

Arrow Bank National Association

Positive Pay Service Terms & Conditions

By using Positive Pay Services, you accept all of the Terms & Conditions outlined below. Please read all parts carefully.

DESCRIPTION OF SERVICE

Positive Pay is a fee-based service provided to Customers who will import an electronic issue file that details the checks issued on their account(s) ("Issue File"). Bank performs a comparison of checks presented for payment against the checks in the Issue File. Presented checks that do not match the Issue File will be identified as "Exceptions" and will be made available to Customer through Business Online Banking. For each identified Exception Customer will be responsible for providing a payment decision through Business Online Banking by the cutoff time established by these Terms & Conditions.

TERMS OF SERVICE

1.0 Issue File

The Customer will import an electronic Issue File through Business Online Banking in a format determined by Bank.

1.1 Format

The Customer is solely responsible for the creation of the Issue File, including the cost of any programming provided by third parties.

1.2 Timing

It's recommended that the Issue File be imported through Business Online Banking by 6:00pm on the day prior to the date of issue. Failure to timely import an Issue File may result in a check presented in person being dishonored as described below.

1.3 Method of Transmission

The Customer will import its Issue Files using Business Online Banking. A separate agreement is required for this service.

2.0 Positive Pay Exceptions

Bank will review checks presented for payment against the Issue Files imported by the Customer to identify Exceptions. Bank will notify the Customer of Exceptions through Business Online Banking. Bank will make Exceptions available to the Customer by the opening of business on the first business day following presentment of the check(s). Checks that are presented in person to a Bank Teller will be subject to verification against the Issue File at the time of presentment, and, if an Exception is identified, the check will not be honored and the presenter will be referred back to the Customer.

2.1 Exception Handling

The Customer will review the Exceptions through Business Online Banking. Payment decisions must be made and submitted no later than 11:00am the same day the Exceptions are made available to the Customer. **IF THE CUSTOMER DOES NOT PROVIDE BANK WITH A PAYMENT DECISION WITHIN THE ESTABLISHED TIME FRAME, BANK WILL RETURN THE ITEM AS UNPAID.**

2.2 Exception Reasons

A Presented Check which does not match the check number, check date, payee, and exact amount of an Item provided in an Issue File will be identified by Bank as an "Exception Item". The Customer acknowledges that handwritten checks have an increased likelihood of being identified as Exceptions based on the limitations of the technology employed to scan checks and compare them against the Issue Files.

The Customer has total responsibility for matching check number, check date, payee, and amount on the check as provided by Customer in the Issue File.

2.3 Overdrawn Checks

Checks that are not Exceptions but overdraw the account may or may not be paid by Bank, as Bank determines pursuant to its other agreements with the Customer. The Customer will not be contacted regarding overdrawn checks.

2.4 Checks Presented to a Bank Teller

Checks that are presented in person to a teller at any Bank office for immediate payment will not be negotiated if they are considered to be Exceptions. Customer may be contacted if a check presented in person is identified as an Exception for a payment decision. If Customer is not contacted, the check(s) will not be negotiated. The presenter will be referred to the Customer for explanation and may be informed that a Positive Pay Exception was identified.

3.0 Non-Check Items

Customer agrees and understands that the services apply only to MICR encoded paper checks. The services and these Terms & Conditions shall not apply to any electronic funds transfer (EFT), Automated Clearing House (ACH) transaction, or check that has been converted to an ACH transaction.

4.0 Security

4.1 Purpose

Customer and Bank shall comply with the security procedure requirements described herein with respect to files and emails

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transmitted by the Customer to Bank. The Customer acknowledges that the purpose of such security procedures is for verification of authenticity and not to detect an error in the transmission or content of a file. The Customer is responsible for errors in transmission or content of any file or email and is responsible for maintenance of security procedures set forth in these Terms & Conditions.

4.2 Customer Responsibilities

The Customer is strictly responsible to establish and maintain procedures to safeguard against unauthorized or incorrect transmissions. Customer warrants that no individual will be allowed to initiate file transfer or send payment decisions in the absence of proper Customer supervision and safeguards and agrees to take reasonable steps to maintain the confidentiality of the security procedures and any logons, passwords, codes, security devices and related instructions provided by Bank in connection with these security procedures for the access rights granted. Any unauthorized payment shall be presumed to have been caused by the Customer's lack of care in the establishment or use of such security standards, policies and/or safeguards.

If Customer believes or suspects that any such information or instructions have been discovered or accessed by unauthorized persons, Customer agrees to notify Bank immediately followed by written confirmation.

The occurrence of such unauthorized access will not affect any files or decisions received in good faith by Bank prior to receipt of such notification. Bank will attempt to prevent unauthorized payment decisions or actions if changes are made thereafter.

4.3 Security Procedures – Business Online Banking

Bank grants access to Business Online Banking, as defined in any pertinent Business Online Banking User Agreement, to perform file transfers and payment decisions. The Customer agrees to establish security standards and policies that include proper safeguards to protect the confidentiality of all login IDs, passwords and other authentication identifiers that are assigned to or chosen by the Customer for initiating file transfer using this system. Any file received using a valid combination of a login ID and password will be considered authentic, valid and binding by the Customer and Bank. With regard to Internet use, the Customer warrants and agrees:

- (a) That each file has been imported in a manner which employs a commercially reasonable fraudulent transaction detection system.
- (b) That the Customer has established to its own satisfaction in a commercially reasonable manner the identity of the person importing a file.
- (c) That the Customer has established a secure Internet environment using commercially reasonable industry standard security technology providing a level of security that, at a minimum, is equivalent to 128-bit encryption technology.
- (d) That the Customer will conduct an annual audit to ensure that all information it receives and sends is protected by security practices and procedures that include, at a minimum, adequate levels of (1) physical security to protect against theft, tampering, damage, unauthorized use and access; (2) personnel and control to ensure security as provided herein; and (3) network and communication security to ensure security as provided herein. The audit will be made available to Bank upon its request.

4.4 Compromise of Information

If the Customer suspects or believes that any such information has been compromised, or that unauthorized files have been imported via the service, it shall immediately call the Electronic Banking Department at 800-246-2415. Hours: Monday through Friday 8:00am to 6:00pm and Saturday 9:00am to 1:00p.m.

5.0 Recording and Use of Communications

Customer and Bank agree that all telephone conversations, emails or data transmissions between them or their agents made in connection with these Terms & Conditions may be electronically recorded and retained by either party by use of any reasonable means.

6.0 Assignment of Authorized Accounts

Under these Terms & Conditions the Customer will provide a detailed list of accounts to be used for Positive Pay. These accounts will remain authorized until the Customer provides Bank a revised and fully executed list.

7.0 Liability Limitation; Indemnification

7.1 Indemnification

The Customer agrees at all times to keep safe, indemnify and hold Bank harmless: (i) from any claim, loss, action, damage, expense (including, but not limited to attorney's fees and court costs), litigation or liability resulting from any act or omission of the Customer or Bank in connection with these Terms & Conditions or the services or Bank's endorsement on the Customer's behalf of any item of payment or warranty thereof or any liability assumed by the Customer under these Terms & Conditions, except to the extent directly caused by Bank's gross negligence or willful misconduct; and (ii) against

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all actions, proceedings, claims, demands, losses, outlays, damages or expenses, including legal expenses and reasonable attorney's fees, which Bank may incur in defending, prosecuting, settling or discontinuing any proceedings, actions or claims in consequence of or arising directly or indirectly out of any act or omission of the Customer or Bank in connection with these Terms & Conditions, the services, or Bank's endorsement on the Customer's behalf, or warranty, of any item of payment or any liability assumed by the Customer under these Terms & Conditions, except to the extent directly caused by Bank's gross negligence or willful misconduct. This section shall survive termination of these Terms & Conditions.

7.2 Liability Limitation

Bank's responsibility hereunder is limited to the exercise of ordinary care in the performance of the services. The Customer assumes full responsibility for determining whether to approve or disapprove the Exceptions, and Bank is entitled to rely on and act upon the Customer's decisions made in approving or disapproving an Exception unless Bank at the time Bank acts has obtained actual knowledge that an entry, payment or transfer was placed by a person without authority. Customer hereby agrees that, except to the extent resulting directly from Bank's gross negligence or willful misconduct, Bank will not be liable for any loss or damages whatsoever including, without limitation, damage suffered by the Customer or any other person or entity in connection with (i) the performance of these Terms & Conditions or the services, (ii) the Customer's erroneous or negligent approval or disapproval of an Exception, (iii) the Customer's breach of its representations, warranties, or obligations under these Terms & Conditions, (iv) the Customer's establishment or use of its security standards, policies and/or safeguards, (v) the actions or omissions of third-parties, (vi) or Bank's or its agent's inability to render the services due to natural or man-made disaster, power or equipment failure, severe weather condition, war, terrorists acts, emergency conditions, legal or government constraints or its use of any correspondent or agent, or any other cause beyond Bank's reasonable control. In no event shall Bank be liable for consequential damages.

TO THE FULLEST EXTENT PERMITTED BY LAW, IN NO EVENT SHALL BANK BE LIABLE (WHETHER IN CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE) FOR (A) ANY INDIRECT, PUNITIVE, INCIDENTAL, RELIANCE, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, LOSS OF BUSINESS, REVENUES, PROFITS OR GOODWILL OR (B) DAMAGES, IN THE AGGREGATE, IN EXCESS OF THE AMOUNTS PAID TO BANK BY CUSTOMER UNDER THESE TERMS & CONDITIONS DURING THE PRIOR 12-MONTH PERIOD, EVEN IF CUSTOMER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THESE LIMITATIONS ARE INDEPENDENT FROM ALL OTHER PROVISIONS OF THESE TERMS AND SHALL APPLY NOTWITHSTANDING THE FAILURE OF ANY REMEDY PROVIDED HEREIN.

This section shall survive the termination of these Terms & Conditions.

8.0 Termination of Services

These Terms & Conditions shall remain effective until it is terminated as detailed below.

8.1 Termination by the Customer

Customer may terminate these Terms & Conditions at any time. Such termination shall be effective within five (5) business days following the day of Bank's receipt of written notice of such termination or such later date as is specified in that notice.

8.2 Termination by Bank

Bank reserves the right to terminate these Terms & Conditions at any time. Termination is immediate by providing written notice of such termination to Customer via email and / or first-class mail, both of which shall be effective upon mailing. Reasons for termination may include but are not limited to: willful misconduct by the Customer or its agents, a breach of security, or unauthorized activity involving the account. Bank is not required to have a reason for termination or provide any reason to the Customer.

Termination of these Terms & Conditions does not nullify any obligations set forth prior to termination, including indemnification of Bank while acting on the Customer's behalf.

9.0 Fees

The Customer shall pay the Bank the charges for the services provided in connection with these Terms & Conditions as detailed in the Fee Schedule. These charges will be auto-debited from the Account monthly from the designated fee account. All fees and services are subject to change upon twenty-one (21) calendar days prior written notice from Bank to the Customer. Such charges do not include, and Customer shall be responsible for payment of, any sales, use, excise, value added, utility or other similar taxes relating to such services, and any fees or charges provided for in these Terms & Conditions between Bank and Customer.

10.0 Amendments

From time to time Bank may amend any of the terms and conditions contained in these Terms & Conditions, including without limitation, any cut-off time, any business day, and any part of the Schedules attached hereto. Such amendments shall become effective upon notice when required to Customer or such later date as may be stated in Bank's notice to Customer, which shall be provided via email or first-class mail.

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11.0 Records

All forms of electronic media, entries, security procedures and related records used by Bank for transactions contemplated by these Terms & Conditions shall be and remain Bank's property. Bank may, at its sole discretion, make available such information upon Customer's request. Any expenses incurred by Bank in making such information available to Customer shall be paid by Customer.

12.0 Cooperation in Loss Recovery Efforts

In the event of any damages for which Bank or Customer may be liable to each other or to a third party pursuant to the services provided under these Terms & Conditions, Bank and Customer will undertake reasonable effort to cooperate with each other, as permitted by applicable law, in performing loss recovery efforts and in connection with any actions that the relevant party may be obligated to refund or elects to pursue against a third party.

13.0 Entire Agreement

These Terms & Conditions (including the Schedule attached hereto), together with the Account Agreement and Online Banking Service Agreement, are the complete and exclusive statement of the agreement between Bank and Customer with respect to the subject matter hereof and supersede any prior agreement(s) between Bank and Customer with respect to such subject matter. In the event of any inconsistency between the terms of these Terms & Conditions and the Account Agreement, the terms of these Terms & Conditions shall govern. In the event performance of the services provided herein in accordance with the terms of these Terms & Conditions would result in a violation of any present or future statute, regulation or government policy to which Bank is subject, and which governs or affects the transactions contemplated by these Terms & Conditions, then these Terms & Conditions shall be deemed amended to the extent necessary to comply with such statute, regulation or policy, and Bank shall incur no liability to Customer as a result of such violation or amendment. No course of dealing between Bank and Customer will constitute a modification of these Terms & Conditions, the rules, or the security procedures or constitute an agreement between Bank and Customer regardless of whatever practices and procedures Bank and Customer may use.

14.0 Non-Assignment

Customer may not assign these Terms & Conditions or any of the rights or duties hereunder to any person, whether resulting from transfer, merger, consolidation, sale or other business arrangement, without Bank's prior written consent. If there is a change in ownership Customer must notify Bank immediately.

15.0 Waiver

Bank may waive enforcement of any provision of these Terms & Conditions. Any such waiver shall not affect Bank's rights with respect to any other transaction or modify the terms of these Terms & Conditions.

16.0 Binding Agreement and Benefit

These Terms & Conditions shall be binding upon the parties hereto and their respective legal representatives. These Terms & Conditions is not for the benefit of any other person, and no other person shall have any right against Bank or Customer hereunder.

17.0 Headings

Headings are used for reference purposes only and shall not be deemed a part of these Terms & Conditions.

18.0 Severability

In the event that any provision of these Terms & Conditions shall be determined to be invalid, illegal or unenforceable to any extent, the remainder of these Terms & Conditions shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

19.0 Governing Law

These Terms & Conditions shall be governed by the laws of New York State and by applicable federal law. The Customer submits to the jurisdiction of the state courts located in Warren County of the State of New York and the United States District Court for the Northern District of New York, without prejudice to Bank's right to bring an action in any other forum. The Customer waives personal service of process and consents to service of process by certified or registered mail, return receipt requested, directed to the Customer at its address set forth in the records of Bank. The Customer waives trial by jury in any proceeding brought by either party involving, directly or indirectly, any matter in any way arising out of, related to, or connected with, these Terms & Conditions, and the Customer also waives any objection based on forum non-conveniences, improper venue or personal jurisdiction, for any proceeding brought in any federal or state court located in the State of New York.

20.0 Limitation of Claims

No suit, action, or claim, regardless of form, arising out of these Terms & Conditions shall be brought by Customer more than six months after any such cause of action or claim shall have occurred.

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21.0 Relationship

Nothing herein shall be construed as constituting a partnership, joint venture or other agency relationship between the Customer and Bank. Bank shall be the Customer's depository agent.

POSITIVE PAY FEE SCHEDULE

SERVICE FEES

Positive Pay Service Fee: \$20.00 per account per month

***Positive Pay and Full Account Reconciliation Service Fee:** \$35.00 per account per month

*Separate Account Recon Addendum required

Fees associated with this Positive Pay Agreement are subject to change at Bank's discretion at any and all times. Bank will evaluate the fee(s) for these services minimally on an annual basis. Notice of such change will be provided in accordance with Section 10.0 FEES of these Terms & Conditions.