

MONTECITO BANK & TRUST
POSITIVE PAY SERVICE DESCRIPTION

1. Positive Pay Service. Montecito Bank & Trust (“Bank”) hereby offers its Client and Client hereby accepts the Positive Pay Service (the "Service").
2. Master Treasury Management Services Agreement; Supporting Documents. This Service Description forms part of the Master Treasury Management Services Agreement (“Master Agreement”) agreed to by Client. In the event of conflicts between the terms of this Service Description and the terms of the Master Agreement, the terms of this Service Description shall control. Defined terms in this Service Description shall have the meaning provided in the Master Agreement, unless otherwise defined in this Service Description.
3. Supporting Documentation; Related Service Description. Each applicable Service is effective as of a start date which will be communicated separately by Bank to Client. If the Client chooses not to request enrollment in one of the Services, or if Bank in its sole discretion chooses not to approve Client for a requested Service, the terms of the applicable Service will not apply and the Service will not be performed by Bank. Bank systems used in the delivery of Services (the “System”) may include, but are not limited to, a browser based online application which permits Client personnel to add, modify, and delete information and to review and take action on information processed by the System. Client’s use of each of the Services must be facilitated through Bank’s Business Online Banking Service or Commercial Center Service, and Client’s use of the Services will also be subject to the separate Business Online Banking Service Description or Commercial Center Service Description, based on the Services used.
4. Account Designation. Throughout the term of this Service Description, Client will maintain the deposit account (the "Account") with Bank designated in the Supporting Documents, or otherwise in writing, to which the Services will be made available. Client acknowledges that this Service Description covers the Positive Pay Service to be provided by Bank and, except as specifically provided in this Service Description, does not cover the handling of the Account or the processing of checks or electronic funds transfers against the Account. As a result, the Account will be subject to, and Bank's operation of *the* Account will be in accordance with, the terms and provisions of Bank's deposit account agreement governing the Account, a copy of which Client acknowledges having received.
5. Exception Decisions. All exceptions must be reviewed and decided by Client by the applicable deadline or the System will apply the pay/return default, as applicable, to the entire file. If Client’s exception decision is to return a check, Client must select an applicable reason code. Returns made absent a specific reason code applied by Client may be returned with any reason code determined in Bank’s discretion. Client agrees to promptly provide Bank upon request with Client’s affidavit in support of returns for reason unauthorized.
6. Positive Pay Service.
 - A. The Positive Pay Service provides certain account services through an automated check matching system. Client's lists of checks recently issued will be compared against the amounts and check numbers of the checks that actually clear against the specified Client account(s) activated for the Positive Pay Service and listed on the Supporting Documentation. Client agrees that Bank will only be obligated to match the check number and dollar amount from the Issued Check File (defined below) and that Bank may in its sole discretion, but is not obligated to, match additional data provided in the Issued Check File (“Additional Data”), including but not limited to payee name. Regardless of whether Bank decides to match against Additional Data, and notwithstanding the fact that Additional Data may be included in the Issued Check File, Client further agrees that Bank will not be liable to Client and Client agrees to hold Bank harmless from loss or liability resulting from Bank’s action or inaction with respect to Additional Data. Bank’s determination to match Additional Data in any case will not obligate Bank to continue to do so in other instances. Notwithstanding the foregoing, Bank and Client may agree to Bank’s review of Additional Data, subject to additional terms, fees and conditions.
 - B. Client must submit a file (“Issued Check File”) to Bank prior to the cut-off time specified in the Cutoff Hours section below, on the day of issuance of any checks, including Bill Pay Drafts, against accounts that are subject to the Positive Pay Service. The Issued Check File must be in the format and contain the information specified by Bank in the Supporting Documentation.

- C. The term “presented item(s)” shall mean checks that are presented for payment against Client’s Account through the normal check collection system. Presented items that do not match an item included in a Issued Check File, pursuant to this Service Description, will be identified as "error" (“Exception Check”) and will appear on a record describing the Exception Checks (“Exception Check Report”) which Bank will provide to Client under this Service Description. Client must submit a "pay", or "return request" decision for each item to Bank on the same business day by the deadline specified in the Cutoff Hours section below.
 - D. Client may research suspect items in the System by viewing the check image.
 - E. Bank will not be required to otherwise examine checks, or seek to confirm that they are properly signed, completed or encoded, or otherwise unmodified. Client agrees that Bank may rely on such a process and that the process will be deemed an acceptable standard of care for this Service and Client’s Account. Client understands that the Service may not identify altered, counterfeit or duplicate checks or checks with forged or unauthorized signatures. As such, Client agrees to review promptly all statements, returned checks, reports and other check and transaction information Bank makes available to Client.
 - F. Client grants Bank full authority to honor all checks that match the check numbers and amounts corresponding to Client’s Issued Check File.
 - G. Unless the parties agree to other default provisions, Bank shall default to a “pay” decision for any Exception Check for which Client has not submitted a decision on the same business day by the deadline specified in the Supporting Documentation.
 - H. Client agrees not to reuse check numbers that have previously been issued or negotiated from the Account. If Client orders or prints checks from any check-printing vendor other than a Bank selected vendor, Client agrees to meet the Bank's MICR encoding specifications.
 - I. The Service applies to checks that are presented for payment to Bank through normal interbank automated clearings. Client acknowledges that the Services do not cover checks which are (collectively “ineligible checks”): (i) presented by mail for collection, (ii) mis-encoded or duplicate items, (iii) items which Bank has already cashed, negotiated or paid or which Bank is already committed to honor or pay under applicable laws, regulations; or (iv) materially damaged, lost or destroyed. Bank may, in its sole discretion, attempt to compare Issued Check File data, as otherwise provided in this Service Description, against ineligible checks, but Bank will not be liable for its failure or refusal to do so.
7. Cutoff Hours. Client must submit an Issued Checks File by 6:00 p.m. Pacific Time. Client shall review, process, and deliver to Bank all pay/return decisions for Exception Check(s) by 11:00 a.m. Pacific Time on the same business day of the Exception Check Report.
8. System Interruption or Failure. In the event of system interruption or failure, either that of Client’s or Bank’s system, resulting in Bank’s inability to receive or process Client’s Issued Check File or other communication, the Issued Check File or other Client communication will be deemed as having not been sent by Client, even if Bank has possession of the Issued Check File or other Client communication.
9. Limitation on Liability. In addition to any other limitation on liability in the Master Agreement, Client agrees that if Bank pays or rejects checks or items in accordance with this Service Description, Client releases Bank and holds it harmless from any claim that the checks or items were not properly payable, or for wrongful dishonor, as applicable. Client agrees that Bank exercises ordinary care whenever it rightfully pays or returns a Presented Check consistent with the provisions of the Service Description. Without limiting the foregoing, to the extent Bank has any liability under this Service Description for wrongful honor, it will be limited liability to Client for the lesser of the amount of the wrongfully paid Exception Check or Client's actual damages resulting from Bank's payment of the Exception Check, but for no other damages suffered as a result of the wrongful honor. Notwithstanding the improper payment of an Exception Check, Bank expressly reserves the right to assert that Client is liable for the amount of the wrongfully honored Exception Check on the grounds that the Exception Check was properly payable under Section 4-401(a). Bank further retains the right to assert Client's failure to exercise reasonable care under

Sections 3-406(a) and 4-406(c). Bank retains the right to assert the defense that Client has sustained no actual damages because the Bank's honor of the Exception Check discharged for value an indebtedness of Client.