at any time, and the agency is automatically terminated by the death of the owner. However, we may continue to honor the transactions of the agent until: (a) we have received written notice or have actual knowledge of the termination of the agency, and (b) we have a reasonable opportunity to act on that notice or knowledge. We may refuse to accept the designation of an agent.

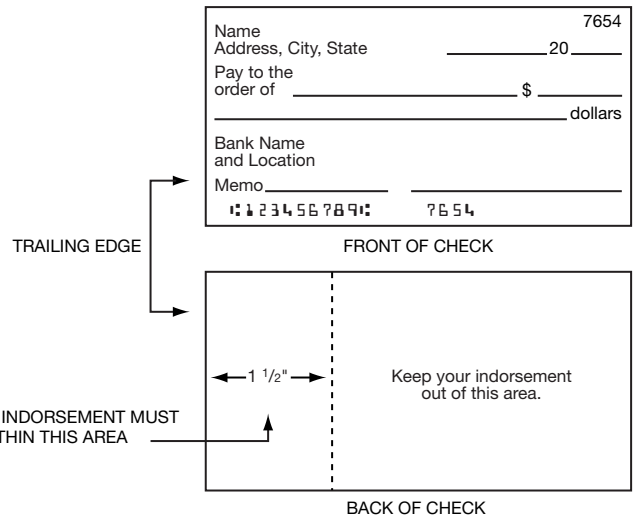
(25) RESTRICTIVE LEGENDS OR INDORSEMENTS - The automated processing of the large volume of checks we receive prevents us from inspecting or looking for restrictive legends, restrictive indorsements or other special instructions on every check. Examples of restrictive legends placed on checks are "must be presented within 90 days" or "not valid for more than \$1,000.00." The payee's signature accompanied by the words "for deposit only" is an example of a restrictive indorsement. For this reason, we are not required to honor any restrictive legend or indorsement or other special instruction placed on checks you write unless we have agreed in writing to the restriction or instruction. Unless we have agreed in writing, we are not responsible for any losses, claims, damages, or expenses that result from your placement of these restrictions or instructions on your checks.

(26) ACCOUNT TRANSFER - This account may not be transferred or assigned without our prior written consent.

(27) INDORSEMENTS - We may accept for deposit any item payable to you or your order, even if they are not indorsed by you. We may give cash back to any one of you. We may supply any missing indorsement(s) for any item we accept for deposit or collection, and you warrant that all indorsements are genuine.

To ensure that your check or share draft is processed without delay, you must indorse it (sign it on the back) in a specific area. Your entire indorsement (whether a signature or a stamp) along with any other indorsement information (e.g. additional indorsements, ID information, driver's license number, etc.) must fall within 1 1/2" of the "trailing edge" of a check. Indorsements must be made in blue or black ink, so that they are readable by automated check processing equipment.

As you look at the front of a check, the "trailing edge" is the left edge. When you flip the check over, be sure to keep all indorsement information within 1 1/2" of that edge.



It is important that you confine the indorsement information to this area since the remaining blank space will be used by others in the processing of the check to place

additional needed indorsements and information. You agree that you will indemnify, defend, and hold us harmless for any loss, liability, damage or expense that occurs because your indorsement, another indorsement or information you have printed on the back of the check obscures our indorsement.

These indorsement guidelines apply to both personal and business checks.

(28) DEATH OR INCOMPETENCE - You agree to notify us promptly if any person with a right to withdraw funds from your account(s) dies or is adjudicated (determined by the appropriate official) incompetent. We may continue to honor your checks, items, and instructions until: (a) we know of your death or adjudication of incompetence, and (b) we have had a reasonable opportunity to act on that knowledge. You agree that we may pay or certify checks drawn on or before the date of death or adjudication of incompetence for up to ten (10) days after your death or adjudication of incompetence unless ordered to stop payment by someone claiming an interest in the account.

(29) FIDUCIARY ACCOUNTS - Accounts may be opened by a person acting in a fiduciary capacity. A fiduciary is someone who is appointed to act on behalf of and for the benefit of another. We are not responsible for the actions of a fiduciary, including the misuse of funds. This account may be opened and maintained by a person or persons named as a trustee under a written trust agreement, or as executors, administrators, or conservators under court orders. You understand that by merely opening such an account, we are not acting in the capacity of a trustee in connection with the trust nor do we undertake any obligation to monitor or enforce the terms of the trust or letters.

(30) CREDIT VERIFICATION - You agree that we may verify credit and employment history by any necessary means, including preparation of a credit report by a credit reporting agency.

(31) LEGAL ACTIONS AFFECTING YOUR ACCOUNT - If we are served with a subpoena, restraining order, writ of attachment or execution, levy, garnishment, search warrant, or similar order relating to your account (termed "legal action" in this section), we will comply with that legal action. Or, in our discretion, we may freeze the assets in the account and not allow any payments out of the account until a final court determination regarding the legal action. We may do these things even if the legal action involves less than all of you. In these cases, we will not have any liability to you if there are insufficient funds to pay your items because we have withdrawn funds from your account or in any way restricted access to your funds in accordance with the legal action. Any fees or expenses we incur in responding to any legal action (including, without limitation, attorneys' fees and our internal expenses) may be charged against your account. The list of fees applicable to your account(s) provided elsewhere may specify additional fees that we may charge for certain legal actions.

(32) SECURITY - It is your responsibility to protect the account numbers and electronic access devices (e.g., an ATM card) we provide you for your account(s). Do not discuss, compare, or share information about your account number(s) with anyone unless you are willing to give them full use of your money. An account number can be used by thieves to issue an electronic debit or to encode your number on a false demand draft which looks like and functions like an authorized check. If you furnish your access device and grant actual authority to make transfers to another person (a family member or coworker, for example) who then exceeds that authority, you are liable for the transfers unless we have been notified that transfers by that person are no longer authorized.

Your account number can also be used to electronically remove money from your account, and payment can be made from your account even though you did not contact us directly and order the payment.

You must also take precaution in safeguarding your blank checks. Notify us at once if you believe your checks have been lost or stolen. As between you and us, if you are negligent in safeguarding your checks, you must bear the loss entirely yourself or share the loss with us (we may have to share some of the loss if we failed to use ordinary care and if we substantially contributed to the loss).

Except for consumer electronic funds transfers subject to Regulation E, you agree that if we offer you services appropriate for your account to help identify and limit fraud or other unauthorized transactions against your account, such as positive pay or commercially reasonable security procedures, and you reject those services, you will be responsible for any fraudulent or unauthorized transactions which could have been prevented by the services we offered, unless we acted in bad faith or to the extent our negligence contributed to the loss. If we offered you a commercially reasonable security procedure which you reject, you agree that you are responsible for any payment order, whether authorized or not, that we accept in compliance with an alternative security procedure that you have selected.

(33) TELEPHONIC INSTRUCTIONS - Unless required by law or we have agreed otherwise in writing, we are not required to act upon instructions you give us via facsimile transmission or leave by voice mail or on a telephone answering machine.

(34) MONITORING AND RECORDING TELEPHONE CALLS AND CONSENT TO RECEIVE COMMUNICATIONS - We may monitor or record phone calls for security reasons, to maintain a record and to ensure that you receive courteous and efficient service. You consent in advance to any such recording. We need not remind you of our recording before each phone conversation.

To provide you with the best possible service in our ongoing business relationship for your account we may need to contact you about your account from time to time by telephone, text messaging or email. However, we must first obtain your consent to contact you about your account because we must comply with the consumer protection provisions in the federal Telephone Consumer Protection Act of 1991 (TCPA), CAN-SPAM Act and their related federal regulations and orders issued by the Federal Communications Commission (FCC).

- Your consent is limited to this account, and as authorized by applicable law and regulations.
- Your consent does not authorize us to contact you for telemarketing purposes (unless you otherwise agreed elsewhere).

With the above understandings, you authorize us to contact you regarding this account throughout its existence using any telephone numbers or email addresses that you have previously provided to us or that you may subsequently provide to us.

This consent is regardless of whether the number we use to contact you is assigned to a landline, a paging service, a cellular wireless service, a specialized mobile radio service, other radio common carrier service or any other service for which you may be charged for the call. You further authorize us to contact you through the use of

voice, voice mail and text messaging, including the use of pre-recorded or artificial voice messages and an automated dialing device.

If necessary, you may change or remove any of the telephone numbers or email addresses at any time using any reasonable means to notify us.

(35) CLAIM OF LOSS - If you claim a credit or refund because of a forgery, alteration, or any other unauthorized withdrawal, you agree to cooperate with us in the investigation of the loss, including giving us an affidavit containing whatever reasonable information we require concerning your account, the transaction, and the circumstances surrounding the loss. You will notify law enforcement authorities of any criminal act related to the claim of lost, missing, or stolen checks or unauthorized withdrawals. We will have a reasonable period of time to investigate the facts and circumstances surrounding any claim of loss. Unless we have acted in bad faith, we will not be liable for special or consequential damages, including loss of profits or opportunity, or for attorneys' fees incurred by you.

You agree that you will not waive any rights you have to recover your loss against anyone who is obligated to repay, insure, or otherwise reimburse you for your loss. You will pursue your rights or, at our option, assign them to us so that we may pursue them. Our liability will be reduced by the amount you recover or are entitled to recover from these other sources.

(36) EARLY WITHDRAWAL PENALTIES (and involuntary withdrawals) - We may impose early withdrawal penalties on a withdrawal from a time account even if you don't initiate the withdrawal. For instance, the early withdrawal penalty may be imposed if the withdrawal is caused by our setoff against funds in the account or as a result of an attachment or other legal process. We may close your account and impose the early withdrawal penalty on the entire account balance in the event of a partial early withdrawal. See your notice of penalty for early withdrawals for additional information.

(37) ADDRESS OR NAME CHANGES - You are responsible for notifying us of any change in your address or your name. Unless we agree otherwise, change of address or name must be made in writing by at least one of the account holders. Informing us of your address or name change on a check reorder form is not sufficient. We will attempt to communicate with you only by use of the most recent address you have provided to us. If provided elsewhere, we may impose a service fee if we attempt to locate you.

(38) RESOLVING ACCOUNT DISPUTES - We may place an administrative hold on the funds in your account (refuse payment or withdrawal of the funds) if it becomes subject to a claim adverse to (1) your own interest; (2) others claiming an interest as survivors or beneficiaries of your account; or (3) a claim arising by operation of law. The hold may be placed for such period of time as we believe reasonably necessary to allow a legal proceeding to determine the merits of the claim or until we receive evidence satisfactory to us that the dispute has been resolved. We will not be liable for any items that are dishonored as a consequence of placing a hold on funds in your account for these reasons.

(39) WAIVER OF NOTICES - To the extent permitted by law, you waive any notice of non-payment, dishonor or protest regarding any items credited to or charged against your account. For example, if you deposit a check and it is returned unpaid or we receive a notice of nonpayment, we do not have to notify you unless required by federal Regulation CC or other law.

BRUNING STATE BANK
104 MAIN ST., PO BOX 100
BRUNING, NE 68322-0100

Jerry's Journal...

As my volunteer role with the Nebraska Bankers Association (NBA) picks up speed, I'm experiencing that anecdotal statement, "As you get older, times moves faster." Time is moving quickly! I wanted to expand on the "getting older" part of life and highlight the estimated \$2.9 billion lost to Elder Financial Abuse in the United States.

The issue of Elder Financial Abuse is on the rise in Nebraska, as well. We have seen cases of this within the Bruning State Bank customer base. One of my core values is the power of family. As I get older, family becomes even more important and valuable. Given my age and the definition of when you are born, I'm a younger Baby Boomer or a really old Generation X member! So these issues of senior and elder exploitation are coming my way in a rush! By 2025, 20% of the America population will be 65 and over.

Elder Financial Abuse is not going away any time soon. Family is most often the best source of protection against this hideous crime. Sharing information with family and trusted advisors that can recognize suspicious activity and financial abuse serves as the best defense.

The key to spotting financial abuse is a change in a person's established financial patterns.

Watch out for these red flags:*

- Unusual activity in older family member's bank accounts, including large, frequent, or unexplained withdrawals.
- Changing from a basic account to one that offers more complicated services the family member does not fully understand or need.
- Withdrawals from bank accounts or transfers between accounts the family member cannot explain.
- A new "best friend" accompanying your family member to the bank.
- Sudden non-sufficient fund activity or unpaid bills.
- Closing CDs or accounts without regard to penalties.
- Uncharacteristic attempts to wire large sums of money.
- Suspicious signatures on checks, or outright forgery.
- Confusion, fear, or lack of awareness on the part of a family member.
- Checks written as "loans" or "gifts" to non-related or, sadly, to family-related individuals.
- Bank statements are not coming to your family member home or post office box.
- New powers of attorney your family member does not understand.
- A caretaker, relative, or friend who suddenly begins conducting financial transactions on behalf of a family member without proper documentation.
- Altered wills and trusts.

*provided by the American Bankers Association Foundation. For more information, visit aba.com/Seniors

If you have reason to believe your family member or any vulnerable adult has been abused, neglected, or exploited: call the Nebraska Department of Health and Human Services 24-hour toll-free hotline at 1-800-652-1999 or your local law enforcement.

We all need to look out for each other and strengthen our families.

On a final note...

Bruning State Bank congratulates the Kurt and Paul Philippi families who operate Bruning Grocery, Inc., as they were among the winners of the 2016 3rd District Excellence in Economic Development Award presented by Representative Adrian Smith. In the official press release it stated, "Bruning Grocery's commitment to hard work, small-town values, and providing exceptional service and quality products has made the store a cornerstone of Bruning, a community of about 280 people." I could not agree more!!

The Hastings, Nebraska based television station NBC Nebraska did a feature report and you can see it at: <http://www.nbcnebraska.com/content/news/Small-Town-Grocery-Vital-to-Local-Life-Style-390511312.html>

Thank you to the Philippi families for their commitment and service our area. They are valuable assets to the area.

*Jerry Catlett – Senior Vice President,
Chief Financial Officer*

Insuring Your Irrigation Systems...

Irrigation systems are a very important part of your farming operation. Is your insurance providing you the coverage you need?

The cost to buy and/or repair an irrigation system continues to increase. Manufacturers have made design and material changes that are helping to increase efficiency while reducing the cost of the system. Unfortunately, these changes have caused an increase in both the frequency and severity of wind and hail losses on irrigation systems.

Therefore, insurance companies are making changes to their irrigation system coverage and/or deductibles to help offset the increase in losses. You may be seeing mandatory deductible increases for any wind and hail claim. Companies may write coverage on the systems but only offer actual cash value coverage. Some companies may not provide coverage on irrigation system at all!

We are an independent agency and have access to several different irrigation system markets! This allows us to:

- Write your irrigation system on a farm-packaged basis with other farm equipment and property
- Write coverage on just the irrigation system without other coverage required
- Provide replacement cost coverage on all pivots
- Offer actual cash value coverage if desired
- Write your irrigation system with a \$1,000 deductible

If you have an irrigation system – then we can help!

Stop by our office or give us a call to discuss your irrigation system needs!

*Kathy Roberts, Brian Hulse,
Kristen Monteforte & Gail Anderson –
Insurance Agency*

Not FDIC Insured. Not a guarantee of the Bank. Not a deposit of the Bank.
Not insured by any federal government agency. May go down in value.

How Much Should I Save For Retirement?

If you have ever read a retirement article or used a retirement savings calculator, you probably came up with a pretty big number for your nest-egg. You might see such a daunting number like a \$1,500,000 or \$2,000,000 and think "There's no way I can save that much!" Or, "There's no way I'll need that much!"

The truth is there is no magic number because everyone's situation is unique. But, in general, we see that many people do underestimate how much money they will need to retire. And unfortunately, many people simply stick their head in the sand and don't save.

Some of the reasons why the need for retirement savings is so large are longevity, inflation, Social Security, healthcare, and lifestyle.

Thanks to biotechnology, people are living longer. That's a good thing, but it also means our retirement nest-egg must be larger to last longer. More and more of us are living into our 90s. In decades past, a person might retire at 65 and only live to 75. We see many folks retiring in their mid to late 60s – even early 70s – and still needing their savings to provide income for 20 – 30 years.

Inflation has a significant impact on our income needs. As purchasing power of your dollar decreases (due to costs continually going up), you simply need more dollars to make up for it. Take Mike and Jennifer. They are a 40 year old couple earning a household income of \$100,000 per year. They estimate they'll need about 75% of their income in retirement. In 27 years, when Mike and Jennifer are 67, they will need \$166,597 per year (\$75,000 at 3% annual average inflation). If Mike and Jennifer are saving a few thousand dollars each year and counting on Social Security, they are going to be in for a rude awakening. Their lifestyle is going to take a huge hit. And they won't be able to realize many of their retirement dreams.

There's not enough time or space for an in-depth Social Security discussion, but let's just say there's a good chance in 27 years Mike and Jennifer could incur a reduction in SSA benefits. And will the SSA Cost of Living increase keep up with real inflation? I don't know. Personally, I think Social Security isn't going away, but I do believe there's a high probability of reductions to benefits.

Healthcare is another topic too big for this article, but suffice it to say the costs keep increasing. Many times when people think they don't need as much money in retirement, they are not calculating the costs of inflation, Social Security, and healthcare.

Lifestyle is the one area you have the most control over. Occasionally I work with retirees that really do not need much retirement income. There are generally two common themes. They typically have been good savers, and low spenders, or they have good farm income and they are low spenders. In general, I see the younger Baby Boomers, Generation X, and now some of the older Millennials with much more lifestyle spending.

So what do you do? Take a deep breath. Stop procrastinating. Get focused. Start at the beginning – develop a budget. Groan. I can hear you from here. Come on, budgets aren't really that bad. Especially when you think in terms of how important a foundation it is for your current finances and future retirement. If you

want help, call me. There are a ton of online budget resources. I can recommend a couple. It's really pretty easy. Figure out your current spending. Use a retirement calculator to estimate your personal retirement nestegg need. Use me for a resource, I can help. Figure out your current savings gap (difference between what you need to save and what you are currently saving). Then pay yourself first! Look in your budget for areas to cut back. Often times it's very easy: eating out a little less. A few less trips to Starbucks. It all adds up. Make it a game. It's a game you will be happy you put in the practice time. Then dream about how you will enjoy the fruits of your labor in retirement.

David Frook – Financial Planner

Securities offered through Securities America, Inc. Member FINRA/SIPC.
David Frook, Registered Representative Advisory Services offered through
Securities America Advisors, Inc. David Frook, Investment Advisor
Representative Bruning State Bank and Bruning State Bank Wealth
Management are unaffiliated with Securities America.
May Lose Value, Not FDIC Insured, No Bank Guarantee

Protect your Family...

The primary reason for Life Insurance is to protect your family and provide for the next generation. Life insurance can also help with tax planning, business succession, and providing funds for your favorite charity...BUT...Family must be the #1 reason!

It really doesn't matter if you are a Millennial, Gen X, or a Baby Boomer. If you have someone who is relying upon you for financial support, then life insurance is an important piece to your financial puzzle.

We are here to assist you with your life insurance questions and needs.

How much coverage do I need?
How much does life insurance cost?
What type of life insurance is best for me?

See your insurance agent at the Bruning State Bank Insurance Agency.

Kathy Roberts, Brian Hulse, & David Frook
Life Insurance Agents

*Not FDIC Insured *Not a guarantee of the bank *Not a deposit of the bank
*Not insured by any federal government agency *May go down in value

Upcoming Insurance Dates to Note:

Open Enrollment Period for 2017

**Changes and most NEW enrollments can ONLY be made during the open enrollment period.

Medicare Part D (Prescription Drug)	10/15/16 - 12/07/16
Individual Health Insurance Affordable Care Act Coverage	11/1/16 - 1/31/17

Contact us to review your coverage!

Kathy & Brian

Bruning State Bank Insurance Agency

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Not insured by any federal government agency. May go down in value.



The “ABCs” of Saving...

Building up and maintaining a healthy savings account can be one of the most comforting things you do. The peace of mind it gives, knowing it's there in case of an emergency, is very reassuring. That doesn't mean saving is always easy. You have to make some sacrifices, plan ahead, and think beyond what you want today. Most importantly, it needs to be a priority. Pay yourself first, not out of whatever is left. I can assure you if it didn't get socked away at first, it won't be there at the end of the month. So pardon the cheesy title, but I wanted to share some tips for those of you who are just getting started or want to become more disciplined in saving up for a rainy day.

“A” is for Account. The first and most obvious step is to establish an account separate from the one you transact out of and look at every day; someplace safe to store up your savings and watch it grow. Our Country Savings account is designed specifically for this purpose. Putting savings away anywhere other than an account is not only unsafe, but also too tempting to grab some cash and spend it.

“B” is for Budget. I know, it's not a fun word. Budgeting takes discipline and dedication. It takes organization and time. But a well-planned and executed budget is a beautiful and rewarding thing. Make sure you budget for some fun things, too, so as not to get burnt out.

“C” is for Consistency. Along with your budget, you need to form a consistent habit of saving. If you budget \$50 from every check into savings, do that amount every time. Don't do less because you're going on a trip or want to go shopping. You should have planned ahead for those expenses in your budget.

There's a reason you choose to bank with us, we're your Country Bank, located right here in your community. If you ever have problems, concerns, or questions about banking, you can always stop in and visit with us about what we can do to help. Set a goal today, then come see your local customer service representative to start saving and meet that goal.

*Scotti Ross
Customer Service, Broken Bow*

Are you ready to turn over a new leaf?
Bruning State Bank can help you with the changing of the season with a HELOC.

Ask us how you can use your home equity to help finance:

- Home Improvements
- College Education
- Weddings
- Travel
- New Vehicle



Challenges Facing Ag Producers...

Agricultural producers are well aware of the cyclical nature in production agriculture and realize we are in year two of a downward cycle in agriculture. Low commodity prices put a strain on farm incomes, causing liquidity issues testing even the best farmers and ranchers. Those who have been preparing themselves for a down-cycle preserved cash and reduced debt during the good years to survive tough years. Those who over-borrowed or over-expanded beyond their capacity to manage can get into trouble.

Even though harvest is right around the corner, if you foresee a problem, be proactive and take action now. Prepare a personal budget and a business budget scrutinizing expenses carefully. Eliminate expenses not needed to survive both personally and in the business. Prepare a marketing plan that will allow you to meet or come close to meeting your break-even costs. Don't forget to review your insurance and hedging plans, making adjustments where needed and consider whether you have any assets to sell to generate cash if needed. After you have prepared your plan and budget, contact your lender to discuss your strategy.

As stated earlier, agriculture is cyclical in nature with up and down cycles. Producers who are prepared to handle a down-cycle will most likely be the survivors. Are you prepared?

*Craig Pope –
Hebron Branch President*

Upcoming Educational Opportunities



Dr. David Kohl is a world renowned speaker and educator from Blacksburg, Virginia. He received his MS and PhD degrees in Ag Economics from Cornell University. He taught for 25 years at Virginia Tech University and is currently Professor Emeritus there. His work includes four books, 1,200 articles, and over 6,000 workshops and seminars!

Take advantage of these opportunities to hear about the latest in the ag industry from an expert:

Wednesday, December 14 – Bruning, NE
Sponsored by Farmers & Ranchers College, along with donations from Bruning State Bank, UNL Extension, and area agri-businesses.

Thursday, December 15 – Holdrege, NE
Sponsored by Bruning State Bank.

Watch for more details on these exciting, cutting-edge programs.

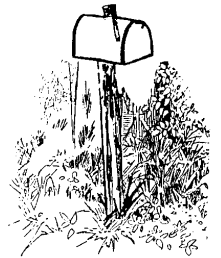
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Technology Update...

I was once at a conference where a speaker was talking about a fraud detection system that he had recently reviewed. This was several years ago, and at the time it was quite impressive, using the latest analytics to attempt to determine as soon as the transaction was made whether or not it was "normal" for the customer or indeed something to be checked out. It isn't too different from the system we currently use to try and detect fraud on our debit cards. The speaker said though that the greatest detection system would have to involve the customers themselves and getting them information about the suspect transaction as soon as possible. This time in the Technology Update, we'll review our latest fraud detection system...and if you're wondering, it does involve you, our customers.

In October, we will begin offering alerts on your card transactions through Visa. These alerts will not replace the current account alerts you may have set up through Online banking, but will instead enhance the information you receive about your card transactions. You can set up alerts for any International transactions that may occur on your account as well as any card not present transactions. "Card not present" means that there was no swipe at a terminal and generally are transactions that were completed online. You can also set dollar limits alerts that will allow you to see any transaction over a set amount that you select. All you have to do is go to Visa.com, click on the sign in button, and then fill out a few pieces of information and you will be on your way. You can select either text or email alerts.

With this information, we hope that you will be able to help us detect any fraud or other issues on your account and with your card sooner. While you do not have to sign up for this service, it is completely free. If you have questions about it, please stop by

any of our branches or give us a call and we'd be glad to help.

We realize that there have been a lot of debit card changes this year and we thank you for your patience as we upgrade and improve our system. We hope that with your help, we can make our card environment as safe and fraud free as possible.

Tech Term of the Month: Digital Native – A person that has been exposed to the digital world since birth. Watching my daughters handle an iPad or cell phone, it is clear that this is just something they know how to do (probably because they've watched their mom and me do it day-in and day-out their entire lives). They, however, will never know the simple pleasures of dialing a rotary phone.

*Corey Swartzendruber – Vice President,
Network Administrator*

**In observance of the following holidays,
we will be closed at all Bank locations on:**

Monday, October 10

Columbus Day

Friday, November 11

Veteran's Day



Thursday, November 24

Thanksgiving