

ACH Services Agreement

This 1st Security Bank of Washington ACH Services Agreement ("Agreement") provides the terms and conditions governing automated clearing house services offered by 1st Security Bank of Washington. As used in this Agreement, the words "Bank," "we," "us" and "our" refer to 1st Security Bank of Washington. The words "you" and "your" refer to each person or entity that uses the Bank's ACH services. Each time you use our ACH services, whether by internet, using our Online Banking services, in-person or by any other means, you agree to abide by the terms and conditions of this Agreement (as amended from time to time), and all other terms, conditions, agreements, security procedures, fee schedules and disclosures applicable specifically to ACH services. In all other respects, the terms and conditions of the Deposit Account Agreement apply to this Agreement. If there is a conflict between these agreements, this Agreement will control with respect to ACH services.

1. Participation

You wish to participate in our ACH [and/or Payroll Processor (aka third-party sender) programs. Such programs allow you, directly or indirectly, to initiate requests to debit or credit accounts ("Entries," as such term is more particularly defined in the Rules described below) using our website or software we provide. We are willing to act as an Originating Depository Financial Institution ("ODFI") with respect to such Entries, subject to the terms and conditions of this Agreement.

2. Rules; Terms and Conditions

All Entries will be subject to (i) the terms and conditions of this Agreement; (ii) the terms and conditions of the Business Online Banking Resolutions of Authority; (iii) the terms and conditions applicable to our Internet banking services; and (iv) the rules (as amended from time to time) of the National Automated Clearing House Association ("NACHA") and any other clearing house or ACH Operator we may use from time to time (collectively, the "Rules"). You acknowledge receipt of a copy of the Rules, which are expressly incorporated into this Agreement. By participating in one or more of the ACH programs described in paragraph 1, you acknowledge that you have read and understand fully the Rules and their application to such programs. Unless otherwise defined in this Agreement, any capitalized terms used in this Agreement have the meanings prescribed in the Rules. You should obtain updated copies of the Rules annually directly from NACHA at www.nacha.org.

3. Transmittal of Entries by Customer

- a. **General Requirements.** You agree that you will transmit all Entries to us at the location(s) and in compliance with all formatting, security, and other requirements as we may establish and/or amend from time to time. All Entries must designate you as the Originator.
- b. **Customer Responsibility.** It is your responsibility to ensure that the origination of ACH transactions comply with all applicable laws. This includes, but is not limited to, sanctions enforced by the Office of Foreign Assets Control (OFAC). It is also your responsibility to obtain information regarding such OFAC enforced sanctions. You agree to obtain written authorizations for consumer entries in accordance with ACH Rules and U.S. law, and you will retain the original or duplicate record for two years after termination or revocation of such authorization.
- c. **Acceptance of Entries; ACH Exposure Limit.** You acknowledge that our acceptance of Entries is dependent, among other things, upon (i) our assessment of your creditworthiness, and (ii) the total amount of Entries outstanding at any one time which we have accepted but for which we have not received final settlement ("Unsettled Entries"). We will establish an exposure limit applicable to your Entries ("ACH Exposure Limit"). We may amend the ACH Exposure Limit from time to time without notice to you. We have no obligation to accept any Entry which, when combined with all Unsettled Entries, exceeds your ACH Exposure Limit. You agree to furnish to us your then-current balance sheet, income statement and such other financial reports, as we deem necessary, both annually and upon our request.

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- d. **Cancellation or Amendment of Entries by Customer.** You have no right to cancel or amend any Entry after we receive it. However, we agree to use reasonable efforts to act on a request by you for cancellation or amendment of an Entry, provided such request complies with any applicable security procedures. Notwithstanding such efforts, we will have no liability whatsoever if such cancellation or amendment is not affected.
- e. **Payroll Processor.** If you are using a third-party processor to initiate Entries, you acknowledge and agree that such processor is acting as your agent for all purposes under this Agreement. You are solely responsible for all acts of your processor, including but not limited to, providing any funds to us to cover any Entry transmitted by such processor, and we will have no liability for any compensation due to such processor for providing services as your agent. We will be entitled to rely conclusively upon the authority of such processor until we receive written notice of your revocation of that authority and until we have had a reasonable opportunity to act on your notice.
- f. **Restriction on SEC Code type. You are limited to initiate PPD, CCD and CTX transactions.**

The following table shows the proper SEC Codes to use depending on how you obtained the authorization to debit/credit an individual or company's account:

SEC Code	Debit / Credit	Authorization Method
PPD	Debit or Credit	Document signed by individual or similarly authenticated
CCD, CTX	Debit or Credit	Document signed or similarly authenticated by Customer*
WEB**	Debit or Credit	Via the Internet for Debit
TEL**	Debit Only	Verbal authorization via the telephone. (Phone line must be recorded line or notice sent)
POP**	Debit Only	Check converted to electronic transaction at the Point-of-Purchase. Signature is required on authorization form
BOC**	Debit Only	In-person presented check converted to electronic transaction during back-office processing. Notice provided at point of check being tendered and purchaser takes it.
ARC**	Debit Only	Check received via mail/courier and converted to electronic transaction. Notice on statement for each transaction
RCK**	Debit Only	Notice equals authorization

***We do not currently offer these SEC Code options.*

4. **Processing by Bank**

- a. **Generally.** Except as otherwise provided in this Section 4, we will (i) process Entries we receive to conform with the file specifications set forth in the Rules, (ii) transmit such Entries to an ACH Operator we select, and (iii) settle such Entries as provided in the Rules.
- b. **Security Tokens.** All users originating and/or approving ACH transactions will be required to input a

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PIN or One-Time Passcode at the time originating or approving an Entry or File. One-Time Passcode can be obtained through the 1st Security Mobile Token application (which can be found in the Google Play or Apple App stores) or can be delivered to you via SMS text or email. The PIN will be established at the time of setting up your Secure Browser application and 1st Security Mobile Token application, or during your initial login, if accessing the system through the web. To access Secure Browser, or the 1st Security Mobile Token application, you will need your Activation Key which can be found within Business Online Banking, or which can be provided to you by the Bank.

- c. **Receipt and Transmittal.** We will transmit such Entries to the ACH Operator daily at the ACH cutoff deadline of 5:00 p.m. Pacific Time. For purposes of this Agreement, Entries will be deemed received by us when the transmission is completed in accordance with our formatting, security, and other requirements. If Entries are received after the cutoff deadline, they will be transmitted the next day. Transactions received on a non-business day or federal holiday will be transmitted at the cutoff deadline on the day they are submitted. No changes can be made after the cutoff deadline.
- d. **Rejection of Entries by Bank.** Notwithstanding the foregoing, we may reject any Entry that does not comply with the formatting, security, and other requirements of Section 3(a) or 8(a), respectively. We may also reject any Entry (i) for any reason prescribed by the Rules, (ii) if you have failed to comply with your Account balance obligations under Section 5, (iii) if such Entry would cause your ACH Exposure Limit to be exceeded (or otherwise pursuant to Section 3(b)); or (iv) for any other reason that we, in our sole discretion, deem appropriate. We will send notice to you of such rejection via such means as we deem appropriate no later than the Business Day such Entry would otherwise have been transmitted by us to the ACH Operator. We will have no liability to you due to the rejection of any Entry or the fact that such notice is not given at an earlier time.
- e. **Notice of Returned Entries.** We will notify you of our receipt of any returned Entry via such means as we deem appropriate no later than one Business Day after the Business Day of such receipt. We have no obligation to retransmit a returned Entry. If, for any reason, we retransmit an Entry, such action may be subject to additional fees pursuant to the Business Schedule of Fees and Charges.
- f. **Reversals of Entries.**
 - i. **General Procedure:** Upon proper and timely request by you, the Bank will use reasonable efforts to affect a reversal of an Entry or File. To be "proper and timely" the request must (i) be made within five (5) Business Days of the Effective Entry Date for the Entry or File to be reversed; and (ii) a reversing entry will only be allowed upon approval by the Bank and (iii) comply with all the Rules. In addition, if you request the reversal of a Debit Entry or Debit File, it shall concurrently deposit in your account an amount equal to that Entry or File. You shall notify the Receiver of any reversing entry initiated to correct any Entry it has initiated in error. The notification to the Receiver must include the reason for the reversal and be made no later than the Settlement Date of the reversing Entry.
 - ii. **No Liability; Reimbursement to the Bank:** Under no circumstances shall the Bank be liable for interest or related losses if the requested reversal of an Entry is not affected. You shall reimburse the Bank for any expenses, losses, or damages it incurs in effecting or attempting to affect your request for reversal of an Entry.

5. The Account

- a. **Generally.** You agree to maintain one or more deposit Accounts (collectively, the "Account") with us. You also agree to deposit sufficient funds into the Account to facilitate the transactions contemplated by this Agreement. The Account will be subject to this Agreement and our then current Deposit Account Agreement.

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- b. **Debit Entries and Adjustments.** Subject to the provisions of this Section 5, we will credit the Account for any debit Entries we transmit on your behalf. You will always prior to final settlement maintain sufficient available funds in the Account to pay for all returned or reversed debit Entries, Adjustment Entries, fees, and other amounts that you are obligated to pay us under this Agreement. We have the right to defer any credit to the Account resulting from a debit Entry until we receive final settlement for such debit Entry. Any credit provided prior to final settlement is provisional, and you agree to pay us immediately the full amount of such credit upon your receipt of final settlement or notice that final settlement has not or will not occur. In addition, you agree to pay us immediately the full amount of (i) any returned or rejected debit Entry for which you have previously received credit at the time we receive such rejection or return; (ii) any Adjustment Entry which reduces the amount of an original corresponding debit Entry upon its receipt by us; and (iii) any refund paid by us to a Receiver in connection with such Receiver's claim that an Entry was, in whole or in part, not authorized.
- c. **Credit Entries.** Prior to the Settlement Date, you must deposit into the Account sufficient available funds to cover the amount of each credit Entry we transmit. Notwithstanding, we may, in our sole discretion, require you to have such available funds in the Account prior to our transmittal of a credit Entry to an ACH Operator.
- d. **Indebtedness and Collateral.** To the extent there are not sufficient available funds in the Account to cover your obligations under this Agreement, you agree that such obligations constitute an indebtedness (the "Indebtedness") that you owe to us. The Indebtedness will be deemed to be immediately due and payable in full and will accrue interest at a rate equal to the rate applied to overdrafts as described in the Deposit Account Agreement for the period involved. Please refer to Business Schedule of Fees and Charges. If you have any other outstanding loans or extensions of credit with us (collectively, the "Loans"), then for purposes of any security agreements, pledge agreements or guarantees executed in connection with the Loans (collectively, the "Security Documents"), the Indebtedness will be and become part of the Loans secured by the Security Documents, and any collateral securing the Loans will also secure repayment of the Indebtedness, subject to the terms of the Security Documents. We may also debit any account you maintain with us or any of our affiliates, and we may set off against any amount you have on deposit, to obtain payment of the Indebtedness.

6. Customer Representations, Warranties, and Agreements

- a. **Entries Authorized.** You represent and warrant to us that to the extent such authorization is required by the Rules, (i) each person shown as the Receiver on an Entry received by us has authorized (a) the initiation of such Entry and the posting of such Entry to its account in the amount and on the Effective Entry Date shown on such Entry; (b) the transmission of debit and credit Entries to correct erroneous Entries to Receivers' accounts; and (c) us to access all required information concerning such Receiver to enable us to recover such Entries; and (ii) such authorization is operative at the time of transmittal or posting by us as provided in this Agreement. You agree to immediately cease initiating Entries for a Receiver's account upon the termination or revocation of the Receiver's authorization, and we will have no liability for Entries transmitted after such revocation or termination. You also agree to retain the original or a copy of each authorization you receive for two (2) years after termination or revocation of the authorization and to provide us with copies of same within eight days or less upon our request.
- b. **Compliance with Laws and Rules; Restrictive Endorsements.** You agree to perform your obligations under this Agreement in accordance with all applicable laws and regulations and the Rules, and you will be solely responsible for ensuring compliance with Regulation E of the Consumer Financial Protection Bureau. You further agree that any restrictive endorsement on the item to which a Represented Check (RCK) Entry relates is void or ineffective upon initiation of the RCK Entry.
- c. **ODFI Warranties.** You warrant to us every warranty imposed by the Rules on us as an ODFI with

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respect to each classification of Entry you originate, as such warranties may be amended from time to time. Specifically, and without limitation, you represent and warrant to us each of the following with respect to each Entry transmitted to us:

- i. **Timeliness and Accuracy of Entries.** Each Entry is timely, and each debit Entry is for an amount which on the settlement date will be due and owing to you from the Receiver, is for a sum specified by the Receiver to be paid to you or is to correct a previously transmitted erroneous credit Entry. All Entries are accurate and complete.
 - ii. **Compliance with Other Requirements.** All applicable requirements of Article 2 of the Rules (Rights and Responsibilities of ODFIs, their Originators and Third-Party Senders) have been satisfied, the Entry has not been reinitiated in violation of Section 2.12.4 of the Rules (Reinitiation of Returned Entries), and the Entry otherwise complies in all respects with the Rules.
 - iii. **Reinitiation of Returned Entries.** For all returned Entries except RCK Entries, such Entries have not been reinitiated unless (i) the Entry was returned for insufficient or uncollected funds; (ii) the Entry was returned for stopped payment and reinitiation was authorized by the Receiver; or (iii) we have taken corrective action to remedy the reason for the return.
- d. **Indemnification of Bank.** You agree to indemnify, defend and hold us harmless from and against any claim, demand, loss, liability or expense (including attorney's fees, costs and expenses) directly or indirectly resulting from or arising out of (i) any breach of any of the foregoing representations, warranties or agreements, or (ii) any action or omission of you, your agents, contractors or employees, including, without limitation, any action or omission by you that gives rise to an indemnification obligation on our part, whether under the Rules or otherwise.

7. **Limitations on Bank's Liability**

- a. **Services; Acts of Others.** We are responsible only for performing the services expressly provided for in this Agreement and will be liable only for our gross negligence or willful misconduct in performing those services. We are not responsible to you for claims arising out of for your acts or omissions (including without limitation, any acts or omissions with respect to the amount, accuracy, timeliness of transmittal or due authorization of any Entry) or those of any other person, including without limitation, any person you designate as an authorized user of one or more of the services covered by this Agreement ("Authorized User"), any Federal Reserve Bank or transmission or communications facility, the ACH Operator, any payroll processor transmitting an Entry using your Account number, any Receiver or any RDFI (including without limitation the return of an Entry by such Receiver or RDFI), and no such person will be deemed our agent for any purpose. You agree to indemnify, defend, and hold us harmless from and against any loss, liability or expense (including attorney's fees and expenses) resulting from or arising out of any claim of any person that we are responsible for any act or omission of you, or any other person described in this Section 7(a).
- b. **Indemnification.** You agree to indemnify, defend and hold harmless us, our directors, officers, employees, agents, contractors and affiliates from and against any and all claims, causes of action, damages, expenses (including reasonable attorney's fees and costs), liabilities and other losses that arise out of or relate to (i) your breach of this Agreement, (ii) negligent or willful misconduct by you or any person or party acting on your behalf, (iii) any failure to prevent loss, theft or misdirection of Account funds; (iv) any misuse of the ACH services, (v) failure to comply with all applicable federal, state and local laws, rules and regulations relating in any way to the ACH services; (vi) any act or omission by us that is consistent with this Agreement or consistent with your written or oral instructions; (vii) the act, failure to act or the delay in acting by any financial institution other than us; or (viii) actions by third-parties, including contractors and vendors over which we have no reasonable control. This provision will survive any termination of this Agreement.
- c. **Limitation of Loss and Damage.** IN NO EVENT WILL WE BE LIABLE FOR ANY CONSEQUENTIAL,

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SPECIAL, PUNITIVE, OR INDIRECT LOSS OR DAMAGE WHICH YOU MAY INCUR OR SUFFER IN CONNECTION WITH THIS AGREEMENT.

- d. **Force Majeure; Government Regulation.** Without limiting the generality of the foregoing provisions, we will be excused from failing to act or delay in acting if such failure or delay is caused by legal constraint, interruption of transmission or communication facilities, equipment failure, war, pandemic, governmental action, emergency conditions or other circumstances beyond our control. In addition, we will be excused from failing to transmit or any delay in transmitting an Entry if such transmittal would result in our violating, as solely determined by us, any provision of any present or future risk control program of the Federal Reserve or any rule or regulation of any other governmental regulatory authority.
- e. **Liability Limited to Lost Interest.** Subject to the foregoing limitations, our liability will be limited only to loss of interest resulting from our error or delay, and the interest will be calculated by using a rate equal to our then-current overdraft rate for the period involved. At our option, we may pay such interest by crediting the Account.

8. Security Procedures

- a. **Generally.** You and we will comply with all security procedure requirements established and/or amended by us from time to time, including among others, the security procedures identified in the Business Online Banking Agreement and the Security Token procedure in Section 4.b, above. Such security procedures are for the purpose of evaluating the authenticity and protecting the confidentiality of Entries; however, we have no obligation to verify, review, edit, correct, amend, cancel, or reverse any such Entries, and we will incur no liability with respect to the amount, accuracy, timeliness of transmittal or authorization of any such Entry or its transmittal. If signature comparison is to be used as a part of such security procedures, we will be deemed to have complied with that part of such procedures if we compare the signature accompanying a file of Entries (or request for cancellation or amendment of an Entry) received with the signature of an Authorized User and, based on such comparison, believe the signature accompanying such file to be that of such Authorized User. Notwithstanding, you acknowledge and agree that we cannot and have no obligation to monitor Entries or files to ensure that they comply with any dual signature requirements that might otherwise apply to paper checks drawn on your Account, even if you have designated two or more Authorized Users. You acknowledge and agree that all such security procedures are commercially reasonable.
- b. **Unauthorized Entries; Compliance with Security Procedures.** If a credit Entry (or a request for cancellation or amendment of an Entry) we receive purports to have been authorized by you or transmitted by an Authorized User, it will be deemed effective, and you will be obligated to pay Bank the amount of such Entry even though the Entry (or request) was not so authorized or transmitted, provided we acted in compliance with any applicable security procedures with respect to such Entry.
- c. **Authorized Entries.** If a credit Entry (or request for cancellation or amendment of an Entry) we receive was in fact (i) submitted using your Business Online Banking credentials or (ii) transmitted by an Authorized User you will be obligated to pay the amount of that Entry, whether or not we complied with such security procedures with respect to that Entry and whether or not that Entry was erroneous in any respect or that error would have been detected if we had complied with such procedures.
- d. **Inconsistency of Name and Account Number.** You acknowledge and agree that, if an Entry describes the Receiver inconsistently by name and account number, payment of the Entry transmitted by us to the RDFI may be made by the RDFI (or by us in the case of an On-Us Entry) based on the account number even if it identifies a person different from the named Receiver, and that your obligation to pay the amount of the Entry to Bank is not excused in such circumstances.
- d. **Equipment and Software.** You agree that you are solely responsible for maintaining adequate

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security on your business account network and ensuring that only current releases of the operating systems, applications, antivirus, and antispyware are being used.

9. **Payment for Services**

You agree to pay us then-applicable fees and charges for the services described in this Agreement. We may amend such fees and charges from time to time. Such fees and charges do not include, and you will be responsible for payment of, any applicable taxes and any additional fees or charges provided for in the Deposit Account Agreement.

10. **Changes in Debit Entries; Notice to Consumer**

With respect to debit Entries transmitted by you to a Consumer account which vary in amount from the previous debit Entry relating to the same authorization or preauthorized amount, or where you have changed the scheduled Effective Entry Date with respect to one or more debit Entries, you agree to provide the notices required by Section 2.3.2.6 of the Rules, as the same may be amended from time to time.

11. **Credit Entries--Provisional Payment**

You represent to us and agree that you will be bound by the provision of the Rules (Subsection 3.3.1.4, as amended) making payment of an Entry by the Receiving Depository Financial Institution (RDFI) to the Receiver provisional until receipt by the RDFI of final settlement for such Entry. You specifically acknowledge that you have received notice of that Rule and of the fact that, if such settlement is not received, the RDFI will be entitled to a refund from the Receiver of the amount credited, and you will not be deemed to have paid the Receiver the amount of the Entry.

12. **Amendments**

From time to time we may amend any of the terms and conditions contained in this Agreement. Except as otherwise provided in this Agreement, such amendments will become effective upon receipt of notice by you pursuant to Section 13 or such later date as may be stated in our notice to you.

13. **Notices**

Except as otherwise expressly provided in this Agreement, any written notice or other written communication required or permitted to be given under this Agreement will be delivered in person or by email at BBinfo@fsbwa.com, or sent through Business Online Banking's Secure Messaging functionality or by United States registered or certified mail, postage prepaid, or by express carrier, and, if to us, addressed to 1st Security Bank of Washington, 6920 220th Street SW Suite 202 Mountlake Terrace, WA 98043, and if to you, addressed consistent with your most recent address on file with us, unless another address is substituted by notice delivered or sent as provided in this paragraph. Except as otherwise expressly provided in this Agreement, any such notice will be deemed given when received. We are entitled to rely on any written notice or other written communication believed by us in good faith to be genuine. We will not be required to act upon any notice or instruction received from you or any other person or to provide any notice or advice to you or any other person with respect to any matter unless expressly required by this Agreement.

14. **Termination**

You may terminate this Agreement at any time. Such termination will be effective on the second Business Day following the date of our receipt of written notice of such termination or such later date as is specified in that notice. You agree to notify us in writing immediately if your agreement with any third-party payroll processor terminates. We reserve the right to terminate this Agreement immediately upon providing you with written notice. We may also suspend or terminate this Agreement immediately without notice if we determine in good faith that you have breached any of your obligations under this Agreement or the Rules. Terminating this Agreement will not affect any of your obligations arising prior to the effective date of termination.

15. **Audit**

We may from time to time and without notice to you perform audits to verify your compliance with the terms of this Agreement or the Rules. You agree to cooperate with us and to provide us with all information we request that is relevant to our audits.

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16. **Miscellaneous**

This Agreement is the complete and exclusive statement of the agreement between you and us with respect to the subject matter of this Agreement and supersedes any prior agreement(s) between the parties with respect to such subject matter. If there is any inconsistency between the terms of this Agreement and either the Deposit Account Agreement, Wire Transfer Agreement, Remote Deposit Capture Agreement, Bill Pay Agreement, Business Mobile Deposit Agreement, or the Business Online Banking Agreement, the terms of this Agreement will govern. You may not assign this Agreement to any other party. We may assign this Agreement to any present or future, directly or indirectly, affiliated company. The Bank may also assign or delegate certain of its rights and responsibilities under this Agreement to independent contractors or other third parties. This Agreement is binding upon and will inure to the benefit of the parties and their respective legal representatives, successors, and assigns. This Agreement is not for the benefit of any other person, and except for an assignee pursuant to a valid assignment, no other person will have or acquire any right against us or you. This Agreement is to be construed in accordance with and governed by the laws of the State of Washington. Any action by either party with respect to this Agreement must be brought in King County, Washington in a court of appropriate jurisdiction. The substantially prevailing party in any action will be entitled to an award of all its court costs and fees, including witness fees and attorneys' fees. Any lawsuit or other proceeding against us must be brought within one (1) year of the date you have a right to sue. Any clause of this Agreement declared invalid will be deemed severable and not affect the validity or enforceability of the remainder.

Federal Disclosure

You acknowledge and agree to the terms of this agreement related to the ACH services you have requested. You agree to accept this agreement online or you can request a paper agreement. We recommend you print the entire agreement for your records. If you are unable to print this, you can request a paper copy to be mailed to you.