

**NOTICE OF MEETING (•) OF THE
COMMISSIONERS COURT OF JACK COUNTY, TEXAS**

• Assistive Listening Devices Available on Request for Use during Court Session

Notice is hereby given that a Meeting of the above named Commissioners Court will be held on **Monday the 22nd day of May, 2017 at 10:00 o'clock a.m.**, in the County Courthouse, Jacksboro, Texas, at which time the following subjects* will be discussed and appropriate action taken, to-wit:

These subjects may or may not be discussed in the order shown. All items listed below as part of the called "Consent Agenda Items" require no deliberation by the Court. Each Court member has the prerogative of removing an item from this agenda so that it may be considered separately.

1. PUBLIC FORUM (Limited to 5 minutes per person);

2. PAYMENT OF CLAIMS;

3. CONSENT AGENDA ITEMS:

- (a) Approval of Minutes of Meeting May 8, 2017;
- (b) Review and Acceptance of Treasurer's and Auditor's Monthly Reports for period ending April 30, 2017;
- (c) Reception of Certificates of Training Hours for Elected/Appointed County Official/Officer: Brian Keith Umphress, County Commissioner; and Clyde E. Watson, Constable;

4. TIMED AGENDA ITEMS: None;

5. Discussion of Commissioner Precinct Operations;

6. Update on Courthouse Repair Project 2017 details, if any;

7. Update on status of County activities, if any, under the CTIF Grant and FEMA Flood Grant;

8. Reports, if any, by other Department Heads;

9. Clarify and modify minutes regarding auction sale of portion of a tract of unused highway ROW in Precinct #4 on edge of FM 175 pursuant to Local Government Code and appointment of commissioner for same – County Judge;

10. Consider purchase/financing of Election equipment and contract on same and Budget Amendment/Declaring Emergency; hiring of Allison, Bass, & McGee as consultant in this matter;

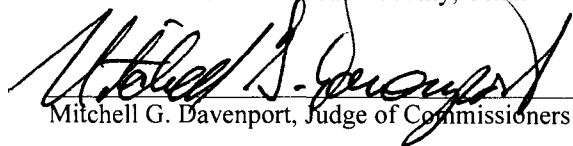
11. Approve execution of County Depository Pledge Contract with Jacksboro National Bank;

12. FUTURE AGENDA ITEMS; AND;

13. ADJOURNMENT.

Dated this the 18th day of May, 2017

Commissioners Court of Jack County, Texas


Mitchell G. Davenport, Judge of Commissioners Court

FILED FOR RECORD

_____ O'CLOCK _____ M

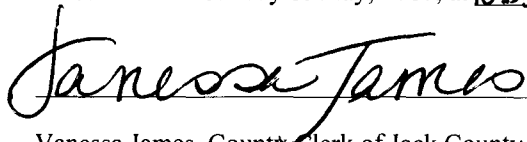
MAY 18 2017

VANESSA JAMES, County Clerk
JACK COUNTY, TEXAS

BY _____ DEPUTY

I, the undersigned County Clerk, do hereby certify that the above Notice of Meeting of the above named Commissioners Court, is a true and correct copy of said Notice, and that I posted a true and correct copy of said Notice on the bulletin board at the Courthouse door of Jack County, Texas, at a place readily accessible to the general public at all times on the 18th day of May, 2017, and said Notice remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

Dated this the 18th day of May, 2017, at 10:25 a.m.


Vanessa James, County Clerk of Jack County, Texas

By: _____
Deputy Clerk



MINUTES

On this the 22nd day of May, 2017 the Commissioners Court of Jack County, Texas met in Regular session at 10:18 a.m. with the following elected officials present:

FILED FOR RECORD

Keith Umphress, Commissioner Pct. 1
James L Brock, Commissioner Pct. 2
Henry D. Birdwell, Jr., Commissioner Pct. 3
Terry Ward, Commissioner Pct. 4
Mitchell G. Davenport, County Judge

_____ O'CLOCK _____ M

JUN 12 2017

VANESSA JAMES, County Clerk
JACK COUNTY, TEXAS

PUBLIC FORUM

BY _____ DEPUTY

No members of the public chose to speak in public forum they were in attendance for another item on the agenda.

PAYMENT OF ACCOUNTS AND CLAIMS

All accounts and claims were submitted to the Court for approval. Those submitted were approved and entered into the computer of the County Treasurer.

Judge Davenport made a motion to table an item in the claims due to not enough information until Commissioner Ward was present. Judge Davenport withdrew the motion due to Commissioner Ward arriving.

Commissioner Umphress made a motion to pay all the bills. Commissioner Birdwell seconded and the motion carried unanimously.

CONSENT AGENDA ITEMS

The following items were taken up under the Consent Agenda:

- (a) Approval of Minutes of Meeting of May 8, 2017;
- (b) Review and Acceptance of Treasurer's and Auditor's monthly reports for period ending April 30, 2017;
- (c) Reception of Certificates of Training hours for Elected / Appointed County Official/Officer: Brian Keith Umphress, County Commissioner; and Clyde E. Watson, Constable;

Judge Davenport made a motion to adopt the consent agenda items with the exception of item (c), there are no training certificates at this time. Commissioner Brock seconded and the motion carried unanimously.

DISCUSSION OF PRECINCT OPERATIONS

Discussion was made by Commissioners over projects in their precincts and information they have to share with the Court.

UPDATE ON COURTHOUSE REPAIR PROJECT 2017

No discussion made.

CTIF GRANT AND FEMA FLOOD GRANT

Treasurer Kim Gibby provided the Court with the latest information she has.

Court members discussed among themselves and with the Auditor and Treasurer the status of completion, administration, and billing in the CTIF grant through TxDOT and FEMA Flood Grant (2015). Discussed how much is left on the CTIF reimbursement to date.

REPORTS FROM DEPARTMENT HEADS

Judge Davenport received information from the Sheriff Department regarding damage to a patrol unit. Treasurer Kim Gibby received a check from TAC for water damage to eh roof. Discussion made about the Election Fund account.

CLARIFY AND MODIFY MINUTES REGARDING AUCTION SALE OF A PORTION OF A
TRACT OF UNUSED HIGHWAY RIGHT ROW IN PRECINCT #4 ON THE EDGE OF FM
175 PURSUANT TO LOCAL GOVERNMENT CODE AND APPOINTMENT OF
COMMISSOINER FOR SAME – COUNTY JUDGE

Judge Davenport spoke to the Court about the process of the sale of property. They will need to appoint an individual to handle the sale.

Judge Davenport made a motion to modify the minutes from April 24, 2017 and have the minutes read that Judge Davenport is to be appointed to conduct the sale of property according to Local Government Code 263.001. Motion was seconded by Commissioner Ward and carried unanimously.

CONSIDER PURCHASE/FINANCING OF ELECTION EQUIPMENT AND CONTRACT ON
SAME AND BUDGET AMENDMENT/DECLARING EMERGENCY; HIRING OF ALLISON,
BASS & MCGEE AS CONSULTANT IN THIS MATTER;

Judge Davenport provided copies of the agreements for the PollPads and the Verity System to all of the Commissioners. Felice Liston with Hart Intercivic was present for any questions the Court might have. Discussion was made about budgeting for the purchase, any updates made on the Verity System would be included in the quoted price, financing information, 1% of the discount the County would receive is for Hart taking the current equipment and destroying it and would send the County Clerk a Certificate of Destruction to provide to the Secretary of State for the HAVA grant.

Motion made by Judge Davenport to table this item for now and to hire Allison, Bass & McGee to consult on the agreement. Motion was seconded by Commissioner Birdwell and passed unanimously.

APPROVE EXECUTION OF COUNTY DEPOSITORY PLEDGE CONTRACT WITH
JACKSBORO NATIONAL BANK

Judge Davenport has a meeting scheduled with the Jacksboro National Bank to come in and sign the depository contract tomorrow. He would like approval from the Court to sign.

Commissioner Ward made a motion to approve Judge Davenport to sign the depository contract. Commissioner Umphress seconded the motion and it passed unanimously.

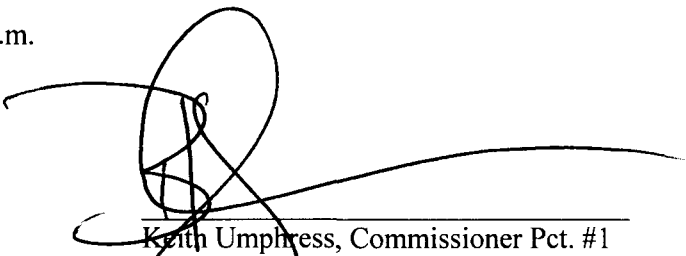
FUTURE AGENDA ITEM

There were no future items discussed.

ADJOURNMENT


There being no further business motion was made by Commissioner Brock to adjourn. Judge Davenport seconded the motion to adjourn. The motion carried unanimously.

Meeting was adjourned at 12:06 p.m.


Keith Umphress, Commissioner Pct. #1

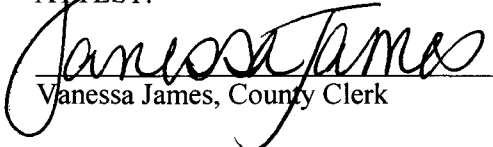

James Brock, Commissioner Pct. #2


Henry D. Birdwell, Jr., Commissioner Pct. #3


Terry Ward, Commissioner Pct. #4

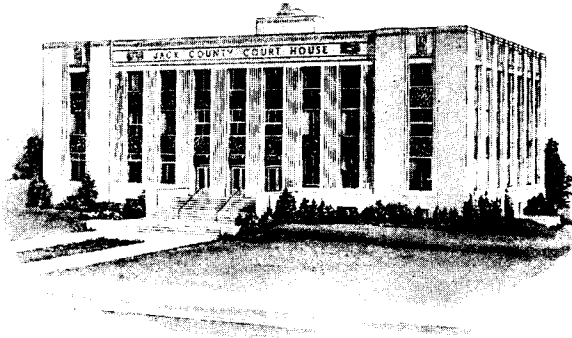

Mitchell G. Davenport, County Judge

ATTEST:


Vanessa James, County Clerk



JACK COUNTY



KIM GIBBY

County Treasurer

100 N Main St., Ste. 201

Jacksboro, Texas 76458

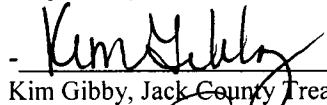
JACKSBORO, TEXAS

AUDITOR & TREASURER'S CERTIFICATE

I hereby certify that the following constitutes the Jack County Treasurer's Report for the monthly period ending on April 30, 2017.

This report was prepared for the purposes of comparing and reconciling the actual balances of the County's cash accounts and investments, if any, to its general ledger for the period stated.

Respectfully submitted,


Kim Gibby, Jack County Treasurer

Agreed:


Lisa Perry, Jack County Auditor

FILED FOR RECORD

_____ O'CLOCK _____ M

MAY 22 2017

VANESSA JAMES, County Clerk
JACK COUNTY, TEXAS

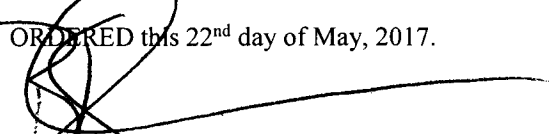
BY _____ DEPUTY

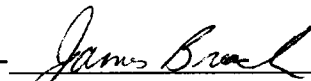
ORDER APPROVING TREASURER'S REPORT

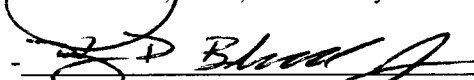
After comparing and examining the Treasurer's Report for the monthly period ending April 30, 2017, and determining that the report is correct, the Court finds that the report should be approved. It is therefore ORDERED that the report is approved.

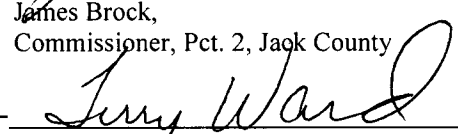
It is FURTHER ORDERED that the amounts received and paid from each fund, and the cash balance remaining in the Treasurer's custody are as indicated in the report itself.

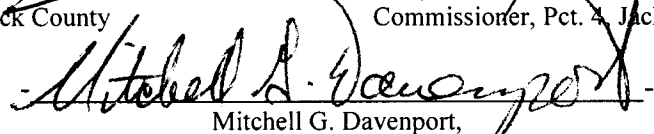
ORDERED this 22nd day of May, 2017.


Keith Umphress,
Commissioner, Pct. 1, Jack County


James Brock,
Commissioner, Pct. 2, Jack County


Henry D. Birdwell, Jr.,
Commissioner, Pct. 3, Jack County


Terry Ward,
Commissioner, Pct. 4, Jack County


Mitchell G. Davenport,
County Judge of Jack County, Texas

ATTEST:


Vanessa James, County Clerk of Jack County, Texas



Vernon's Texas Statutes and Codes Annotated
Local Government Code (Refs & Annos)
Title 8. Acquisition, Sale, or Lease of Property
Subtitle B. County Acquisition, Sale, or Lease of Property
Chapter 263. Sale or Lease of Property by Counties
Subchapter A. General Provisions for Real Property (Refs & Annos)

V.T.C.A., Local Government Code § 263.001

§ 263.001. Sale or Lease of Real Property

Currentness

- (a) The commissioners court of a county, by an order entered in its minutes, may appoint a commissioner to sell or lease real property owned by the county. The sale or lease must be made at a public auction held in accordance with this section unless this chapter provides otherwise.
- (b) The appointed commissioner must publish notice of the auction before the 20th day before the date the auction is held. The notice must be published in English in a newspaper in the county in which the real property is located and in the county that owns the real property if not the same county. The notice must be published once a week for three consecutive weeks before the date the auction is held.
- (c) If the real property is sold, a deed that is made on behalf of the county by the appointed commissioner in conformance with the order entered under Subsection (a) and that is properly acknowledged, proved, and recorded is sufficient to convey the county's interest in the property.

Credits

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

V. T. C. A., Local Government Code § 263.001, TX LOCAL GOVT § 263.001
Current through Chapters effective immediately through Chapter 8 of the 2017 Regular Session of the 85th Legislature

CERTIFICATE *of* COURSE COMPLETION

Public Information Act

I, **clyde watson**, certify that I have completed a course of training on the Texas Public Information Act that satisfies the legal requirements of Government Code, Section 552.012.

Certificate is issued effective this 26th day of May, 2017.



NOTICE TO CERTIFICATE HOLDER: You are responsible for the safekeeping of this document as evidence that you have completed this open government training course. The Office of the Attorney General does not maintain a record of course completion for you and is unable to issue duplicate certificates. Government Code Section 552.012(e) requires the governmental body with which you serve to maintain this Certificate of Course Completion and make it available for public inspection.

Certificate No.: 17-231514P

ALLISON, BASS & MAGEE, L.L.P.

Attorneys at Law

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402 WEST 12TH STREET
AUSTIN, TEXAS 78701
(512) 482-0701
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PHILIP B. ARNOLD
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May 17, 2017

VIA E-MAIL

Honorable Mitchell G. Davenport
Jack County Judge
100 N. Main St., Ste. 206
Jacksboro, Texas 76458

Re: Retainer Agreement

Dear Judge Davenport:

For your consideration, enclosed please find a Contract for Professional Services between Jack County, Texas and Allison, Bass & Magee LLP for assistance with issues regarding general consultation. Upon approval by the Commissioners Court, please return an executed original for our file.

We appreciate your consideration of our firm for this service to Jack County. Please call me if you have any questions.

Sincerely,



Robert T. Bass

RTB/jly
Enclosure

cc: Members, Jack County Commissioners Court

____ O'CLOCK ____ M

MAY 22 2017

VANESSA JAMES, County Clerk
JACK COUNTY, TEXAS

RETAINER AGREEMENT

BY _____ ~~THIS AGREEMENT~~ is made and entered into this _____ day of _____, 2017,

by and between Jack County, Texas, hereinafter referred to as "Client", and Allison, Bass & Magee, L.L.P. hereinafter referred to as "Attorneys".

Recitals

The Client is a political subdivision of the State of Texas. The Attorneys are duly licensed to practice law in the State of Texas and desire to render their professional services for the Client as provided herein.

The Commissioners Court of Jack County, Texas, acting in its judicial and executive capacity, finds that the public interest requires the retention of legal counsel to represent the County in the referenced matters.

THEREFORE, the Client hereby engages the services of the Attorneys, and in consideration of the mutual promises herein contained, the parties agree as follows:

Services of Attorney

1. The Attorneys will advise and represent the Client in legal matters as requested by the Client, by and through a majority vote of the Commissioners Court, pertaining to issues regarding general consultation on such legal matters as may be assigned by the Commissioners Court. Services will also include drafting and reviewing of documents, briefing, and any negotiations required for resolution of this matter.
2. This Retainer Agreement shall serve as the basis for understanding regarding fees and costs to be charged to the Client, but the subject matter for legal services may only be authorized by an Order of the Commissioners Court.
3. Fees will include any and all necessary research, drafting and reviewing of documents, briefing, court appearances, including trials, and any negotiations required for the proper disposition

of any and all matters entrusted to the Attorneys pursuant to this retainer agreement.

Compensation

4. For the services described in Paragraph 1, the Client agrees to pay the Attorneys the sum of \$240.00 per hour for services rendered by partners of the firm and \$210.00 for services rendered by associates of the firm. The client will be billed at the rate of \$100.00 per hour for services rendered by any paralegal of the firm. A travel time fee of \$120.00 per hour will be charged for all time actually in transit, in lieu of any hourly charge normally attributed to the timekeeper. The Client will also be billed for all direct out-of-pocket expenses including travel expenses, telephone, photocopy, facsimile costs, the fees of expert witnesses, reports, studies, and exhibits incurred by Attorneys in the investigation and/or litigation of this case. Attorneys will provide Client with an itemized billing each month stating services rendered.

Devotion of Time

5. The Attorney shall make themselves available for consultation with the Client at reasonable times, at the request of the Client.

Term

6. This agreement shall be effective on the execution hereof by Client and shall continue in effect until the matter has been finally resolved or upon 30 days written notice by either party. The Client shall send notice to the Attorneys' office at 402 West 12th Street, Austin, Texas 78701, and the Attorneys shall send notice to the Client care of the County Judge, Jack County, at 100 N. Main, Ste. 206, Jacksboro, Texas 76458.

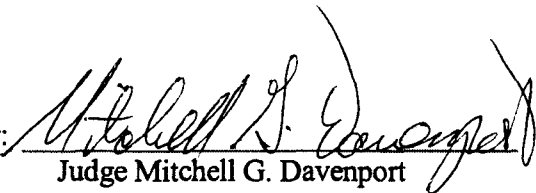
Prior Agreements Superseded

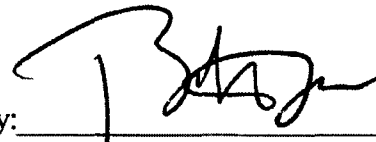
7. This agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.

EXECUTED on the 22nd day of May, 2017.

CLIENT
JACK COUNTY, TEXAS

ATTORNEYS
ALLISON, BASS & MAGEE, L.L.P.

By: 
Judge Mitchell G. Davenport

By: 
Partner

MAY 22 2017

VANESSA JAMES, County Clerk
JACK COUNTY, TEXASRETAINER AGREEMENT

THIS AGREEMENT is made and entered into this 18th day of May, 2017, DEPUTY
by and between Jack County, Texas, hereinafter referred to as "Client", and Allison, Bass & Magee,
L.L.P. hereinafter referred to as "Attorneys".

Recitals

The Client is a political subdivision of the State of Texas. The Attorneys are duly licensed to practice law in the State of Texas and desire to render their professional services for the Client as provided herein.

The Commissioners Court of Jack County, Texas, acting in its judicial and executive capacity, finds that the public interest requires the retention of legal counsel to represent the County in the referenced matters.

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2. This Retainer Agreement shall serve as the basis for understanding regarding fees and costs to be charged to the Client, but the subject matter for legal services may only be authorized by an Order of the Commissioners Court.
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of any and all matters entrusted to the Attorneys pursuant to this retainer agreement.

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Prior Agreements Superseded

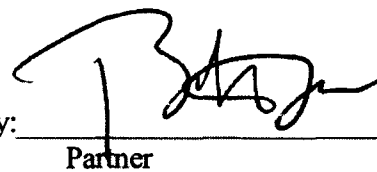
7. This agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.

EXECUTED on the 18th day of May, 2017.

CLIENT
JACK COUNTY, TEXAS

ATTORNEYS
ALLISON, BASS & MAGEE, L.L.P.

By: 
Judge Mitchell G. Davenport

By: 
Partner

COUNTY OF JACK
STATE OF TEXAS

MAY 22 2017

VANESSA JAMES, County Clerk
JACK COUNTY, TEXAS

BY _____ DEPUTY

Order Appointing Commissioner to Sell Real Property by Public Auction

WHEREAS, it has come to the attention of the Commissioners Court (herein called "the Court") of Jack County, Texas (herein called "the County") that it owns in a tract of land in Jack County, Texas being described as all that certain 20 feet-wide access easement being situated in the R. Parker Survey, Abstract 461, in Jack County, Texas and being in the remainder of a called 1 1/2 acres tract described in a deed to the County of Jack State of Texas, as recorded in Vol. 74, Pg. 94 of the Deed Records of said county, said access easement being described by a centerline which is bound by lines 10 feet each side of and parallel with said centerline, as follows:

BEGINNING at a point in the southeast right of way line of F. M. Highway 175, as recorded in Vol. 190, Pg. 391 of said Deed Records, on the northwest line of said remainder, from which a concrete monument found on said southeast line bears South 42°04'23" West, a distance of 283.10 feet;

THENCE South 03°34'57" West, leaving said southeast line, a distance of 40.58 feet to a point;

THENCE South 65°22'02" East, a distance of 65.16 feet to the **POINT OF TERMINATION** on the line dividing said 1 1/2 acres tract and a called 1.27 acres tract recorded in Vol. 419, Pg. 554 of said Deed Records, from which an iron rod with a cap stamped "RPLS 4144", found for the northwest corner of said 1.27 acres tract bears North 00°22'10" East, a distance of 20.00 feet and said centerline being **105.74 feet** or **6.408 rods** in total length.

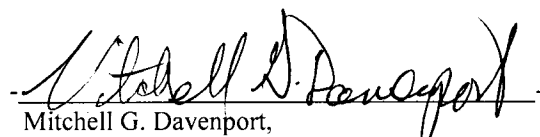
WHEREAS, the Court is of the opinion that an easement involving the property should be sold and did in session of April 24, 2017, as clarified in its session of May 22, 2017, vote to sell an easement on the Tract at public auction in accordance with the terms of Section 263.001 of the Local Government Code;

WHEREAS, the Court does by this order formally appoint a commissioner to conduct this sale and sets forth the terms and conditions of the sale as decided on May 22, 2017;

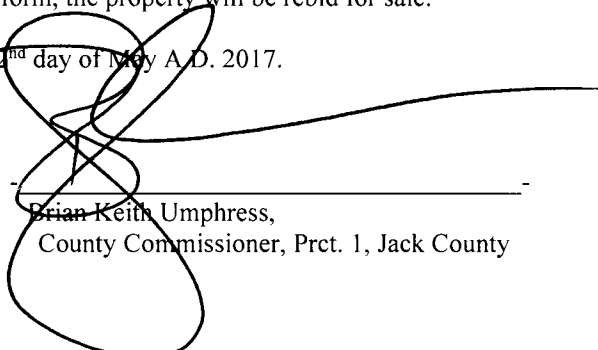
NOW, THEREFORE, in accordance with the terms of the motion and desires of the Court set forth in session of May 22, 2017, **IT IS ORDERED** that:

1. Mitchell G. Davenport, Judge of the Commissioners Court (herein called "the sale commissioner"), is appointed to serve as commissioner in the conducting of this sale;
2. the said sale commissioner shall publish notice of the time and place of the sale at his earliest convenience and report back to the Court the results of same for consideration;
3. the sale will be struck off to the highest eligible bidder
4. a person is not eligible to bid at a sale of real property owned by the County or held in Trustee unless the county assessor-collector has issued a written registration statement to the person before the sale begins.
5. the terms of sale are cash cashier's check, or money order made payable to the County at the time of closing of the sale;
6. all sales are subject to final approval by action of the Court;
7. the County reserves the right to accept and/or reject any and all bids;
8. the successful bidder will be required to deliver at the conclusion of the sale a cost deposit in the amount of \$200.00 to cover costs of republication in the event of his/her failure to perform;
9. the proceeds of the sale of the Tract shall be placed in the Lateral Road Fund; and,
10. in the event of the purchaser's failure to perform, the property will be rebid for sale.

PASSED, APPROVED AND ADOPTED on the 22nd day of May A.D. 2017.



Mitchell G. Davenport,
County Judge of Jack County, Texas



Brian Keith Umphress,
County Commissioner, Prct. 1, Jack County

- James Brock -
James Brock,
County Commissioner, Prct. 2, Jack County

- Terry Ward -
Terry Ward,
County Commissioner, Prct. 4

- Henry D. Birdwell, Jr. -
Henry D. Birdwell, Jr.,
County Commissioner, Prct. 3, Jack County

ATTEST:

- Vanessa James -
Vanessa James,
County Clerk



STATE OF TEXAS §

_____ O'CLOCK _____ M

COUNTY OF JACK §

KNOW ALL MEN BY THESE PRESENTS

MAY 23 2017

VANESSA JAMES, County Clerk
JACK COUNTY, TEXAS

COUNTY DEPOSITORY PLEDGE CONTRACT

DEPUTY

THIS AGREEMENT, made and entered by and between Jacksboro National Bank, hereinafter called "Bank", and Jack County, a body corporate and politic under the laws of the State of Texas, hereinafter called "County".

WITNESSETH:

WHEREAS, the Bank has submitted its application for bank depository for funds of the County; and

WHEREAS, the Bank was on the 8th day of May, 2017, duly and legally chosen by the Commissioners' Court of Jack County, Texas, as County Depository for said County for the period of four (4) years commencing on June 1, 2017, ending sixty (60) days from the time fixed by law for the next selection for depository, upon its bidding and agreeing to pay the County of Jack interest on "time deposits" and "demand deposits" (as these terms are defined in V.T.C.A. Local Government Code, section 116.001), as more fully set forth in that certain Depository Contract dated May 8, 2017 executed by and between the Bank and Jack County, reference to same being herein made for the terms and provisions thereof;

WHEREAS, the Bank desires to qualify as the Depository for funds of the County;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: that in consideration of the mutual covenants, agreements and benefits to both parties, It is agreed as follows:

That Jacksboro National Bank, Jack County, Texas, hereby pledges, assigns, transfers, delivers, and deposits the securities set forth on Exhibit "A" attached hereto, and incorporated by reference in this Contract as though fully and correctly set forth herein, with the Commissioners' Court of Jack County, Texas, upon the terms and conditions and for the purposes hereinafter set forth.

For the purpose of safekeeping, the pledged securities in Exhibit "A" have been deposited in The Independent Bankers Bank (hereinafter "Trustee"), under the control of the County, subject to the terms and conditions hereof. All rights, title and interest that the Bank may have in and to the securities pledged hereunder, by substitution or otherwise, that the Bank may have under or

under or pursuant to an agreement with the Trustee or any other bank are hereby assigned and transferred to the County. Furthermore, in the event of any conflict between the provisions of this contract and any agreement between the County, the Bank and Trustee, whether made prior to or subsequent to this contract, relating to said securities or the safekeeping thereof by Trustee or any other bank, the provisions of this contract shall control. It is understood, however, that the provisions of this contract are not intended to contradict or conflict with any state or federal regulation which the Bank may be subject to, and in the event of any such conflict, said regulations will prevail. In addition to or in lieu of the securities hereby pledged, the Bank may furnish to the County one or more surety bonds to secure the funds of the County. All securities, now and hereafter pledged, assigned and transferred by the Bank to County under or pursuant to this contract, shall be security for funds which county may have on deposit with the Bank and secure all other duties and obligations of the Bank to County regardless of whether such deposits were made under the hereinabove-mentioned application and bidding process or were made pursuant to this depository pledge contract, any other depository pledge contract between County and Bank or otherwise, with the same force and effect as if all such deposits had been made under and pursuant to the above-mentioned application and bidding process and this contract.

This Agreement shall remain in full force and effect so long as the Bank shall faithfully do and perform all the duties and obligations devolving by law upon such depository and shall pay against collected funds upon presentation, all checks drawn upon and "demand deposit" account in such depository by both the County Auditor and County Treasurer of Jack County, or another proper authorized official in the case of trust or agency accounts, and pay over, at maturity, all collected funds held on "time deposit", and that said County funds accepted by it for deposit shall be faithfully kept by said depository and accounted for according to law, and shall include State funds and all funds of governmental agencies authorized by law to be collected by the Tax Assessor-Collector, and shall pay the interest at the time and at the rates specified in the Depository Contract for "time deposits" and "demand deposits", and shall, at the expiration of the term for which it has been chosen, turn over to its successor all the funds, property, and other things of value coming into its hand as depository, then, and in that event, this Contract shall be null and void and the securities pledged pursuant thereto shall be returned to the Bank. It is expressly understood and agreed that if the Bank fails to faithfully do or perform any of the duties or obligations devolving on it by law as depository of the County, or fails on presentation to pay any check drawn on collected funds by the duly authorized officers of the County, or fails to faithfully keep or account for all funds deposited with it under the provisions of Chapter 116, Texas Local Government Code, and amendments thereto, or fails to pay interest at the time or at the rates hereinbefore stipulated, or shall otherwise fail to comply with any of the requirements of the depository law governing county depositories in Texas, or fails at the expiration of the

term for which it was chosen to turn over to its successor, or successors, all funds, property and things of value coming into its hands as depository, or otherwise defaults in the performance of this contract, then in that event, the Commissioners' Court of Jack County shall be authorized and have the power to sell at public or private sale all of the securities pledged hereunder, by

substitution or otherwise, or any part thereof and to apply the proceeds of sale to the satisfaction of any indebtedness arising by virtue of the violations of any or all of the conditions of this contract. Without limiting the above right and power of the County to sell at public or private sale the securities pledged hereunder, by substitution or otherwise, but to facilitate such sale, the Bank hereby appoints and designates Jack County as its agent and attorney-in-fact to sign, endorse, execute, acknowledge and deliver such securities, all checks and other documents evidencing the payment of interest on such securities and other instruments in writing of whatever kind and nature as may be necessary or proper in the exercise of the rights and powers herein granted, to do any all things reasonable necessary or desirable to expedite or facilitate a transfer or any such security and to obtain the transfer thereof on the books of the registrar of any such security of the County. It is the intention of the bank to hereby assign, transfer and deliver the securities pledged hereunder, by substitution or otherwise, and to authorize and empower the County to sell at public or private sale, said securities, with or without notice without any further authority or act of any kind whatsoever on the part of the Bank. However, should the County determine that some act on the part of the Bank would in any manner expedite or facilitate the transfer of such securities, then and in that event, the Bank will do each and every act that the County may request of the Bank to expedite or facilitate such transfer. It is expressly understood that all the rights, powers and authority herein conferred upon the County are cumulative with, and not in lieu of, any and all remedies provided by law. It is further expressly understood that the County may exercise any of the rights and remedies hereunder as to each and every security, and that the exercise of any right or remedy in regard to any one security shall not be deemed an election of rights or remedies as to any other security. Said securities shall stand as security for funds deposited in the Bank under the preceding depository pledge contract, if any, until said funds are accounted for by the Bank.

The Bank shall have the right to substitute eligible securities or any other form of security authorized by law for all or any part of the securities pledged hereunder. When an exchange is desired by the Bank, it shall make application to the Commissioners' Court of Jack County and submit a list of the securities proposed to be exchanged and the securities which it desires to withdraw. If the securities so proposed and tendered for substitution are of the kind, character, amount and value required by law, the Commissioners' Court shall enter its order granting such application and permitting such substitution. If such permission is granted and securities are substituted, the substituted securities shall thereafter be subject to all of the terms and conditions of this contract as fully as if originally pledged hereunder.

It is further understood by the County that some or all of the securities pledged under this agreement may pay certain sums of principal sequentially prior to final maturity ("paydowns"). Such paydowns should not be construed as maturities under the terms of this agreement, and the proceeds will be credited to the account of the Bank as received by the Trustee. It is the express responsibility of the Bank, however, to anticipate the effect of such payments upon total amounts pledged and assure that an adequate amount of securities are pledged at all times.

Any suit arising out of or in any way connected with this Contract shall be tried in the County of Jack and State of Texas in any court herein having jurisdiction of the subject matter thereof and this Contract is performable in Jack County, Texas.

The parties agree to comply with all the requirements set forth in the Financial Institution Reform Recovery and Enforcement Act (FIRREA) of 1989, Federal P.L. 101-73.

This agreement shall be approved in writing at a meeting of the Bank's Board of Directors or loan committee and documented in the minutes of the meeting. A certified copy of a resolution from the minutes of the meeting that documents its approval of this Contract must be provided to Jack County Commissioners' Court.

IN WITNESS WHEREOF, we have hereunto set our hands and the said Bank, Jacksboro National Bank has caused these presents to be signed with its name and by its authorized officers and attested to and sealed with its corporate seal on this 15th day of May, 2017.

JACKSBORO NATIONAL BANK

By: [Signature] Title: VP & Cashier / COO

By: [Signature] Title: President / COO

THE WITHIN CONTRACT is hereby approved this 22nd day of May, 2017, by Jack County Commissioners' Court granting the County Judge the authority to execute the agreement.

Jack County, Texas

By: [Signature] Jack County Judge
Mitchell G. Davenport

Attest:
By: [Signature] Jack County Clerk
Vanessa James



ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF JACK

BEFORE ME, on this day personally appeared Dorrie J Reames of Jacksboro, Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he (she) executed same as the act and deed of Jacksboro National Bank, a state banking association, for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said state banking association.

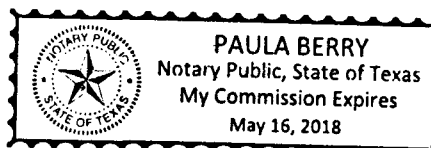
GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 15 day of May, 2017.

Paula Berry

Notary Public in and for the
State of Texas

My Commission Expires:

5/16/2018



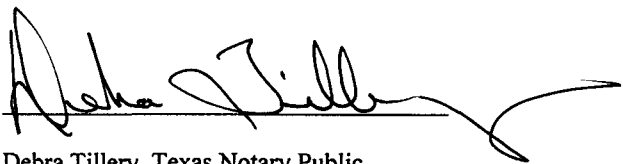
ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF JACK

BEFORE ME, on this day personally appeared MITCHELL G. DAVENPORT, JACK COUNTY JUDGE, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he (she) executed same as the act and deed of the County of Jack, State of Texas, for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said County of Jack, State of Texas.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 27th day of May, 2017.



Debra Tillery, Texas Notary Public
My commission expires: May 4, 2020

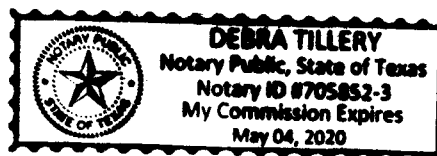


EXHIBIT A

Securities Pledged to County of Jack

All of Jacksboro National Bank's depository entities are on the same report name - *Pledges By Pledgee and Maturity* (page 1-11 [top right corner]). The County of Jack's information starts on page 8 ending on page 9 with totals.

Pledges By Pledgee And Maturity

BBA

Pledged To: County of Jack

The Jacksboro National Bank - Jacksboro, TX

As Of 4/30/2017

Page 8 of 11

Receipt# Safekeeping Location	CUSIP	ASC 320	Description Maturity Prerefund	Pool/Type Coupon	Moody S&P	Original Face Pledged Percent	Pledged			
							Original Face	Par	Book Value	Market Value
TIB: TIB	364496MA4	AFS	GALVESTON ISD-REF TX 18 02/01/18	4.00	Aaa	500,000.00 100.00%	500,000.00	500,000.00	501,064.63	511,140.00
TIB: TIB	796116QH7	AFS	SAN ANGELO ISD-BLDG-A TX 19 02/15/19	5.00	AA	550,000.00 100.00%	550,000.00	550,000.00	560,776.50	589,468.00
TIB: TIB	293443VY0	AFS	ENNIS ISD-CABS-REF TX 19 08/15/19	0.00	Aaa	200,000.00 100.00%	200,000.00	200,000.00	193,486.26	195,094.00
TIB: TIB	171637FC0	AFS	CIBOLO TX 20 02/01/20	2.30	A2 AA	385,000.00 100.00%	385,000.00	385,000.00	394,846.22	396,723.25
TIB: TIB	4478703N4	AFS	HURST-UNREF-REF-IMPT TX 20 08/15/20	4.50	Aa2 AA	40,000.00 100.00%	40,000.00	40,000.00	40,052.73	40,412.40
TIB: TIB	833527AC8	AFS	SNYDER ISD-REF TX 21 02/15/21	3.00	Aa3	445,000.00 100.00%	445,000.00	445,000.00	469,641.63	470,498.50
TIB: TIB	076563GX7	AFS	BEE CNTY-REF TX 21 08/15/21	3.00	A2 AA	300,000.00 100.00%	300,000.00	300,000.00	312,436.69	316,062.00
TIB: TIB	282783EZ8	AFS	EL CAMPO ISD-REF TX 21 08/15/21	3.00	AAA	500,000.00 100.00%	500,000.00	500,000.00	530,278.53	533,560.00
TIB: TIB	897059FT3	AFS	TROPHY CLUB MUD #1 TX 21 09/01/21	2.00	AA-	265,000.00 100.00%	265,000.00	265,000.00	267,197.36	266,465.45
TIB: TIB	24170PET1	AFS	DE SOTO-B TX 22 02/15/22	4.00	AA	385,000.00 100.00%	385,000.00	385,000.00	399,793.04	423,141.95
TIB: TIB	300371YM7	AFS	EVERMAN ISD-REF TX 22 02/15/22	3.00	AAA	415,000.00 100.00%	415,000.00	415,000.00	435,794.17	446,598.10
TIB: TIB	4876843D2	AFS	KELLER-REF TX 22 02/15/22	3.00	Aa1 AAA	365,000.00 100.00%	365,000.00	365,000.00	373,941.95	385,728.35
TIB: TIB	733488B82	AFS	PORT ARTHUR-REF TX 22 02/15/22	4.00	A1	320,000.00 100.00%	320,000.00	320,000.00	328,052.69	340,332.80

Although the information in this report has been obtained from sources believed to be reliable, its accuracy cannot be guaranteed.

4/24/2017 5:48 PM - RLH / JACK

BBA - Baker Bond Accounting®

The Baker Group Software Solutions, Inc.

Pledges By Pledgee And Maturity

BBA

Pledged To: County of Jack

The Jacksboro National Bank - Jacksboro, TX

As Of 4/30/2017

Page 9 of 11

Receipt# Safekeeping Location	CUSIP	ASC 320	Description Maturity Prerefund	Pool/Type Coupon	Moody S&P	Original Face Pledged Percent	Pledged			
							Original Face	Par	Book Value	Market Value
TIB: TIB	987473BA2	AFS	YOUNG CO-REF TX 22 02/15/22	3.00	A+	750,000.00 100.00%	750,000.00	750,000.00	791,003.80	797,595.00
TIB: TIB	492422PP9	AFS	KERRVILLE-CTFS OBLIG TX 22 08/15/22	3.00	AA	435,000.00 100.00%	435,000.00	435,000.00	471,048.41	461,535.00
TIB: TIB	606020ZG3	AFS	MO CITY-CTFS OBLIG-A TX 23 06/15/23	4.00	Aa2	290,000.00 100.00%	290,000.00	290,000.00	294,400.93	306,144.30
TIB: TIB	496782LX9	AFS	KINGSVILLE-CTFS OBLIG TX 23 08/01/23	4.00	AA	425,000.00 100.00%	425,000.00	425,000.00	459,280.07	458,728.00
TIB: TIB	754841KH6	AFS	RAYMONDVILLE ISD-REF TX 25 02/15/25	3.00	Aaa	325,000.00 100.00%	325,000.00	325,000.00	358,765.33	343,362.50
TIB: TIB	926157QU5	AFS	VICTORIA CNTY-CTFS TX 25 02/15/25	4.00	AA	495,000.00 100.00%	495,000.00	495,000.00	496,842.44	514,864.35
TIB: TIB	102529GL2	AFS	BOWIE ISD-REF TX 25 08/15/25	4.00	AAA	360,000.00 100.00%	360,000.00	360,000.00	403,134.00	418,374.00
TIB: TIB	544061NS9	AFS	LORENA ISD -REF TX 25 08/15/25	2.00	Aaa	460,000.00 100.00%	460,000.00	460,000.00	477,690.74	454,912.40
TIB: TIB	414910MT3	AFS	HARRIS CO MUD#109-REF TX 25 10/01/25	4.00	AA	415,000.00 100.00%	415,000.00	415,000.00	429,024.55	448,009.10
TIB: TIB	302783LN3	AFS	FABENS ISD-A-REF-BLDG TX 26 02/15/26	3.00	AAA	440,000.00 100.00%	440,000.00	440,000.00	487,494.18	480,092.80
TIB: TIB	492422JA9	AFS	KERRVILLE-CTFS OBLIG TX 27 02/15/27	4.00	AA	340,000.00 100.00%	340,000.00	340,000.00	343,812.70	346,147.20
24 Securities Pledged To: 10 - County of Jack							9,405,000.00	9,405,000.00	9,819,859.55	9,944,989.45

Although the information in this report has been obtained from sources believed to be reliable, its accuracy cannot be guaranteed.

4/24/2017 5:48 PM - RLH / JACK

BBA - Baker Bond Accounting®

The Baker Group Software Solutions, Inc.



FILED FOR RECORD

____ O'CLOCK ____ M

MAY 23 2017

VANESSA JAMES, County Clerk
JACK COUNTY, TEXAS

BY _____ DEPUTY

DEPOSITORY CONTRACT

BETWEEN JACK COUNTY

AND JACKSBORO NATIONAL BANK

WHEREAS, the Commissioners Court of Jack County, Texas has published notices asking that sealed bids be submitted to it, preparatory to the selection by the Commissioners' Court of a County Depository, as is required by law, said notice stating, amount other things, that the depository thus to be selected by the Commissioners' Court should be the depository for County money, money collected and held by the Tax Assessor-Collector pending distribution, money deposited in the several "county funds", as required by State of Texas statutes, and trust funds in possession of the county and District clerks of Jack County, Texas, as required by Chapter 116, V.T.C.A. Local Government Code, and other County trust and agency funds; and

WHEREAS, Jacksboro National Bank, a national bank domiciled in the City of Jacksboro, Jack County, Texas, submitted its written bid in response to said notice, which was received by said Commissioners' Court and entered upon its Minutes; and said Commissioners' Court, by its motion entered to that effect on May 8, 2017, accepted the bid and application of Jacksboro National Bank, and on May 8, 2017, designated Jacksboro National Bank as County Depository and as the depository for the funds hereinabove mentioned; and

WHEREAS, said Jacksboro National Bank, hereinafter sometimes referred to as "Bank" and sometimes as "Depository", hereby accepts said designation as the Depository for the public funds hereinabove mentioned, to serve as such for the period of four (4) years from the time fixed by law for the next selection of a depository, and desires to qualify as such Depository by pledging with the Commissioners Court such securities as may be permitted by law in lieu of its furnishing a personal bond or surety bonds, the securities thus pledged by said bank to the Commissions Court to be deposited and held for safekeeping in the manner hereinafter provided, and which securities shall always have a fair market value of at least ten percent (10%) above the total dollar sum of funds Jack County has on deposit in the Bank at any given time;

NOW THEREFORE, in consideration of the premises and for the purposes and upon the conditions herein stated, Jacksboro National Bank, and the County of Jack, State of Texas, agree as follows:

1. Bank hereby acknowledges itself duly and firmly bound for the faithful performance of all duties and obligations devolving by law upon it as such depository; that all funds accepted by it for deposit as such Depository shall be faithfully kept by it as such Depository and accounted for according to law; that, with respect to the funds belonging to the County or under its jurisdiction and control, it will pay, on presentation, all checks and drafts drawn upon it as such Depository, by the County Auditor and County Treasurer or by competent authority when collected funds are on deposit therefore; and that, with respect to other funds, it will pay such warrants as may be drawn thereon by competent authority, when collected funds are on deposit therefore. Bank shall use due diligence to collect all checks, drafts and demands for money accepted by it for deposit. All deposits accepted by Bank pursuant hereto shall be entitled to same day credit if made by Bank's deadline. The pledge of securities herein mentioned is for the purpose of securing the faithful performance by Bank of its duties as Depository as herein set forth and in accordance with Chapter 116, V.T.C.A. Local Government Code.
2. It is agreed that all suits arising on or under this Depository Contract shall be filed and tried in Jack County, Texas, in any Court therein having jurisdiction of the subject matter thereof, and this contract is performable wholly in Jack County, Texas.
3. Bank's Application /Bid for Depository Contract is attached hereto as Exhibit "A" and is incorporated herein for all purposes; however, to the extent that any provision therein conflicts with any provision herein, the Depository Contract will control.
4. In keeping with the bid/ application filed by the Bank with the Commissioners' Court, the Bank agrees to pay interest to the County on collected funds accepted for deposit pursuant hereto for the period of four (4) years effective June 1, 2017, through May 31, 2021 (at which time renegotiations shall be made allowing for an extension of contract between Bank and Jack County). The Bank agrees to provide and shall furnish to Jack County all banking services to Jack County at the stated fees set forth in the bid/ application and any services not delineated are provided without change.
5. All County funds shall be fully collateralized or insured consistent with federal and state laws. To anticipate possible market changes and insure the security of funds, the collateralization level shall be 110% of **market value** of principal and accrued interest on deposits less the amount provided by the Federal Deposit Insurance Corporation. All securities pledged by the Depository shall be held in a safekeeping account subject to the control and custody of the County, specifically a third party financial institution with the Federal Reserve Bank or the Federal Home Loan Bank,

with receipts of such safekeeping to be delivered immediately to the Jack County Treasurer.

6. Bank shall execute and deliver to the Commissioners' Court, for the purpose of securing the funds accepted for deposit pursuant hereto, a County Depository Pledge Contract in the form of Exhibit "B" attached hereto and made a part hereof covering such securities as are permitted by law to be pledged for such purposes.
7. When the securities pledged hereunder shall be in excess of the amount required under this Contract, the Commissioners' Court shall permit the release of such excess and such excess shall be surrendered to the Bank. When the funds on deposit with the Depository shall for any reason increase beyond the amount of security of such deposits, the Bank shall immediately pledge additional securities with the Commissioners' Court hereunder to the end that securities pledged on deposit in the Depository and covered by this depository contract. The Bank shall have the right of substituting other securities for those herewith pledged, or any part thereof, provided the securities substituted meet the requirements of the law and are approved by the Commissioners' Court.
8. Jack County reserves the right to invest or deposit a portion of its funds in government securities and financial instruments of other financial institutions as allowed by state law covering the investment of County funds.
9. The Bank acknowledges that a qualified representative of the Bank has received and reviewed the County's Investment Policy and the Bank has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's portfolio or requires an interpretation of subjective investment standards.
10. If the Bank shall faithfully do and perform all the duties and obligations devolving on it by law as the County Depository of Jack County and shall, upon presentation, pay checks drawn on it against collected funds by both the County Auditor and County Treasurer of Jack County, Texas, or another proper authorized official in the case of trust or agency accounts, on "demand deposit," and shall faithfully keep said County funds and account for same according to law, and shall faithfully keep and account for all funds belonging to Jack County which are accepted by it for deposit under the requirements of Chapter 116 V.T.C.A. Local Government Code, and shall include State funds and all funds of governmental agencies authorized by law to be collected

by the Tax Assessor-Collector, and shall pay the interest at the time and at the rate hereinabove stipulated on "time deposits" and "demand deposits," and shall turn over to its successor all the funds, property, and other things of value coming into its hands as Depository, then, in that event, this Contract as to pledge of securities shall, to that extent, become null and void and the securities so pledged shall be returned to the Bank; otherwise to remain in full force and effect, hereby specially authorizing the Jack County Commissioners' Court, in the event of Bank's default in the performance of such duties and obligations, to sell at public or private sale, with or without notice, the securities, or any part thereof, and apply the proceeds of the sale to the satisfaction of any indebtedness or other claim arising by virtue of the violation of any or all of the conditions of this Contract. The above provision is given in addition to any remedy the pledge may have in any suit brought on this Contract in any court in this State.

11. If the Bank closes and reopens under another name, this contract will be assigned to that successive bank for all purposes.
12. The pledge of the securities pursuant hereto shall extend to, cover, and secure all funds accepted for deposit pursuant hereto.
13. Furthermore, the pledge of the securities pursuant hereto shall extend to, cover, and secure all funds of governmental agencies authorized by law to be collected by the County Tax Assessor-Collector, which he may collect and deposit as authorized by law with the Bank as County Depository.
14. The Bank certifies that no officer or director thereof is a member of the Commissioners' Court of Jack County, Texas.
15. This contract is subject to, and incorporates, the current laws governing the relationships between counties, depositories and custodians/trustees and related entities as established by the Texas Local Government Code and the Vernon's Annotated Texas Civil Statutes and any amendments or revisions thereto. Bank warrants and represents that it shall comply with all applicable laws, rules and regulations which govern or apply to this Contract.
16. All notices, demands, or other writings may be delivered by any party hereto to the other, by United States Mail or other reliable courier at the following address:

To Depositor: Jack County, Texas
Attention: Judge Mitchell G. Davenport
100 N. Main St., Ste. 206
Jacksboro, TX 76458

To Bank: Jacksboro National Bank
ATTN: Ed Ramage
P.O. Box A
Jacksboro, TX 76458


To Trustee(s): The Independent Bankers Bank
P.O. Box 560528
Dallas, TX 75356-0528

The address to which any notice, demand, or other writings may be delivered to any party as above provided may be changed by written notice given by such party as above provided.

17. Bank represents that the collateral pledged to Depositor is not otherwise assigned, pledged or encumbered and that no lien, or security interests exist other than the security interest held by the Depositor pursuant to this agreement. Possession of the collateral by the Trustee is intended as perfection of Depositor's security interest therein. Bank warrants that the collateral (in the form and amount required by law) is held by Trustee(s) for the benefit of Depositor and as security for Depositor's funds.
18. The parties agree to comply with all the requirements set forth in the Financial Institution Reform Recovery and Enforcement Act (FIRREA) of 1989, Federal P.L. 101-73.
19. This agreement shall be approved in writing at a meeting of the Bank's Board of Directors or loan committee and documented in the minutes of the meeting. A certified copy of a resolution from the minutes of the meeting that documents its approval of Contract must be provided to Jack County Commissioners' Court.

IN TESTIMONY WHEREOF, witness the signatures this 23rd day of May, 2017, of the Bank's Board of Directors for Jacksboro National Bank; and of the County of Jack, State of Texas, acting by and through its County Judge and Commissioners' Court, and pursuant to the resolution of said Commissioners' Court dated the 8th day of May, 2017.

Bank: Jacksboro National Bank

By  Title: Vice President & Cashier / COO

Jack County

By: Mitchell G. Davenport Jack County Judge
Mitchell G. Davenport

Attest:

By: Vanessa James Jack County Clerk
Vanessa James



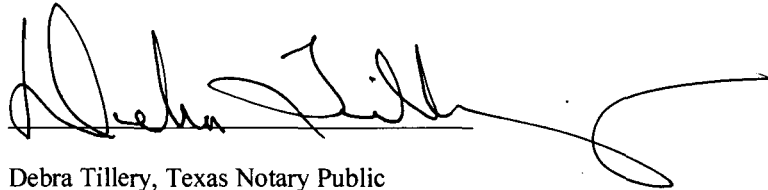
ACKNOWLEDGEMENT

STATE OF TEXAS

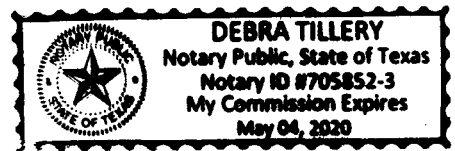
COUNTY OF JACK

BEFORE ME, on this day personally appeared Debbie Reaves, Vice President & Cashier / COO, of Jacksboro National Bank, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he (she) executed same as the act and deed of Jacksboro National Bank, a national bank association, for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said state banking association.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 23rd day of May, 2017.



Debra Tillery, Texas Notary Public
My commission expires: May 4, 2020



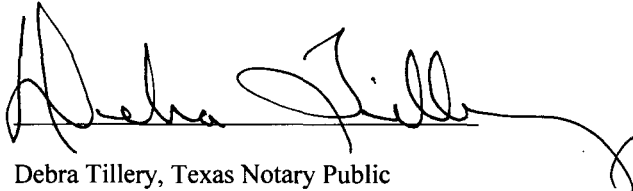
ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF JACK

BEFORE ME, on this day personally appeared MITCHELL G. DAVENPORT, JACK COUNTY JUDGE, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he (she) executed same as the act and deed of the County of Jack, State of Texas, for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said County of Jack, State of Texas.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 23rd day of May, 2017.



Debra Tillery, Texas Notary Public
My commission expires: May 4, 2020

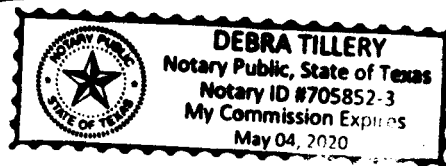


Exhibit "A"

**Bid to Serve as Depository
For
Jack County**

Attention:

Mitchell G. Davenport, County Judge

Submitted by:

Jacksboro National Bank



**JACKSBORO
NATIONAL BANK**

MyBankTexas.com

March 31, 2017

The Honorable Commissioner's Court
Jack County Court House
Jacksboro, TX 76458

Gentlemen:

The Jacksboro National Bank herewithin submits our bid to be designated the Jack County depository for the June 2017 through May 2021 contract period. We have proudly served the banking needs of Jack County residents and businesses for 112 years and remain the only locally owned financial institution in Jacksboro, TX. We continue to be committed to supporting the communities we serve and being an integral part of the local economy.

Our bank has been fortunate in the past several years to be the depository for Jack County. We further commit ourselves to continue to provide you with the services that are necessary and consistent with good banking practices along with meeting the needs of the County. We continually strive to offer more services to our customers, and will be glad to share these many services with you if selected as depository.

For the past several years the County has had funds distributed in various account types and we will continue to place demand deposit funds in any interest bearing account as designated by the County. As outlined in the "Worksheet for Depository Bid" section of the RFP, Jacksboro National Bank offers to pay interest on interest bearing demand deposit accounts equal to the Federal Reserve Bank's Federal Funds Target Rate plus .15%, resulting in a current rate of 1.15%. We will continue to waive all service charges. If we are awarded this depository contract, we will begin to pay the rates proposed in this bid immediately rather than wait for the beginning of the June 2017 contract period.

In addition to these demand accounts, we offer various time deposits, which the County utilizes. If you find that you need a loan during the contract period, we will be glad to discuss your needs with you.

JACKSBORO

940.567.5551
910 N. MAIN • P.O. BOX A
JACKSBORO, TEXAS 76458

BOWIE

940.872.2205
213 W. WISE ST. • P.O. BOX 271
BOWIE, TEXAS 76230

WICHITA FALLS

940.249.5290
4245 KEMP BLVD., STE. 420
WICHITA FALLS, TEXAS 76308

As required, we will pledge U. S. Treasury, Government Agency or Texas Municipal Bonds to secure all deposits of the County in excess of the FDIC insurance coverage. The securities pledged to the County for the protection of their funds also covers all trust funds held by the County and District Clerks. These bonds will be approved by the Commissioner's Court or an officer as designated by you.

Thank you for your previous loyalty and willingness to give our bank the opportunity to be the depository for Jack County. Jacksboro National Bank takes pride in serving this most important banking relationship. We fully recognize the difficult task that has been placed upon you as elected officials. We pledge our support for your efforts, and hope we may continue to provide your banking needs.

Sincerely,



Ed Rumage
President/CEO

EWR/dr

Enclosures



JACK COUNTY

DEPOSITORY BID INSTRUCTIONS

BID TITLE..... DEPOSITORY BANK

BID DUE DATE MARCH 31, 2017 BY 3:00 P.M.

BID OPENING APRIL 1, 2017 AT 10:00 A.M.

MARK OUTSIDE OF ENVELOPE.....DEPOSITORY BID

CONTACT..... KIM GIBBY, TREASURER 940-567-2251
MITCHELL G. DAVENPORT, COUNTY JUDGE 940-567-2241

Jack County's intent of this Bid Request and resulting contract is to obtain bids for bank depository services.

1. Bids must be received in the office of MITCHELL G. DAVENPORT, Jack County Judge, located at 100 N. Main St., Ste 301; Jacksboro, TX 76458 (Courthouse 3rd Floor), no later than 3:00 P.M. on March 31, 2017. Late proposals received after submission deadline shall be returned unopened and will be considered void and unacceptable. Jack County is not responsible for lateness of mail, carrier, etc.
2. Bids shall include all required documents. Each original bid and all required copies shall be placed in a sealed envelope, manually signed in ink by a person having the authority to bind the bank in a contract and marked clearly on the outside. Facsimile and or e-mail transmittals shall not be accepted. Proponent shall provide the original and 6 exact copies of the original (one on a disk or disk drive and 5 on paper).
3. Bids shall include a certified cashier's check in the amount listed in the Specifications for Bid.
4. Any alteration or erasure made before receiving time must be initialed by the signer of the bid, guaranteeing authenticity.
5. Bids may be withdrawn at any time prior to the official opening.

6. The Commissioners' Court of Jack County shall at its regular meeting on May 8, 2017, enter into the minutes of the court all applications filed with the County Judge, consider all applications and select the qualified applicant that offers the most favorable terms and conditions for the handling of the County funds. All Bidders, their representatives and interested persons may be present.
7. It is understood that Jack County reserves the right to accept or reject any and/or all bids as it shall deem to be in the best interest of Jack County. Receipt of any bid shall under no circumstances obligate Jack County to accept the lowest bid. The award of the contract shall be made to the responsible bidder whose proposal is determined to be the lowest and best evaluated offer for the County.
8. Chapter 176 of the Texas Local Government Code requires that any vendor or person considering doing business with a local government entity disclose in the Questionnaire form CIQ, the vendor or person's affiliation or business relationship that might cause a conflict of interest with a local government entity. By law, this questionnaire must be filed with the records administrator of Jack County no later than the 7th business day after the date the person becomes aware of facts that require the statement to be filed as defined in 176.006, Local Government Code. A person commits an offense if the person violates Section 176.006, Local Government Code. A copy of the law is available at: http://www.statutes.legis.state.tx.us/Docs/LG/htm_. The forms for reporting are available at: http://www.ethics.state.tx.us/whatsnew/conflict_forms.htm

By submitting a response to this request, the vendor represents that it is in compliance with the requirements.



SPECIFICATIONS FOR BID NO. 2017-001

DEPOSITORY BANKS

It is the intent of Jack County to execute a contract with a bank desiring to be designated as the County Depository Bank. By returning the Bid Worksheet, Bank acknowledges that it understands the Texas Local Government Code, Chapter 116 & Chapter 117, pertaining to the managing and safekeeping of county funds and will comply with those statutes.

Duration: The Bank contract will be effective for a period of four (4) years ending sixty (60) days from the time fixed by law for the next selection of a depository.

If a timed deposit maturity extends beyond the expiration date of the depository contract, the depository will pledge sufficient securities required by law for public funds to Jack County to provide the maturity of the time deposit.

Evaluation Process: Jack County will award the Bank Depository Contract based on, but not limited to, the following criteria:

1. Bank's past and prospective financial condition.
2. Net rate of return on County funds.
3. Ability to meet service requirements.
4. Cost of services.
5. Cash management products available that will enhance the count's banking procedures.

Investments Made Outside of Depository Bank: Jack County reserves the right to make external investments in accordance with the Laws of the State of Texas and the Investment Policy of Jack County.

Submitting Financial Statements: All Banks wishing to be designated as a Depository Bank must state the amount of the Bank's paid-up capital stock and permanent surplus and must submit a statement showing the financial condition of the Bank on the date of the application.

The amount of paid up capital stock of Jacksboro National Bank (JNB) is \$300,000.00 and the amount of permanent surplus is \$800,000.00.

An audited consolidated financial statement showing the financial condition of the holding company and JNB as of December 31, 2016 is being furnished as Appendix B.

Good Faith Guarantee: Bank must submit with the Bid worksheet a certified cashier's check in the amount of **\$39,372.02** (one-half percent of the county's revenue for the preceding year) payable to Jack County as a guarantee of good faith. The check will be held by the County until a Depository Bank that is selected files a depository bond or other security that is approved by the Commissioners' Court. If the selected bank does not provide the security, the County shall retain the amount of the check as liquidated damages. Certified checks of rejected applicants will be immediately returned after selection.

Cashier's Check attached for \$39,372.02 as a Good Faith Guarantee.

Collateral and Safekeeping: All County funds shall be fully collateralized or insured consistent with federal and state laws. To anticipate possible market changes and insure the security of funds, the collateralization level shall be 110% of market value of principal and accrued interest on deposits less the amount provided by the Federal Deposit Insurance Corporation. All securities pledged by the Depository Bank shall be held in a safekeeping account subject to the control and custody of the County, specifically a third party financial institution with the Federal Reserve Bank or the Federal Home Loan Bank.

See Appendix C for copy of current securities pledged to County.

Payment for Services: Bank will specify fees required for services on worksheet. Banking services not detailed on worksheet will be provided at no cost.

No fees for any service - See Worksheet Comments

Interest-Bearing Accounts: Jack County will require a special interest-bearing account for the Public Funds. Jack County will have accounts established under these specifications for disbursing checks written on Jack County funds. Checks and transfers will be written from these accounts; Wire transfers, ACH transfers, internal bank transfers or deposits will be made from these accounts. Interest rate bids on accounts shall be quoted by the Bank. Jack County reserves the right to select the rate most favorable to the County any time during the term of the contract, subject to banking laws.

See Worksheet Comments

Certificates of Deposit: The Bank will bid competitively on the interest rate and terms for Certificates of Deposit at the time of presentation.

See Appendix A for current CD rates (under \$100,000 and \$100,000 & over).

SERVICES PROVIDED

Reports: A detailed monthly collateral-to-deposit report is required. The report shall contain security descriptions, par value/current face and current market value. To compensate for increase or decrease in county deposits and fluctuation of market value of pledged collateral, the minimum market value of collateral will be 110% of county deposits.

See Worksheet Comments

Statements: Monthly statements will include images of checks (in numerical order) deposit slips, transfer slips and debit and credit memos for ALL accounts. The daily ledger balances, average daily collected balances, number of debits, number of credits, and other items on which charges are based, should also be included in each monthly statement. (See Exhibit A for current account listings.) Statements will be processed and either mailed or available online no more than five (5) business days after the close of each month.

See Worksheet Comments

Contact Person: Bank will specify an Officer of the Bank who will be responsible for attending to inquiries, requests for services, and daily activities regarding the managing of Jack County accounts.

Debbie J. Reaves, Vice President & Cashier/COO

Stop Payments: The Bank will be required to process stop payments on verbal instructions from the County Treasurer or her assignee with follow-up written confirmation.

See Worksheet Comments

Standard Disbursement Services: Standard disbursing services for all accounts are required to include the payment of all County checks upon presentation.

JNB will comply with request.

Standard Deposit Services: The Bank will guarantee immediate credit on all wire transfers, ACH transactions and Government checks upon receipt and all other checks based on the Bank's

availability schedule. All deposits received before the Bank's established deadline will be credited daily.

JNB will comply with request.

Online Services: It is requested that as a part of the bid the Bank will provide an online PC communication link to the County for daily reporting of fund balances, collected and ledger balances, stop payment requests, confirmations, and detailed debits and credits.

Jack County currently uses our online banking services.

Interest Rates: Variable and fixed interest rate bids on accounts and certificates of deposit will be quoted by the Bank. The County reserves the right to select the rates most favorable to the county at any time during the term of the contract, subject to banking laws.

See Worksheet Comments

Jacksboro National Bank has read all the above specifications for bid including "Services Provided" section and will comply.

2017

Variable Rate Interest: *See Note Below*

<u>Services Provided:</u>	<u>YES</u>	<u>NO</u>	<u>APPLICABLE FEE</u>
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1. Monthly Account Balance Reports X *

Comment: *JNB offers rendered statements (mailed by 5th business day) or eStatements which are available on the second business day after month end via online secure site. At this time this is not part of the Business Internet Banking it is a separate system. However, JNB is in the process of reviewing a new Business Internet Banking vendor that does offer online statements within the On-Line Banking application.*

	<u>YES</u>	<u>NO</u>	<u>APPLICABLE FEE</u>
2. Monthly Pledge Reports	<u> X </u>	<u> </u>	<u> </u> * <u> </u>

Comment: *Reports mailed at month end.*

3. Wire Transfers	Incoming	<u> X </u>	<u> </u>	<u> </u> * <u> </u>
	Outgoing	<u> X </u>	<u> </u>	<u> </u> * <u> </u>
	Repetitive	<u> X </u>	<u> </u>	<u> </u> * <u> </u>

Comment: *We do require all wires to be confirmed by return phone call and signatures by fax or in person even though initiated via On-Line Banking.*

4. ACH Service Transfers	Outgoing	<u> X </u>	<u> </u>	<u> </u> * <u> </u>
	Bank			
	Computerized	<u> X </u>	<u> </u>	<u> </u> * <u> </u>

Comment: *County is currently utilizing our ACH deposit services.*

5. In-House Acct. Transfers	<u> X </u>	<u> </u>	<u> </u> * <u> </u>
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Comment: ***Only signers on the account signature card can initiate an in-house transfer.***

6. Investment Transaction Fees _____ X _____ *

Comment: ***JNB will not charge an investment transaction fee.***

7. Furnish Deposit Slips/Books _____ X _____ *

Comment: ***JNB counter deposit slips are available or personalized business deposit slips or books are provided free of charge upon request.***

	<u>YES</u>	<u>NO</u>	<u>APPLICABLE FEE</u>
8. Furnish appropriate checks For all accounts	<u>X</u>	_____	_____ *

Comment: ***Free personalized business checks or computer/laser checks will be provided free of charge upon request.***

9. Furnish:	Cashier's Checks	<u>X</u>	_____ *
	Certified Checks	_____ <u>X</u>	_____ NA
	Money Orders	_____ <u>X</u>	_____ NA

Comment: ***JNB's Cashier's Checks are the same as Certified Checks and we do not offer Money Orders.***

10. Furnish: Safe Deposit Boxes _____ X _____ *
of adequate size and number

Comment: ***The County has one safe deposit box with JNB as this time but others can be provided free of charge.***

11. Stop payments issued: _____ X _____ *

Comment: ***The County may call the bank to request a stop payment or in person however, we do like to have a signed form on file.***

12. Overdrawn accounts: **X** *

Comment: JNB will pay accounts into overdraft however, we will call a signor on the signature card to see if there was a mistake on the account and how we can resolve the issue. No checks will ever be returned unless you tell the bank to do so.

13. Returned items: **X** *

Comment: ***JNB processes all returned checks twice unless requested otherwise and will notify the County same day in excess of \$5,000 with written request on file showing who or what department to notify.***

<u>YES</u>	<u>NO</u>	<u>APPLICABLE FEE</u>
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14. Provide safekeeping for outside X _____ *

Purchases of securities by Jack
County at a third Party Financial
Institution, or with the Federal
Reserve Bank:

Comment: ***Depending on the type of security purchased JNB utilizes Federal Reserve Bank and/or Texas Independent Bank.***

15. **Additional Services and charges** – Are there any additional charges for the requested collection, disbursement, investment or miscellaneous services not previously covered: If so, please describe and show the fee per unit:

No additional charges are noted at this time.

	Yes	No	Amount
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

16. Payment for services: The County elects to pay for services by Direct Fee Payment. The County requests that the bank accept direct payment for services at the unit prices indicated in the previous sections.

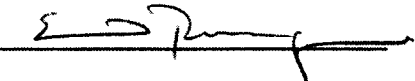
Comments: ***JNB will not charge the County for any services nor will there be an earnings credit applied or account analysis charged on any account.***

Bank **MUST** complete the below information to validate the bid for Depository Bank:

The undersigned affirms that they are authorized to execute this contract by providing the County with a resolution from the Board of Directors of the submitting bank authorizing or empowering the undersigned to execute this contract; that this Bank has not prepared this bid in collusion with any other bidder; and that the contents of this bid as to fees, interest rates, terms, or conditions of said bid have not been communicated by the undersigned, nor by any employee or agent, to any other bidder or to any other person(s) engaged in this type of business before the official opening of this bid.

Name and address of Bidder

Jacksboro National Bank

Signature: 

P O Box A

Name: **Ed Ramage**

910 N. Main St.

Title: **President/CEO**

Jacksboro, Texas 76458

Phone: **940-567-5551**

ALL UNSIGNED BIDS WILL BE DISQUALIFIED

EXHIBIT "A"**ACCOUNT LISTING AND SUMMARY OF TRANSACTIONS****CHECKING ACCOUNT TITLE****BALANCE AS OF 12/31/16**

County Attorney Reimbursement	\$ 32.60	5	75	NO	***
County Attorney Fee Fund	\$ 2,139.71	75	1	NO	***
County Clerk Fee	\$ 20,772.00	300	170	YES	***
County Clerk Cash Bond	\$ 3,610.51	20	20	NO	*
Jack County Constable Prct 1	\$ 868.48	1	1	YES	***
Seized Account	\$ 8,206.26	1	1	YES	*
Dare Account	\$ 3,740.29	MOVING TO SPECIAL FUND			
Sheriff Account	\$ 13,209.15	MOVING TO GENERAL FUND			
Commissary Account	\$ 39,185.31	10	20	YES	*
Inmate Trust Fund	\$ 762.32	8	20	NO	**
Tax Escrow	\$ 4.59	8	11	NO	*
VIT Interest	\$ 6,041.52	4	0	YES	*
Ad Valorem Tax	\$318,741.59	250	246	YES	**
Personal Property Penalty	\$ 2,165.17	81	13	NO	*
Secretary of State (Chapter 19 Funds)	\$ 4.46	3	1	YES	*
Highway	\$ 38,466.94	260	161	YES	**
Vehicle Inventory Tax	\$ 9,085.32	12	13	YES	*
Sales Emission	\$ 2,504.18	255	0	NO	
Sales Tax	\$ 40,111.13	255	0	YES	
Registration Emission	\$ 73.83	55	0	NO	
District Clerk Fee	\$ 39,712.30	20	80	YES	***
District Clerk Trust	\$231,044.51	20	25	NO	***
Unclaimed Property Account	\$ 6,930.19	1	1	NO	***

Extradition Account	\$ 1,422.90	1	1	NO	*
County of Jack	\$7,077,359.02	300	3000	YES	**
JP Credit Card Clearing	\$ 8,209.64	350	15	YES	***

Minimum requirements:

* 1-part multi-use business check or wallet-style

** 3-part, 1-per-page, laser multi-use checks

*** 3-per-page business check
style

2-part deposit slips on accounts using 1 per page

2) **Electronic Funds Transfers:** Approximately 2,000 per year

3) **Wire Funds Transfers:** Occasional wire transfers

TOTAL DEPOSITS AS OF 12-31-16: \$ 7,874,403.92

JACKSBORO NATIONAL BANK
TIME DEPOSIT ACCOUNTS
3/30/2017

	MINIMUM	APY	RATE
7 - 31 DAY CERTIFICATE OF DEPOSIT	2,500.00	0.05%	0.05%
32 - 89 DAY CERTIFICATE OF DEPOSIT	2,500.00	0.05%	0.05%
91 DAY CERTIFICATE OF DEPOSIT (90-179)	2,500.00	0.10%	0.10%
182 DAY CERTIFICATE OF DEPOSIT (180-364)	2,500.00	0.25%	0.25%
1 YEAR CERTIFICATE OF DEPOSIT	2,500.00	0.30%	0.30%
2 YEAR CERTIFICATE OF DEPOSIT	2,500.00	0.60%	0.60%
2 YEAR ADVANTAGE CERTIFICATE OF DEPOSIT	2,500.00	0.60%	0.60%
30 MONTH CERTIFICATE OF DEPOSIT	2,500.00	0.70%	0.70%
3 YEAR CERTIFICATE OF DEPOSIT	2,500.00	0.80%	0.80%
4 YEAR CERTIFICATE OF DEPOSIT	2,500.00	0.90%	0.90%
5 YEAR CERTIFICATE OF DEPOSIT	5,000.00	1.00%	1.00%

JACKSBORO NATIONAL BANK
JUMBO CERTIFICATE OF DEPOSIT RATES
3/30/2017

	MINIMUM	APY	RATE
7 - 31 DAY CERTIFICATE OF DEPOSIT	100,000.00	0.16%	0.15%
32 - 89 DAY CERTIFICATE OF DEPOSIT	100,000.00	0.15%	0.15%
91 DAY CERTIFICATE OF DEPOSIT (90-179)	100,000.00	0.20%	0.20%
182 DAY CERTIFICATE OF DEPOSIT (180-364)	100,000.00	0.35%	0.35%
1 YEAR CERTIFICATE OF DEPOSIT	100,000.00	0.40%	0.40%
2 YEAR CERTIFICATE OF DEPOSIT	100,000.00	0.70%	0.70%
2 YEAR ADVANTAGE CERTIFICATE OF DEPOSIT	100,000.00	0.70%	0.70%
30 MONTH CERTIFICATE OF DEPOSIT	100,000.00	0.80%	0.80%
3 YEAR CERTIFICATE OF DEPOSIT	100,000.00	0.90%	0.90%
4 YEAR CERTIFICATE OF DEPOSIT	100,000.00	1.00%	1.00%
5 YEAR CERTIFICATE OF DEPOSIT	100,000.00	1.10%	1.10%

JACKSBORO NATIONAL BANCSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

and

THE JACKSBORO NATIONAL BANK

YEARS ENDED DECEMBER 31, 2016 AND 2015

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



JACKSBORO NATIONAL BANK

MyBankTexas.com

March 3, 2017

Dear Shareholders:

As each of the last several years began, I didn't think there would be any way we could top the previous year's performance. 2016 was no different after the outstanding performance of 2015. However, I am once again reporting yet another record year for Jacksboro National Bancshares, Inc. (the "Company"). Record net income of \$3,220,069 is a testament of the comprehensive team effort focused on attaining the goals of the Company. This team begins with you, the shareholders, and encompasses all of the directors, officers, and employees of the Company. Our most important goal is to increase the value of our shareholders' investment in the Company. Through the efforts of our team during 2016, \$1,889,083 was added to tangible capital of the Company. This is a substantial increase considering we also provided \$534,574 of liquidity to shareholders through the purchase of 250 shares of Company stock, and shows our goal of increasing shareholder value is being attained.

Loans increased \$5,857,461, a 4.75% increase, to a year-end balance of \$129,122,928. This is a slower rate of growth in terms of dollars and percent than what we have seen the previous two years, but is still a very good increase considering the state of the local, regional, and national economies. Deposits decreased over \$10 million during 2016 mainly due to individuals and companies using excess cash reserves as revenues remain suppressed during the current economic cycle. As a result of the decrease in deposits, management has allowed the investment portfolio to pay down rather than reinvesting cash flow from the portfolio. The amortized cost of the investment portfolio decreased almost \$12,500,000 during 2016. The combination of a decrease in total assets and the growth in tangible capital mentioned earlier resulted in a Tier I leverage capital ratio of 10.42% at the end of 2016, which is an increase from 9.26% as of the end of 2015. This leaves the Company in a good position for growth or to weather potential downturns.

Our mortgage department has solidified itself as a strong contender in the Wichita Falls market and the surrounding areas. This department generated gross revenues of \$1,825,192 in 2016, resulting in net income of more than \$350,000. The mortgage department has worked diligently to not only increase market share, but continues to wade through the seemingly never-ending stream of new regulations. While our entire organization is feeling the increasing weight of regulatory burden, significant changes recently have specifically targeted the mortgage industry. 2017 will be another year of heavy regulatory burden in preparation of new regulations scheduled to go into effect January 1, 2018.

Our success cannot be attributed to any one aspect of the Company, other than the fact we have a truly unique organization. No one department out-shines or out-performs another, but each area performs their job and the end result of our combined efforts is greater than the sum of each individual effort. Management will continue to foster this sense of teamwork and working together to accomplish more than each of us can individually. We know, with your continued support, we can continue to accomplish our goals. As we begin 2017, I once again

JACKSBORO

940.567.5551
910 N. MAIN • P.O. BOX A
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WICHITA FALLS

940.249.5290
4245 KEMP BLVD., STE. 420
WICHITA FALLS, TEXAS 76308

ponder our ability to surpass the success of 2016. However, regardless of any one individual measure of success, we will continue to work diligently to add value to your investment. At the basic level, we will accomplish this by continuing to provide the best banking experience possible to the communities we serve. We have the right team in place to deliver this service and we will continue to research and implement the best products for our customers. In doing this, we know the ultimate goals of our organization, as well as of each member of our team, will be met.

As always, I want to take this opportunity to express my sincere gratitude to our shareholders for trusting your investment in the Company to us. This privilege continues to be taken seriously and maximizing the value of your investment remains our top priority.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ed Ramage', with a stylized flourish at the end.

Ed Ramage
President/CEO

Lukert, Mayers, Widner & Co., P.C.

Certified Public Accountants

623 Elm Street, Suite 405
P.O. Box 420
Graham, Texas 76450
940-549-3330
Fax: 940-549-3332

Kathryn M. Mayers
Michelle R. Widner
Mike Lukert, of Counsel

219 E. Main Street
P.O. Box 337
Olney, Texas 76374
940-564-5643
Fax: 940-564-3094

Independent Auditors' Report

The Board of Directors and Shareholders
Jacksboro National Bancshares, Inc.
Jacksboro, Texas

We have audited the accompanying consolidated financial statements of Jacksboro National Bancshares, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jacksboro National Bancshares, Inc. and its subsidiary as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying balance sheets of The Jacksboro National Bank as of December 31, 2016 and 2015, and the related statements of income, comprehensive income, shareholder's equity, and cash flows for the years then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Lakot, Mayes, Widner & Co., P.C.

Graham, Texas
March 3, 2017

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and due from banks	\$ 5,117,731	\$ 3,614,002
Securities available for sale	103,924,394	119,439,732
Loans:		
Held for investment	128,045,775	122,081,127
Held for sale	<u>1,077,153</u>	<u>1,184,340</u>
	129,122,928	123,265,467
Less allowance for loan loss	<u>(1,799,388)</u>	<u>(1,902,255)</u>
Net loans	127,323,540	121,363,212
Property and equipment, net	7,031,054	7,248,217
Accrued interest receivable	1,626,407	1,569,784
Other assets	<u>546,156</u>	<u>706,007</u>
Total assets	<u>\$ 245,569,282</u>	<u>\$ 253,940,954</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Liabilities:		
Demand deposits	\$ 58,706,768	\$ 61,548,282
Savings, NOW and money market deposits	117,417,034	121,402,100
Time deposits	<u>36,866,295</u>	<u>40,238,912</u>
Total deposits	212,990,097	223,189,294
Accrued interest payable	28,170	29,067
Bank advances	8,200,000	5,215,000
Other liabilities	<u>29,971</u>	<u>47,353</u>
Total liabilities	221,248,238	228,480,714
Commitments and contingencies (Note 1)		
Shareholders' equity:		
Capital stock, \$1 par value, 1,000,000 shares authorized, 14,528 issued in 2016 and 14,778 issued in 2015	14,528	14,778
Paid-in capital	1,682,154	1,682,154
Retained earnings	24,002,941	22,113,608
Accumulated other comprehensive income	<u>(1,378,579)</u>	<u>1,649,700</u>
Total shareholders' equity	<u>24,321,044</u>	<u>25,460,240</u>
Total liabilities and shareholders' equity	<u>\$ 245,569,282</u>	<u>\$ 253,940,954</u>

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Interest income:		
Interest and fees on loans	\$ 7,005,049	\$ 6,461,663
Interest on investment securities	<u>2,289,763</u>	<u>2,765,031</u>
Total interest income	9,294,812	9,226,694
Interest expense:		
Deposits	494,457	588,989
Other	<u>17,471</u>	<u>15,164</u>
Total interest expense	<u>511,928</u>	<u>604,153</u>
Net interest income	8,782,884	8,622,541
Provision for loan losses	<u>(250,000)</u>	<u>(310,000)</u>
Net interest income after provision for loan losses	8,532,884	8,312,541
Other income:		
Service charges on deposit accounts	563,094	585,327
Other service charges and fees	475,410	481,206
Net realized gain on securities	190,940	53,824
Gain on sale of property and equipment	37,121	27,000
Gain from sales of mortgage loans	1,026,893	838,646
Other income	<u>136,076</u>	<u>145,267</u>
Total other income	2,429,534	2,131,270
Other expense:		
Salaries and employee benefits	4,453,748	4,300,986
Property and equipment expense	1,157,719	1,180,678
Advertising and promotion expense	183,803	180,392
Computer service expense	716,526	687,104
Legal and professional fees	62,812	63,107
Stationary and printing expense	130,419	119,048
Consulting	138,127	150,497
Director fees	219,125	217,075
FDIC insurance premiums	102,416	131,127
Other expense	<u>577,654</u>	<u>529,388</u>
Total other expense	<u>7,742,349</u>	<u>7,559,402</u>
Net income	<u>\$ 3,220,069</u>	<u>\$ 2,884,409</u>

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Net income	\$ 3,220,069	\$ 2,884,409
Other comprehensive income:		
Change in unrealized appreciation (depreciation) on securities available for sale	(2,922,462)	(127,240)
Adjustment for (gains) losses realized on securities available for sale and included in net income	<u>(105,817)</u>	<u>(84,985)</u>
Total other comprehensive income	<u>(3,028,279)</u>	<u>(212,225)</u>
Total comprehensive income	<u>\$ 191,790</u>	<u>\$ 2,672,184</u>

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2014	\$ 15,093	\$ 1,682,154	\$20,518,445	\$ 1,861,925	\$24,077,617
Net income	-	-	2,884,409	-	2,884,409
Unrealized depreciation on securities available for sale	-	-	-	(127,240)	(127,240)
Reclassification adjustment for gain included in net income	-	-	-	(84,985)	(84,985)
Purchase of capital stock	(315)	-	(604,413)	-	(604,728)
Distributions (\$45.75 per share)	-	-	(684,833)	-	(684,833)
Balance, December 31, 2015	14,778	1,682,154	22,113,608	1,649,700	25,460,240
Net income	-	-	3,220,069	-	3,220,069
Unrealized depreciation on securities available for sale	-	-	-	(2,922,462)	(2,922,462)
Reclassification adjustment for gain included in net income	-	-	-	(105,817)	(105,817)
Purchase of capital stock	(250)	-	(534,324)	-	(534,574)
Distributions (\$54.00 per share)	-	-	(796,412)	-	(796,412)
Balance, December 31, 2016	<u>\$ 14,528</u>	<u>\$ 1,682,154</u>	<u>\$24,002,941</u>	<u>\$ (1,378,579)</u>	<u>\$24,321,044</u>

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net income	\$ 3,220,069	\$ 2,884,409
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	370,463	425,593
(Gain) loss on disposal of property and equipment	(37,121)	(27,000)
(Gain) loss on sale of repossessed assets	(54,025)	(11,459)
Provision for loan losses	250,000	310,000
Net realized (gain) loss on securities	(190,940)	(53,824)
Premium amortization net of discount accretion on securities	1,487,478	1,747,610
Gain from sales of mortgage loans	(1,026,893)	(838,646)
Proceeds from sales of mortgage loans	33,309,919	27,284,880
Originations of mortgage loans for sale	(32,283,026)	(26,446,234)
(Increase) decrease in accrued interest receivable	(56,623)	(132,022)
(Increase) decrease in other assets	173,830	39,752
Increase (decrease) in accrued interest payable	(897)	(5,804)
Increase (decrease) in other liabilities	(17,382)	5,862
Total adjustments	<u>1,924,783</u>	<u>2,298,708</u>
Net cash provided by operating activities	5,144,852	5,183,117
Cash flows from investing activities:		
Principal reduction on mortgage-backed securities	12,751,973	17,753,908
Proceeds from maturities of available-for-sale securities	1,370,000	1,540,000
Proceeds from sales of available-for-sale securities	37,616,450	12,683,801
Purchase of available-for-sale securities	(40,547,902)	(21,243,887)
Purchase of mortgage loans	-	(5,660,093)
Net (increase) decrease in loans	(6,405,343)	(13,200,649)
Purchase of property and equipment	(116,179)	(118,643)
Proceeds from sales of repossessed assets	<u>235,061</u>	<u>16,243</u>
Net cash provided (used) by investing activities	4,904,060	(8,229,320)
Cash flows from financing activities:		
Net increase (decrease) in demand deposits	(2,841,514)	1,088,532
Net increase (decrease) in savings, NOW and money market deposits	(3,985,066)	(1,792,335)
Net increase (decrease) in time deposits	(3,372,617)	3,960,455
Net increase (decrease) in short term borrowings	2,985,000	289,000
Purchase of capital stock	(534,574)	(604,728)
Distributions	<u>(796,412)</u>	<u>(684,833)</u>
Net cash provided (used) by financing activities	<u>(8,545,183)</u>	<u>2,256,091</u>
Net increase (decrease) in cash and due from banks	1,503,729	(790,112)
Cash and due from banks, beginning of year	<u>3,614,002</u>	<u>4,404,114</u>
Cash and due from banks, end of year	<u>\$ 5,117,731</u>	<u>\$ 3,614,002</u>

The accompanying notes are an integral part of this statement.

JACKSBORO NATIONAL BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. **Summary of significant accounting policies**

The accounting policies of Jacksboro National Bancshares, Inc. (the Company) and subsidiary conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The Company was incorporated for the purpose of becoming a bank holding company. Its subsidiary, The Jacksboro National Bank (the Bank), provides full banking services. The Bank generates real estate, including residential, agricultural, commercial, and consumer loans and receives deposits from customers primarily in Jack, Montague, and Wichita counties and in the north central part of Texas.

Date of management's review of subsequent events - Management has evaluated subsequent events through March 3, 2017, the date which the financial statements were available to be issued.

Consolidation and ownership - The financial statements of Jacksboro National Bancshares, Inc. include the accounts of the Company and the accounts of its subsidiary, The Jacksboro National Bank. The Bank is wholly owned by the Company. All material intercompany transactions and balances have been eliminated.

Restrictions on cash and due from banks - Under regulations promulgated by the Federal Reserve Board, the Bank is required to maintain reserve balances on hand or with the Federal Reserve Bank. The amounts of those reserve balances as of December 31, 2016 and 2015 were \$0.

Investment securities - Management determines the appropriate classification of debt securities at the time of purchase. Debt securities are classified as available for sale or held to maturity. Securities available for sale are those securities which the Company may decide to sell prior to their maturity in response to change in interest rates, liquidity needs, or for other purposes. Securities available for sale are reported at fair value. The net unrealized gain or loss on securities available for sale is reported as accumulated other comprehensive income, a separate component of shareholders' equity, until realized. Securities held to maturity are securities that the Company has the positive intent and ability to hold to maturity. Held-to-maturity securities are reported at amortized cost. Management is no longer classifying security purchases as held to maturity.

Amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the securities, computed by the interest method. Realized gains (losses) on securities are included in other income and, when applicable, are reported as a reclassification adjustment in accumulated other comprehensive income. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The Company's investment portfolio consists of traditional investments, substantially in U.S. Agency securities, obligations of U.S. government sponsored enterprises and agencies, mortgage pass-through securities, corporate stock, mutual funds and general obligation municipal bonds. Pricing for such securities is generally readily available and transparent in the market. The Company utilizes independent third party pricing services to value its investment securities. The Company reviews the prices supplied by the independent pricing services as well as the underlying pricing methodologies for reasonableness and to ensure such prices are aligned with traditional pricing matrices. The Company validates quarterly, on a sample basis, prices supplied by the independent pricing services by comparison to prices obtained from other third party sources.

Federal Home Loan Bank stock - Federal Home Loan Bank (FHLB) stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula and was \$437,800 and \$331,500 at December 31, 2016 and 2015, respectively.

FHLB stock is carried at cost on the balance sheets in securities available for sale and totaled \$644,500 and \$640,500 at December 31, 2016 and 2015, respectively. FHLB stock is held as collateral to secure FHLB advances.

Loans - The Bank grants real estate, including residential, agricultural, commercial, and consumer loans to customers primarily in Jack, Montague, and Wichita counties and in the north central part of Texas. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is substantially dependent upon the general economic conditions of the region. Loans are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses. Loans held for sale are carried at the lower of cost or market. Interest on loans is recognized over the term of the loan and is accrued on the unpaid principal balance.

The Company has certain lending policies and procedures in place that are designed to maximize loan income with an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis and makes changes as appropriate. Management receives and reviews periodic reports related to loan originations, quality, concentrations, delinquencies, nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions, both by type of loan and geographic location.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and effectively. Underwriting standards are designed to determine whether the borrower possesses sound business ethics and practices and to evaluate current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and, secondarily, on the underlying collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory and include personal guarantees.

Agricultural loans are subject to underwriting standards and processes similar to commercial loans. These agricultural loans are based primarily on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most agricultural loans are secured by the agriculture related assets being financed, such as farm land, cattle or equipment and include personal guarantees.

Residential and commercial real estate loans are subject to underwriting standards and processes similar to commercial and agricultural loans. These loans are underwritten primarily based on projected cash flows and, secondarily, as loans secured by real estate. The repayment of real estate loans is generally largely dependent on the successful operation of the property securing the loans, the business conducted on the property securing the loan, or the cash flow of the borrower. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's real estate portfolio are generally diverse in terms of type and geographic location. This diversity helps reduce the exposure to adverse economic events that affect any single market or industry. Generally, real estate loans are owner occupied which further reduces the Company's risk.

Consumer loan underwriting utilizes methodical credit standards and analysis to supplement the Company's underwriting policies and procedures. The Company's loan policy addresses types of consumer loans that may be originated and the collateral, if secured, which must be perfected. The relatively small individual dollar amounts of consumer loans that are spread over numerous individual borrowers also minimize the Company's risk.

Allowance for loan losses - The allowance consists of specific and general components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited

to the allowance. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and assess the overall collectibility of those portfolios. The allowance on certain homogenous loan portfolios is based on aggregated portfolio segment evaluations. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The Company's residential real estate and real estate portfolios are comprised primarily of homogenous loans secured by residential and commercial real estate, respectively. The amount of losses incurred in the homogenous loan pools is estimated based upon how many of the loans will default and the loss in the event of default. The Company estimates how many of the homogenous loans will default based on the individual loans' attributes aggregated into pools of homogenous loans with similar attributes. The attributes that are most significant to the probability of default and are used to estimate default include the loan-to-value, borrower credit score, months since origination, geography, and present collection status. The estimate is based on the Company's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors that are not reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment.

The allowance on the remaining portfolio segments (agriculture, commercial and consumer) is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity and other financial and qualitative factors. These factors are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large single defaults.

Although we believe we use the best information available to make loan loss allowance determinations, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making our initial determinations. A further downturn in the economy and employment could result in increased levels of non-performing assets and charge-offs, increased loan provisions and reductions in income. Additionally, bank regulatory agencies periodically review our allowance for loan losses and could require additions to the loan loss allowance based on their judgment on information available to them at the time of their examination.

Nonperforming loans are reviewed in accordance with applicable accounting guidance on impaired loans and troubled debt restructurings (TDRs). If necessary, a specific allowance is established for these loans if they are deemed to be impaired. A loan is considered impaired when, based on current information and events, it is probable the scheduled payments of principal or interest will be uncollectible when due, according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral for collateral-dependent loans.

For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject of a restructuring agreement.

The outstanding balance of residential real estate and real estate secured loans that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due. The estimated property value, less costs to sell is determined utilizing appraisals or broker opinions of the fair value of the collateral.

The outstanding balance of loans within the remaining loan segments (agriculture, commercial and consumer) are charged off no later than the end of the month in which the account becomes 120 days past due. For secured loans, accounts are written down to the collateral value. The fair value of the collateral is estimated by management based on current financial information, inspections and appraisals. For unsecured loans, the outstanding balance is written off.

Loans within all portfolio segments are generally placed on nonaccrual status and classified as nonperforming at 90 days past due. Accrued interest receivable is reversed when a loan is placed on nonaccrual status. Interest collections on nonaccrual loans for which the ultimate collectibility of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to interest income when received. These loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

Loans whose contractual terms have been modified in a TDR and are current at the time of the restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and repayment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming until there is sustained repayment performance for a reasonable period, generally six months. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which the loans are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout the remaining lives of the loans.

A troubled debt restructured loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms which have been modified or restructured due to a borrower's financial difficulty include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals and rewrites. A troubled debt restructured loan would generally be considered impaired.

Mortgage loan sales - The Bank has a program to originate mortgage loans for sale, complying with the specific requirements of the investors purchasing the loan. Investors review the underlying documentation prior to completing their purchase. Individual loans that fail to meet the specified criteria would not be purchased. If exceptions cannot be corrected, the Bank would retain the loan in its portfolio. The Bank does not retain the right to service the sold loans. Additionally, the loans are sold to the investors with limited recourse. Management has determined underwriting standards and collateral values of sold loans minimizes any contingent liability.

Loan proceeds from sales of mortgage loans were \$33,309,919 and \$27,284,880 for December 31, 2016 and 2015, respectively. Gains on sales of mortgages are recognized when the investor has funded the purchase. The gain is based on the loan origination fees paid by the borrower and service release premiums paid by the investor, net of any purchase premium or discount. Gains realized during 2016 and 2015 were \$1,026,893 and \$838,646, respectively.

The Bank had a program where the servicing rights were retained by the Bank. Servicing rights, which were acquired through origination and were retained after the underlying mortgage loans were transferred through sale, were to be separately recognized in other assets in accordance with accounting principles generally accepted in the United States of America. The servicing assets, net of the cost to service the assets, are to be amortized into service charges over the period of the estimated net servicing income on the underlying mortgage loans. Management has determined the

servicing asset or liability to be recognized is immaterial and therefore, has not recorded any potential asset or liability as of December 31, 2016 or 2015.

Loan origination fees and costs - Fees and costs associated with originating loans are recognized in income generally in the period in which fees were received and/or costs were incurred. In accordance with accounting principles generally accepted in the United States of America, such fees and costs generally are deferred and recognized over the life of the loan as an adjustment of the yield. For the two years presented in the statements of income, management believes not deferring such fees and costs and amortizing them over the life of the related loans does not materially affect the Company's financial position or results of operations.

Loans held for sale - Loans held for sale are those loans the Company has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans.

Long-term assets - Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

Property and equipment - Land is carried at cost. Buildings and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Gains and losses on sales and retirements are reflected in current operations. Major improvements and costs are capitalized. Costs incurred for maintenance, repairs and minor improvements are expensed as incurred. Depreciation expense for the years ended December 31, 2016 and 2015 was \$370,463 and \$425,593, respectively.

Other assets - Goodwill, which represents the excess of the acquisition cost of purchased assets over the fair value of the net assets at the date of acquisition and the costs associated with the purchase, are not being amortized but instead tested for impairment in accordance with authoritative guidance. Impairment testing is performed annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. In making such determination, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses that gave rise to such amount. In case of impairment, the recorded costs would be written down to fair value on a discounted basis. There was no impairment recorded for the years ended December 31, 2016 or 2015.

Real estate properties acquired through, or in lieu of, foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. All write-downs based on the assets' fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of the new cost basis or fair value minus estimated costs to sell. Any subsequent write-downs are charged against other expenses. Cost of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The typical holding period for such properties is less than one year.

Transfers of assets - The Company accounts for transfers of financial assets by recognizing the financial assets it controls and the liabilities it has incurred, derecognized financial assets when control has been surrendered and derecognized liabilities when extinguished. The statement also distinguishes transfers of financial assets that are sales from transfers of financial assets that are secured borrowings.

Pension plan - The Bank has a 401-K deferred compensation plan available to all eligible employees. The Bank will match 100% of the first 5% of employee contributions. In addition, a minimum of 3% of annual employee earnings is contributed for all participants employed at year-end. The Bank made a discretionary contribution of 17% for December 31, 2016 and 2015. Total contributions during 2016 and 2015 amounted to \$470,643 and \$469,454, respectively, which is included in salaries and employee benefits expense.

Advertising and promotion expense - Advertising and promotion costs are expensed as incurred. Total advertising and promotion expense for the years ended December 31, 2016 and 2015 was \$183,803 and \$180,392, respectively.

Income taxes - The Company and its subsidiary have elected S corporation status, under the provisions of the Internal Revenue Code and, as such, will no longer be liable for federal income taxes. Earnings and losses are included in the personal income tax returns of the shareholders and taxed depending on their personal tax structure. The Company is subject to the State of Texas tax on taxable margin. The margin tax was immaterial for the years ended December 31, 2016 and 2015. The tax is current and does not have a deferred tax component. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2013 or Texas state tax examinations by tax authorities for years before 2012.

Comprehensive income - Comprehensive income, as presented in the accompanying statements of comprehensive income, is defined as the change in equity during the period from transactions and other events from non-owner sources. Comprehensive income is the total of net income and accumulated other comprehensive income, which for the Company is comprised entirely of unrealized gains and losses on securities available for sale.

Off-balance-sheet financial instruments - In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments on lines of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded. Guarantees that are not derivative contracts are to be recorded on the Company's consolidated statement of financial condition at their fair value at inception, in accordance with authoritative guidance. For the two years presented in the consolidated balance sheets, management believes not recording the liability related to guarantees does not materially affect the Company's financial position or results of operations.

Cash and cash equivalents - For purpose of presentation in the statements of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and due from banks". All highly liquid investments with an initial maturity of less than ninety days are considered to be cash equivalents.

Significant group concentrations of credit risk - Most of the Bank's activities are with customers located within Jack, Montague, and Wichita counties and in the north central part of Texas. Notes 2 and 3 discuss the types of securities the Bank invests in and the types of lending the Bank engages in. The Bank does not have any significant concentrations to any one industry or customer.

The majority of cash and cash equivalents of the Company are maintained with major financial institutions in the United States. As such, interest bearing, non-transaction account deposits with these financial institutions may exceed the amount of insurance provided on such deposits. Management believes that its risk of loss associated with such balances is minimal due to the financial strength of the correspondent banks and counterparty financial institutions. The Company has not experienced any losses in such accounts. In monitoring this risk, the Company periodically evaluates the stability of the financial institutions with which they have deposits. At December 31, 2016 and 2015, the deposits, as reported by banks totaled \$747,818 and \$911,321, respectively.

Legal contingencies - Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

Segment reporting - FASB ASC 280, *Segment Reporting*, encourages nonpublic entities to report selected information about operating segments in its financial reports issued to its shareholders. Based on the analysis performed by the Company, management has determined the Company only has one operating segment, which is banking. Management uses consolidated results to make operating and strategic decisions, and therefore, is not required to disclose any additional segment information.

Reclassification - Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation.

Recently issued authoritative accounting guidance - In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. Therefore, the new standard will be effective in the first quarter of 2018 and is not expected to have a significant impact to the Company's financial statements.

In January 2016, the FASB issued ASU No. 2016-01 *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendment has a number of provisions including the requirements that public business entities use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, a separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans receivables), and eliminating the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendment is effective for annual and interim reporting periods beginning after December 15, 2018. The Company is evaluating the potential impact of the amendment on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets. The standard will require organizations to recognize on the statement of financial condition the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is evaluating the potential impact of the amendment on the Company's financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The standard requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The standard also requires enhanced disclosures to help investors and other financial statement users to better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio.

These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. Additionally, the standard amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments in this update are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. All entities may adopt the amendments in this update earlier as of the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. An entity will apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company believes the amendments in this update will have an impact on the Company's financial statements and is working to evaluate the significance of that impact.

2. Investment securities

Securities have been classified in the balance sheets according to management's intent. The amortized cost and estimated market values of securities as shown in the consolidated financial statements at December 31, 2016 and 2015 are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
Available-for-sale securities:				
<u>2016</u>				
U. S. Government agencies	\$ -	\$ -	\$ -	\$ -
Mortgage-backed securities	51,333,981	4,535	1,081,086	50,257,430
Obligations of state and political subdivisions	53,266,492	724,537	1,026,565	52,964,464
Other	<u>702,500</u>	<u>-</u>	<u>-</u>	<u>702,500</u>
	<u>\$ 105,302,973</u>	<u>\$ 729,072</u>	<u>\$ 2,107,651</u>	<u>\$ 103,924,394</u>
<u>2015</u>				
U. S. Government agencies	\$ -	\$ -	\$ -	\$ -
Mortgage-backed securities	74,556,894	187,008	522,280	74,221,622
Obligations of state and political subdivisions	42,534,638	1,990,624	5,652	44,519,610
Other	<u>698,500</u>	<u>-</u>	<u>-</u>	<u>698,500</u>
	<u>\$ 117,790,032</u>	<u>\$ 2,177,632</u>	<u>\$ 527,932</u>	<u>\$ 119,439,732</u>

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Other securities include Federal Home Loan Bank, The Independent Bankers Bank and Federal Reserve Bank stock for which there is no readily determinable fair value or on which there are contractual restrictions on the sale or transfer of the stock. These stocks are carried at cost and evaluated for declines in value.

Securities at amortized cost of \$46,020,292 and \$43,849,276 at December 31, 2016 and 2015, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Estimated market values of pledged securities were \$46,166,078 and \$45,734,767 at December 31, 2016 and 2015, respectively.

The amortized cost and estimated market value of securities at December 31, 2016, by contractual maturity, are shown below.

	<u>Available for Sale</u>	
	<u>Amortized Cost</u>	<u>Estimated Market Value</u>
Due in one year or less	\$ 1,376,295	\$ 1,396,107
Due one to five years	12,907,630	12,963,521
Due five to ten years	38,443,816	38,058,609
Due after ten years	<u>538,751</u>	<u>546,227</u>
	53,266,492	52,964,464
Securities with no stated maturity	702,500	702,500
Mortgage-backed securities	<u>51,333,981</u>	<u>50,257,430</u>
	<u>\$ 105,302,973</u>	<u>\$ 103,924,394</u>

Amortized cost of mortgage-backed securities, by contractual maturity, includes \$0 due within one year, \$36,583,299 due from one to five years, \$14,750,682 due from five to ten years and \$0 due over ten years. Estimated market values of mortgage-backed securities, by contractual maturity, include \$0 due within one year, \$35,982,373 due from one to five years, \$14,275,057 due from five to ten years and \$0 due over ten years. The average life may differ from contractual maturity due to principal prepayments.

Proceeds from sales of available-for-sale securities during 2016 were \$37,616,450. Gross gains of \$294,632 and gross losses of \$103,692 were realized on sales. Proceeds from sales of available-for-sale securities during 2015 were \$12,683,801. Gross gains of \$99,558 and gross losses of \$45,734 were realized on sales.

Information pertaining to securities with gross unrealized losses at December 31, 2016 and 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Estimated Market Value	Gross Unrealized Losses	Estimated Market Value
Available-for-sale securities				
<u>2016</u>				
Mortgage-backed securities	\$ 921,337	\$ 40,337,705	\$ 159,749	\$ 7,228,154
Obligations of state and political subdivisions	<u>1,026,565</u>	<u>26,218,337</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,947,902</u>	<u>\$ 66,556,042</u>	<u>\$ 159,749</u>	<u>\$ 7,228,154</u>
Available-for-sale securities				
<u>2015</u>				
Mortgage-backed securities	\$ 293,812	\$ 35,197,632	\$ 228,468	\$ 16,566,350
Obligations of state and political subdivisions	<u>5,652</u>	<u>2,360,342</u>	<u>-</u>	<u>-</u>
	<u>\$ 299,464</u>	<u>\$ 37,557,974</u>	<u>\$ 228,468</u>	<u>\$ 16,566,350</u>

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2016, the 117 debt securities with unrealized losses have depreciated less than 2.78% from the Company's amortized cost basis. These securities are guaranteed by either the U.S. Government, U.S. government agencies, or municipalities. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary. In addition, the Company holds mortgage related securities which are backed by GNMA, FNMA or FHLMC or are collateralized by securities backed by these agencies.

3. Loans

Loans at December 31, 2016 and 2015 are comprised of the following:

	2016	2015
Residential real estate	\$ 37,963,462	\$ 36,496,885
Agriculture	38,255,331	34,869,408
Real estate	31,416,216	21,450,751
Commercial	15,562,775	24,394,904
Consumer	5,925,144	6,053,519
Total loans	129,122,928	123,265,467
Allowance for loan losses	(1,799,388)	(1,902,255)
Loans, net	<u>\$ 127,323,540</u>	<u>\$ 121,363,212</u>

Included in residential real estate loans above are loans held for sale of \$1,077,153 and \$1,184,340 at December 31, 2016 and 2015, respectively, in which the carrying amounts approximate market. Overdrawn demand deposits reclassified as loans totaled \$33,752 and \$22,927 at December 31, 2016 and 2015, respectively.

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2016:

	Residential Real Estate	Agriculture	Real Estate	Commercial	Consumer	Total
<u>Allowance for loan losses</u>						
Beginning balance	\$ 565,679	\$ 434,787	\$ 356,565	\$ 456,459	\$ 88,765	\$ 1,902,255
Provision	125,082	73,764	19,004	(12,739)	44,889	250,000
Recoveries	-	4,000	-	2,956	7,745	14,701
Charge-offs	(78,355)	(31,558)	-	(202,903)	(54,752)	(367,568)
Ending balance	<u>\$ 612,406</u>	<u>\$ 480,993</u>	<u>\$ 375,569</u>	<u>\$ 243,773</u>	<u>\$ 86,647</u>	<u>\$ 1,799,388</u>
Ending balance allocated to loans individually evaluated for impairment	<u>\$ 67,987</u>	<u>\$ -</u>	<u>\$ 28,301</u>	<u>\$ 47,581</u>	<u>\$ 1,039</u>	<u>\$ 144,908</u>
Ending balance allocated to loans collectively evaluated for impairment	<u>\$ 544,419</u>	<u>\$ 480,993</u>	<u>\$ 347,268</u>	<u>\$ 196,192</u>	<u>\$ 85,608</u>	<u>\$ 1,654,480</u>
<u>Loans receivable</u>						
Ending balance allocated to loans individually evaluated for impairment	\$ 882,148	\$ -	\$ 324,635	\$ 633,997	\$ 12,101	\$ 1,852,881
Ending balance allocated to loans collectively evaluated for impairment	<u>37,081,314</u>	<u>38,255,331</u>	<u>31,091,581</u>	<u>14,928,778</u>	<u>5,913,043</u>	<u>127,270,047</u>
Ending balance	<u>\$ 37,963,462</u>	<u>\$ 38,255,331</u>	<u>\$ 31,416,216</u>	<u>\$ 15,562,775</u>	<u>\$ 5,925,144</u>	<u>\$ 129,122,928</u>

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2015:

	Residential Real Estate	Agriculture	Real Estate	Commercial	Consumer	Total
<u>Allowance for loan losses</u>						
Beginning balance	\$ 338,430	\$ 352,672	\$ 375,740	\$ 454,457	\$ 92,010	\$ 1,613,309
Provision	227,249	80,115	(18,380)	(788)	21,804	310,000
Recoveries	-	2,000	-	2,790	12,512	17,302
Charge-offs	-	-	(795)	-	(37,561)	(38,356)
Ending balance	<u>\$ 565,679</u>	<u>\$ 434,787</u>	<u>\$ 356,565</u>	<u>\$ 456,459</u>	<u>\$ 88,765</u>	<u>\$ 1,902,255</u>
Ending balance allocated to loans individually evaluated for impairment	<u>\$ 85,057</u>	<u>\$ -</u>	<u>\$ 5,319</u>	<u>\$ 110,075</u>	<u>\$ 857</u>	<u>\$ 201,308</u>
Ending balance allocated to loans collectively evaluated for impairment	<u>\$ 480,622</u>	<u>\$ 434,787</u>	<u>\$ 351,246</u>	<u>\$ 346,384</u>	<u>\$ 87,908</u>	<u>\$ 1,700,947</u>
<u>Loans receivable</u>						
Ending balance allocated to loans individually evaluated for impairment	\$ 605,121	\$ -	\$ 351,786	\$ 834,278	\$ 61,474	\$ 1,852,659
Ending balance allocated to loans collectively evaluated for impairment	<u>35,891,764</u>	<u>34,869,408</u>	<u>21,098,965</u>	<u>23,560,626</u>	<u>5,992,045</u>	<u>121,412,808</u>
Ending balance	<u>\$ 36,496,885</u>	<u>\$ 34,869,408</u>	<u>\$ 21,450,751</u>	<u>\$ 24,394,904</u>	<u>\$ 6,053,519</u>	<u>\$123,265,467</u>

The company monitors credit quality within its portfolio segments based on primary credit quality indicators. From a credit risk standpoint, the Company classifies its loans in one of the following categories: pass, special mention, substandard, doubtful or loss. Loans classified as other than pass pose an elevated risk and may have a high probability of default or total loss.

The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the rating on credits monthly. Ratings are adjusted to reflect the degree of risk and loss that is felt to be inherent in each credit as of each monthly reporting period. The methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness; however, such concerns are not so pronounced that the Company generally expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits rated more harshly.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen

the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on nonaccrual.

Credits rated loss are those that are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Pass rated refers to loans that are not considered criticized. In addition to this primary credit quality indicator, the Company uses other credit quality indicators for certain types of loans.

The following table sets forth information regarding the internal classification of the loan portfolio:

	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
<u>December 31, 2016</u>						
Residential						
real estate	\$ 36,555,114	\$ 37,898	\$ 1,370,450	\$ -	\$ -	\$ 37,963,462
Agriculture	37,924,904	-	330,427	-	-	38,255,331
Real estate	31,091,581	-	324,635	-	-	31,416,216
Commercial	14,737,407	45,155	780,213	-	-	15,562,775
Consumer	<u>5,871,784</u>	<u>510</u>	<u>52,850</u>	<u>-</u>	<u>-</u>	<u>5,925,144</u>
	<u>\$126,180,790</u>	<u>\$ 83,563</u>	<u>\$ 2,858,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$129,122,928</u>
<u>December 31, 2015</u>						
Residential						
real estate	\$ 35,590,105	\$ 39,621	\$ 867,159	\$ -	\$ -	\$ 36,496,885
Agriculture	34,752,668	94,346	22,394	-	-	34,869,408
Real estate	21,098,965	-	351,786	-	-	21,450,751
Commercial	23,025,768	197,410	1,171,726	-	-	24,394,904
Consumer	<u>5,935,859</u>	<u>30,816</u>	<u>86,844</u>	<u>-</u>	<u>-</u>	<u>6,053,519</u>
	<u>\$120,403,365</u>	<u>\$ 362,193</u>	<u>\$ 2,499,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$123,265,467</u>

The following table sets forth information regarding the credit risk profile based on payment activity:

	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Performing</u>	<u>Non- Performing</u>	<u>Total</u>	<u>Performing</u>	<u>Non- Performing</u>	<u>Total</u>
Residential						
real estate	\$ 37,081,314	\$ 882,148	\$ 37,963,462	\$ 35,891,764	\$ 605,121	\$ 36,496,885
Agriculture	38,255,331	-	38,255,331	34,869,408	-	34,869,408
Real estate	31,091,581	324,635	31,416,216	21,098,965	351,786	21,450,751
Commercial	14,928,778	633,997	15,562,775	23,560,626	834,278	24,394,904
Consumer	<u>5,913,043</u>	<u>12,101</u>	<u>5,925,144</u>	<u>5,992,045</u>	<u>61,474</u>	<u>6,053,519</u>
	<u>\$127,270,047</u>	<u>\$ 1,852,881</u>	<u>\$129,122,928</u>	<u>\$121,412,808</u>	<u>\$ 1,852,659</u>	<u>\$123,265,467</u>

The following table sets forth information regarding the delinquencies within the loan portfolio:

	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment >90 Days Still Accruing
<u>December 31, 2016</u>						
Residential real estate	\$ 445,708	\$ 882,148	\$ 1,327,856	\$ 36,635,606	\$ 37,963,462	\$ -
Agriculture	-	89,232	89,232	38,166,099	38,255,331	89,232
Real estate	-	-	-	31,416,216	31,416,216	-
Commercial	78,890	167,096	245,986	15,316,789	15,562,775	-
Consumer	<u>67,283</u>	<u>3,464</u>	<u>70,747</u>	<u>5,854,397</u>	<u>5,925,144</u>	<u>-</u>
	<u>\$ 591,881</u>	<u>\$ 1,141,940</u>	<u>\$ 1,733,821</u>	<u>\$127,389,107</u>	<u>\$129,122,928</u>	<u>\$ 89,232</u>
<u>December 31, 2015</u>						
Residential real estate	\$ 326,914	\$ 271,971	\$ 598,885	\$ 35,898,000	\$ 36,496,885	\$ 103,143
Agriculture	9,747	56,558	66,305	34,803,103	34,869,408	56,558
Real estate	-	-	-	21,450,751	21,450,751	-
Commercial	233,232	239,091	472,323	23,922,581	24,394,904	-
Consumer	<u>66,433</u>	<u>54,853</u>	<u>121,286</u>	<u>5,932,233</u>	<u>6,053,519</u>	<u>-</u>
	<u>\$ 636,326</u>	<u>\$ 622,473</u>	<u>\$ 1,258,799</u>	<u>\$122,006,668</u>	<u>\$123,265,467</u>	<u>\$ 159,701</u>

The following table sets forth information regarding the nonaccrual status within the loan portfolio:

	2016	2015
Residential real estate	\$ 882,148	\$ 605,121
Agriculture	-	-
Real estate	324,635	351,786
Commercial	633,997	834,278
Consumer	<u>12,101</u>	<u>61,474</u>
	<u>\$ 1,852,881</u>	<u>\$ 1,852,659</u>

The following is a summary of cash receipts on these loans and how they were applied:

	2016	2015
Cash receipts applied to reduce principal balance	\$ 618,074	\$ 441,165
Cash receipts recognized as income	<u>75,272</u>	<u>1,186</u>
Total cash receipts	<u>\$ 693,346</u>	<u>\$ 442,351</u>

If interest on all impaired and nonaccrual loans had been recognized at the original interest rates, interest income would have increased approximately \$113,831 and \$128,137 in 2016 and 2015, respectively. The Bank has no commitments to loan additional funds to the borrowers of impaired or nonaccrual loans.

The following table sets forth information regarding impaired loans:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With a related allowance:					
<u>December 31, 2016</u>					
Residential real estate	\$ 882,148	\$ 892,708	\$ 67,987	\$ 603,724	\$ 75,151
Agriculture	-	-	-	-	-
Real estate	324,635	354,648	28,301	337,664	-
Commercial	633,997	695,335	47,581	584,103	-
Consumer	<u>12,101</u>	<u>14,166</u>	<u>1,039</u>	<u>41,917</u>	<u>121</u>
	<u>\$ 1,852,881</u>	<u>\$ 1,956,857</u>	<u>\$ 144,908</u>	<u>\$ 1,567,408</u>	<u>\$ 75,272</u>

<u>December 31, 2015</u>					
Residential real estate	\$ 605,121	\$ 658,762	\$ 110,342	\$ 347,633	\$ -
Agriculture	-	-	-	-	-
Real estate	351,786	364,735	31,915	345,947	-
Commercial	834,278	866,201	145,935	670,815	-
Consumer	<u>61,474</u>	<u>62,572</u>	<u>5,139</u>	<u>14,436</u>	<u>1,186</u>
	<u>\$ 1,852,659</u>	<u>\$ 1,952,270</u>	<u>\$ 293,331</u>	<u>\$ 1,378,831</u>	<u>\$ 1,186</u>

At December 31, 2016 and 2015, the Company had impaired loans of \$510 and \$4,081, respectively, without a related allowance. Loans modified as troubled debt restructurings within the years ended December 31, 2016 and 2015 were insignificant to the Company.

Loans with carrying amounts of \$304,928 and \$110,827 were transferred to foreclosed assets in 2016 and 2015, respectively. The Company has no commitments to loan additional funds to the borrowers of impaired or nonaccrual loans.

4. Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were \$866,201 and \$958,221 at December 31, 2016 and 2015, respectively.

5. Property and equipment

Major classifications of these are summarized as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 874,550	\$ 874,550
Buildings	6,440,092	6,440,092
Equipment	<u>2,245,124</u>	<u>2,214,392</u>
	9,559,766	9,529,034
Accumulated depreciation and amortization	<u>(2,528,712)</u>	<u>(2,280,817)</u>
	<u>\$ 7,031,054</u>	<u>\$ 7,248,217</u>

6. Time deposits

The aggregate amount of time deposits that meet or exceed FDIC limits of \$250,000 or more was \$11,181,021 and \$12,332,092 at December 31, 2016 and 2015, respectively. Interest expense on time deposits totaled \$177,100 for 2016 and \$202,281 for 2015.

At December 31, 2016 scheduled maturities of time deposits are as follows:

2017	\$ 30,797,088
2018	3,936,457
2019	912,893
2020	723,206
2021 and thereafter	<u>496,651</u>
	<u>\$ 36,866,295</u>

7. Bank advances

At December 31, 2016 and 2015 the Bank had an unsecured line of credit, at an interest rate of 1.00% and 1.25%, respectively, with The Independent Bankers Bank in the amount of \$5,000,000. There were no advances on this line of credit.

The Company has a secured line of credit with the FHLB in the amount of \$50,999,003 at December 31, 2016 and \$52,499,395 at December 31, 2015, which is secured by FHLB stock, deposit accounts with the FHLB, and a blanket lien on its outstanding loan portfolio. At December 31, 2016 the Company had two advances under this agreement, \$3,200,000 and \$5,000,000, at interest rates of 0.65% and 0.55%, respectively. These advances matured January 3, 2017. At December 31, 2015 the Company had \$5,215,000 in advances under this agreement, at an interest rate of 0.31%.

The Company has a line of credit secured by 30,000 shares of Bank stock, at an interest rate of 4.5%, with Community National Bank & Trust of Texas in the amount of \$3,000,000 at December 31, 2016 and 2015. The line has a current maturity of March 24, 2017. There were no advances on this line of credit.

8. Dividend restrictions

Payments of dividends by the Bank are subject to the Office of the Comptroller of the Currency (OCC) regulations. The OCC must approve the declaration of any dividends generally in excess of the sum of profits for the year and retained net profits for the preceding two years. The Bank normally restricts dividends to a lesser amount.

9. Lease commitments

The Company leases various equipment under noncancelable operating lease agreements expiring at various times until December 2020. Rental expense for the operating leases for the years ended December 31, 2016 and 2015 was \$67,413 and \$66,228, respectively. Approximate future minimum lease payments, excluding applicable sales taxes, are as follows:

2017	\$ 48,680
2018	12,308
2019	5,252
2020	1,916
2021 and thereafter	<u>-</u>
	<u>\$ 68,156</u>

10. Stock bonus plan

The Company has a stock bonus plan for the benefit of eligible employees of the Bank. The plan is intended to advance the interests of the Company and its shareholders by encouraging and enabling selected officers and employees of the Bank to acquire and retain a proprietary interest in the Company by ownership of its stock. The Company established a bonus share reserve of 500 shares of the common stock of the Company, to be used for the grants. The Board of Directors shall, at its sole discretion, determine the grants of the shares to employees who have met various eligibility requirements. The shares granted are held by the Company, in the recipient's name for three years, the restricted period. During the restricted period, the recipients have all rights of a shareholder, including the right to vote and to receive distributions. The plan provides for various restrictions and forfeiture upon termination of employment during the restricted period.

The grant is taxable as ordinary income to the recipient when the restricted period ends and becomes deductible by the Company when the recipient recognizes income. The restricted period for 2012 ended in 2015, and the Company deducted \$128,344 in payroll expense related to the grants in 2015. All reserved shares have been issued and there was no stock granted in 2016 or 2015.

11. Income taxes

The provision for income taxes consists of current tax expense of \$0 for the years ended December 31, 2016 and 2015, respectively.

12. Regulatory matters

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and Bank's financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications under the prompt correction action guidelines are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors. Prompt corrective action provisions are not applicable to bank holding companies. Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. Management believes, as of December 31, 2016 and 2015 that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2016, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification which management believes would change the institution's category.

Beginning January 1, 2015, community banking organizations became subject to a new regulatory rule recently adopted by federal banking agencies (commonly referred to as Basel III). The new rule establishes a new regulatory capital framework that incorporates revisions to the Basel capital framework, strengthens the definition of regulatory capital, increases risk-based capital requirements, and amends the methodologies for determining risk-weighted organizations. Basel III includes a multiyear transition period from January 1, 2015 through December 31, 2019.

Management believes that as of December 31, 2016, the Bank would meet all capital requirements under the Basel III Capital rules on a fully phased-in basis as if such requirements were currently in effect; however, final rules are subject to regulatory discretion and could result in the need for additional capital levels in the future. There are no conditions or events since the notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios and minimum amounts and ratios as calculated under regulatory accounting practices are presented in the table below.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016						
Total Capital to Risk Weighted Assets	\$ 27,161,830	19.02%	\$11,423,695	8.0%	\$14,279,619	10.0%
Common Equity Tier 1 Capital (CET1) to Risk Weighted Assets	25,376,699	17.77	6,425,828	4.5	9,281,752	6.5
Tier I Capital to Risk Weighted Assets	25,376,699	17.77	5,711,848	4.0	8,567,771	6.0
Tier I Capital to Average Assets	25,376,699	10.42	9,742,626	4.0	12,178,282	5.0
As of December 31, 2015						
Total Capital to Risk Weighted Assets	\$ 25,244,311	18.18%	\$11,101,605	8.0%	\$13,877,006	10.0%
Common Equity Tier 1 Capital (CET1) to Risk Weighted Assets	23,487,616	16.93	6,244,605	4.5	9,019,985	6.5
Tier I Capital to Risk Weighted Assets	23,487,616	16.93	5,550,802	4.0	8,326,203	6.0
Tier I Capital to Average Assets	23,487,616	9.26	10,149,479	4.0	12,686,849	5.0

13. Cash flow information

Supplemental cash flow information is as follows:

	2016	2015
Cash paid during the years for:		
Interest	\$ 512,825	\$ 609,957
Noncash investing and financing activities follow:		
Change in unrealized security values	\$ (3,028,279)	\$ (212,225)
Other assets acquired through foreclosure	304,928	110,827
Value of compensation booked due to grant recognition	-	128,344
Book value of equipment traded-in on property and equipment	8,479	-
Gain recognized on trade of property and equipment	37,121	-

14. Financial instruments with off-balance sheet risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments on lines of credit and standby letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. The Bank's exposure to credit loss is represented by the contractual amount of those instruments. The Bank was not required to perform on any financial guarantees and did not incur any losses on its commitments in 2016 or 2015.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income producing commercial properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy of obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Bank primarily serves customers located in Jack, Montague, and Wichita counties and the surrounding areas. As such, the Bank's loans, commitments and standby letters of credit have been granted to customers in that area. Concentration of credit by type of loan is presented in Note 3.

The total amount of financial instruments with off-balance-sheet risk as of December 31, 2016, is as follows:

	<u>Contract Amount</u>
Standby letters of credit	\$ 2,111,520
Commitments on lines of credit	14,519,420

Standby letters of credit are generally issued at variable rates. Commitments on lines of credit are generally issued at fixed and variable rates. At December 31, 2016, commitments at fixed rates were \$6,419,685 and variable rates were \$8,099,735.

15. Fair value measurement

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs.

An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

Authoritative guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied.

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities.

Level 2 inputs utilize observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities available for sale - Securities classified as available for sale are reported at fair value utilizing Level 1 and Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, credit information and the bond's term and conditions, among other things.

Loans held for sale - Loans held for sale are reported at the lower of cost or fair value. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company considers investor commitments/contracts. These loans are considered Level 2 of the fair value hierarchy.

Impaired loans - Impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 or Level 3 inputs based on third party or internally developed appraisals.

Foreclosed assets - These assets are reported at estimated fair value, less estimated selling costs. Fair value is based on third party or internally developed appraisals considering the assumptions in the valuation and are considered Level 2 or Level 3 inputs.

At December 31, 2016 and 2015 the Company had no financial liabilities measured at fair value on a recurring basis.

Fair value of assets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities available for sale:				
<u>2016</u>				
U. S. Government agencies	\$ -	\$ -	\$ -	\$ -
Mortgage-backed securities	50,257,430	-	50,257,430	-
Obligations of state and political subdivisions	52,964,464	-	52,964,464	-
Other	<u>702,500</u>	<u>-</u>	<u>702,500</u>	<u>-</u>
	<u>\$ 103,924,394</u>	<u>\$ -</u>	<u>\$ 103,924,394</u>	<u>\$ -</u>
<u>2015</u>				
U. S. Government agencies	\$ -	\$ -	\$ -	\$ -
Mortgage-backed securities	74,221,622	-	74,221,622	-
Obligations of state and political subdivisions	44,519,610	-	44,519,610	-
Other	<u>698,500</u>	<u>-</u>	<u>698,500</u>	<u>-</u>
	<u>\$ 119,439,732</u>	<u>\$ -</u>	<u>\$ 119,439,732</u>	<u>\$ -</u>

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following represents the carrying value of financial assets and financial liabilities measured at fair value on a nonrecurring basis as of December 31, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Charges Against Allowance for Loan losses</u>	<u>Charges Against Other Expense</u>
<u>2016</u>					
Loans held for sale	\$ -	\$ 1,077,153	\$ -	\$ -	\$ -
Foreclosed assets	-	65,000	-	109,913	50,487
Impaired loans	-	-	1,852,881	229,823	-
<u>2015</u>					
Loans held for sale	\$ -	\$ 1,184,340	\$ -	\$ -	\$ -
Foreclosed assets	-	105,248	-	795	-
Impaired loans	-	-	1,852,659	6,739	-

The following table represents the Bank's Level 3 financial assets and liabilities, the valuation techniques used to measure the fair value of those financial assets and liabilities, and the significant unobservable inputs and the ranges of values for those inputs:

	<u>Fair Value at</u>		<u>Principal Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
	<u>2016</u>	<u>2015</u>			
Impaired loans	\$ 1,852,881	\$ 1,852,659	Appraisal of collateral	Appraisal adjustments	10 - 30%

Resulting gains and/or losses on foreclosed assets are included under other income or other expenses, respectively.

Foreclosed real estate is valued at the time the loan is foreclosed upon and the asset is transferred to foreclosed assets. The value is based primarily on third party appraisals, less costs to sell. Appraisals based upon comparable sales result in Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from time of valuation, and/or management's expertise and knowledge of the client and client's business. Foreclosed real estate is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above.

The Company did not change the methodology used to determine fair value for any financial instruments during the years ended December 31, 2016 or 2015. Accordingly, for any given class of financial instruments, the Company did not have any transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2016 or 2015.

The Company is required under current authoritative accounting guidance to disclose the estimated fair value of their financial instrument assets and liabilities including those subject to the requirements discussed above. For the Company, as for most financial institutions, substantially all of its assets and liabilities are considered financial instruments, as defined. Many of the Company's financial instruments, however, lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction.

The estimated fair value amounts of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

In addition, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates which must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values.

Cash and due from banks: The carrying amounts of cash and due from banks approximate those assets' fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Fair value of The Independent Bankers Bank, Federal Home Loan Bank and Federal Reserve Bank stock is based on the price at which it may be resold to the issuer.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans are estimated using discounted cash flow analyses, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values. Fair values are adjusted for credit risk based on assessment of risk identified with specific loans, and risk adjustments on the remaining portfolio based on credit loss experience.

Assumptions regarding credit risk are judgmentally determined using specific borrower information, internal credit quality analysis, and historical information on segmented loan categories for non-specific borrowers.

Loans held for sale: Fair values for mortgage loans held for sale were valued based on the contractual values upon which the loans may be sold to a third party, and approximate their carrying value.

Deposits: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (carrying amount). The fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered to a schedule of aggregated contractual maturities on such time deposits.

Accrued interest: The carrying amounts of accrued interest approximate their fair values.

Bank advances: The carrying amounts of advances from banks approximate their fair values.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, considering the difference between current levels of interest rates and the committed rates and the counterparties' credit standing.

The estimated fair values of the Company's financial instruments at December 31, 2016, were as follows:

		2016		2015	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:					
Cash and due from banks	Level 1	\$ 5,117,731	\$ 5,117,731	\$ 3,614,002	\$ 3,614,002
Securities available for sale	Level 2	103,924,394	103,924,394	119,439,732	119,439,732
Loans held for investment	Level 2	126,192,894	124,597,354	120,228,468	118,624,256
Loans held for sale	Level 2	1,077,153	1,077,153	1,184,340	1,184,340
Accrued interest receivable	Level 2	1,626,407	1,626,407	1,569,784	1,569,784
Financial liabilities:					
Deposits	Level 2	212,990,097	176,112,867	223,189,294	223,204,297
Bank advances	Level 2	8,200,000	8,200,000	5,215,000	5,215,000
Accrued interest payable	Level 2	28,170	28,170	29,067	29,067

There is no material difference between the notional amount and the estimated fair value of off-balance sheet unfunded loan commitments which are generally priced at market at the time of funding. Letters of credit have an estimated fair value based on fees currently charged for similar arrangements. Fees related to the unexpired term of the letters of credit are not significant.

15. Payable to former stockholders

The Company recorded a payable to former stockholders for all the common stock to be surrendered pursuant to the merger agreements which facilitated a Subchapter S election by the Company by reducing the number of holders of common stock. Accordingly, a liability was reflected on the Company's financial statements of which \$5,851 was outstanding at December 31, 2016 and 2015. The Company has been unable to locate the former stockholders and has moved the money to an account, during 2013, to be escheated to the state after meeting the required holding period. During 2015, \$2,809 was escheated to the state.

16. Related-party transactions

The Bank paid director and committee fees of \$219,125 and \$217,075 in 2016 and 2015, respectively.

The Bank held deposits of approximately \$9,045,643 and \$10,191,782 for related parties at December 31, 2016 and 2015, respectively.

The aggregate amount of loans owed to the Bank by directors, officers, and employees amounted to approximately \$949,652 and \$1,556,611 at December 31, 2016 and 2015, respectively. During 2016, new loans to such related parties amounted to \$647,386 and repayments and deletions amounted to

\$1,254,345. In addition, there was approximately \$958,048 of undisbursed loan commitments and \$15,000 in standby letters of credit at December 31, 2016 to related parties. All of the transactions entered into between the Bank and these parties were made on substantially the same terms and conditions as those prevailing at the time for comparable transactions with other parties.

SUPPLEMENTARY INFORMATION

THE JACKSBORO NATIONAL BANK
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and due from banks	\$ 5,117,731	\$ 3,614,002
Securities available for sale	103,924,394	119,439,732
Loans:		
Held for investment	128,045,775	122,081,127
Held for sale	<u>1,077,153</u>	<u>1,184,340</u>
	129,122,928	123,265,467
Less allowance for loan loss	<u>(1,799,388)</u>	<u>(1,902,255)</u>
Net loans	127,323,540	121,363,212
Property and equipment, net	7,031,054	7,248,217
Accrued interest receivable	1,626,407	1,569,784
Other assets	<u>546,156</u>	<u>706,007</u>
Total assets	<u>\$ 245,569,282</u>	<u>\$ 253,940,954</u>
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>		
Liabilities:		
Demand deposits	\$ 58,708,798	\$ 61,550,312
Savings, NOW and money market deposits	117,417,034	121,402,100
Time deposits	<u>36,866,295</u>	<u>40,238,912</u>
Total deposits	212,992,127	223,191,324
Accrued interest payable	28,170	29,067
Bank advances	8,200,000	5,215,000
Other liabilities	<u>29,971</u>	<u>47,353</u>
Total liabilities	221,250,268	228,482,744
Shareholder's equity:		
Capital stock, \$10.00 par value, 30,000 shares authorized, issued and outstanding	300,000	300,000
Paid-in capital	800,000	800,000
Retained earnings	24,597,593	22,708,510
Accumulated other comprehensive income	<u>(1,378,579)</u>	<u>1,649,700</u>
Total shareholder's equity	<u>24,319,014</u>	<u>25,458,210</u>
Total liabilities and shareholder's equity	<u>\$ 245,569,282</u>	<u>\$ 253,940,954</u>

THE JACKSBORO NATIONAL BANK
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Interest income:		
Interest and fees on loans	\$ 7,005,049	\$ 6,461,663
Interest on investment securities	<u>2,289,763</u>	<u>2,765,031</u>
Total interest income	9,294,812	9,226,694
Interest expense:		
Deposits	494,457	588,989
Other	<u>17,471</u>	<u>15,164</u>
Total interest expense	<u>511,928</u>	<u>604,153</u>
Net interest income	8,782,884	8,622,541
Provision for loan losses	<u>(250,000)</u>	<u>(310,000)</u>
Net interest income after provision for loan losses	8,532,884	8,312,541
Other income:		
Service charges on deposit accounts	563,094	585,327
Other service charges and fees	475,410	481,206
Net realized gain on securities	190,940	53,824
Gain on sale of property and equipment	37,121	27,000
Gain from sales of mortgage loans	1,026,893	838,646
Other income	<u>136,076</u>	<u>145,267</u>
Total other income	2,429,534	2,131,270
Other expense:		
Salaries and employee benefits	4,453,748	4,172,642
Property and equipment expense	1,157,719	1,180,678
Advertising and promotion expense	183,803	180,392
Computer service expense	716,526	687,104
Legal and professional fees	62,812	63,107
Stationary and printing expense	130,419	119,048
Consulting	138,127	150,497
Director fees	219,125	217,075
FDIC insurance premiums	102,416	131,127
Other expense	<u>577,654</u>	<u>529,388</u>
Total other expense	<u>7,742,349</u>	<u>7,431,058</u>
Net income	<u>\$ 3,220,069</u>	<u>\$ 3,012,753</u>

THE JACKSBORO NATIONAL BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Net income	\$ 3,220,069	\$ 3,012,753
Other comprehensive income:		
Change in unrealized appreciation (depreciation) on securities available for sale	(2,922,462)	(127,240)
Adjustment for gains realized on securities available for sale and included in net income	<u>(105,817)</u>	<u>(84,985)</u>
Total other comprehensive income	<u>(3,028,279)</u>	<u>(212,225)</u>
Total comprehensive income	<u>\$ 191,790</u>	<u>\$ 2,800,528</u>

THE JACKSBORO NATIONAL BANK
STATEMENTS OF SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2014	\$ 300,000	\$ 800,000	\$20,985,318	\$ 1,861,925	\$23,947,243
Net income	-	-	3,012,753	-	3,012,753
Unrealized depreciation on securities available for sale	-	-	-	(127,240)	(127,240)
Reclassification adjustment for gain included in net income	-	-	-	(84,985)	(84,985)
Distributions to shareholder	-	-	(1,289,561)	-	(1,289,561)
Balance, December 31, 2015	300,000	800,000	22,708,510	1,649,700	25,458,210
Net income	-	-	3,220,069	-	3,220,069
Unrealized depreciation on securities available for sale	-	-	-	(2,922,462)	(2,922,462)
Reclassification adjustment for gain included in net income	-	-	-	(105,817)	(105,817)
Distributions to shareholder	-	-	(1,330,986)	-	(1,330,986)
Balance, December 31, 2016	<u>\$ 300,000</u>	<u>\$ 800,000</u>	<u>\$24,597,593</u>	<u>\$ (1,378,579)</u>	<u>\$24,319,014</u>

THE JACKSBORO NATIONAL BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net income	\$ 3,220,069	\$ 3,012,753
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	370,463	425,593
(Gain) loss on disposal of property and equipment	(37,121)	(27,000)
(Gain) loss on sale of repossessed assets	(54,025)	(11,459)
Provision for loan losses	250,000	310,000
Net realized (gain) loss on securities	(190,940)	(53,824)
Premium amortization net of discount accretion on securities	1,487,478	1,747,610
Gain from sales of mortgage loans	(1,026,893)	(838,646)
Proceeds from sales of mortgage loans	33,309,919	27,284,880
Originations of mortgage loans for sale	(32,283,026)	(26,446,234)
(Increase) decrease in accrued interest receivable	(56,623)	(132,022)
(Increase) decrease in other assets	173,830	(88,592)
Increase (decrease) in accrued interest payable	(897)	(5,804)
Increase (decrease) in other liabilities	<u>(17,382)</u>	<u>5,861</u>
Total adjustments	<u>1,924,783</u>	<u>2,170,363</u>
Net cash provided by operating activities	5,144,852	5,183,116
Cash flows from investing activities:		
Principal reduction on mortgage-backed securities	12,751,973	17,753,908
Proceeds from maturities of available-for-sale securities	1,370,000	1,540,000
Proceeds from sales of available-for-sale securities	37,616,450	12,683,801
Purchase of available-for-sale securities	(40,547,902)	(21,243,887)
Purchase of mortgage loans	-	(5,660,093)
Net (increase) decrease in loans	(6,405,343)	(13,200,649)
Purchase of property and equipment	(116,179)	(118,643)
Proceeds from sales of repossessed assets	<u>235,061</u>	<u>16,243</u>
Net cash provided (used) by investing activities	4,904,060	(8,229,320)
Cash flows from financing activities:		
Net increase (decrease) in demand deposits	(2,841,514)	1,088,533
Net increase (decrease) in savings, NOW and money market deposits	(3,985,066)	(1,792,335)
Net increase (decrease) in time deposits	(3,372,617)	3,960,455
Net increase (decrease) in short term borrowings	2,985,000	289,000
Distributions	<u>(1,330,986)</u>	<u>(1,289,561)</u>
Net cash provided (used) by financing activities	<u>(8,545,183)</u>	<u>2,256,092</u>
Net increase (decrease) in cash and due from banks	1,503,729	(790,112)
Cash and due from banks, beginning of year	<u>3,614,002</u>	<u>4,404,114</u>
Cash and due from banks, end of year	<u>\$ 5,117,731</u>	<u>\$ 3,614,002</u>

THE JACKSBORO NATIONAL BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Supplemental disclosures of cash flow information:		
Cash paid during the years for:		
Interest	\$ 512,825	\$ 609,957
Supplemental schedule of noncash investing and financing activities:		
Change in unrealized security values	\$ (3,028,279)	\$ (212,225)
Other assets acquired through foreclosure	304,928	110,827
Book value of equipment traded-in on other assets	8,479	-

Pledges By Pledgee And Maturity

BBA

Pledged To: County of Jack

The Jacksboro National Bank - Jacksboro, TX

As Of 3/31/2017

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Receipt# Safekeeping Location	CUSIP	ASC 320	Description Maturity	Prerefund	Pool/Type Coupon	Moody S&P	Original Face Pledged Percent	Pledged			
								Original Face	Par	Book Value	Market Value
TIB: TIB	4478702W5	AFS	HURST-PREREF-REF-IMPT TX 20 08/15/20	08/15/17 @ 100.00	4.50	Aa2 AA-	315,000.00 100.00%	315,000.00	315,000.00	315,572.76	319,576.95
TIB: TIB	466430DH5	AFS	JACKSBORO ISD BLDG TX 20 02/15/20	08/15/17 @ 100.00	5.00	A+	200,000.00 100.00%	200,000.00	200,000.00	200,731.38	203,300.00
TIB: TIB	830626EX1	AFS	SKIDMORE ISD SCH BLDG TX 19 08/15/19	08/15/17 @ 100.00	4.13	AAA	275,000.00 100.00%	275,000.00	275,000.00	275,110.55	278,646.50
TIB: TIB	364496MA4	AFS	GALVESTON ISD-REF TX 18 02/01/18		4.00	Aaa	500,000.00 100.00%	500,000.00	500,000.00	501,186.17	512,335.00
TIB: TIB	796116QH7	AFS	SAN ANGELO ISD-BLDG-A TX 19 02/15/19		5.00	AA	550,000.00 100.00%	550,000.00	550,000.00	561,269.30	589,990.50
TIB: TIB	171637FC0	AFS	CIBOLO TX 20 02/01/20		2.30	A2 AA	385,000.00 100.00%	385,000.00	385,000.00	395,139.46	394,544.15
TIB: TIB	4478703N4	AFS	HURST-UNREF-REF-IMPT TX 20 08/15/20		4.50	Aa2 AA	40,000.00 100.00%	40,000.00	40,000.00	40,069.92	40,526.80
TIB: TIB	833527AC8	AFS	SNYDER ISD-REF TX 21 02/15/21		3.00	Aa3	445,000.00 100.00%	445,000.00	445,000.00	470,253.98	467,365.70
TIB: TIB	076563GX7	AFS	BEE CNTY-REF TX 21 08/15/21		3.00	A2 AA	300,000.00 100.00%	300,000.00	300,000.00	312,744.05	313,650.00
TIB: TIB	282783EZ8	AFS	EL CAMPO ISD-REF TX 21 08/15/21		3.00	AAA	500,000.00 100.00%	500,000.00	500,000.00	530,849.07	528,130.00
TIB: TIB	24170PET1	AFS	DE SOTO-B TX 22 02/15/22		4.00	AA	385,000.00 100.00%	385,000.00	385,000.00	400,103.77	419,430.55
TIB: TIB	300371YM7	AFS	EVERMAN ISD-REF TX 22 02/15/22		3.00	AAA	415,000.00 100.00%	415,000.00	415,000.00	436,141.31	440,016.20
TIB: TIB	4876843D2	AFS	KELLER-REF TX 22 02/15/22		3.00	Aa1 AAA	365,000.00 100.00%	365,000.00	365,000.00	374,131.83	381,961.55

Although the information in this report has been obtained from sources believed to be reliable, its accuracy cannot be guaranteed.

Pledges By Pledgee And Maturity

BBA

Pledged To: County of Jack

The Jacksboro National Bank - Jacksboro, TX

As Of 3/31/2017

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Receipt# Safeskeeping Location	CUSIP	ASC 320	Description Maturity	Prerefund	Pool/Type Coupon	Moody S&P	Original Face Pledged Percent	Pledged			
								Original Face	Par	Book Value	Market Value
TIB: TIB	733488B82	AFS	PORT ARTHUR-REF TX 22 02/15/22		4.00	A1	320,000.00 100.00%	320,000.00	320,000.00	328,285.95	338,640.00
TIB: TIB	987473BA2	AFS	YOUNG CO-REF TX 22 02/15/22		3.00	A+	750,000.00 100.00%	750,000.00	750,000.00	791,689.50	787,635.00
TIB: TIB	492422PP9	AFS	KERRVILLE-CTFS OBLIG TX 22 08/15/22		3.00	AA	435,000.00 100.00%	435,000.00	435,000.00	471,597.10	454,940.40
TIB: TIB	606020ZG3	AFS	MO CITY-CTFS OBLIG-A TX 23 06/15/23		4.00	Aa2	290,000.00 100.00%	290,000.00	290,000.00	294,565.29	305,372.90
TIB: TIB	496782LX9	AFS	KINGSVILLE-CTFS OBLIG TX 23 08/01/23		4.00	AA	425,000.00 100.00%	425,000.00	425,000.00	460,139.11	454,873.25
TIB: TIB	926157QU5	AFS	VICTORIA CNTY-CTFS TX 25 02/15/25		4.00	AA	495,000.00 100.00%	495,000.00	495,000.00	496,931.30	514,423.80
TIB: TIB	102529GL2	AFS	BOWIE ISD-REF TX 25 08/15/25		4.00	AAA	360,000.00 100.00%	360,000.00	360,000.00	403,590.48	408,700.80
TIB: TIB	544061NS9	AFS	LORENA ISD -REF TX 25 08/15/25		2.00	Aaa	460,000.00 100.00%	460,000.00	460,000.00	477,858.64	441,627.60
TIB: TIB	414910MT3	AFS	HARRIS CO MUD#109-REF TX 25 10/01/25		4.00	AA	415,000.00 100.00%	415,000.00	415,000.00	429,280.08	441,564.15
TIB: TIB	302783LN3	AFS	FABENS ISD-A-REF-BLDG TX 26 02/15/26		3.00	AAA	440,000.00 100.00%	440,000.00	440,000.00	487,925.48	466,562.80
TIB: TIB	492422JA9	AFS	KERRVILLE-CTFS OBLIG TX 27 02/15/27		4.00	AA	340,000.00 100.00%	340,000.00	340,000.00	344,214.42	346,721.80
24 Securities Pledged To: 10 - County of Jack								9,405,000.00	9,405,000.00	9,799,380.90	9,850,536.40

Although the information in this report has been obtained from sources believed to be reliable, its accuracy cannot be guaranteed.

Exhibit "B"

STATE OF TEXAS §

COUNTY OF JACK §

KNOW ALL MEN BY THESE PRESENTS:

COUNTY DEPOSITORY PLEDGE CONTRACT

THIS AGREEMENT, made and entered by and between Jacksboro National Bank, hereinafter called "Bank", and Jack County, a body corporate and politic under the laws of the State of Texas, hereinafter called "County".

WITNESSETH:

WHEREAS, the Bank has submitted its application for bank depository for funds of the County; and

WHEREAS, the Bank was on the 8th day of May, 2017, duly and legally chosen by the Commissioners' Court of Jack County, Texas, as County Depository for said County for the period of four (4) years commencing on June 1, 2017, ending sixty (60) days from the time fixed by law for the next selection for depository, upon its bidding and agreeing to pay the County of Jack interest on "time deposits" and "demand deposits" (as these terms are defined in V.T.C.A. Local Government Code, section 116.001), as more fully set forth in that certain Depository Contract dated May 8, 2017 executed by and between the Bank and Jack County, reference to same being herein made for the terms and provisions thereof;

WHEREAS, the Bank desires to qualify as the Depository for funds of the County;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: that in consideration of the mutual covenants, agreements and benefits to both parties, It is agreed as follows:

That Jacksboro National Bank, Jack County, Texas, hereby pledges, assigns, transfers, delivers, and deposits the securities set forth on Exhibit "A" attached hereto, and incorporated by reference in this Contract as though fully and correctly set forth herein, with the Commissioners' Court of Jack County, Texas, upon the terms and conditions and for the purposes hereinafter set forth.

For the purpose of safekeeping, the pledged securities in Exhibit "A" have been deposited in The Independent Bankers Bank (hereinafter "Trustee"), under the control of the County, subject to the terms and conditions hereof. All rights, title and interest that the Bank may have in and to the securities pledged hereunder, by substitution or otherwise, that the Bank may have under or

Any suit arising out of or in any way connected with this Contract shall be tried in the County of Jack and State of Texas in any court herein having jurisdiction of the subject matter thereof and this Contract is performable in Jack County, Texas.

The parties agree to comply with all the requirements set forth in the Financial Institution Reform Recovery and Enforcement Act (FIRREA) of 1989, Federal P.L. 101-73.

This agreement shall be approved in writing at a meeting of the Bank's Board of Directors or loan committee and documented in the minutes of the meeting. A certified copy of a resolution from the minutes of the meeting that documents its approval of this Contract must be provided to Jack County Commissioners' Court.

IN WITNESS WHEREOF, we have hereunto set our hands and the said Bank, Jacksboro National Bank has caused these presents to be signed with its name and by its authorized officers and attested to and sealed with its corporate seal on this 15th day of May, 2017.

JACKSBORO NATIONAL BANK

By: [Signature] Title: VP & Cashier / COO

By: [Signature] Title: President / COO

THE WITHIN CONTRACT is hereby approved this 22nd day of May, 2017, by Jack County Commissioners' Court granting the County Judge the authority to execute the agreement.

Jack County, Texas

By: [Signature] Jack County Judge
Mitchell G. Davenport

Attest:
By: [Signature] Jack County Clerk
Vanessa James



ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF JACK

BEFORE ME, on this day personally appeared Dorrie J Reaves of Jacksboro, Texas, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he (she) executed same as the act and deed of Jacksboro National Bank, a state banking association, for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said state banking association.

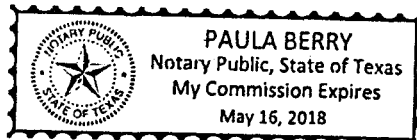
GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 15 day of May, 2017.

Paula Berry

Notary Public in and for the
State of Texas

My Commission Expires:

5/16/2018



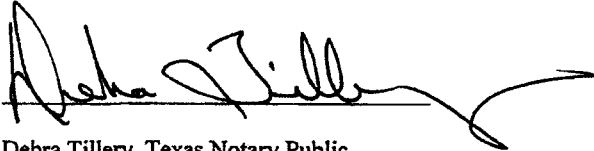
ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF JACK

BEFORE ME, on this day personally appeared MITCHELL G. DAVENPORT, JACK COUNTY JUDGE, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he (she) executed same as the act and deed of the County of Jack, State of Texas, for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said County of Jack, State of Texas.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 22nd day of May, 2017.



Debra Tillery, Texas Notary Public
My commission expires: May 4, 2020

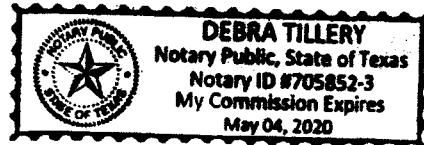


EXHIBIT A

Securities Pledged to County of Jack

All of Jacksboro National Bank's depository entities are on the same report name - *Pledges By Pledgee and Maturity* (page 1-11 [top right corner]). The County of Jack's information starts on page 8 ending on page 9 with totals.

Pledges By Pledgee And Maturity

BBA

Pledged To: County of Jack

The Jacksboro National Bank - Jacksboro, TX

As Of 4/30/2017

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Receipt# Safekeeping Location	CUSIP Location	ASC 320	Description Maturity Prerefund	Pool/Type Coupon	Moody S&P	Original Face Pledged Percent	Pledged			
							Original Face	Par	Book Value	Market Value
TIB: TIB	364496MA4	AFS	GALVESTON ISD-REF TX 18 02/01/18	4.00	Aaa	500,000.00 100.00%	500,000.00	500,000.00	501,064.63	511,140.00
TIB: TIB	796116QH7	AFS	SAN ANGELO ISD-BLDG-A TX 19 02/15/19	5.00	AA	550,000.00 100.00%	550,000.00	550,000.00	560,776.50	589,468.00
TIB: TIB	293443VY0	AFS	ENNIS ISD-CABS-REF TX 19 08/15/19	0.00	Aaa	200,000.00 100.00%	200,000.00	200,000.00	193,486.26	195,094.00
TIB: TIB	171637FC0	AFS	CIBOLO TX 20 02/01/20	2.30	A2 AA	385,000.00 100.00%	385,000.00	385,000.00	394,846.22	396,723.25
TIB: TIB	4478703N4	AFS	HURST-UNREF-REF-IMPT TX 20 08/15/20	4.50	Aa2 AA	40,000.00 100.00%	40,000.00	40,000.00	40,052.73	40,412.40
TIB: TIB	833527AC8	AFS	SNYDER ISD-REF TX 21 02/15/21	3.00	Aa3	445,000.00 100.00%	445,000.00	445,000.00	469,641.63	470,498.50
TIB: TIB	076563GX7	AFS	BEE CNTY-REF TX 21 08/15/21	3.00	A2 AA	300,000.00 100.00%	300,000.00	300,000.00	312,436.69	316,062.00
TIB: TIB	282783EZ8	AFS	EL CAMPO ISD-REF TX 21 08/15/21	3.00	AAA	500,000.00 100.00%	500,000.00	500,000.00	530,278.53	533,560.00
TIB: TIB	897059FT3	AFS	TROPHY CLUB MUD #1 TX 21 09/01/21	2.00	AA-	265,000.00 100.00%	265,000.00	265,000.00	267,197.36	266,465.45
TIB: TIB	24170PET1	AFS	DE SOTO-B TX 22 02/15/22	4.00	AA	385,000.00 100.00%	385,000.00	385,000.00	399,793.04	423,141.95
TIB: TIB	300371YM7	AFS	EVERMAN ISD-REF TX 22 02/15/22	3.00	AAA	415,000.00 100.00%	415,000.00	415,000.00	435,794.17	446,598.10
TIB: TIB	4876843D2	AFS	KELLER-REF TX 22 02/15/22	3.00	Aa1 AAA	365,000.00 100.00%	365,000.00	365,000.00	373,941.95	385,728.35
TIB: TIB	733488B82	AFS	PORT ARTHUR-REF TX 22 02/15/22	4.00	A1	320,000.00 100.00%	320,000.00	320,000.00	328,052.69	340,332.80

Although the information in this report has been obtained from sources believed to be reliable, its accuracy cannot be guaranteed.

4/24/2017 5:48 PM - RLH / JACK

BBA - Baker Bond Accounting®

The Baker Group Software Solutions, Inc.

Pledges By Pledgee And Maturity

BBA

Pledged To: County of Jack

The Jacksboro National Bank - Jacksboro, TX

As Of 4/30/2017

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Receipt# Safekeeping	CUSIP Location	ASC 320	Description Maturity Prerefund	Pool/Type Coupon	Moody S&P	Original Face Pledged Percent	Pledged			
							Original Face	Par	Book Value	Market Value
TIB: TIB	987473BA2	AFS	YOUNG CO-REF TX 22 02/15/22	3.00	A+	750,000.00 100.00%	750,000.00	750,000.00	791,003.80	797,595.00
TIB: TIB	492422PP9	AFS	KERRVILLE-CTFS OBLIG TX 22 08/15/22	3.00	AA	435,000.00 100.00%	435,000.00	435,000.00	471,048.41	461,535.00
TIB: TIB	606020ZG3	AFS	MO CITY-CTFS OBLIG-A TX 23 06/15/23	4.00	Aa2	290,000.00 100.00%	290,000.00	290,000.00	294,400.93	306,144.30
TIB: TIB	496782LX9	AFS	KINGSVILLE-CTFS OBLIG TX 23 08/01/23	4.00	AA	425,000.00 100.00%	425,000.00	425,000.00	459,280.07	458,728.00
TIB: TIB	754841KH6	AFS	RAYMONDVILLE ISD-REF TX 25 02/15/25	3.00	Aaa	325,000.00 100.00%	325,000.00	325,000.00	358,765.33	343,362.50
TIB: TIB	926157QU5	AFS	VICTORIA CNTY-CTFS TX 25 02/15/25	4.00	AA	495,000.00 100.00%	495,000.00	495,000.00	496,842.44	514,864.35
TIB: TIB	102529GL2	AFS	BOWIE ISD-REF TX 25 08/15/25	4.00	AAA	360,000.00 100.00%	360,000.00	360,000.00	403,134.00	418,374.00
TIB: TIB	544061NS9	AFS	LORENA ISD -REF TX 25 08/15/25	2.00	Aaa	460,000.00 100.00%	460,000.00	460,000.00	477,690.74	454,912.40
TIB: TIB	414910MT3	AFS	HARRIS CO MUD#109-REF TX 25 10/01/25	4.00	AA	415,000.00 100.00%	415,000.00	415,000.00	429,024.55	448,009.10
TIB: TIB	302783LN3	AFS	FABENS ISD-A-REF-BLDG TX 26 02/15/26	3.00	AAA	440,000.00 100.00%	440,000.00	440,000.00	487,494.18	480,092.80
TIB: TIB	492422JA9	AFS	KERRVILLE-CTFS OBLIG TX 27 02/15/27	4.00	AA	340,000.00 100.00%	340,000.00	340,000.00	343,812.70	346,147.20
24 Securities Pledged To: 10 - County of Jack							9,405,000.00	9,405,000.00	9,819,859.55	9,944,989.45

Although the information in this report has been obtained from sources believed to be reliable, its accuracy cannot be guaranteed.

4/24/2017 5:48 PM - RLH / JACK

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