

Positive Pay Services Agreement

This *Positive Pay Services Agreement* ("Agreement") applies to Salal Credit Union's ("Salal", "Credit Union") provision of Positive Pay Services (the "Positive Pay Service", "Check Positive Pay", "ACH Positive Pay", "Service"). The Positive Pay Service can be used to identify fraudulent checks or ACH items attempting to clear business accounts which have been enrolled in the Service.

The Check Positive Pay Service allows businesses to submit issued check data to the Credit Union by using a file containing issued check data ("Issued Item File") or by keying issued check data directly into the Service by established deadlines. The Credit Union's systems will compare the issued check data to checks presented for payment against the businesses' account. If a check is presented for payment that does not match the issued check data, businesses will be notified through the Service. Businesses must then authorize the Credit Union to pay the check. If no such authorization is received by the Credit Union by the established deadline of 12:00 p.m. Pacific Time (PT), the item will be returned unless other arrangements have been made with written instructions.

The ACH Positive Pay Service allows businesses to define rules for handling Automated Clearing House ("ACH") debit entries for each enrolled account. These rules may include the originating company, standard entry class code, and maximum authorized dollar amount. When an ACH debit posts to an enrolled account, the established rules will determine if the item requires authorization from the business to pay the item. If no such authorization is received by the Credit Union by the established deadline of 12:00 p.m. PT, the item will be returned unless other arrangements have been made with written instructions.

This Agreement is intended to supplement the *Business Digital Banking Disclosure & Agreement*. Use of the Credit Union's Positive Pay Services constitutes the Business's acknowledgement of, and agreement to, the Agreement. The Business should keep a copy of this Agreement for their records.

Unless otherwise defined in this Agreement, capitalized terms shall have the meanings set forth in Articles 3 and 4 of the Uniform Commercial Code, as codified in the State of Washington. Additional terms used in this Agreement are defined below:

- **Account** – Business account(s) enrolled in the Service.
- **Available Funds** – Funds on deposit in an Account and available for withdrawal pursuant to Regulation CC, the Credit Union's applicable funds availability schedule, and policies as described in the *Business Membership & Account Agreement*.
- **Business Day** – Every day except Saturday, Sunday, and federal holidays.
- **Exception Check** – A Presented Check that does not match a check included in an Issued Item File.
- **Exception ACH Debit** – A Presented ACH Debit that does not match the Pre-Authorized ACH Debit Rules defined by the Business.
- **Exception Report** – An electronic notification from the Positive Pay Service of any Exception Checks or ACH Debits presented for payment that do not exactly match a check shown on an Issued Item File.
- **Issued Item File** – A record that describes checks written by the Business on an Account, provided by the Business to the Credit Union pursuant to the terms in this Agreement.
- **Pay Request** – The instructions of the Business to the Credit Union requesting the Credit Union to pay an Exception Check or ACH Debit.
- **Pre-Authorized ACH Debit Rules** – The rules established by the Business in the Positive Pay Service, which may include, without limitation, the maximum allowed dollar amount, originating company information, or standard entry class code.
- **Presented Check** – A check drawn on an Account and presented to the Credit Union for payment through the check collection system.
- **Presented ACH Debit** – An ACH Debit posted to an Account and presented to the Credit Union for payment through the ACH network.
- **Return Request** – The instructions of the Business to the Credit Union instructing the Credit Union not to pay an Exception Check or ACH Debit.

Issued Item File

Businesses participating in the Check Positive Pay Service will submit an Issued Item File for each Account to the Credit Union on every banking day that the Business issues checks. The Issued Item File shall accurately state the check number, date, and the exact dollar amount of each check drawn on an Account since the last Issued Item File was submitted.

The Business shall provide the Issued Item File to the Credit Union through the Credit Union's Digital Banking Service in a format acceptable to the Credit Union and agreed to by the Business. If the Issued Item File cannot be received by the Credit Union or the Credit Union cannot process the file because of a system failure or otherwise, the file shall be considered as not received, even if the Credit Union has possession of the file.

Issued items may be entered into the system manually if the Issued Item File cannot be provided through the Credit Union's Digital Banking Service.

Payment of Presented Items and Exception Reports

The Credit Union will compare each Presented Check by check number and amount against each Issued Item File received by the Credit Union. The Credit Union will compare each Presented ACH Debit against the Pre-Authorized ACH Debit Rules as established by the Business in the Positive Pay Service. On each banking day, the Credit Union:

- May pay and charge to the applicable Account each Presented Check that matches (by check number and amount) a check shown in any Issued Item File.
- May pay and charge to the applicable Account each Presented ACH Debit that did not cause an Exception ACH Debit.
- Shall use its best efforts to make available to the Business an Exception Report by 9:00 a.m. PT each Business Day via the Credit Union's Digital Banking Service. The Business can establish automatic email alerts to be notified when exception decisions are required.

Pay Request/Return Request/Default Return

The Business shall review the exception items and electronically communicate Pay Requests and Return Requests for all exceptions by 12:00 p.m. PT on the Business Day the exception item was received. If the Business misses the deadline, the Credit Union may return the Exception Check(s) or ACH Debit(s).

Ineligible Items

The Positive Pay Service is not available for, and this Agreement does not apply to, checks or ACH Debits the Credit Union has already cashed, negotiated, paid, or are otherwise already committed to honor or pay under applicable laws, regulations, or rules governing such items. This service is available for checks that might be presented for payment in a branch. The ACH Positive Pay Service is not available for, and this Agreement does not apply to, any ACH Credit items.

Business and Credit Union Communications

The Business or the Credit Union, at its discretion, may each submit to the other party a revision of any communication related to the Positive Pay Services. Revised communications from the Business must:

- Be sent in their entirety and not in the form of a partial amendment to the communication originally sent.
- Identify the original communication.
- Be sent in the format and medium, by the deadline(s), and at the place(s) established by the Credit Union.
- In the event the above conditions are met, and the Credit Union receives and processes such communication with a reasonable amount of time to act upon such communication, the revised communication shall revoke and replace the original communication.
- The Business shall use only Exception Reports that comply with this Agreement and have not been revoked by the Credit Union in the preparation of Pay Requests and Return Requests.
- The Credit Union shall not be obligated to comply with any Pay Request or Return Request received in a format or medium, after a deadline, or in a manner or at a place inconsistent with this Agreement, and may treat such a Pay Request or Return Request as though it had not been received.

The Credit Union is not responsible for detecting any Business error contained in any Issued Item File, Pre-Authorized ACH Debit Rule, Pay Request, Return Request, or other communication sent by the Business to the Credit Union.

Payment For Services

The Business agrees to pay the Credit Union the applicable fees and charges for the services described in this Agreement. Such fees and charges may be amended by the Credit Union from time to time. Such fees and charges do not include, and the Business shall be responsible for payment of, any applicable taxes and any additional fees or charges provided for in the applicable *Business Product & Fee Disclosure*.

Limitation of Liability

The Credit Union shall have no liability to the Business if the Credit Union returns a Presented Check or Presented ACH Debit:

- That it reasonably believed was not properly payable.
- If there are insufficient Available Funds on deposit in the Account.
- If required to do so by the service of legal process on the Credit Union or the instructions of regulatory or governmental agency or courts.
- If otherwise permitted by applicable laws, rules, or regulations.

The Credit Union shall not be liable for any incidental, indirect, special, punitive, or consequential damages. The Credit Union shall not be liable for any damages arising from failure to perform or delay due to fire, power failure, power surge, natural disaster, war, civil commotion, labor dispute, and failure in communication network, legal process, or any other event beyond its control.

Except for losses caused solely by the Credit Union's (but not its third-party processing agents') gross negligence or willful misconduct, the Credit Union's aggregate liability to the Business for claims relating to the Positive Pay Service or this Agreement, whether for breach, negligence, infringement, in tort, or otherwise, shall be limited to an amount equal to the total fees paid by the Business for the Positive Pay Service during the prior six (6) month period.

Indemnification

The Business will indemnify, defend, and hold the Credit Union harmless against any and all actions, proceedings, liabilities, losses, costs (including attorneys' fees and costs), and claims, including, without limitation, warranty claims, that result from or arise in connection with:

- The Credit Union's processing of checks or ACH items through the Positive Pay Service, under this Agreement, or in accordance with the Business's instructions.

- The Business's actions or omissions, including their negligence, willful misconduct or breach of any warranty or failure to comply with this Agreement.
- Any misuse of the Positive Pay Service by the Business, their employees, or agents.
- The Business's failure to comply with applicable state and federal laws and regulations.
- Actions by third parties, such as an introduction of a virus, that delay, alter, or corrupt the transmission of information to the Credit Union.