



## **CHECK & ACH POSITIVE PAY SERVICE ADDENDUM**

This is an Addendum to the John Marshall Bank Cash Management Services Agreement (together with this Addendum, the "Agreement"). This Service Addendum to perform Positive Pay Services is made between Customer and Bank and, together with the other provisions of this Agreement, forms the Agreement between the parties with respect to the Services defined below. Capitalized terms used and not defined in this Service Addendum have the meanings assigned elsewhere in the Agreement.

### **1. DEFINITIONS**

- (a) "Service" means each Positive Pay Service that allows Customer to identify and make payment decisions regarding exception items.
- (b) "User Documentation" means any written information Bank provides to Customer, including information in electronic format, as amended from time to time, which contains detailed instructions regarding the use of a Service. Current User Documentation is available upon Customer's request.
- (c) "Exception Item" means comparative differences between the MICR encoding information of checks (i.e. account number, check number, dollar amount) presented to Bank (by other depository institutions) with lists of checks issued or canceled by Customer which Customer transmits electronically to Bank by a specified time established by the Bank.
- (d) "Positive Pay Service" a service that may be used to send Bank a list of the checks via the Bank's Internet banking service that Customer has issued so that Bank may compare the amounts and serial numbers of checks that clear Customer's Account(s) against the list provided to Bank. Customer may only use this service if Customer has completed and signed Bank's Positive Pay Service Agreement and any associated documentation, that material has been submitted to and approved by Bank, and it remains in effect.
- (e) "ACH Positive Pay Service" a service that permits you to protect your designated account(s) for ACH Credit Entries and/or ACH Debit Entries. For the security of your account(s) you may wish to block all ACH Entries or block ACH Entries originating from specifically designated Originators. ACH Positive Pay service may be used by Customer to authorize or reject incoming ACH debits against the Customer Account(s) via the Bank's Internet banking service.

## **2. POSITIVE PAY SERVICE**

- (a) With the Service, Customer can identify exception items, access electronic images of exception items, or if necessary request photocopies, and instruct Bank whether to pay or return those items.
- (b) Before using the Service, Customer must have applied for, been approved, and be using the Bank's Internet banking service. Persons authorized by Customer to perform certain duties in connection with the Bank's Internet banking service shall be deemed authorized persons for the Service. Bank may rely on instructions from any person identifying himself or herself as a person so authorized by Customer.
- (c) The Positive Pay file must be uploaded or manually input to our system before disbursing checks.
- (d) Positive Pay verifies your Positive Pay file against checks being presented to Bank for payment. Any item presented to Bank for payment that does not match the Positive Pay file will be an exception or violation.
- (e) The following sets forth the description of an exception or violation:
  - a. Items presented for payment through Bank's in-clearings (deposited items) not matching your issue file will be **exceptions**. You will have an option within the Bank's Internet banking service to work with your exceptions as they arise. It is your responsibility to work your Positive Pay exceptions daily between the hours of 7:00am (ET) and 11:00 am (ET).
  - b. Items presented to John Marshall Bank for immediate payment (cashing a check at the bank) not matching your issue file will be a **violation**. From time to time a John Marshall Bank representative may contact you by phone for instruction on a Positive Pay violation. In the event that John Marshall Bank cannot contact an authorized contact person for instruction on a Positive Pay violation, John Marshall Bank will return or refuse to pay the item.
- (f) Upon request, the Bank will provide Customer photocopies of electronic images of exception items when necessary.
- (g) If an exception is due to a MICR encoding error (e.g. written dollar amount differs from MICR encoded amount), Customer will contact Bank's Operations Department and report such by the prescribed deadline (currently 11:00 am Eastern Time) for correction and resolution of the encoding error.

## **3. ACH POSITIVE PAY SERVICE**

- (a) Before using the Service, Customer must have applied for, been approved, and be using the Bank's Internet banking service. Persons authorized by Customer to perform certain duties in connection with the Bank's Internet banking service shall be deemed authorized persons for the Service. Bank may rely on instructions from any person identifying himself or herself as a person so authorized by Customer.
- (b) This Service permits you to preauthorize ACH Entries by designated Originators and to view and decision (honor or reject) non-preauthorized ACH Entries each Banking Day. You will have an option within the Bank's Internet banking service to work with your exceptions as they arise. It is your responsibility to work your ACH

Positive Pay exceptions daily between the hours of 7:00am (ET) and 11:00 am (ET).

- (c) ACH Entries that you choose to pay will flow through the normal ACH processing system and post to your deposit account(s). ACH Entries that you choose to reject will not post to your deposit account(s) and will be returned to the Originator. Any ACH Entry for which you do not make a decision to pay or reject by 11:00 am (ET) will be paid automatically.
- (d) Method of Rule or Filter Block, Customer shall identify and define the rules for all pre-authorized ACH Transactions and/or define the filter blocking for all or specific standard entry class. Customer agrees to use the Bank's Internet Banking service for accessing the ACH Positive Pay Service.
- (e) ACH Debit Entries received prior to the setup of the ACH Positive Pay Service (including ACH Filters and/or ACH Positive Pay) may be posted to your deposit account(s) in accordance with the NACHA Rules (as defined in this Agreement).
- (f) Your System Administrator(s) has the authority to grant additional users access to the ACH Positive Pay system.

#### **4. CUSTOMER ACKNOWLEDGEMENTS**

- (a) Customer authorizes Bank to return or to pay any check/ACH in accordance with Customer's instructions and the established procedure of the Bank.
- (b) Customer acknowledges that Bank will have no liability for payment of a check/ACH which is unauthorized or fraudulent if (i) the check/ACH was included in a report of exception items, (ii) Customer has not selected a return criteria for exception items, and (iii) Customer did not instruct Bank to return the check in the stipulated timely manner.
- (c) Customer acknowledges that a Service does not preclude Bank's standard check processing procedures, which may cause a check/ACH to be dishonored even if Customer's instructions or the established procedure do not otherwise require the Bank to return such check.
- (d) Customer acknowledges that Bank has no liability for cashing or accepting an ACH for deposit from another Bank customer, in good faith, a check/ACH presented at one of Bank's branches even if such check would otherwise be an exception item.
- (e) Customer (i) acknowledges that Bank will use reasonable efforts under the circumstances to respond promptly to proper requests for electronic images or ACH information of exception items and (ii) agrees that Bank's failure to provide check images or ACH information does not extend the deadlines by which Customer must notify Bank of pay/no-pay decisions.
- (f) Customer acknowledges that it must fulfill its responsibilities in connection with this Service on each Business Day whether or not Customer is open for business.
- (g) Customer acknowledges that failure to use the Positive Pay Service (including Check Positive Pay and/or ACH Positive Pay) could substantially increase the likelihood of

undetected fraudulent activity on your deposit account(s) and that it is neither unreasonable nor unreasonable under the circumstances for us to require you to use our Positive Pay Service (including Check Positive Pay and/or ACH Positive Pay) upon request. Customer agrees that failure to implement the Positive Pay Service (including Check Positive Pay and/or ACH Positive Pay) following our request that Customer do so, Customer will be precluded from asserting any claim against us (Bank) for paying an unauthorized, altered, counterfeit or other fraudulent item that the Positive Pay Service (including Check Positive Pay and/or ACH Positive Pay) was designed to detect or deter, and we (Bank) will not be required to re-credit Customer deposit account(s) or otherwise be liable to Customer for paying such item(s).

## **5. CHANGES TO PROCESSING INSTRUCTIONS**

Customer may request Bank at any time to change the processing instructions for the Service by contacting the Bank. Bank will not be obligated to implement any requested changes until Bank has had a reasonable opportunity to act on them. In making such changes, Bank is entitled to rely on requests purporting to be from Customer. For certain changes, Bank may require that Customer's requests be in writing, in a form and manner acceptable to Bank, or be from an authorized person designated by Customer. In addition, certain requests may be subject to Bank's approval.