

## Corporate Share Draft (Non-Payable Through) Credit Union Checking Product Operating Agreement

Authorization. The Master Membership Agreement (“MMA”) and Master Membership Contract (“MMC”) between Member and Alloya are incorporated herein by reference and represent additional terms that are part of this Product Operating Agreement (“POA”).

- I. **General.** Unless otherwise clearly indicated in this POA, all terms used herein will have the same meaning as in the MMA; or as in the applicable operating rules of the Electronic Check Clearing House Organization (“ECCHO”); or as in the applicable rules, regulations, bulletins, Operating Circulars or operating letters of the Federal Reserve System. Such operating rules of ECCHO, and such rules, regulations, bulletins, Operating Circulars and operating letters of the Federal Reserve System (“FRB”), are collectively referred to hereinafter as the “Third-Party Rules.” Member hereby agrees to comply with and to be bound by all Third-Party Rules referenced in this Paragraph I or in this POA.

For purposes of this POA, Member’s Corporate Share Draft Credit Union Checking account is defined as a separate account clearing under the Member’s routing and transit number.

“Alloya” includes third party processors engaged to provide services covered under this POA.

## II. **Definitions.**

1. **“Cash letter”** includes both a paper cash letter and an image cash letter.
2. **“Check”** means an original check, an electronic image, or a Substitute Check (as defined in subparagraph 5 below).
3. **“Check 21”** means the Check Clearing for the 21st Century Act, 12 U.S.C. §5001 et seq., and any and all regulations issued thereunder, as such statute and regulations may be amended from time to time.
4. **“Item”** means a share draft, a check, a paper item, or an electronic item (i.e. an electronic image of an item together with information describing that item).
5. **“Substitute Check”** has the same meaning as in Check 21 and Federal Reserve Board Regulation CC, 12 C.F.R. Part 229. A Substitute Check is sometimes referenced as an “image replacement document” (“IRD”).

- III. **Federal Reserve System; Other Presenters.** Member will enter into any contract or agreement required by any FRB in order to do the following: (a) authorize the FRB to charge Alloya’s account at the FRB for cash letters consisting of cash Items (whether paper or electronic) drawn on Member; and (b) appoint Alloya as Member’s agent for accessing FRB check collection and return services (including, as examples but without limitation, image cash letters and image return letters). Alloya will also maintain necessary relationships with other presenting institutions.

Member acknowledges that: (a) as a drawee of Items, Member is required by Check 21 to accept presentment of Substitute Checks in lieu of original paper checks; (b) images may be presented to Alloya on behalf of Member and such images will be accepted by Alloya as if these parties had captured the image; and (c) exchange of images will be governed by the applicable Third-Party Rules that are in effect at the time of the image exchange.

IV. **Daily Account Reconciliation.** Member agrees to verify all ~~Corporate Share Draft~~[Credit Union Checking](#) items that are presented to Member, and such verification will utilize one or more of the following means:

1. Participation in Alloya's "Positive Pay" Program, by which Member provides to Alloya, in the format, on the time schedule, and by the means set forth in the Operations Manual (or otherwise communicated to Member by Alloya), an accurate list (the "Item Issue Report") of all items drawn by Member on its ~~corporate-credit union~~ checking account. Each such Item Issue Report will accurately list the item number and dollar amount of each item drawn by Member subsequent to the previous Item Issue Report; items may be included in an Item Issue Report even before they are sent or otherwise provided to a payee. The "Positive Pay" Program will also include Alloya's daily preparation of an "Exception Item Report" that lists items that have been presented for payment but do not appear on any Item Issue Report received by Alloya from Member. As to any item that thus appears on an Exception Item Report, Member hereby requests that Alloya pay the item unless Alloya actually receives from Member an instruction (such instruction being referred to as a "Return Request") that Alloya is to return the item; any such Return Request must be actually received by Alloya within the time period set forth in the Operations Manual or otherwise communicated to Member by Alloya.
2. Daily review of all items that have been presented to Member for payment, on the Cleared Checks screen available through Alloya's "TranZact" computer-to-computer communication system.

If Member uses the Cleared Checks screen, then Member hereby requests that Alloya pay each item that appears on such screen unless Alloya actually receives from Member a Return Request as to such item; any such Return Request must be actually received by Alloya within the time period set forth in the Operations Manual or otherwise communicated to Member by Alloya.

Member hereby acknowledges that there are certain types of item fraud (e.g., forged endorsements and altered payee names) that are not likely to be detected by "Positive Pay" arrangements.

V. **Other Responsibilities of Member.** Member agrees to do the following:

1. Maintain collected balances in an account at Alloya in amounts specified by Alloya from time to time to cover net settlement charges and other anticipated activity.
2. Perform all accounting functions, including (as examples, but without limitation) reconciliation of ~~corporate-credit union checking share draft~~ account and balancing of totals, as transmitted by Alloya, to FRB advices and other reported charges and credits.
3. Enter into any contracts or agreements required by any FRB or by any presenting institution or other third party in order for Alloya to provide to Member the Services to be performed pursuant to this POA.
4. Record retention functions including storage of records for at least the minimum time periods required by the NCUA's rules and regulations or by the applicable Third-Party Rules.
5. Comply with all security procedures and other procedures and processes set forth in the Operations Manual.
6. Member agrees to safeguard its blank checks with the same degree of care that Member uses for safeguarding cash.
7. Timely perform the return Item functions designated in the Operations Manual, including (as examples, but without limitation) notification to Alloya as to any and all ~~corporate share drafts~~[credit union](#)

[checking](#) that Member has deemed non-payable, and balancing of return Item totals to return charges and credits at the institution of settlement.

8. Provide at least ninety (90) days' prior written notice to Alloya of any change in any data processor used by Member, and cooperate with Alloya in test processing and other activities deemed by Alloya to be necessary to complete the transition to the new processor.

**VI. Capture and Transmission.** Alloya will not have any obligation or responsibility to question or investigate the authenticity or genuineness of any ~~corporate share draft~~[credit union check](#) or of any image thereof, or of any signature or other information that may appear on any ~~corporate share draft~~[credit union check](#). Alloya agrees to do the following on each Business Day:

1. Receive ~~corporate share drafts~~[credit union checks](#) from presenting institutions for processing.
2. Process ~~corporate share drafts~~[credit union checks](#) received.
3. Store image of ~~corporate share draft~~[credit union checks](#) (front and back) during processing.
4. Perform necessary repair on exception Items.
5. Balance work processed to transmittals from presenting institutions.
6. Present return Items into the clearing process.
7. Transmit posting and settlement information to Member.

**VII. Return Item Processing.** Pursuant to Member's instructions, Alloya will locate, prepare and deliver return Items to presenting institutions. Member acknowledges that Alloya's return Item process may utilize Substitute Checks or image presentment.

Member acknowledges that whenever any check received by Member (or received by Alloya on behalf of Member) is returned for any reason in the form of a Substitute Check, one effect of the return is that Member makes the two "Substitute Check Warranties" required by Check 21 (and Member acknowledges that Alloya will rely upon such warranties): (a) that the Substitute Check meets the requirements for it to be the legal equivalent of the original check for all persons and all purposes; and (b) that the Substitute Check is not and will never be duplicative, meaning that no person will ever be asked to make a payment based on any check that such person has already paid.

Member further acknowledges that whenever Alloya, in order to return one of Member's Items, presents a Substitute Check on behalf of Member, Member also gives the "Substitute Check Indemnity" required by Check 21, i.e., that Member will indemnify not only Alloya (as the Reconverting Bank) but also all subsequent transferees, returning banks, payees and other persons, to the extent of any loss incurred by any recipient of the Substitute Check that is thus returned, if that loss occurred due to the receipt of a Substitute Check instead of the original check. Notwithstanding the foregoing sentence, Member's Substitute Check Indemnity will not cover any portion of a loss that is demonstrably caused by an indemnified party's negligence or failure to act in good faith.

Notwithstanding the provisions of the immediately preceding paragraph, Alloya hereby agrees that if: (a) Alloya is the party that makes the decision to utilize a Substitute Check in order to return an Item on Member's behalf, and (b) Member is finally required to make any payment to any person pursuant to either of the two Substitute Check Warranties required by Check 21 or pursuant to the Substitute Check Indemnity required by Check 21 as referenced in the immediately preceding paragraph hereof, then Alloya will reimburse Member for Member's actual direct damages represented by such payment (such reimbursement to be in an amount up to the face amount of the Item

that was thus returned in Substitute Check format); provided, however, that (c) Alloya will not make any such reimbursement to Member if any action or non-action by Member (including, as examples but without limitation, any duplicate presentment or any presentment of any image that is of poor quality) contributed to the breach of either of such two Substitute Check Warranties or caused the application of such Substitute Check Indemnity.

**VIII. Item Storage and Retrieval.** Alloya agrees to do the following for ~~corporate share drafts~~credit union checks that Alloya has processed under this POA:

1. Temporary storage of Member's physical ~~corporate share drafts~~credit union checks. If Alloya has stored an image of a physical ~~share draft~~check, Alloya will have the right to destroy the physical ~~corporate share draft~~credit union check without notice to Member.
2. Storage of images of ~~corporate share drafts~~credit union checks (both front and reverse sides) until the date that is the earlier of: (a) seven (7) years after Alloya processed the ~~corporate share draft~~credit union check; or (b) the date this POA is no longer in effect.
3. When this service is terminated for any reason, Alloya will, pursuant to Member's instructions, either: (a) provide Member with digital copies of all of Member's ~~corporate share drafts~~credit union checks then stored by Alloya; or (b) continue to store such ~~corporate share drafts~~credit union checks for the then-remaining portion of the agreed-upon storage period. Member will be responsible for paying Alloya's then-applicable fees for provision of such post-termination services.

During the period when the physical ~~corporate share draft~~credit union checks is stored, and during the agreed-upon storage period applicable to the image, Alloya will respond to inquiries and requests for copies of paid ~~corporate share drafts~~credit union checks in accordance with the procedures set forth in the Operations Manual (including, as an example but without limitation, making images of Items available to Member through the use of electronic media). After the expiration of the agreed-upon storage period, Alloya will have the right to destroy all images of a ~~corporate share draft~~credit union check without notice to Member.

Alloya agrees to and hereby does indemnify and hold harmless Member and its officers, directors, employees, agents and representatives (each, an "Indemnitee"), from and against any and all litigation, causes of action, losses, damages, claims by third parties, and liabilities of any and every kind (including, as an example but without limitation, reasonable attorneys' fees) to which Member or any other Indemnitee, jointly or severally, may be subjected, arising out of or attributed, directly or indirectly, to Alloya's failure to produce promptly either a paid ~~corporate share draft~~credit union check, an image thereof, or other proof of payment (or otherwise to resolve the matter), if such ~~corporate share draft~~credit union check or image is needed by Member during the period when Alloya has agreed to store such ~~corporate share draft~~credit union check or image under this POA. Alloya's indemnity: (a) will apply only to the Indemnitee's actual direct damages (and not to any indirect, consequential, punitive, exemplary or special damages); and (b) will be limited to two (2) times the amount of the share draft of which Alloya has failed to produce a copy or an image. Upon any termination of this POA, this indemnity will survive and remain in full force and effect as to transactions conducted prior to the termination of this POA until the expiration of applicable statutes of limitations.

**IX. Customer Service.** Alloya agrees to do the following:

1. Reasonable set-up assistance in dealing with Federal Reserve Banks, other sending banks, printers, processors and other providers of services and supplies.
2. Provision of a toll-free telephone number at Alloya for operational assistance to Member.

3. Notification to first depositing institution on all large-return Items.
4. Daily notification (by Alloya's "TranZact" computer-to-computer communication system or other mutually agreed-upon means) of ~~corporate share draft~~[credit union check](#) adjustment entries.
5. Daily settlement for Member with other financial institutions.
6. On-call assistance for trace-back and other needs in adjustment entries.
7. Assistance in collection of late-return "without-entry" Items by returning direct to the Item's first depositing institution.
8. Rapid resolution of overages by generating a check, if requested by Member.
9. Provision of daily settlement totals to Member, by Alloya's "TranZact" computer-to-computer communication system.