

Deposit Account Agreement



Our interest is *You.*

Table of Contents

DEPOSIT ACCOUNT AGREEMENT.....	1
... .IMPORTANT INFORMATION ABOUT	1
... .OWNERSHIP OF ACCOUNTS	2
... .AUTHORITY OF AGENTS.....	7
... .SIGNATURES.....	8
... .DEPOSITS TO YOUR ACCOUNT.....	9
... .WITHDRAWALS FROM YOUR ACCOUNT	12
... .PAYMENT OF INTEREST ON SAVINGS AND INTEREST-BEARING CHECKING ACCOUNTS ...	16
... .TIME DEPOSIT ACCOUNTS (CERTIFICATES OF DEPOSIT & IRAs)	16
... .SUBACCOUNTS FOR CHECKING ACCOUNTS	19
... .STOP PAYMENT ORDERS	19
... .INSUFFICIENT FUNDS/OVERDRAFTS	20
... .FEES AND SERVICE CHARGES	25
... .SETOFF/RIGHT TO FREEZE ACCOUNT	25
MISCELLANEOUS	27
DISCLOSURES REGARDING ELECTRONIC.....	32
SUBSTITUTE CHECK NOTICE	38
ARBITRATION PROVISION	39
FUNDS AVAILABILITY POLICY (REGULATION CC).....	40
AGREEMENT AND DISCLOSURE FOR ELECTRONIC FUND	42
REGULATION E DISCLOSURES (CONSUMER ACCOUNTS)	46
ATM SAFETY TIPS	52
FAIR CREDIT REPORTING ACT DISCLOSURES	52

WELCOME TO SOUTHERN BANK

We are pleased you have chosen to bank with us and we look forward to a strong and lasting relationship. This brochure contains important information concerning your accounts with Southern Bank. Please read this brochure and keep it with your other bank records.

This brochure, and your other account documents, together with any changes we may later make to them, serves as our contract with you governing your deposit accounts. If you have any questions concerning your accounts, please call or visit your nearest Southern Bank office. Thank you for allowing us to handle your banking needs.

SOUTHERN BANK DEPOSIT ACCOUNT AGREEMENT

This Deposit Account Agreement ("this Agreement") governs all deposit accounts with Southern Bank and Trust Company, and supersedes all previous Deposit Account Agreements. When you open or maintain a deposit account with us, you are agreeing to the terms of this Agreement. It is a legally binding contract. Your use of any deposit account will constitute your acceptance of the terms of this Agreement and the provisions of the applicable Disclosure of Products and Fees, which is incorporated herein by reference. An account is not opened or valid until we receive (i) all documents, properly completed and signed, which are necessary to open the account, and (ii) the initial deposit in cash or collectible funds.

As used in this Agreement:

- "Bank," "we," "our," and "us," refer to Southern Bank and Trust Company.
- "Business day" is defined in our Funds Availability Policy contained in this Agreement unless otherwise defined in another section of this Agreement as the term pertains specifically to that section.
- "Depositor," "owner," "co-owner," "you," and "your" refer to the person, persons, or entity whose name or names appear on our records as account owner or owners.
- "Item" refers to any means or method by which funds are credited to or debited from your account; for example, a check, substitute check, remotely created check, draft, withdrawal order, ACH or electronic entry, funds transfer, electronic image of an item and/or information in electronic form describing an item (collectively "electronic item"), or instructions given in person or by telephone, mail, or computer.
- "Include," "includes," "including," or "for example," are not to be construed as exclusive or as limiting the scope of the particular provisions in which those terms are used.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

• Customer Identification Program Requirements

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. Therefore, when you open an account, we will ask for your name, address, date of birth, driver's license number and/or other information, such as account purpose, that will allow us

to identify you and also help us to understand your financial service needs so we can better serve you. We may also ask you to provide copies of one or more of your identifying documents.

• **Prohibition on Funding of Unlawful Internet Gambling**

If you are a business customer, we will ask you if your business is engaged or involved in internet gambling. If you deny such involvement we may ask you to provide us with a certification to that effect. If your business is or later becomes involved in internet gambling we may, in our discretion, do any one or more of the following: (i) decline to open an account for your business; (ii) close your account if it has already been opened, and/or (iii) require you to provide us with a copy of the license issued to your business by the appropriate state or tribal authority that expressly authorizes you to engage in an internet gambling business, or, if such license is not available, a reasoned legal opinion confirming that your internet gambling business does not involve transactions considered “restricted transactions” under the federal Unlawful Internet Gambling Enforcement Act as implemented by the federal interagency rules entitled “Prohibition on Funding of Unlawful Internet Gambling” promulgated by the Federal Reserve Board and the Department of the Treasury and codified in 12 C.F.R. pt. 233 (Regulation GG) and 31 C.F.R. pt. 132.

OWNERSHIP OF ACCOUNTS

Your account is subject to and will be administered in accordance with the applicable state laws (as amended from time to time) that govern the type of account you open or maintain with us.

• **Joint Accounts**

The co-owners of a joint account are those persons whose names appear on our account records as co-owners of the account. All funds in the account are owned jointly by the co-owners, regardless of who makes the deposit or whose money is deposited. Each co-owner has the right to withdraw funds from the account without limit and without the knowledge, consent, or joiner of any other co-owner. We are authorized to recognize the signature and comply with the instructions of any co-owner or authorized signer or agent as to matters affecting the account. Each co-owner appoints each other co-owner as his or her agent. Any co-owner may appoint agents, authorized signers or attorneys in fact for the account. Once a joint account is opened, one co-owner cannot remove another from the account unless the other party agrees and we accept such change.

Each co-owner agrees to notify us promptly of the death of another co-owner. The treatment of the account upon the death of a co-owner depends upon the type of joint account created.

Joint accounts may be “with survivorship” or “without survivorship” or “no survivorship.” “With survivorship” means that upon the death of a co-owner, the sums remaining in the account shall belong to the surviving co-owners, and we may pay such sums to them in equal shares. You agree that our payment of such amounts to the surviving co-owners is a complete and total discharge of our liability with respect to the funds in the account. “Without survivorship” or “no survivorship” means that upon the death of a co-owner, the account is owned by the decedent’s estate and the surviving co-owners. Upon the death of a co-owner of a “without” or “no” survivorship account, we may require, at our option, withdrawals

only upon the signatures of the surviving account owners and the legal representative of the decedent's estate, or we may pay the entire balance to the appropriate office of the court for distribution as the law may require, or we may pay the entire balance to the surviving co-owners and the decedent's estate.

You have the sole responsibility for meeting any requirements set forth in applicable state law for the establishment of a joint account with right of survivorship. However, if you fail to meet any such requirements, you agree that, in the absence of any clear and convincing evidence on our records of a different intention at the time the account was created: (i) any account on which you are named on our records as co-owner with one or more other co-owners shall be a joint account with right of survivorship; (ii) the account shall have all the incidents described herein for joint accounts with right of survivorship; (iii) upon the death of a co-owner, the remaining funds in the account shall belong to, and may be paid directly to, the surviving co-owner(s); and (iv) our payment of such amounts to the surviving co-owner(s) shall be a complete and total discharge of our liability with respect to the funds in the account. This provision is intended to create a joint account with right of survivorship by contract without regard to statutory formalities.

Special Note concerning North Carolina Accounts: Accounts opened and maintained in North Carolina after June 1989 are governed by Section 53C-6-6 of the North Carolina General Statutes. Joint accounts opened prior to June 1989 may be governed by Section 41-2.1 of the General Statutes. If your account is governed by Section 41-2.1, you agree that in addition to the payment alternative specified in Section 41-2.1, we may, at our option, pay the portion of the account which would be payable to the Clerk of Court or the decedent's estate directly to the surviving co-owners or the surviving co-owners and the decedent's estate. Any such payment shall be subject to the collection rights of the personal representative of the decedent. You agree to indemnify and hold us harmless against any claims or losses which arise from such payment. Payment of the balance of the account to the surviving co-owners or to the surviving co-owners and the decedent's estate constitutes a contractual expansion of the payment options set forth in Section 41-2.1. Your continued use of a joint account originally created under Section 41-2.1 constitutes your acceptance of this modification, which shall be binding upon you and your estate.

Special Note concerning tenants-by-the-entireties accounts: Some states permit married individuals to hold deposit accounts jointly with their spouses as tenants-by-the-entireties. In the absence of clear and convincing evidence in our records of an intent to create a tenants-by-the-entireties account (i.e., a signature card signed by married owners in which tenants-by-the-entireties ownership is designated), you will hold any account in which you and your spouse are named as co-owners as joint tenants with right of survivorship (unless non-survivorship is indicated), unless state law prescribes otherwise. If your account is deemed to be held by you and a co-owner as tenants-by-the-entireties, either by contract or by state law, you acknowledge and agree that (i) each account owner may act for the other as his or her agent with respect to all matters and transactions concerning the account; (ii) each account owner retains individual responsibility for account maintenance, and we may deduct from account funds any fees, charges, expenditures, claims or losses caused by the mishandling of the account regardless of whether one or both account owners are responsible for causing the loss or expense; and (iii) in dealing

with any and all potential claims against the account, whether by garnishment, levy, lien, execution or other claim, we are entitled to report the existence of the account and provide information and documentation about the account in the same manner as with any other joint account in responding to third party claims against the account. You acknowledge that we will not be required to make a determination as to the viability of any protection that may be available to you with respect to the account due to your status as tenants-by-the-entireties, and you agree to bear the responsibility of appearing before court and invoking any additional protection offered by your tenants-by-the-entireties ownership of the account.

• **Trust Accounts**

If you have deposited money in your own name as trustee for the benefit of someone else under a written trust agreement or a will, you have created a fiduciary account and your responsibilities are those imposed by law and by the provisions of the trust agreement or will. If you die, we may not be able to release any funds until a successor trustee is appointed and all other technical legal requirements have been satisfied. We may require evidence satisfactory to us of the existence of the trust agreement or will and the authority of any trustee (or successor trustee) to act thereunder.

• **Payable on Death (POD) and Statutory Revocable Trust Accounts**

You may establish a payable on death (POD) account and/or a revocable trust account under applicable state law to designate one or more beneficiaries (also referred to as POD payees) to receive the funds in the account at your death. In accordance with the laws in some states, we may restrict your designation of POD beneficiaries to natural persons and/or to limited entities such as trusts or non-profit organizations.

A revocable trust/POD account shall be treated as an individual/joint account of the account owner(s). The account owner(s) have total ownership and control over the account during their lifetime, including the right to change a beneficiary/POD payee. Upon the death of the last surviving account owner, the account balance belongs and will be payable to the beneficiary(ies)/POD payee(s) designated on our account records, subject to presentation to us of any documentation we may require such as proof of death and/or identification. Payment to minor beneficiaries is subject to state law requirements. When there are multiple beneficiaries/POD payees, we may pay the balance, at our option (i) in equal shares by separate checks to the designated beneficiaries/POD payees, or (ii) by issuing one check payable to all the beneficiaries/POD payees and delivering the check to any one of them. Payments to any other claimants will be made in accordance with applicable law.

It is your responsibility to satisfy all of the requirements for a valid revocable trust/POD account. If all applicable requirements are not satisfied, we may treat your account as an individual/joint account without any trust or payable on death feature, and upon the death of the last surviving account owner, we may disburse the funds to the last surviving account owner's estate or elsewhere as may be required by law. We have no obligation at any time to notify any beneficiary/POD payee of the existence of any revocable trust/POD account or the vesting of any interest in any revocable trust/POD account.

• Personal Agency Accounts (North Carolina only)

Personal agency accounts may be established under and are governed by Section 53C-6-8 of the NC General Statutes as it may be amended from time to time. Your designated agent will not have any ownership interest in your account. In a personal agency account, you authorize your designated agent to act on your behalf with regard to the account. In addition to the powers given to your agent under the Statute, you also hereby authorize your designated agent to perform any other act related to your deposit account. You will be responsible for all of the acts of your agent, even if your agent acts contrary to your specific instructions or your best interest or exceeds his or her authority. We will not be responsible for your agent's breach of fiduciary duty or the misapplication of funds from your account.

Your agent's authority will terminate upon your death, your written direction to us to terminate the agent's authority, your incapacity or mental incompetence (unless you elect in writing to extend your agent's authority notwithstanding your subsequent incapacity or mental incompetence), or the occurrence of any other event which, as a matter of law, terminates the agent's authority. We may rely upon your agent's acts and instructions, however, until we have knowledge that his or her authority has been terminated and have had a reasonable time to act upon that knowledge. You or your agent must promptly notify us when his or her authority has terminated, and your agent must notify us if he or she suspects that you have become incapacitated or mentally incompetent, even though you may not have been so legally adjudicated.

Upon your death, the account balance will be paid to the legal representative of your estate or to the Clerk of Superior Court for distribution in accordance with the law.

• Agency and Fiduciary Accounts

Any individual acting as an agent, guardian, conservator, personal representative, trustee, custodian or in some other fiduciary capacity ("fiduciary") must be designated to us as such on the signature card. It will otherwise be assumed that the account is owned in an individual capacity. We are authorized to follow the directions of the fiduciary regarding the account until we receive written notice that the fiduciary relationship has been terminated and we have had a reasonable time to act upon the notice.

• Minors Accounts

Accounts established as Uniform Transfers to Minors Act ("UTMA") or Uniform Gifts to Minors Act ("UGMA") accounts shall be governed by applicable state law. The custodian of a UTMA or UGMA account agrees to notify us in writing immediately upon the death of the minor or at the time the minor attains the age of maturity as provided in applicable state law. After notifying us of either of these events, the custodian's authority over the account continues only to the extent allowed by law. Before we receive such notice, we may honor any checks or drafts written on the account or any withdrawals from the account without incurring any liability to the minor or to any third party, and the custodian will be liable to us for any loss or expense we incur because of the failure to give us prompt notice.

An account that is shown on our records in the name of a minor "by" an adult who is not a custodian of the minor under the UTMA

or the minor's trustee, court-appointed guardian or other legally appointed representative is referred to as a "minor by" account and is subject to the following rules. Beneficial ownership of the funds deposited in the account is vested exclusively in the minor, and the adult is the minor's agent. Control of the account is vested exclusively in the adult whose name appears on our account records until the minor reaches 18 years of age. If there is more than one adult named on our account records, each may act independently. We are not obligated to inquire about or investigate the application of the funds by the adult. We have no fiduciary responsibility to the minor or to the adult with respect to the account and no liability if the adult misappropriates funds in the account. When the minor reaches 18 years of age, we may at our discretion act on the instructions of either the minor or the adult with respect to the funds, and, in that event, we may, but have no obligation to, notify the adult if we choose to act on the minor's instructions. If the adult (or if more than one adult on the account, the last of the adults to survive) dies before the minor reaches age 18, we may in our discretion (i) permit the naming of another adult on the account, (ii) transfer the funds to a duly appointed representative of the minor, (iii) transfer the funds to a UTMA account for the minor, (iv) pay the funds to the clerk of court to be held for the minor, or (v) otherwise transfer the funds as provided by applicable law.

• Business and Other Non-Personal Accounts

If the account is owned by a corporation, unincorporated association, trust, partnership, limited liability company, sole proprietorship, or other business or nonprofit entity, each person signing the signature card or any other account documents represents to us that the entity is validly and legally organized and existing and has authorized the opening of the account and that each person whose name is written or typed on the signature card and/or a resolution is authorized and has complete authority to bind the entity in all transactions regarding the account. We are authorized to follow the directions of any person designated as having authority or any person who has apparent authority to act on the entity's behalf until we receive written notice that the authority has been terminated and have had a reasonable time to act upon that notice. You agree to furnish us all documents which we reasonably request to evidence authority to transact business with respect to the account. We may require that any resolutions affecting the account be on our standardized forms.

• Accounts Acquired from Other Institutions

Over the years we have acquired deposit accounts from other financial institutions, including those of various savings and loans and savings banks. Many deposit accounts at savings and loans and savings banks were established pursuant to statutory provisions that parallel the banking statutes regulating multiple-party accounts. If we acquired your account from another financial institution, your account will be governed by the same statutes applicable to accounts opened at Southern Bank and Trust in the state where your account is maintained, as such statutes are amended from time to time. Your continued use of your account constitutes your acceptance of these modifications.

• Joint and Several Liability for Fees

Each owner or co-owner of your account will be jointly and severally liable to us for all service charges and fees assessed against

the account, all debts owed as a result of any overdrafts or lines of credit related to your account regardless of which owner or co-owner caused the overdraft or extension of credit (including all fees and finance charges), and all costs, losses, or liabilities of any kind arising out of or related to this Agreement or your account. Each owner will be jointly and severally liable to us for the acts (whether authorized or not) of any co-owner, agent, or authorized signer in connection with your account.

• Pledge of Accounts

The account owner, each account co-owner, and each authorized signer or agent has the right to pledge the account as security for the repayment of any debt (regardless of who is obligated to repay the debt) without the knowledge, consent, or joinder of any co-owner or any other person. Any such pledge shall survive the death of the person or persons who pledged the account and shall be binding on them and their respective heirs, personal representatives, successors and assigns and on all other persons who then have or thereafter acquire any interest in the account, including the account owner, any co-owner, beneficiary or POD payee, and their respective heirs, personal representatives, successors and assigns.

AUTHORITY OF AGENTS

The term “agent” as used in this Agreement includes, but is not limited to, the following:

- Each co-owner of an account. Each co-owner of a joint account appoints each other co-owner as his or her agent.
- Each authorized signer. Each person identified as an authorized signer on the signature card but not identified as an “owner” is an authorized signer/agent only and not an owner of the account.
- Any trustee designated as such in any trust account.
- Any agent designated as such in a personal agency account.
- Any person acting as an agent, guardian, personal representative, trustee, custodian or in some other fiduciary capacity with respect to an account.
- Any person designated as an agent by any account owner or co-owner.
- Any person acting as your attorney-in-fact under a power of attorney.
- Any person authorized to act with respect to an account by any resolution or other writing by any account owner or co-owner, including accounts owned by any business, organization, association and other entity.

Each agent is authorized to: cash or negotiate in either the agent’s name or the name of the account owner or co-owner(s) any item payable to any account owner or co-owner(s); deposit or endorse for deposit to the account of the account owner or agent any item payable to any account owner or co-owner(s); withdraw funds from the account; sign checks, drafts, or negotiable orders of withdrawal and otherwise draw on the account; stop payment on any item drawn on the account; draw upon any overdraft or other line of credit which may exist in connection with the account; pledge the account as security for the repayment of any debt (regardless of who is obligated to repay the debt); initiate wire transfers; authorize debits from and credits to the account; obtain or revoke ATM cards and authorize and perform ATM transactions; obtain or revoke debit cards and authorize and perform debit card transac-

tions; establish or discontinue Southern Online Banking; authorize and perform transactions through Southern Online Banking or through our Customer Contact Center; authorize or revoke electronic funds transfers, including ACH transactions; freeze or close the account; and otherwise perform any other act relating to the account and transact any other business with respect to the account. We may rely upon any instructions we receive from your agent relating to your account. You will be responsible for all of the acts of your agent, even if your agent acts contrary to your specific instructions or your best interest or exceeds his or her authority. We will not be responsible for your agent's breach of fiduciary duty or misapplication of funds from your account.

SIGNATURES

• Authority

We are authorized to recognize and honor your signature, and the signature of any co-owner(s), authorized signer(s) or other authorized agent(s), and of any person authorized in any resolution or other writing, in the transaction of any business relating to your account. We will not be liable for honoring a check, draft, order or instruction bearing the genuine signature of any of the foregoing parties even though signed in a manner different from the signature of that person contained in any signature card, resolution, signature sample or other writing. We will not be liable to you for refusing to honor checks or other signed instructions if we believe in good faith that the signature appearing on the check or instruction may not be genuine. If you give information about your account (such as our routing number and your account number) to a party (including, for example, a party who is seeking to sell you goods or services), any debit to your account initiated by the party to whom you gave the information is deemed authorized even if you don't physically deliver a check to such party, and we will not be liable for honoring the debit.

• Facsimile Signature

The use of any facsimile signature (by rubber stamp or other mechanical means) is solely for your convenience and benefit. You authorize us to pay items on your account which purport to bear a facsimile signature regardless of who placed the facsimile signature on the item or the circumstances surrounding the use of the facsimile signature, even if it was made by an unauthorized person or with a counterfeit facsimile device. We may also accept facsimile signatures as endorsements on items payable to you that are cashed or deposited to your account. You have full responsibility to maintain the security of a facsimile signature device.

• Multiple Signature

Many banking resolutions, signature cards and items contain language that require two or more signatures for items drawn on the account. Notwithstanding any language in the resolution or signature card or on the item to the contrary, you agree that any such provision is solely for your personal or internal control purposes. As long as an item bears at least one authorized signature, we will not be liable to you if we pay an item which does not have the required number of signatures. This provision is not applicable to the extent multiple signatures are required by law or regulation.

DEPOSITS TO YOUR ACCOUNT

• Items Deposited

We may refuse to accept, except for collection only, or return all or part of any deposit. Items we accept for deposit or collection are received by us for deposit and collection only. We will act only as your collecting agent and will assume no responsibility beyond the exercise of due care. All items will be provisionally credited to your account subject to final payment in cash or solvent funds or to revocation if the item is returned unpaid. We may disregard information on any item which we have taken for deposit or collection other than the identification of the payor bank, the amount shown in words in the space designated on the item for such information, endorsements, and any other information encoded into the MICR line pursuant to our usual procedures. We will not be responsible for the default or negligence of correspondent banks, clearing houses or a Federal Reserve Bank, or for losses in transit. Special instruction for handling an item are effective only if made in writing and given to us along with the item in question. We are not responsible for deposits until we actually receive them.

• Deposit Services

We may offer you different methods for delivery of your deposits to us, including, for example, in-person presentment to a branch teller, deposit by mail, deposit into our night depository facilities, delivery over-the-counter for later processing, delivery by courier service, and by electronic transmission. Your use of any of these deposit services is subject to any specific agreement we may have for such service, and any such agreements, as they may be amended from time to time, are incorporated herein by reference.

If you use any of these deposit services, you agree that: (i) we are not responsible for deposits until we actually receive the deposits at one of our branches or other processing facilities, and our records shall be conclusive as to our receipt of the deposits; (ii) you will comply with our requirements with respect to the containers, envelopes, bags or other equipment you must use for the deposits, and accompanying documentation or information; (iii) upon our receipt of the deposit, we will process the deposit in our usual manner of processing bank deposits (please note that any deposit made in a night deposit bag will be handled as a night deposit and be subject to our Night Depository Agreement regardless of whether the bag is placed in a night depository facility or is delivered by the depositor, or his or her employee or agent, to a branch associate over the counter); (iv) any stamped deposit slip or other receipt we provide you when a deposit is delivered serves only to acknowledge our receipt of the deposit, will reflect the amount shown on the deposit ticket prepared by you, and does not constitute a validation or verification of the actual amount of the deposit; (v) in the event of a discrepancy between the amount shown on your deposit ticket and our determination of the amount included in the deposit, our count will control and we will provisionally credit your account according to our count (unless we have specifically agreed in writing to hold your deposit and contact you in the event of a discrepancy); (vi) we will provisionally credit the deposit to your account as of the banking day on which we receive the deposit (in the case of deposits made through our night depository facilities, as of the day we remove the deposit from the depository); and (vii) all deposits are subject to further verification and correction as provided elsewhere in this Agreement.

• Deposits by Mobile Device

You may deposit checks via your mobile device by using our Mobile Banking Service. Use of the Mobile Banking Service is governed by our mobile check deposit service agreement, which is incorporated herein by reference. Such deposits are not subject to the terms of our Funds Availability Policy or the requirements of Regulation CC (Part C of Agreement). Funds deposited using our Mobile Banking Service will generally be made available within two (2) business days of the day of deposit, although availability may be delayed further under certain circumstances. Funds deposited on a business day before 4:00 p.m. Eastern time through our Mobile Banking Service will be considered deposited on that day.

• Deposits of Government Payments

If we are required to reimburse the government (state or federal) for all or any portion of any benefit or other payments deposited into your account for any reason, you agree that we may, without prior notice to you, deduct the amount returned to the government from your account or from any other account you have with us, unless the deduction is prohibited by law. If the funds in your account(s) are insufficient to reimburse us fully, each owner and co-owner is jointly and severally liable to us for the balance. We are not responsible for any payment that is credited or not credited to your account as a result of the error or negligence of the government.

• Electronic Items and Substitute Checks

Unless we specifically agree, you may not deposit any substitute check (as that term is defined in the Federal Reserve Board's Regulation CC, 12 C.F.R. Part 229) that has not previously been handled by a bank in the U.S. collections process. If you do, you agree that you will (i) be subject to all warranties and indemnities as provided by applicable law; (ii) be responsible for any losses you, we or another person suffers related to the substitute check(s); and (iii) indemnify and hold us harmless from and against any losses, costs and expenses (including reasonable attorneys' fees) incurred or sustained by us arising out of or in any way related to any claim, suit, legal or administrative action or proceeding asserted against us relating to the substitute check(s).

We have the right, as your collection agent, to truncate (meaning to convert to electronic form) items that you deposit in paper form, and to process the items for payment and collection in electronic form or in the form of substitute checks at our discretion. You understand and agree that when we truncate an item, the original item is destroyed. With respect to items that you deposit that are returned to us by the paying bank, we may (i) accept the returned items in electronic form or as substitute checks; (ii) truncate items that are returned in paper form and represent them as electronic items or substitute checks, and (iii) reconvert any returned item to a substitute check for purposes of returning the item to you. For example, if we charge back a truncated item to your account, we can reconvert the item to a paper substitute check, and you can use that substitute check as the legal equivalent of the original check to enforce your rights against the drawer and endorsers.

You agree that you will be subject to the provisions of this Agreement and all rules, warranties and indemnities provided in the Uniform Commercial Code and other state or federal law with respect to deposited checks and items, regardless of the form (electronic

or paper) in which the deposited check or item is processed for payment and collection. Substitute checks are subject to the rules, warranties and indemnities set forth in the Federal Reserve Board's Regulation CC (12 C.F.R. Part 229). Please refer to the section of this Agreement entitled "Substitute Check Notice" for information concerning your rights with respect to substitute checks.

Unless we specifically agree, you may not deposit items with us electronically. The electronic deposit of items is subject to a separate written agreement between you and us. If we have agreed to accept deposits electronically from you, such deposits will be subject to the provisions of this Agreement except as specifically provided otherwise in your separate electronic deposit agreement.

• Identification of Account

You are responsible for any loss or expense caused by your failure to properly identify the account to which a deposit is made or intended to be made.

• Endorsements

You are responsible for the proper endorsement of any item deposited to your account. You are also responsible for any improperly placed endorsement and any writing, printing, carbon band, or other material on any check or other item issued from or deposited to your account. You are also responsible for any loss or expense we may incur relating to the improper placement, insufficiency, or illegibility of an endorsement as well as the condition of any check or item processed in connection with your account. We have the right, but not the obligation, to supply any missing endorsement. We may require that certain government checks, insurance company items or other special types of checks be personally endorsed by each of the payees in the presence of a Bank representative. You agree to reimburse us for any loss or expense we incur because you failed to endorse an item exactly as it is drawn. You agree that we will not be liable to you because an item you deposit in your account is returned after the time set by applicable law if the delay in returning the item is caused by markings on the item in the space reserved for the depository bank's endorsement that were made by you or a prior endorser. You will be liable to us for any loss or expense, including reasonable attorney's fees, we incur because we are unable to properly return an item drawn on your account within the time set by applicable law where the delay in properly returning the item is caused by markings on the item in the space reserved for the depository bank's endorsement that existed at the time you issued the item.

• Verification and Corrections

When we accept deposits to your account and issue receipts, the deposits and receipts are subject to our subsequent verification and, if necessary, correction.

• Returned Items Waiver of Notice

Any item deposited in your account, or that we cash for you, that is not paid for any reason when presented to the party obligated to pay it will be charged back against your account without regard to whether the item was returned within any applicable deadlines. Service fees may apply. At our option and without notice to you that the item has been returned, we may resubmit any returned item for payment. You waive notice of non-payment, dishonor and

protest regarding any items credited to or charged against your account. For example, if a check that we cashed for you or that you deposited in your account is dishonored and returned to us, we are not required to notify you of the dishonor. If an item that we cashed for you or that is deposited in your account has been paid by the bank on which it is drawn and the item is returned to us at any time, by electronic or other means, and notwithstanding the expiration of the drawee bank's midnight deadline, based on a claim that the item was altered, contains a forged, unauthorized, or missing endorsement, or encoding error or should not have been paid for any other reason, or based on any other problem which in our judgment justifies reversal of credit, we may deduct the amount of the item from your account or place a "hold" on your account for that amount until the claim is withdrawn or resolved in a manner that requires no liability to us. If you have insufficient funds in your account to cover an item returned for any of the reasons described above, we have the right to exercise our right of setoff against any other deposit account you have with us.

• Foreign Currency

We are not obligated to credit to your account an item payable in foreign currency or drawn on a bank outside the United States until we have received the proceeds in U.S. Dollars. If we do credit your account with such an item prior to receiving the proceeds in U.S. Dollars, the credit will be a provisional credit subject to adjustment based upon the final exchange rate and any applicable currency exchange fees or charges. As a result, you bear all exchange rate risk.

• Availability of Funds

The availability of funds in your account is, to the extent applicable, subject to the Federal Reserve Board's Regulation CC and to our Funds Availability Policy. You should refer to that policy to determine the availability of funds deposited to your account. Our Funds Availability Policy, as amended from time to time, is incorporated into this Agreement by reference.

WITHDRAWALS FROM YOUR ACCOUNT

• Checks and Other Withdrawals

We may refuse any checks or other item drawn against your account or used to withdraw funds from your account if it is not on a form approved by us. We also reserve the right to refuse any check or other item drawn against your account or used to withdraw funds from your account if made in a manner not specifically authorized for your account, if made more frequently or in greater number than specifically permitted for your account, or if made in an amount less than the minimum withdrawal or transfer specifically permitted for your account. We may pay checks or other items drawn upon your account in any order we determine, including, but not limited to, paying higher amount items before lower amount items, even if paying a particular check or item results in an insufficient balance in your account to pay one or more other items that otherwise could have been paid out of your account or results in overdraft fees or charges. (See section of this Agreement entitled "Insufficient Funds/Overdrafts".)

• Electronic Items and Substitute Checks

With increasing frequency, banks that handle checks in the collection process are converting the checks to electronic form for processing ("electronic items") and destroying the original check. When that happens to a check you write, certain information from your check (for example, amount and bank routing number) and/or an image of your check is presented to us electronically, and we never receive the original paper check you wrote. In addition, banks in the collection process may reconvert your original check to a substitute check, which under federal law is the legal equivalent of the original check, and destroy your original check. The substitute check is presented to us for payment, and we never receive your original check. Also, some merchants and service providers may convert a check you write in payment for goods and services to electronic form, destroy the original check, and transmit the electronic entry to us through the ACH system (please refer to the section of this Agreement entitled "ACH Transactions" for more information).

In all of the above cases, we may debit your account for the electronic item, substitute check, or ACH debit entry created from your check, just as we would for the original check. We also may debit your account for other items that do not qualify under federal law as substitute checks, including electronic information and image replacement documents, if they are legitimate replacements for properly drawn and authorized items. Please refer to the section of this Agreement entitled "Substitute Check Notice" for information regarding your rights with respect to substitute checks.

You agree not to use any checks that contain a background image that interferes with our or any other bank's ability to read information on your check electronically or to produce an electronic image of your check or a substitute check.

• Checks Cashed by Non-Customers

If you issue a check drawn on us (including, for example, a payroll check) and a person who is not our customer seeks to cash it at one of our branches, you agree that to the extent permitted by law, we may charge the non-customer a service fee as a condition of cashing the check. We charge this fee to help offset additional costs and risks we incur when the item is not deposited at another financial institution and presented to us for payment through the automated check collection system. We may charge the fee without prior notice to you and for items that are drawn on your account or that we have issued at your request. You also agree that (i) we may require the non-customer to provide additional identification and/or comply with any other security measures we may impose; and (ii) we will not be liable for wrongful dishonor for refusing to cash the check if the non-customer refuses to comply with our security measures.

• Cashier's Checks

We may issue you (the remitter) a cashier's check made payable to a third party (the payee) at your direction in exchange for cash or a check written against guaranteed collected funds in your account. We reserve the right to charge a fee for any cashier's checks we issue. You are responsible for ensuring that the check arrives at its intended destination. Once a check is issued, you may not cancel it or put a stop payment on it. If the check becomes lost, sto-

len, destroyed, or is otherwise missing, we may replace the check according to the following procedures if permitted by applicable state law.

If you are the remitter (or payee) on a missing cashier's check that we issued and you make a claim with us for reimbursement of the amount of the check, you must complete and sign our declaration of loss form. If the missing check has not been paid, we will reimburse you on the date you make your claim, or 90 days from the issue date on the missing check, whichever is later. If the original check is paid prior to the 90-day period, we are not liable for reimbursing you for the missing check. If applicable state law does not provide for the 90-day waiting period described above, you must sign our declaration of loss form and indemnification agreement as described in the following paragraph. We may also require an indemnity bond.

If you are unwilling or unable to wait the required period of time, and depending on the circumstances, we may choose to reimburse you sooner; however, in addition to making a declaration of loss, you must also sign our indemnification agreement and you may be required to provide us with an indemnity bond in the amount of the missing check. Once you have provided the appropriate documentation and any required indemnity bond, and if the missing check has not been paid, we will reimburse you after a period of time that we deem appropriate considering the circumstances of the loss and in accordance with applicable state law.

If we determine that a cashier's check that you claim is missing from your possession has already been paid, and you allege that the endorsement on the check is fraudulent, you may still make a claim for reimbursement by executing an affidavit of forgery. If we paid the original check, we will conduct an internal investigation to determine if the endorsement was fraudulently made. If the check was paid or deposited by another bank, we will attempt to return the check to the bank that honored the check.

Our reimbursement obligations with respect to a cashier's check are subject to any defenses we may have under applicable law.

• Stale-Dated Items

We are under no obligation to pay a check which is presented more than six months after its date, but we may, in our discretion, do so. You agree that we are acting in good faith if we pay the check when there is no stop payment order in effect.

• Post-Dated Checks

We will not be liable for paying a check before its date unless you give us prior notice that you have issued a post-dated check. We reserve the right to charge a fee for any post-dated check notice as permitted by applicable law. A post-dated check notice will remain in effect until the earlier of the check date or six months from the date we receive the notice; we may pay the check if it is presented for payment on or after the date of the check. A written notice concerning a post-dated check will be valid only upon receipt by us. Your notice must inform us of the exact amount and date of the item, the name of the payee and the number of the check and the account. We will not be responsible for paying a check before its date if the information you give us is not correct, you fail to give us any other reasonable information regarding the item or we do not have sufficient time to act upon your request. We are entitled to a

reasonable period of time (not less than 24 hours) after you give us notice concerning a post-dated check to notify our employees. If we are requested not to pay a check before its date, you agree to be responsible for all losses, expenses and costs (including attorney's fees) we incur as a result of our refusal to pay the check. We will not be responsible or liable if we pay the check contrary to your notification if payment occurs before we have had a reasonable time to act on your notification, if payment occurs as a result of inadvertence, accident or oversight, if the notification has expired, or if other items drawn by you are returned for insufficient funds because we paid the item. If we re-credit your account after paying a post-dated check over a valid and timely notice, you agree to transfer to us all of your rights against the payee or other holder of the check, and to assist us in any legal action taken against that person.

• Incomplete and Conditional Items

We may pay or refuse to pay any item which is incomplete or where, by its terms, payment is conditional and the condition has not been satisfied. For example, we may pay or refuse to pay a check which says "Void after 30 days," even though the check is presented more than 30 days after its date. We may disregard information on any item other than the signature of the drawer, the amount shown in words in the space designated on the item for such information, and any other information encoded into the MICR line pursuant to our usual procedures. For example, we may pay a check for the written amount of the check even if the front of the check in some other place says it cannot be cashed or negotiated unless the check amount is for a lesser stated amount.

• Limits on Withdrawals

If your account is a savings deposit account or an interest-bearing checking account, we are compelled by federal law to reserve the right to require seven days' written notice prior to the time you withdraw funds or close the account.

You may make no more than six (6) withdrawals or preauthorized transfers (or a combination thereof) from your account per statement period (a statement period is approximately one month long). "Preauthorized" transfers include arrangements to pay third parties by preauthorized means such as ACH, overdraft protection services, or automated or telephonic transfers between your Southern Bank accounts. "Telephonic" transfers or withdrawals include those made through an automated phone system, an online banking service, mobile banking or a personal computer. You may make unlimited withdrawals or transfers in person or through an agent at any Southern branch, by mail, or through an ATM (ATM withdrawal fees may apply). You may also make unlimited withdrawals by telephone if the check is mailed to you.

When limitations apply, the day the check or other transaction clears your account (not the date the check was written or the transaction performed) will determine whether you have exceeded the permitted number of transactions. Items in excess of the limits are subject to an excess item fee as described in the Disclosure of Products and Fees. These limitations do not apply to preauthorized transfers from your account to make loan payments to us.

• Good Faith Disbursements

From time to time we may be presented with documents which

purport to give an individual or entity the right to withdraw or receive funds from your account. You authorize us to disburse funds from your account upon the presentation of such documentation, provided we act in good faith.

• **Death or Incompetence**

Neither the death of an account owner nor a legal adjudication of incompetency revokes our authority to accept, pay or collect items until we know of the death or adjudication of incompetency and have a reasonable opportunity to act on that information. Even with knowledge, we may, for ten (10) days after the date of death, pay checks drawn on or before the date of death unless ordered to stop payment by a person claiming an interest in the account. Upon the death or incompetence of an account owner or co-owner, we may delay the disbursement of funds from the account until we receive such documentation as we may reasonably require or as is required by law.

PAYMENT OF INTEREST ON SAVINGS AND INTEREST-BEARING CHECKING ACCOUNTS

All savings and interest-bearing checking accounts are variable rate accounts. The interest rate and annual percentage yields we pay on these accounts may change. At our discretion, we may change the interest rate on these accounts at any time without notice to you.

Interest begins to accrue on savings and interest-bearing checking accounts no later than the business day we receive credit for the deposit of noncash items such as checks. We use the daily balance method to calculate the interest on these accounts. This method applies a daily periodic rate to the "collected" balance in the account each day. The "collected" balance includes only those deposits for which we have received credit (i.e., collected funds). We compound and accrue interest daily and credit interest to these accounts on a monthly basis. We are not obligated to pay any interest on funds from a deposited item that is returned unpaid. If your account is closed before interest is credited, you will not receive the accrued interest.

For our commercial interest-bearing checking accounts, we may calculate interest on the daily collected balance less an amount that is based on the reserve requirements of the Federal Reserve for transaction accounts (presently 10%). Our Disclosure of Products and Fees identifies the types of accounts subject to this calculation.

TIME DEPOSIT ACCOUNTS (CERTIFICATES OF DEPOSIT & IRAs)

• **Payment of Interest**

Our time deposit accounts include Certificates of Deposit (CDs) and Variable Rate and Tiered Fixed Rate IRAs. Most have a fixed interest rate which we pay until the maturity date. If your account has a variable interest rate, we may change your interest rate and annual percentage yield at our discretion and without notice at any time. Please consult your Disclosure of Products and Fees to determine whether your time deposit account has a fixed or variable rate. Interest begins to accrue on the business day you deposit cash or noncash items (for example, checks) to a time deposit account. We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the "current" balance in the account each

day. The “current” balance includes all deposits received and credited to your account, regardless of whether we have received credit for the deposit. We are not obligated to pay any interest on funds from a deposited item that is returned unpaid. For all time deposit accounts except Public Funds CD plans, “Jumbo” CDs and certain negotiable rate Certificates of Deposit, interest is compounded daily. For most time deposit accounts, interest will be credited to your account on a monthly, quarterly, semi-annual or annual basis, as you may elect. CDs with terms less than one year can also receive interest at maturity. However, (i) interest on a 7-31 Day Certificate of Deposit will be credited only at maturity, and (ii) interest on Variable Rate and Tiered Fixed Rate IRAs will be credited to your account monthly. Some “Jumbo” Certificates of Deposit (Certificates of Deposit of \$100,000 or more in public funds or deposited by commercial customers), and public funds CD plans earn simple interest which can be credited to the account monthly, quarterly, semi-annually or annually as you may elect. Depending on the type of account you select, interest may be reinvested in your time deposit account, deposited into another account with us, or paid to you by check.

Note: Under Regulation DD, the federal government requires us to quote interest rates using the term “Annual Percentage Yield” (“APY”). APY is a uniform method of calculating interest for comparison purposes only and does not necessarily match the actual interest. APY reflects the total amount of interest that would be paid on an account, with compounding, over a 365-day period. Actual interest equals the APY only when the term of the time deposit is exactly one year (365 days) and no funds, including accrued interest, are removed from the account during the term. Actual interest on time deposit accounts with shorter than a one-year term, or on accounts where interest is periodically paid out or transferred to another account, will be less than the APY.

• **OID (Original Issue Discount)**

“Original issue discount” refers to CDs with terms greater than 12 months that receive interest at maturity. An average of the interest to be earned over the term of the CD is reported to the IRS yearly. This average does not necessarily correspond with the amount of accrued interest earned on the account. This amount must be claimed by the customer yearly and must be included in the customer’s tax returns.

• **Book-Entry CDs**

All of our certificate of deposit accounts (including existing accounts and those we acquire from other institutions) are non-negotiable, book-entry time deposit accounts which are only transferable on our books. Our records are the only evidence of the account. Any “certificate” or other writing you receive or have received serves only as a confirmation of the account relationship and is non-negotiable and non-transferable. If you received a “certificate” when you opened your account, we reserve the right to request the surrender of that “certificate” when you pledge, withdraw funds from or close your account.

The opening of a CD account is subject to our receipt of cash or collected funds for deposit into the account. A CD account is not opened or valid until we receive the initial deposit in cash or collected funds and all documents, properly completed and signed, that we require to open the account.

• **Additional Deposits**

As a general rule, you may not make additional deposits after you open your account until the maturity date. There are exceptions to this general rule, such as 6-month CDs and all IRAs. Please consult your Disclosure of Products and Fees to determine whether additional deposits are permitted for your account.

• **Renewal**

Your time deposit account will automatically renew for a like term at maturity. The new interest rate on your account will be the interest rate applicable at the time of renewal based upon the amount then on deposit. For CD accounts other than Plus/Prime, balances at renewal below the minimum deposit required to open the account will not earn interest. Plus/Prime accounts which have fallen below \$5,000 at maturity will earn the applicable rate for a non-Plus/Prime CD of the same term, and will not earn interest if the balance has fallen below the minimum balance required for that account. You will have a grace period after the maturity date of three calendar days (for time deposit accounts with terms of 31 days or less) or ten calendar days (for time deposit accounts with terms greater than 31 days) to withdraw funds without penalty. If you close your account during the grace period, you will not earn interest after the maturity date.

• **Early Withdrawal Limitations and Penalties**

You may not withdraw principal from a Certificate of Deposit prior to maturity without our consent and without incurring a penalty. Regardless of the length of time the funds withdrawn have remained on deposit, the penalty imposed will be equal to the interest on the principal amount withdrawn for:

CD TERM	INTEREST PENALTY
7 Days thru 90 Days	Full CD Term
91 Days thru 364 Days	3 Months
1 Year & Over	6 Months

You may not withdraw principal from an IRA time deposit account prior to the maturity date without our consent and without incurring a penalty. The penalty imposed will equal three months' simple interest on the amount withdrawn, regardless of the length of time the funds have remained on deposit.

If the early withdrawal penalty exceeds interest accrued on your account, whether paid or unpaid, the penalty will be withheld from the principal sum of your account. The interest rate used to calculate your early withdrawal penalty will be the rate in effect for that time deposit account on the date of withdrawal.

We will honor a request for the withdrawal of funds from a Certificate of Deposit without penalty in the following cases:

- a. for automatically renewing Certificates of Deposit, when sums are withdrawn at maturity or during the grace period following the maturity date
- b. when any owner of the account has died or been judicially declared mentally incompetent

- c. when federal or state law does not permit an early withdrawal penalty

If your time deposit account is an IRA account, a penalty will not be assessed if the withdrawal occurs after you are disabled or declared mentally incompetent, for medical expenses, or after your death, or after you are 59½ years of age.

For Education Savings Accounts, a bank penalty will not be assessed if the withdrawal is for qualified education expenses.

For additional information on the terms of your IRA, please refer to your IRA documents.

SUBACCOUNTS FOR CHECKING ACCOUNTS

All interest-bearing checking accounts may be comprised of two subaccounts: an interest-bearing checking subaccount and an interest-bearing money market subaccount. The funds in both subaccounts earn interest at the same interest rate. Non-interest-bearing checking accounts are comprised of two subaccounts: a non-interest-bearing checking subaccount and a non-interest-bearing savings subaccount. Regardless of whether your checking account is interest-bearing or non-interest-bearing, your monthly statement will show your account as a single, integrated account. While we will maintain separate information on each subaccount for regulatory reporting purposes, all information reported to you will be consolidated. Each month we will allocate the balance in your checking account between the two subaccounts based on allocation formulas that we may change from time to time. All checks, withdrawals, debits and other charges against your account will be presented against the funds in your checking subaccount. If additional funds are needed to cover your transactions, we will automatically transfer without charge available funds in your money market or savings subaccount to your checking subaccount. Pre-authorized transfers from your money market or savings subaccount are limited to six transfers during a monthly statement period.

STOP PAYMENT ORDERS

You may request us to stop payment on any check, draft, or negotiable order of withdrawal drawn on your account if the item has not been paid. If you want to stop payment on an item, you must act promptly to ensure that we receive your request before the item is paid. As a result of advances in the check collection process, including the electronic exchange of check information, your checks will be presented for payment against your account much more quickly than in the past, thereby reducing the time you have for requesting a stop payment order before the item is paid. We are not required to honor your request to stop payment of any certified, cashier's, or official bank check. We reserve the right to charge a fee for any stop payment order and for each renewal of a stop payment order. Your stop payment order will be effective: (i) for 6 months on checks; (ii) for 18 months on pre-authorized electronic funds transfers; (iii) until notice is received from the account holder to revoke the stop payment order; or (iv) until payment of the item has been stopped, whichever occurs first. A stop payment order may be renewed any number of times by written notice to us during the period while a previous stop payment order is in effect. Because we process stop payment orders on our computer system, you must provide us with complete and accurate information sufficient for us to identify the stop payment item on our

system. We will not be able to effect a stop payment order before the item is paid if the information you provide us is inaccurate or insufficient or if we do not have reasonable time (not less than 24 hours) to act upon your order. Also, we may not be able to honor your stop payment order if you create checks by computer or in any other manner that does not produce a MICR-encoded check number on the check. Under these circumstances, we will not be responsible or liable in any way if the order cannot be executed and the item is paid. If we are requested to stop payment on any item, you agree to be responsible for all losses, expenses and costs (including attorneys' fees) we incur as a result of our refusal to pay the item. We will not be responsible or liable if we pay the item contrary to your stop payment order if payment occurs before we have had a reasonable time to act on your stop payment order, if payment occurs as a result of inadvertence, accident or oversight, if the stop payment order has expired, or if other items drawn by you are returned for insufficient funds because we paid the item. Also, we are not obligated to re-credit your account if we pay an item over a stop payment order unless you are able to demonstrate that you would not have been obligated on the item had we stopped payment (for example, if you owed a valid debt to the payee of the item, or if the item was in the hands of a holder in due course, we are not obligated to re-credit your account). You have the burden of proving the fact and amount of loss as a result of our paying the item. If we re-credit your account after paying a check over a valid and timely stop payment order, you agree to transfer to us all of your rights against the payee or other holder of the check and to assist us in any legal action taken against that person. If a co-owner of an account requests that we cancel a stop payment order given to us by another co-owner, we have the right, but not the obligation, to honor that cancellation request.

Stop payment orders on payments initiated through Southern's online banking are governed by the applicable Southern Online Banking Agreement and Disclosure.

If the stop payment order occurred with respect to a substitute check on a consumer account, the expedited re-credit rules described in the "Substitute Check Notice" included in this Agreement do not apply unless the original check was necessary to determine whether the substitute check was improperly charged to your account. You may not stop payment on a check that has been converted by a merchant at the point of sale to an ACH debit entry (an "electronic check conversion"). If you have a problem with an electronic check conversion, you must contact us within sixty (60) days after the date of the statement on which the transaction appeared in accordance with the rules set forth in our Regulation E Disclosures, "Your Liability for Unauthorized Transfers," set forth elsewhere in this Agreement. Please refer to the section entitled "ACH Transactions" in this Agreement for more information on electronic check conversions.

INSUFFICIENT FUNDS/OVERDRAFTS ("NSF ITEMS")

Our procedures for payment or return of NSF items, and your responsibilities for such items and related service fees, are explained below. We do not encourage routine or intentional overdrafts. We urge you to manage your account responsibly so as to avoid NSF items, the related service fees, and the potential negative consequences described below. If you have any questions about our procedures, please contact us using the information provided in the "Bank Contacts" section at the end of this Agreement.

• Definition of NSF Items

An “NSF item” is any item presented or transmitted for payment or debit against your account or used to withdraw or transfer funds from your account when the available balance in the account is not sufficient to cover the item. In determining the balance in your account, we will apply applicable provisions in the Federal Reserve Board’s Regulation CC and our Funds Availability Policy, which is outlined later in this Agreement.

An NSF item can arise in any type of customer-initiated transaction, including, for example:

- a paper-based transaction (such as a check or withdrawal order),
- an electronic transaction (such as an ATM or debit card transaction, or a telephone or computer-initiated transaction), or
- a preauthorized automatic debit (such as an ACH debit to pay a recurring bill).

An NSF item can arise in connection with any type of deposit account, including, for example, a checking, savings, or Money Market account.

If we pay your NSF item, rather than denying, rejecting or returning it unpaid, the item is “paid into overdraft.” Your account is considered in “overdraft status” when it has a negative balance.

• Determination of NSF Items

We determine whether or not your account contains sufficient funds to pay an item at any time between the time the transaction occurs or we receive the item and our return deadline. Only one determination of your account balance is required. If that determination reveals insufficient funds to pay the item, we are not required to honor the NSF item and may charge the related service fee. The amount of a deposit we consider for purposes of determining whether you have sufficient funds on the day of the deposit to cover withdrawals or pay items is limited to that portion of the deposit for which we provide same-day availability. If you have multiple NSF items on a particular day, we may honor one or more of them and return the others as we deem appropriate.

The order in which we receive, process, and post items can affect the total number of NSF items and related service fees. When we process items on a particular business day, we do so without regard to the order in which the transactions occurred. Therefore, we may not process and post items to your account in the same order in which you write checks and/or make withdrawals from your account. We reserve the right to process and post items in any order we determine. The order in which we post items is explained in detail below; however, we generally post items in certain transaction types or categories (e.g., ATM and debit card transactions) first prior to posting items in other transaction types (e.g., checks), even if such posting results in (i) an insufficient balance in your account to pay one or more other items that otherwise could have been paid out of your account or (ii) a larger number of items subject to NSF or overdraft fees.

• Order in Which Items Post

Items officially post during evening processing. Posting an item affects your “current balance.” The current balance is the beginning-of-the-day balance after the prior evening’s posting.

The “available balance” is the amount you have in your account at a particular time that is available for immediate withdrawals or to cover other debit items. The available balance represents the difference between the current balance and any activity that has not yet posted to the account (e.g., any “pending” deposits, checks, transfers, and withdrawals). Pending items are those debits and credits we have received, but have not yet settled and posted.

We post items in the evening on each business day. Therefore, funds from deposits made after close of business on Friday may not be available to cover purchases you make by debit card over the weekend. Items post in order of their transaction type or category. The transaction types are listed below in the order in which they post. Items in the first numbered transaction type post first; items in the 8th numbered transaction type post last. Within its applicable transaction type, items with a serial number, such as checks and some ACH items, post in ascending serial number order; other items without a serial number post in low-to-high dollar amount order.

1. Internal credit transfers: credit transfers you make, either online, by ATM or by telephone, from one of your accounts at the Bank to another.
2. Deposits and other credits: your deposits and other credit transactions (such as ACH and wire credit transfers, teller-credited items and ATM deposits), and credit transfers made by the Bank (such as corrections and fee reversals).
3. Teller-cashed checks and charge-backs: teller-cashed checks are checks you write that the payee cashes with a teller; charge-backs are items you deposit to your account that are subsequently returned by the paying banks and “charged-back” to your account.
4. Debit transactions resulting from credit reversals made by Bank.
5. Internal debit transfers: debit transfers you make, either online, by ATM or by telephone, from one of your accounts at the Bank to another.
6. All other debits: checks and other debits you initiate including ACH debits and debit card transactions that the Bank preauthorize from an amount not specific to your purchase. (These are sometimes called “pay-at-the-pump” transactions.)
7. Bank debits for fees, services and other account charges.
8. Cash Management sweeps (for select business accounts only).

• Fees for NSF Items

- Consumer/Personal Accounts: We charge a service fee for each NSF item greater than \$5.00 that is presented for payment against your account up to a maximum of four NSF items per day. A service fee may be charged each time an item is presented for payment against your account.
- Business Accounts: We charge a service fee for each NSF item each time it is presented for payment against your account.

For convenience in identifying whether we paid or returned an NSF item, the service fee we charge is called an “overdraft fee” if we pay the NSF item into overdraft, and an “NSF fee” or “insufficient funds fee” if we reject or return the NSF item unpaid. The service fees we charge for NSF items are specified in our Disclosure of Products and Fees, as amended from time to time. You can obtain a current copy of our Disclosure of Products and Fees at any of our branches.

You acknowledge and agree that, whether we pay an NSF item or reject it and return it unpaid, the service fee we charge for each NSF item is a service charge assessed in connection with the administration of your deposit account and is intended in part to discourage NSF items. You agree to pay the service fee specified in our Disclosure of Products and Fees whether we pay an NSF item or reject it and return it unpaid.

If your account is a consumer account, when you initiate transactions that cause you to incur an excessive number of NSF or overdraft fees within a rolling 12-month period, we will notify you in a message on your account statement and advise you to contact us about exploring less costly alternatives to managing your account.

Because we charge a service fee for each NSF item each time it is presented, **we may charge you more than one service fee on any given day or more than one service fee for any given item. Additionally, a separate NSF fee may be assessed each time the same item is resubmitted by the merchant for payment against insufficient funds.** All fees are charged during evening posting. When we charge a fee for NSF items, it reduces the available balance in your account and may put your account into (or further into) overdraft.

• **Payment or Return of NSF Items**

With respect to most types of items, such as checks, other transactions using your checking account number, preauthorized automated debits, and automated bill payments, we determine, under our basic overdraft protection service, whether to pay or return an NSF item based on an automated and/or manual system of review. Except in cases where we are prohibited by law, we reserve the right in our absolute discretion and on a case-by-case and item-by-item basis either to pay or refuse to pay NSF items. We do not guarantee that we will pay all or any NSF items. We are not obligated to notify you prior to paying, refusing or returning an NSF item, and we may choose not to do so.

However, for consumer accounts, if your NSF item arises from an ATM transaction or a one-time debit card transaction, we will not authorize or pay the item unless you or another joint account holder affirmatively consent (“opt-in”) to our basic overdraft service.

- If you do not opt-in, we will refuse all ATM and one-time debit card transactions you initiate when your account has insufficient funds to cover the item.
- If you opt-in, we will treat your ATM and one-time debit card transactions like all other types of items and will pay or deny the item in our absolute discretion based on our system of review.

If your account is a business account, there is no requirement that you “opt-in” prior to the Bank making the determination to pay an ATM or one-time debit card transaction presenting against insufficient funds.

If we pay an NSF item, the amount of the item and the related overdraft fee will be charged against your account. As a result, your balance will be overdrawn and insufficient to pay subsequent items that would possibly have paid had we not paid the NSF item, and additional fees may result as described above.

Our payment of an item that results in an overdraft on one or more occasions does not obligate us to allow overdrafts on any future occasion. Each NSF situation will be addressed on a case-by-case and item-by-item basis. We may deny an item or refuse to pay it into overdraft or discontinue doing so for any reason at any time.

When we pay an NSF item into overdraft, we do so under the basic overdraft protection service we offer to our customers. If you do NOT want us to pay any NSF items, you must notify us by contacting any of our branches. If you notify us not to pay any NSF items, we will deny, reject and/or return all NSF items. For rejected and returned items, however, we will charge your account the NSF fee specified in our Disclosure of Products and Fees (but not the amount of the NSF item).

• Your Responsibilities

It is your responsibility to monitor your account to ensure that you always have sufficient funds on deposit to cover items and other charges and to avoid incurring fees for NSF activity. By maintaining accurate records of your deposits and withdrawals, you are in the best position to ensure that your account has sufficient funds to cover each item presented for payment against your account.

As a result of advances in the check collection process, including the exchange of check information in electronic form, your checks will be presented for payment against your account much more quickly than in the past, making responsible account management on your part even more important.

If your account is overdrawn due to NSF items, related service fees or for any other reason, you agree to pay the amount of the overdraft immediately. You also agree to reimburse us for any costs we incur in collecting the amount of any overdraft and all NSF and overdraft fees from you, including, without limitation, reasonable attorneys' fees and the costs of litigation. As to any account with multiple owners, each owner agrees that all of the owners are jointly and severally liable for all overdrafts and all NSF and overdraft fees. Each owner also agrees that we may debit funds from any other account held by such owner to repay overdrafts and any service fees related to overdraft activity. If you fail to repay any amounts owed in connection with your account, we may report you to one or more credit bureaus or check reporting agencies and take such actions as permitted by law to collect the amounts owed.

• Premium Overdraft Protection Service

If you anticipate that NSF items may be presented against your checking account on a routine or frequent basis, you may wish to consider requesting our premium overdraft protection service, thereby linking your checking account to your savings account and/or to a line of credit (provided we offer a line of credit for the type of account you have and you qualify for the line of credit). If you elect to link both a savings account and line of credit to your checking account for overdraft protection purposes, and unless you instruct us otherwise, we will first access the linked line of credit to pay an NSF item until the available funds in your line of credit are exhausted before we access your linked savings account.

If you elect overdraft protection services, you will not be charged an NSF or overdraft fee unless payment of the item would cause you to exceed your credit limit and/or the amount in your savings account. However, as provided in our Disclosure of Products and Fees, we will charge your checking account a flat fee (an overdraft protection transfer fee) each day an overdraft protection transfer to your checking account occurs, regardless of the source account. Overdraft protection transfers from your savings account are subject to the limitations provided in the section of the Agreement entitled "Withdrawal Limits on Interest-Bearing Accounts". Overdraft protection transfers from your line of credit are subject to the terms of the line of credit agreement.

FEES AND SERVICE CHARGES

You are responsible for all fees and service charges arising from your account according to our Disclosure of Products and Fees in effect at the time the charges are incurred or the services rendered. If your account is a business account, we may charge interest on uncollected funds at the interest rate established by us from time to time. We are authorized to collect our fees and service charges (i) by charging your account (even if the charge results in an overdraft), (ii) by deducting our fee for handling incoming and outgoing wire transfers from the amount transferred, (iii) by demanding payment from you directly, and (iv) by exercising our right of setoff. You agree that we may take any of the foregoing actions to collect fees and service charges you owe regardless of the source of the funds in your account and whether such funds may be exempt from any legal or equitable process (including, for example, funds from any type of public benefits such as social security, supplemental security income, or veterans' benefits). We will not be responsible or liable for dishonoring items presented against your account when the payment of our fees and service charges results in insufficient funds in your account to cover the items presented. We are required to pay premiums to the Federal Deposit Insurance Corporation (FDIC) for insurance coverage of your account. We reserve the right, to the extent permitted by law, to impose a fee, which goes towards covering the amounts we must pay in FDIC premiums, on all or any of the various types of accounts we offer, provided we do so in a consistent manner. The amount of the fee, if we choose to impose it, will be subject to change based upon the cost of our FDIC insurance. The fee, called a "Funds Management Fee," will be set forth in our Disclosure of Products and Fees.

• Security Interest

You hereby grant us a continuing security interest in all deposit accounts held by us, with respect to any funds in the account(s) of which you or you and one or more co-owners are beneficial owner(s), to secure the payment of any debt or performance of any obligation owed to us by you or any co-owner of the account. This means that we have the rights of a secured party with a perfected security interest in your accounts and may exercise those rights to take and apply any funds in your accounts to the payment of any debt or enforcement of any obligation as provided in Article 9 of the Uniform Commercial Code in effect in the state in which your accounts are held.

SETOFF/RIGHT TO FREEZE ACCOUNT

We reserve the right of setoff against your account as permitted by applicable law and/or under this agreement without prior notice to you to repay any debt or obligation owed to us by you or any

co-owner of your account. This means that we have the right to apply part or all of the funds in your account for the satisfaction of any debt you or any co-owner of the account owe us. We are authorized to charge such indebtedness against your account without regard to the origin of the deposits to the account or the beneficial entitlement to monies deposited, unless applicable law provides otherwise.

If your account is an individual account, our setoff right may be exercised to repay your debts, whether they are owed by you individually or jointly with others. To the extent permitted by applicable state law, all of the funds in a joint account may be used to repay the debts of any co-owner, whether they are owed individually by a co-owner, jointly with other co-owners, or jointly with other persons or entities having no interest in your account. If your account is a partnership account, each partner agrees that we may exercise our right of setoff against the partnership account to satisfy not only the obligations of the partnership, but also the individual obligations of any partner. Debts subject to our right of setoff include those owed by you from another joint account in which you are a co-owner even though the debt may not have been directly incurred by you, as well as debts for which you are only secondarily liable. Our right of setoff also applies when we cash a third party check for you over the counter which is returned to us unpaid for any reason, provided we return the unpaid check to you. We may exercise our right of setoff even if the withdrawal results in an early withdrawal penalty or the dishonor of subsequent checks. We will not be responsible for dishonoring items presented against your account when the exercise of our right of setoff results in insufficient funds in your account to cover the items. Our right of setoff may be exercised before or after the death of an account holder.

Certain government benefits (for example, social security, supplemental security income, veterans' and other types of government benefits) are protected by law from legal process and your creditors' claims. To the extent funds deposited to any account that is subject to our right of setoff are entitled to any exemption from execution, levy, attachment, garnishment, seizure, setoff or other legal or equitable process (including, but not limited to, any social security, supplemental security income, veterans or other federal or state benefits), then to the maximum extent permitted by law you affirmatively waive such exemption and consent to our exercise of our right of setoff against such funds. This means, for example, that we may use such funds in your account to pay overdrafts, account service fees and charges and other amounts you (or any other account owner) owe us.

We also have the right to "freeze" or place a "hold" on your account (i.e., not permit any withdrawal) and/or to prevent any deposits from being made to your account, for a reasonable period of time, when (i) we have the right of setoff, (ii) there are claims or disputes concerning your account, or (iii) we in good faith believe we either have a claim against you or the funds in your account, or something has occurred or is reasonably expected to occur which will result in our having a claim against you or the funds in your account. This paragraph shall not be enforced in violation of applicable law.

If we charge off your account and close it due to your failure to pay off a negative balance, then to the extent permissible by law we have the right as necessary to apply any subsequent deposits or credits (electronic or otherwise) related to your account as setoff

against your charged off amount and, if applicable, mail any funds remaining to you at your address of record in the form of a cashier's check.

MISCELLANEOUS

• Powers of Attorney

We may, at our discretion, decline to recognize or honor any power of attorney with respect to your account to the extent permitted by applicable law. If we accept a power of attorney, we may continue to recognize the authority of your attorney-in-fact until we receive and have a reasonable opportunity to act upon notice of your death or written notice of the revocation or termination of the power of attorney. On a case-by-case basis, and to the extent permitted by applicable law, we reserve the right to restrict the nature or size of the transactions we will allow your attorney-in-fact to conduct on your behalf.

• Transfer or Assignment of Your Account/Legal Process Against Account

Your account is solely for the use of the owner(s) of the account. We will not recognize the validity of any assignment of your account or transfer of funds in your account unless we give our prior consent and such consent as well as the assignment or transfer is entered in our records. We reserve the right to ignore or reject any attempted pledge, assignment, or purported security interest in any account. Any pledge, assignment, or security interest we permit will remain subject to our prior right of setoff.

If legal action such as a levy, attachment, execution, garnishment, etc. is brought against your account, we may refuse to pay out any money from your account until the dispute is resolved. If your account is attached, executed upon, garnished or otherwise subject to levy, we will not be liable to you for any sums we pay because of such attachment, execution, garnishment or other levy, even if paying the money from your account leaves insufficient funds to pay checks you have written or other items presented for payment against your account. If we incur any expense, including attorneys' fees, in responding to an attachment, execution, garnishment or other levy that is not otherwise reimbursed, we may charge such expense to your account without prior notice to you. If there are insufficient funds in your account to reimburse us fully, you will be liable for the balance. Any attachment, execution, garnishment or other levy against your account is subject to our right of setoff as permitted by applicable law. Your accounts may be subject to attachment, execution, garnishment or other levy in any state in which we do business, regardless of where you reside or where your accounts were opened or are maintained.

Although social security, supplemental security income, veterans' and other types of public benefits are protected by law from legal process and the claims of your creditors, it is your responsibility (and not ours) to raise the protected status of funds on deposit as a defense. We are under no duty to contest on your behalf any execution, levy, attachment, garnishment, seizure or other legal or equitable process asserted against you or your account and may take such action to comply with any such process as we determine to be appropriate in the circumstances, without regard to whether the funds on deposit are protected and without liability to you.

• Claims and Disputes Concerning Your Account

If we reasonably believe there is a legitimate dispute among any parties who have or claim an interest in your account, we may, at our discretion, (i) continue to rely on the signature cards, resolutions, and other account documents in our possession; (ii) freeze all or any portion of the funds we deem appropriate until the dispute is resolved; (iii) pay the funds into an appropriate court of law or equity for resolution; or (iv) close the account and pay any proceeds to (a) all who have or claim an interest in the account, or (b) the account owner(s) as indicated in our records. In addition, we may, at our option, commence a lawsuit to determine the ownership of your account.

• Costs and Attorney Fees

You agree to reimburse us for costs and expenses (including attorneys' fees) we incur in any action concerning your account if (i) we are the prevailing party, or (ii) the purpose of the action is to determine the ownership of the account or to resolve disputes regarding the account. We may charge any of your accounts for such costs and expenses without prior notice to you. Your liability will be joint and several.

• Zero-Balance, Dormant and Abandoned/ Unclaimed Accounts

Zero-Balance Accounts:

We will automatically close your checking and savings account if it goes to a zero balance and remains in zero balance status at the close of the following monthly statement cycle.

Dormant Accounts:

Checking and Savings Accounts: If your account maintains a balance, but you do not make any deposits to or withdrawals from your account for a period of one year (12 consecutive months), we automatically will change the status of your account to "dormant" for the purpose of determining when your property is deemed abandoned. If any deposits or withdrawals are made after your account has been placed in dormant status, your account will be changed back to active status.

Time Deposit Accounts: If there is no customer-initiated activity on your CD account, it will be considered inactive for purposes of determining whether the property is deemed abandoned from the first maturity date. If your account is a traditional IRA account, the time period after which your account is considered inactive begins after you reach the age of 70½ and varies in length by state law. Roth IRAs are never considered inactive.

Abandoned/Unclaimed Accounts:

The time period after which dormant accounts are deemed "abandoned" or "unclaimed" varies in length by applicable state law. If an account qualifies as abandoned property and you have failed to respond to any notices we send you, we are required by law to pay the amounts on deposit to the appropriate state.

To the extent permitted by state law, inactive and dormant accounts will continue to be subject to account service charges according to our Disclosure of Products and Fees.

• Review of Statements and Account Notices; Copies of Items

Depending on the type of account you have, we will mail or otherwise make available to you your account statements and your canceled checks or other items (if you have elected to receive them)

or images of your checks or other items (unless you have requested us to hold items). Items included with your statement may be in the form of paper originals, images, copies, or a description on the statement, and all such forms are included within the term “item” as used herein. When used herein, the term “statement” includes the statement and any items included with and/or described in the statement. We also may mail or otherwise make available to you from time to time notices regarding your account or activity on your account (“notices”).

If we mail statements or notices, we will mail them to your address as shown on our records. You are responsible for ensuring that our records reflect your correct mailing address. If we (i) hold your mail at your request, (ii) hold your statement because your account has been placed in “inactive” or “undeliverable statement” status as described elsewhere in this Agreement, or (iii) hold your items as required by the particular account type you have, you agree that the statements and items described in the statements have been made available to you on the date the statement or notice is prepared. You agree that you will not be allowed to claim as an excuse for not promptly reviewing a statement or notice that (i) you did not receive the statement or notice under one of the circumstances described in the previous sentence, (ii) the statement or notice was intercepted or concealed by another person, (iii) you no longer resided or received mail at the address we had for you in our account records, or (iv) any other similar reason.

You agree that you are in the best position to detect any error or discrepancy relating to activity on your account, including, for example, an item that reflects an incorrect or incomplete deposit and/or an item that contains an unauthorized signature, lacks a required signature, contains a forged endorsement, lacks a required endorsement, constitutes an unauthorized withdrawal, is altered, or is otherwise irregular (collectively, an “irregular item”). You agree that you will promptly and carefully examine your statements and any notices. A statement or notice will be deemed correct unless you notify us of an irregular item promptly after the statement or notice is made available to you. Notwithstanding any provision of law to the contrary, you agree that we will not be liable for an irregular item if: (1) you did not exercise reasonable promptness or care in examining the statement or notice, or (2) you do not report the irregular item to us within thirty (30) calendar days following the date the earliest statement or notice describing the irregular item or the irregular item itself was mailed or otherwise made available to you, or (3) the irregular item was forged or altered such that an unauthorized signature, an unauthorized endorsement, an alteration, or any other such irregularity could not be detected by a reasonable person. In addition, you agree that if we are not liable for paying an irregular item by reason of the application of the preceding sentence, we will not be liable for paying any other irregular item that contains an unauthorized signature or alteration or was initiated or created by the same wrongdoer, whether in connection with the same account or other accounts.

We keep copies of your statements for the time period required by law and can make a copy available to you upon your request. If an item is presented for payment against your account in paper form, we keep the paper form for a limited period of time, after which we keep an image of the item for as long as the law requires (when items are presented solely in electronic form, for example, in the case of an electronic check conversion, we will store the electronic

information). You may obtain a copy of a statement or an item for a charge per copy as permitted by applicable law and set forth in our Disclosure of Products and Fees.

• **Automated Processing of Items**

You recognize that we have adopted automated collection and payment procedures so that we can process the greatest volume of items at the lowest possible cost to all customers. You authorize and approve of our use of such procedures. These automated procedures rely primarily on information encoded into each item in magnetic ink. In recognition of this fact, you agree that in paying an item or taking an item for collection, we may disregard all information on the item other than the identity of the payor bank, the amount of the item, and any other information encoded onto the item in magnetic ink according to general banking standards, whether or not that information is consistent with other information on the item. You agree to reimburse us for any loss or expense we incur because you issue or deposit an item containing such extra information. Furthermore, you agree that we will not be deemed to fail to exercise ordinary care in paying an item solely because our procedures do not provide for review of signatures or other sight examination of items with a face amount below an amount specified by us from time to time.

• **Check Orders**

All checks, withdrawal forms, and deposit slips must be on forms obtained through us or which we approve in advance. You are responsible for verifying the accuracy of all information on these forms. Our liability, if any, for any printing errors on the forms obtained through us is limited to the cost of replacement. We will not be responsible or liable for any other loss or damage you sustain. In addition, we are not responsible or liable for any losses or damages you sustain from the use of forms not obtained through us or approved by us in advance, including, but not limited to, your (i) electing to have checks printed by a vendor that we have not approved; (ii) using check stock or security features that do not survive conversion of the check to an electronic item or a substitute check; (iii) making checks out in such a way (e.g., lightly colored ink) that the information does not survive the conversion of the check to an electronic item or a substitute check; (iv) using check stock that contains printing inaccuracies, faulty magnetic ink, or faulty encoding; or (v) using check stock that contains duplicate serial numbers.

• **Notices**

Any notice or statement we give you concerning your account is effective when mailed or delivered to the address we have for you in our account records. If the account has more than one co-owner or depositor, notice to any one will be considered effective notice to all. Any notice you give us will be effective after we receive the notice and have had a reasonable time to act upon it.

• **Change of Address and Undeliverable Statements**

You are required to notify us promptly in writing when your address or telephone number ("contact information") changes. We are relieved of any responsibility to give you notice of a problem or other issue regarding your account if you have not provided us with correct and up-to-date contact information. If you fail to

notify us of a change of address or for any other reason your account statement is returned to us, we reserve the right to destroy the statement and the accompanying items. We may recognize a change of address or telephone number submitted to us by any owner, co-owner, authorized signer or agent on an account, or upon our receipt of notification of an address change from the U.S. Postal Service.

If we mail your statement to the address we have on our records, and the statement is returned as undeliverable after three consecutive statements, your account will be placed in "undeliverable statement" status. Monthly service charge fees will continue to apply and will be charged to your account. We will stop mailing statements to you; however, any undelivered statements and images of any accompanying checks or items paid will be available to you at any time upon your request, and you agree that your statements and items have been "made available" to you under this procedure for purposes of your obligation to review your statements in a timely manner and report any irregularities to us.

• **Business Day**

Every day is a "business" day except Saturdays, Sundays, and federal holidays. Generally our business day ends at 5:00 p.m. on Monday through Thursday, and at 6:00 p.m. on Friday (our "cutoff" times). Transactions occurring prior to the cutoff time on a business day will be considered to have taken place that day. At certain branches with extended hours the cutoff time may be later. Check with your local branch or call us for the applicable cutoff time. For transactions at ATMs, each business day generally ends at 12:00 noon, and ATM transactions occurring after 12:00 noon may be posted on the following business day.

• **ACH Transactions**

Automated Clearing House (ACH) entries are debits or credits to your account that are transmitted through the ACH system ("ACH entry" or "ACH entries"). We reserve the right to refuse to allow any ACH entry into or out of your account. All ACH entries are subject to the Operating Rules and Guidelines of the National Automated Clearing House Association (the "NACHA Rules"). As the originator or receiver of an ACH entry, you are bound by the NACHA Rules. ACH entries to or from consumer accounts are also subject to the Consumer Financial Protection Bureau's Regulation E (Part 1005), and our Agreement and Disclosure for Electronic Fund Transfer Services set forth in this Agreement.

We will notify you of the receipt of any ACH entry to your account in the periodic statements provided to you for your account. We will not (and will not be obligated to) give you next-day notice or any other notice. We are not obligated to (and will not) verify with you whether an ACH debit entry to your account was authorized by you prior to the occurrence of the debit. If you believe we have failed to properly credit an ACH entry to your account or that an ACH debit to your account is in error or unauthorized, you agree to notify us promptly. For ACH entries to consumer accounts and certain business accounts (i.e., those that do not contain an auxiliary on-us field in the MICR line of their checks) you must notify us of an error within 60 days or you may not get any money back and we will be discharged of any liability to you. Regarding consumer accounts, please refer to the "Regulation E Disclosures" section of this Agreement for your rights and obligations with respect to an

ACH error. ACH entries to non-consumer accounts are governed by the NACHA Rules. You agree that payment for ACH entries may be solely by reference to the account number of the recipient and that we are not obligated to determine whether any discrepancy exists between the account number and the name of the recipient as shown on the ACH entry information. Any credit we give you with respect to an ACH credit entry is provisional until we receive final payment. If we do not receive final payment, you agree that we are entitled to reverse the credit to your account or that you will otherwise reimburse us immediately upon demand if funds in your account are not sufficient.

DISCLOSURES REGARDING ELECTRONIC "WHOLESALE CREDIT" TRANSACTIONS SUBJECT TO UNIFORM COMMERCIAL CODE ARTICLE 4A

PROVISIONAL PAYMENT:

Credit given by us to you with respect to an automated clearing house credit entry is provisional until we receive final settlement for such entry through a Federal Reserve Bank. If we do not receive such final settlement, you are hereby notified and agree that we are entitled to a refund of the amount credited to you in connection with such entry, and the party making payment to you via such entry (i.e. the originator of the entry) shall not be deemed to have paid you in the amount of such entry.

NOTICE OF RECEIPT OF ENTRY:

Under the operating rules of the National Automated Clearing House Association, which are applicable to ACH transactions involving your account, we are not required to give next day notice to you of receipt of an ACH item and we will not do so. However, we will continue to notify you of the receipt of payments in the periodic statement we provide to you.

CHOICE OF LAW:

We may accept on your behalf payments to your account which have been transmitted through one or more Automated Clearing Houses ("ACH") and which are not subject to the Electronic Fund Transfer Act and your rights and obligations with respect to such payments shall be construed in accordance with and governed by the laws of the state of North Carolina & Virginia, unless otherwise specified in a separate agreement that the law of some other state shall govern.

The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury administers and enforces economic and trade sanctions, based on U.S. foreign policy and national security goals, against targeted foreign countries and certain entities such as terrorists and narcotics traffickers. We must comply with OFAC's regulations, which require us to screen all International ACH Transactions ("IATs") against a list of sanctioned countries and entities. If we identify an IAT, transmitted either to or from your account, for further investigation, (i) the settlement of such transaction may be delayed, (ii) the transaction may be rejected, and/or (iii) the transaction may be blocked, at which time we would be required to place an indefinite hold on the funds. In the event an IAT is rejected or blocked, we will provide you with notice. You agree not to use the ACH system to process transactions in violation of (i) sanctions imposed by OFAC, (ii) federal rules implementing and enforcing

the Unlawful Internet Gambling Enforcement Act, or (iii) other federal laws. You acknowledge that if we detect and identify any illicit, restricted or prohibited ACH transactions to or from your account, the transactions may be blocked or rejected, the originators or receivers of such transactions may be subject to penalties, and your account(s) may be closed.

Sometimes, when you write a check to buy something at a store or to pay a bill, the merchant or service provider (the “merchant”) may use your check as a source document to initiate an ACH debit entry for the amount of the check rather than send the check itself through the banking system for payment. This procedure is called “electronic check conversion.” Electronic check conversions through the ACH system may be debited to consumer accounts and certain business accounts that are eligible for check conversion (i.e., those that do not contain an auxiliary on-us field in the MICR line of their checks). Electronic check conversions may not be debited to business accounts with checks containing an auxiliary on-us field in the MICR line. Any checks over \$25,000 are ineligible for electronic check conversion.

If your paper check is converted, it will not be processed as a check. Instead, it will be processed through the ACH system as an ACH debit entry, the check amount will be debited from your account as an ACH debit entry, and we will not receive the check you wrote. You should receive a notice from the merchant who plans to use your check for electronic check conversion (we are not liable if the merchant fails to give you the required notice). For example, if you are at a store, you may see the notice on a sign, or you may be asked to sign a written notice. If you mail a check to pay a bill, you may see the notice on the bill itself. If you write a check at a store, your check may be stamped “void” and handed back to you with a receipt. If you mail a check, for example, to pay a utility bill, the utility company will keep a copy of your check but will destroy the original and your check will not be returned to you. The amount of an electronic check conversion will be described on your account statement by the amount and serial number of your check and shown as a debit to your account, but because the merchant kept the check or returned it to you, you will not receive the check (or any image of it) with your statement. Like any other ACH entry, electronic check conversions are governed by the NACHA Rules and in addition by Regulation E (for consumer accounts) and not by the rules for normal check transactions. If you want to opt out of electronic check conversion, you must contact the merchant initiating the transaction.

A merchant also may convert your check to an ACH debit entry if the original check you wrote was returned to the merchant due to insufficient funds in your account and the merchant wants to re-present the check for payment. Under NACHA Rules, this procedure applies only to checks written on consumer accounts. The merchant should give you a notice (before accepting your check) that your check may be collected electronically if it is returned (we are not liable if the merchant fails to give you the required notice). If there are sufficient funds in your account to pay the ACH debit entry created by the merchant to re-present your check, your account will be debited for the amount of the entry. The debit will be described on your account statement by the amount and serial number of your check and shown as a debit to your account, but because we did not receive the check, the check (or any image of it) will not be included with your statement. When a merchant re-presents a check electronically, the transaction is not covered

by the Consumer Financial Protection Bureau's Regulation E even if the deposit account is a consumer account. However, if the merchant charges you a fee as a result of the returned check and you authorize the merchant to electronically debit the fee from your consumer account, that transfer is covered by Regulation E and the Regulation E Disclosures set forth elsewhere in this Agreement.

ACH entries to or from business accounts are governed by, as applicable, NACHA Rules, our Funds Transfer Authorization and Agreement as amended from time to time, the terms of which are incorporated into this Agreement by reference, and applicable state and federal law. They are not subject to Regulation E. You agree that you are responsible for reviewing a current copy of our standard Funds Transfer Authorization and Agreement before you originate any ACH entry to or from your business account.

• Wire Transfers

Wire transfers can be credited to or debited from your account; however, we reserve the right to refuse to allow wire transfers into or out of your account for any reason. Wire transfers are subject to applicable state and federal law (including, for example, Article 4A of the Uniform Commercial Code) and any rules in effect at the time of the transfer governing the use of any system through which the funds may be transmitted, including, for example, Federal Reserve Board Regulation J (in the case of a Fedwire transfer), SWIFT, and the Clearing House Interbank Payments System (CHIPS). You are also bound by our standard Funds Transfer Authorization and Agreement, as amended from time to time, the terms of which are incorporated into this Agreement by reference. You agree that you are responsible for reviewing a current copy of our standard Funds Transfer Authorization and Agreement before you initiate any wire transfer.

We will notify you of the receipt of a wire transfer into or out of your account in the periodic statements provided to you for your account. We will not (and will not be obligated to) give you next-day notice or any other notice of a wire transfer. If you believe we have failed to credit a transfer to you properly, or that a wire transfer has been made from your account in error or without your authority, you agree to notify us promptly. You are responsible for verifying with us our receipt of any wire transfer instructions you give us. You agree that payment for wire transfers may be solely by reference to the account number of the recipient and that we are not obligated to determine whether any discrepancy exists between the account number and the name of the recipient as shown on the transfer information. Any credit we give you with respect to a wire transfer is provisional until we receive final payment. If we do not receive final payment, you agree that we are entitled to reverse the credit to your account or that you will otherwise reimburse us immediately upon demand if funds in your account are not sufficient.

If you are entitled to compensation for any delay or improper completion of a wire transfer as a result of our error as defined in our Funds Transfer Authorization and Agreement, our liability will be limited to the payment of interest for a period not exceeding the lesser of 60 days or the period between the date of the error and the date of the correction. We will not be responsible under any circumstances for any consequential, incidental or actual damages (except for interest as provided above) in the event of any such delay or improper completion. You agree to notify us immediately upon learning of any unauthorized wire transfer or any other discrepancy from your transfer instructions. We will be discharged

from any loss or liability to the extent caused by your delay in giving us such notification.

Without regard to care or lack of care on our part or your part, if you have failed to discover and report to us any unauthorized transfer or any other discrepancy with respect to a transfer instruction within 14 calendar days from the date we first notify you of the transfer (whether by debit advice, periodic statement or otherwise), you will be precluded from asserting against us the unauthorized transfer or other discrepancy or from claiming interest. You acknowledge that this 14-day period constitutes a reasonable period of time for notification of an unauthorized transfer or other discrepancy.

You agree not to use the wire transfer system to process transactions in violation of (i) sanctions imposed by the Office of Foreign Assets Control ("OFAC"), (ii) federal rules implementing and enforcing the Unlawful Internet Gambling Enforcement Act, or (iii) other federal laws. Illicit, restricted or prohibited transactions that we detect and identify may be blocked or rejected, the senders or beneficiaries of such transactions may be subject to penalties, and your account(s) may be closed.

• Electronic Fund Transfer Services

To the extent applicable, electronic fund transfer services are governed by the Consumer Financial Protection Bureau's Regulation E, the Southern Online Banking Agreements (business and personal), and the Agreement and Disclosure for Electronic Fund Transfer Services (which governs our consumer electronic fund transfer services, including ATM cards and Visa Check Cards), and the Southern Visa Business Check Card Agreement (which governs electronic fund transfer services for business accounts). You should refer to the appropriate agreement and disclosure for details concerning your rights and obligations in relation to electronic fund transfer services. The agreements and disclosures, as amended from time to time, are incorporated into this Agreement by reference. Because of the limited scope of the Southern Online Banking Agreement and Disclosure, we provide that document only to subscribing customers or on request.

• Indemnification/Limitation of Liability

Our responsibility to you and to your account is limited to the exercise of ordinary care as established by the reasonable commercial standards of the banking business. We will not be responsible to you for any loss caused by matters beyond our reasonable control including, but not limited to: wars, riots, actual or threatened terrorist acts, civil insurrection, strikes, computer failure, natural disasters, or the loss of power, communication or transportation facilities. We will not be liable to you under any circumstances for any consequential, incidental, special, or punitive damages, regardless of whether you informed us of the possibility of such damages. You agree to indemnify us and hold us harmless for any losses, liabilities, and expenses we may incur, including our attorneys' fees, in connection with your account, except to the extent caused by our failure to exercise ordinary care. Your liability will be joint and several. We may charge any of your accounts with us for any such losses, liabilities or expenses without prior notice to you.

Nothing in this Agreement shall be construed to limit any rights or defenses available to us, or any warranty, indemnity or liability im-

posed on you, under applicable state or federal laws or regulations or any separate agreements applicable to your accounts.

• **Waiver**

We reserve the right to waive the enforcement of any of the terms of this Agreement with you with respect to any transaction or series of transactions. Any such waiver will not affect our right to enforce any of our rights with respect to other customers, or to enforce any of our rights with respect to later transactions with you and any such waiver is not sufficient to modify the terms of this Agreement.

• **Refusal of Deposits, Closing of Account and Credit Reports**

We reserve the right to refuse any deposits to your account, to require the withdrawal of any account balance due you, and to close your account without prior notice to you, all with or without cause. You will remain liable for checks and other transactions in process and for the payment of any accrued fees if we close your account.

You authorize us to request and obtain one or more credit reports about you from one or more credit reporting agencies for the purpose of considering your application for new accounts, reviewing or collecting any account opened by you, or any other legitimate business purpose.

• **Privacy of Account Information**

We will disclose information to third parties about your account(s) only in accordance with the policies set forth in our Privacy Notice, which is incorporated into this Agreement by reference as amended from time to time. Please refer to our Privacy Notice for more details on our information-sharing policies. Copies of our Privacy Notice are available at any of our branches or on our website at www.southernbank.com. From time to time we are legally required to provide information in response to court or administrative orders, subpoenas, summonses, tax levies, or other such legal process. You will pay our standard charges for the research and copying of documents and for any other expenses we incur in complying with such legal process including, but not limited to, our attorneys' fees. Our fees will be determined from our Disclosure of Products and Fees in effect at the time that the services are rendered, and we may charge your account for any such fees and expenses.

• **Account Documents**

All transactions between you and the Bank relating to your account will be governed by the terms of this Agreement, the current Disclosure of Products and Fees, the account signature card, the account type, any other documents or records relating to your account, our rules and regulations and applicable state and federal laws and regulations, as they all may now exist or may hereafter be amended. If there is a conflict between this Agreement and the terms of your signature card, the terms of this Agreement will prevail.

• **Electronic Signatures and Records**

You agree that electronic signatures and electronic records shall have the same effect as physical signatures and records as respects

your transactions with us and this Agreement to the extent allowed by applicable law.

• **Compliance with Governing Laws**

Your account is governed by the laws and regulations of the United States of America, to the extent applicable, and the state and municipality where your account is maintained. Bank and Depositor each agrees to comply with the provisions of all applicable federal, state, county and municipal laws, regulations and ordinances, and shall be responsible for obtaining any and all authorizations from any applicable governmental authority that may be required for performance under this Agreement.

By maintaining an account with us, you submit to the personal jurisdiction of the state where your account is held. A lawsuit or other legal proceeding regarding your account must be brought in a proper federal court or in a court in the applicable state. If there is any conflict between this Agreement and applicable federal or state law, this Agreement will be considered changed to the extent necessary to comply with the law. If any provision of this Agreement is declared to be invalid, unenforceable or illegal, that part will not affect the validity or enforceability of the remainder of this Agreement.

• **Amendments to this Agreement**

We reserve the right to amend this Agreement at any time. The terms “amend” or “amendment” include a change or supplementation to, or deletion of, existing provisions and/or the addition of new provisions whether or not the amendment or the subject of the amendment was addressed in previous versions of this Agreement or other agreements governing your account. We will provide you with any notice required by law of any amendments to this Agreement. If the manner of notice is not specified by law, you agree that we may notify you in any manner we deem reasonable, including statement message, letter or other mailing, e-mail if you have agreed to receive e-mail communications from us, or any other reasonable means in our discretion. Mailed notices, or, if applicable, e-mailed notices, will be sent to the address we have for you on our account records. If notice is not required by law, we may in our discretion not notify you of technical amendments that do not affect your or our substantive rights or obligations under this Agreement. Your continued use of your account after the effective date of an amendment, or after 30 days from the date of our notice to you if no effective date is stated, will constitute your acceptance of the amendment.

• **Interstate Banking**

We have branches in several states. You agree that we can charge different fees and offer different services in different states. Some products and services mentioned in this Agreement may not be offered in all states. If your account is maintained through a branch in one state, you may make deposits or withdrawals from your account at one of our branches in another state. If you desire to move your account to another state, you should contact your local branch in that state.

SUBSTITUTE CHECK NOTICE

The following applies to consumer accounts only:

Important Information About Your Checking Account Substitute Checks and Your Rights

WHAT IS A SUBSTITUTE CHECK?

To make check processing faster, federal law permits banks to replace original checks with "substitute checks." These checks are similar in size to original checks with a slightly reduced image of the front and back of the original check. The front of a substitute check states: "This is a legal copy of your check. You can use it the same way you would use the original check." You may use a substitute check as proof of payment just like the original check.

Some or all of the checks that you receive back from us may be substitute checks. This notice describes rights you have when you receive substitute checks from us. The rights in this notice do not apply to original checks or to electronic debits to your account. However, you have rights under other law with respect to those transactions.

WHAT ARE YOUR RIGHTS REGARDING SUBSTITUTE CHECKS?

In certain cases, federal law provides a special procedure that allows you to request a refund for losses you suffer if a substitute check is posted to your account (for example, if you think that we withdrew the wrong amount from your account or that we withdrew money from your account more than once for the same check). The losses you may attempt to recover under this procedure may include the amount that was withdrawn from your account and fees that were charged as a result of the withdrawal (for example, bounced check fees).

The amount of your refund under this procedure is limited to the amount of your loss or the amount of the substitute check, whichever is less. You also are entitled to interest on the amount of your refund if your account is an interest-bearing account. If your loss exceeds the amount of the substitute check, you may be able to recover additional amounts under other law.

If you use this procedure, you may receive up to \$2,500 of your refund (plus interest if your account earns interest) within 10 business days after we received your claim and the remainder of your refund (plus interest if your account earns interest) not later than 45 calendar days after we received your claim.

We may reverse the refund (including any interest on the refund) if we later are able to demonstrate that the substitute check was correctly posted to your account.

HOW DO YOU MAKE A CLAIM FOR A REFUND?

If you believe that you have suffered a loss relating to a substitute check that you received and that was posted to your account, please stop by your local branch; or call us or write us at the telephone number or the address shown on your periodic statement. You must contact us within 40 calendar days of the date that we mailed (or otherwise delivered by a means to which you agreed) the substitute check in question or the account statement showing that the substitute check was posted to your account, whichever is later. We will extend this time period if you were not able to make a timely claim because of extraordinary circumstances.

Your claim must be in writing and include:

- A description of why you have suffered a loss (for example, you think the amount withdrawn was incorrect);
- An estimate of the amount of your loss;
- An explanation of why the substitute check you received is insufficient to confirm that you suffered a loss; and
- A copy of the substitute check [and/or] the following information to help us identify the substitute check: the check number, the name of the person to whom you wrote the check, and the amount of the check.

ARBITRATION PROVISION

PLEASE READ THIS PROVISION CAREFULLY: IT PROVIDES THAT CERTAIN DISPUTES MAY BE RESOLVED BY BINDING ARBITRATION AT THE ELECTION OF EITHER PARTY. ARBITRATION REPLACES THE RIGHT TO GO TO COURT, INCLUDING THE RIGHT TO A JURY TRIAL AND THE RIGHT TO PARTICIPATE IN A CLASS ACTION LAWSUIT. IN ARBITRATION, A DISPUTE IS RESOLVED BY AN ARBITRATOR RATHER THAN A JUDGE OR JURY. THE RIGHT TO APPEAL THE ARBITRATOR'S DECISION MAY BE LIMITED OR UNAVAILABLE.

• AGREEMENT TO ARBITRATE

Except as provided below in "EXCEPTIONS TO APPLICABILITY OF ARBITRATION," either you or we may require that any "Claim" (as defined below) be resolved exclusively and finally by binding arbitration, even if suit already has been filed in court. "Claim" means any claim, controversy or dispute (whether preexisting, present, or future) based on any theory of law or remedy, made by you or anyone connected with you or claiming through or for you (including a co-owner, representative, or trustee in bankruptcy) that arises from or relates to: (a) this Deposit Account Agreement (or other agreement referencing this provision) ("Agreement"), any prior agreements relating to your account, or the relationships that result from the Agreement; (b) your account with us subject to the Agreement ("your account") and transactions on your account; (c) this Arbitration Provision; (d) any products, services or benefit programs related to or offered in connection with your account whether or not we offered, introduced, sold or provided them; or (e) any disclosures of information about you or your account.

• EXCEPTIONS TO APPLICABILITY OF ARBITRATION

This Arbitration Provision does not limit your or our right to seek temporary injunctive relief from a court pending any arbitration proceeding. We also retain the right and option to exercise our right of set off under applicable law or contract and to exercise judicial remedies to enforce any monetary obligations incurred in connection with your account.

• NO CLASS ACTION CLAIMS

No Claim may be arbitrated on a class action basis. Arbitration shall proceed on an individual basis, including Claims made and remedies sought as part of a class action, private attorney general or other representative action. No Claim may be consolidated with the dispute of any other person. With arbitration, you cannot act as a class representative or participate as a member of a class, even if the Claim has been asserted in court.

• GENERAL

Any Claim subject to arbitration shall be resolved by binding ar-

bitration administered by the American Arbitration Association ("AAA") before a single neutral arbitrator in the state where we maintain your account. Judgment on the arbitrator's award may be entered by any court having jurisdiction. The AAA Rules for Resolving Commercial Financial Disputes, including (as applicable) the Supplementary Procedures for Large, Complex Commercial Disputes ("Rules"), in effect on the date arbitration is filed, shall govern the arbitration, subject to this Arbitration Provision. The arbitrator may allow discovery of relevant non-privileged documents.

The arbitrator does not have authority to award punitive, exemplary, statutory or consequential damages or damages for lost profits. The party initiating arbitration pays the initial filing fee. Expenses and fees of the arbitrator are shared equally by the parties unless the arbitrator specifically assesses all or part of the expenses and fees in the award. Award or denial of a Claim must be made in writing and generally state the reasons for the decision. This Arbitration Provision is made pursuant to a transaction involving interstate commerce and is governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16. This Arbitration Provision survives: (a) termination of or changes to the Agreement, your account, or your relationship with us concerning your account; (b) bankruptcy; and (c) our transfer of your account.

SOUTHERN BANK FUNDS AVAILABILITY POLICY (REGULATION CC)

GENERAL POLICY

This policy statement applies to "transaction" accounts only. Transaction accounts, in general, are accounts which permit an unlimited number of payments to third persons and an unlimited number of telephone and preauthorized transfers to other accounts of yours with us. Checking accounts are the most common type of transaction accounts. Feel free to ask us whether any of your other accounts might also be subject to this policy.

Our policy is to make funds from your deposits available to you as follows:

- **Cash deposits:** the business day we receive your deposit.
- **Checks:** the first business day after the day we receive your deposit.
- **Electronic payments:**
 - **Wire transfers:** the business day we receive your credit transfer.
 - **Automated Clearing House (ACH) credit transfers** (e.g., direct deposits, automated payroll deposits, etc.): the business day we receive settlement for the deposit (generally the day after we receive payment for the transfer from the Federal Reserve, our ACH Operator).

However, longer delays may apply (see applicable section below). In determining the availability of your deposits, every day is a business day except Saturdays, Sundays and federal holidays. In order for your deposit to be credited to your account on the day you make the deposit, the deposit must be made before our "cut-off" time. Generally, our cutoff time is 5:00 p.m. Monday through Thursday and 6:00 p.m. on Friday. Certain branches with extended hours may have later cutoff times. Check with your local branch

or call us for the applicable cutoff time. If you make a deposit to a teller in one of our branches on a business day before the cutoff time, we will consider that day to be the day of your deposit. For transactions at ATMs, our business day ends at 12:00 noon. If you make a deposit to one of our ATMs before 12:00 noon on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit at an ATM after 12:00 noon, or at a branch or ATM on a day other than a business day, we will consider that the deposit was made on the next business day we are open.

LONGER DELAYS MAY APPLY

In some cases, we will not make all of the funds that you deposit by check available to you on the first business day after the day of your deposit. Depending on the type of check that you deposit, funds may not be available until the second business day after the day of your deposit. However, the first \$225 of your deposits will be available on the first business day after the day of your deposit.

If we are not going to make all of the funds from your deposit available on the first business day after the day of your deposit, we will notify you at the time you make your deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our employees, or if we decide to take this action after you have left the premises, we will mail you the notice by the day after we receive your deposit or the day after we make the decision to delay the availability of funds.

If you will need the funds from a deposit right away, you should ask us when the funds will be available.

In addition, funds you deposit by check may be delayed for a longer period under the following circumstances:

1. We believe a check you deposit will not be paid.
2. You deposit checks totaling more than \$5,525 on any one day.
3. You redeposit a check that has been returned unpaid.
4. You have overdrawn your account repeatedly in the last six months.
5. There is an emergency, such as failure of communications or computer equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the seventh business day after the day of your deposit.

SPECIAL RULES FOR NEW ACCOUNTS

We may also delay the availability of funds beyond the time periods described above if a deposit is made into a new account. If you are a new customer, the following special rules may apply during the first 30 days your account is open. Funds from electronic direct deposits to your account will be available on the business day we receive the deposit. Funds from deposits of cash, wire transfers, and the first \$5,525 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you. The excess over \$5,525 will be available on the ninth business day after the day of your deposit.

Once funds are available, you can withdraw the funds in cash and we will use the funds to pay checks that you have written.

HOLDS ON OTHER FUNDS

If we cash a check for you that is drawn on another bank, we may withhold the availability of a corresponding amount of funds that are already in your account. Those funds will be available at the time funds from the check we cashed would have been available if you had deposited it.

If we accept for deposit a check that is drawn on another bank, we may make funds from the deposit available for withdrawal immediately but delay your availability to withdraw a corresponding amount of funds that you have on deposit in another account with us. The funds in the other account would then not be available for withdrawal until the time periods that are described elsewhere in this disclosure for the type of check that you have deposited.

AGREEMENT AND DISCLOSURE FOR ELECTRONIC FUND TRANSFER SERVICES (REGULATION E) (CONSUMER ACCOUNTS)

Southern Bank is pleased to offer you the many benefits of our electronic fund transfer services. These services permit the automatic deposit, withdrawal and transfer of funds from your checking or savings accounts.

This Agreement and Disclosure for Electronic Fund Transfer Services applies to electronic fund transfers to or from a consumer's account. This Agreement and Disclosure (and Regulation E) do not apply to electronic fund transfers involving business accounts. Electronic fund transfers initiated to or from a business account by use of the Southern Visa Business Check Card are governed by our Visa Business Check Card Agreement, which is provided separately to business customers.

An electronic fund transfer is a transfer of funds, other than a transaction originated by a check or a draft that is initiated by a debit card or through an electronic terminal, telephone, computer, or magnetic tape for the purpose of authorizing us to debit or credit your checking or savings account. The direct deposit of your paycheck or social security check, the automatic payment of your utility bills, and automated teller machine and debit card transactions are examples of electronic fund transfers. Examples of transactions which are not considered electronic fund transfers include:

- Wire transfers.
- The automatic crediting of interest to your account.
- Pre-authorized transfers between your accounts with us, such as an automatic transfer from your savings to your checking account.
- Pre-authorized transfers from your account with us to the account of your family member with us.
- Pre-authorized loan payments to repay your loan with us.

Your Southern ATM card (your "ATM card") is an access device which can be used at an automated teller machine (ATM) or as a debit card to pay for goods and services where the card is accepted. Your Southern Visa® Check Card (your "Visa Check Card") can be used in the same manner as your ATM card. In addition, your Visa Check Card can be used as a debit card at any merchant display-

ing the VISA logo. As used in this Agreement, the term “card” refers interchangeably to Southern ATM cards and Southern Visa Check Cards. Use of your card may require a personal code (referred to as a personal identification number, or “PIN”).

You will normally be required to use your PIN when you use your ATM card or Visa Check Card to purchase goods or services from a merchant who debits your account electronically using a point-of-sale electronic terminal at the merchant’s location. These transactions are referred to as “PIN,” “PIN-based,” or “online” debit card transactions. In contrast, when you use your Visa Check Card to purchase goods or services from a merchant who displays the VISA logo, the transaction will be handled very much like a traditional credit card transaction. The use of your PIN will not normally be required. For this reason, these transactions are referred to as “no PIN,” “non-PIN,” or “off-line” debit card transactions. Your Visa Check Card is not a credit card, however. Unlike a credit card transaction, your checking account is directly debited when you use your Visa Check Card.

In addition to the electronic fund transfer services discussed below, our customers may enroll in Southern Online Banking (“online banking”), an Internet online banking service. This Agreement and Disclosure applies to all of the electronic fund transfer services we provide, other than services through Southern Bank Online Banking. We provide a separate agreement and disclosure for our Online Banking customers. References in this Agreement and Disclosure to electronic fund transfers and electronic fund transfer services do not include electronic fund transfers or electronic fund transfer services through Southern Online Banking.

Your rights, liabilities and responsibilities for electronic fund transfers are governed by this Agreement and, to the extent applicable, by the provisions of the federal Electronic Fund Transfer Act and the Consumer Financial Protection Bureau’s Regulation E. This Agreement also contains the disclosures we are required to provide to consumers by Regulation E for our electronic fund transfer services. The terms and conditions of this Agreement are in addition to the terms and conditions of any deposit account agreements governing accounts which can be accessed through electronic fund transfers. By using your ATM card, your Visa Check Card, or any of our other electronic fund transfer services, you agree to be bound by the terms and conditions of this Agreement.

GENERAL PROVISIONS REGARDING USE OF YOUR CARD

The use of your ATM card and your Visa Check Card is subject to the following general terms and conditions:

1. When you use your card or authorize anyone else to use your card, you agree to be bound by the provisions of this Agreement, to be responsible for all authorized transfers, withdrawals and transactions made by use of the card, and to be responsible for unauthorized use of the card to the extent permitted by law.

Consumer Accounts

- If the account to which your card is linked is a consumer account, your liability for unauthorized transactions is governed by Regulation E. A summary of your rights, obligations and liabilities under Regulation E are included following this Agreement and Disclosure.

Additional Limits on Liability

- Visa’s Zero Liability Policy covers fraudulent transactions pro-

cessed on Visa's network using your debit card. It does not cover transactions using a PIN, which are not processed on Visa's network. You must report unauthorized transactions promptly. Provisional credit will be given while we investigate your claim.

Business Accounts

1. If the account to which your card is linked is not a consumer account, you must tell us about any unauthorized transfer(s) within 60 days after the statement showing the transfer(s) was made available to you. If you do not notify us on a timely basis, you may not get back the money you lost on either the initial unauthorized transfer or on any subsequent unauthorized transfers if we can prove that we could have stopped someone from completing the subsequent transfers if you had told us about the initial unauthorized transfer(s) in time.

2. Transactions made through the use of the card are subject to the deposit account agreement relating to the accessed accounts, and you authorize us to charge or credit the applicable account for the amount and type of transaction made in accordance with the applicable account agreement. If you have a line of credit related to your account (such as Cash Reserve, EquityLine or Reserve Plus), by requesting a card you specifically request card access to the line of credit and you understand and agree that the provisions of the agreement relating to your credit line will govern overdrafts, automatic advances to maintain the minimum balance necessary to avoid account service charges, and direct advances resulting from the use of the card. You authorize us to debit your related deposit account for any payments owed on your line of credit, regardless of whether the line of credit is in default.

3. We can refuse to issue a card to anyone. We also reserve the right to revoke a card at any time without notice to you, and we may elect to do so if your card is inactive. The card is our property, and you agree to surrender it to us upon our request. In our discretion, we may issue a card to the account owner, any account co-owner, and any person authorized to receive a card by the account owner or any account co-owner. We reserve the absolute right to revoke card privileges with or without cause or notice, unless otherwise required by law. If more than one card is issued to access an account, we reserve the absolute right to revoke any or all of the cards used to access the account upon the request of the account owner, any account co-owner, or any person authorized to receive a card by the account owner or any account co-owner, regardless of whether the card or cards to be revoked are in the possession of the person requesting revocation. When we revoke a card, the card cannot thereafter be used to access any account or effect any electronic fund transfer.

4. If the use of a card overdraws your account and the overdraft is not covered by a transfer from an approved line of credit or savings account linked to your account, you agree to make immediate payment to us of the amount of any such overdraft and related service charges. You also agree we may charge the overdraft against your other accounts with us to the extent permitted by law and by your account agreement. Subsequent items presented against your account may be assessed a per item service charge whether the items are paid or returned.

5. If the account has co-owners, each co-owner will be jointly and severally liable for any obligation which arises from use of any card used to access the account. Any notice we give you concerning the

card is effective when mailed or delivered to the address we have for you in our account records. If the account has more than one co-owner, notice to any one co-owner will be considered effective notice to all.

6. When used at an ATM, your ATM card and your Visa Check Card may be used to access any checking or savings account to which the card is "linked." When used as a debit card for merchant purchases, your ATM card will debit only the primary checking account "linked" to that card. If there is no checking account "linked" to the ATM card, then your ATM card will debit the primary savings account "linked" to that card. When used as a debit card for merchant purchases, your Visa Check Card will debit only the primary checking account "linked" to that card - it cannot be used to debit any other checking or savings account "linked" to that card.

7. You authorize us to debit or credit your account as appropriate for the total amount shown on any debit or credit instructions originated by use of the card. We will not make cash refunds to you on purchases you make with the card, and you must handle directly with the merchant any claim or defense you have with respect to goods or services purchased with the card. Your assertion of a claim or defense will not relieve you of the obligation to pay the total amount of the sales draft and any appropriate charges we are authorized to make. Any refunds the merchant makes to you of amounts charged by use of the card must be made on a credit voucher signed by you and the merchant and presented by the merchant to us. You are not permitted to stop payment on any sales draft or withdrawal voucher originated by use of the card. We will not be liable to you for any claims you have against any merchant arising from any debit card transaction.

8. The use of your Visa Check Card to effect non PIN debit card transactions is subject to the following additional provisions:

- You authorize us to debit your account and agree that the use of your Visa Check Card with any merchant, whether or not you have signed any sales or debit authorization, will constitute a simultaneous withdrawal from and/or demand on your account, even though the transaction may not actually be posted to your account until a later date.
- When you use your Visa Check Card, the merchant may request authorization for the transaction. In essence, the merchant is asking us to "guarantee" payment to the merchant if the merchant accepts your Visa Check Card. We will provide authorization if the available balance in your account (plus the unused balance of any line of credit or savings account linked to your account) is sufficient to cover the transaction at the time of the merchant's request. If the available balance is not sufficient to cover the transaction at the time the merchant requests authorization, we may either authorize or deny the transaction depending on a number of factors including the account history, whether the account is a consumer or business account, and if a consumer account, whether the account holder has "opted-in" to our payment of ATM and one-time debit card transactions presenting against insufficient funds.
- **When we authorize a transaction, the transaction becomes a pending debit and we will automatically place a "hold" on your account for the amount authorized. The available balance in your account (and, to the extent needed, the unused balance of any line of credit or savings account linked to**

your account) will be reduced by the amount for which the merchant has received authorization, even if (i) the transaction has not been settled or posted by us, or (ii) the transaction may not be consummated. The “hold” placed on your account will be released when (i) the authorized transaction has settled and posted through us, or (ii) the hold period expires, whichever occurs first. The hold period will not exceed three business days. When we authorize a transaction and place a “hold” on your account, the available balance in your account will be reduced. As a result, funds in your account subject to the hold will not be available (i) for withdrawal or transfer by you in person or at an ATM, (ii) for subsequent debit card transactions, or (iii) to satisfy items presented for payment against your account (including checks, drafts and pre-authorized transfers).

- You agree to be liable for all charges resulting from our authorization of a transaction (including, for example, NSF and overdraft charges), and you release us from all liability arising from any holds we place on your account when debit transactions are authorized. This release extends to our refusal (i) to permit you to withdraw or transfer funds from your account (either in person or at an ATM), (ii) to authorize subsequent debit card transactions, and (iii) to satisfy items presented for payment against your account (including checks, drafts and pre-authorized transfers).

9. If you conduct a debit card transaction in currency other than U.S. dollars, Visa will convert it to U.S. dollars by multiplying the transaction amount in the non-U.S. dollar currency by a currency conversion rate that is either (i) the government-mandated rate in effect on the central processing date, or (ii) a rate selected by Visa from the range of rates available in wholesale currency markets for the applicable central processing date, which may vary from the rate Visa itself receives. The resulting U.S. dollar transaction amount will be charged to your account. Visa charges us a fee on transactions initiated outside of the United States and on transactions conducted in non-U.S. currency. If you use your ATM or Visa Check Card to conduct either of these types of transactions we will charge your account, and you agree to pay, a foreign transaction fee that is a percentage of the transaction amount as specified in our Disclosure of Products and Fees.

10. The consumer protection provisions of the federal Electronic Fund Transfer Act and the Consumer Financial Protection Bureau's Regulation E apply only to electronic fund transfers involving consumer checking and savings accounts established primarily for personal, family or household purposes. If your account is owned by an entity other than a natural person or was established primarily for business, commercial or agricultural purposes, then, your use of the card will be governed by our Visa Business Check Card Agreement.

11. We may modify the terms of this Agreement from time to time. We will provide you with any notice required by law of any changes to the terms of this Agreement.

REGULATION E DISCLOSURES

(Consumer Accounts)

The following is a summary of your rights, liabilities and obligations for consumer electronic fund transfers under the Consumer Financial Protection Bureau's Regulation E. The following disclosures do not apply to business electronic fund transfers (which are

governed by our Visa Business Check Card Agreement) nor to electronic fund transfers initiated through Southern Online Banking – we provide separate disclosures to our online banking customers.

Services Available

We offer the following electronic fund transfer services in connection with savings and checking accounts (including checking accounts which bear interest):

• ATM Transactions

ATM transactions normally require the use of your PIN. Some of the services may not be available at all ATM terminals.

You can use your ATM card or your Visa Check Card at Southern ATM's to:

- Withdraw cash from your account.

- Make deposits to your account.

- Transfer funds between your checking and savings accounts.

- Inquire as to the balance in your account.

You can use your ATM card or your Visa Check Card at an ATM that we do not own or operate but which participates in one of several ATM networks in which we are a member (such as PLUS®, NYCE®, INTERLINK® or VISA®) to:

- Withdraw cash from your account.

- Inquire as to the balance in your account.

• Debit Card Transactions

Your ATM card and your Visa Check Card can be used as a debit card to purchase goods and services at any business that has agreed to accept debit cards and that displays the logos of networks in which we participate (e.g., PLUS®, NYCE®, INTERLINK® and Visa®). These card transactions normally require the use of your PIN.

Your Visa Check Card can be used as a debit card to purchase goods and services at any merchant displaying the VISA logo. These debit card transactions do not normally require the use of your PIN.

• Pre-Authorized Transfers

You can arrange to:

- Pay certain bills automatically from your account.

- Receive certain automatic deposits to your account from other persons (for example, social security payments or payroll payments).

- Transfer funds automatically between your checking and savings accounts.

• Electronic Check Conversion

You may authorize a merchant or other payee to make a one-time electronic payment from your checking account using information from your check to pay for purchases or to pay bills.

Transaction Limitations

We impose transaction limitations on your account with respect to electronic fund transfer services. These transaction limitations generally apply on a "per card" and "per business day" basis. Transaction limitations, which are subject to change, are published in our Disclosure of Products and Fees.

At our discretion we may refuse to pay any check presented for

payment through an ATM transaction. For security reasons we may impose additional limits on the number and dollar amount of transactions you can perform using your card, and we can impose additional security restrictions on check cashing, "split" deposits, and "cash-back" deposit transactions. Savings and money market accounts limit (i) third party transactions (e.g., checks, drafts and debit card purchases); (ii) pre-authorized or automated transfers (including ACH and overdraft protection transfers); (iii) transfers made by personal computer (including online banking or bill payment services); and (iv) telephone transfers (including facsimile or data transmission) from your account to six per month. Loan payments to us are not included in these limits.

Charges

We will charge you for electronic fund transfers (including ATM transactions, and debit card transactions) in accordance with our Disclosure of Products and Fees. We reserve the right to change the fee schedule from time to time.

When you use an ATM not owned by us, you may be charged a fee by the ATM operator or by a national, regional or local network used to complete the transfer, and you may be charged a fee for a balance inquiry even if you do not complete a fund transfer. Such fees (i) are imposed by the ATM operator or network; (ii) are disclosed at the time of the transaction; (iii) cannot be waived by Southern Bank; (iv) are in addition to any other applicable charges; and (v) apply regardless of the account balance or account type.

Your Liability for Unauthorized Transfers

When you use your card or authorize anyone else to use your card, you agree to be bound by the provisions of this Agreement, to be responsible for all authorized transfers, withdrawals and transactions made by use of the card, and to be responsible for unauthorized use of the card to the extent permitted by law.

Please tell us AT ONCE if you believe your ATM card, your Visa Check Card, or your PIN has been lost or stolen, or if you believe that an electronic fund transfer has been made without your permission using information from your check. Telephoning is the best way of keeping your possible losses down. You could lose all the money in your account, plus the maximum amount of any line of credit linked to your account (such as a Cash Reserve or EquityLine account) or savings account linked to your account for overdraft protection transfer purposes. If you believe your card has been lost or stolen, and you tell us within two business days after you learn of the loss or theft, you can lose no more than \$50.00 for unauthorized transactions using your card. If you do NOT tell us within two business days after you learn of the loss or theft of your card, and we can prove we could have stopped someone from using your card without your permission if you had told us, you can lose no more than \$500 for unauthorized transactions. Losses could include not only the money in your account, but also advances on any credit line associated with your account. Also, if your statement shows transfers that you did not make, tell us at once. If you do not tell us within 60 days after the statement was mailed to you, you may not get back any money you lost after the 60 days if we can prove that we could have stopped someone from taking the money if you had told us in time. If a good reason (such as a long trip or a hospital stay) kept you from telling us, we may extend the time periods. Remember, if you maintain the confidentiality of your PIN, it will reduce the possibility of the unauthorized use of your card. Do not write your PIN number on your card.

If Your Card Is Lost, Stolen, or Used Without Your Authority

If you believe your card has been lost or stolen or that someone has transferred or may transfer money from your account without your permission, call us at:

1-855-275-7226

If your card is lost or stolen, you can prevent further use by calling Southern's Customer Contact Center at 1-855-275-7226 and placing your card in a "Hot Card" status

**or write
Southern Bank and Trust Company
ATM/BankCard Inquiry
PO Box 729, Mount Olive, NC 28365-0729
or contact your local branch immediately.**

Business Day

For purposes of these disclosures, our business days are Monday through Friday. Holidays are not included.

Disclosure of Account Information

We will disclose information to third parties about your account(s) in accordance with the policies set forth in our Privacy Notice. For example, we will disclose information about your account(s) or the transfers you make that we believe is necessary:

- To complete or document transactions, to investigate possible unauthorized transactions, or to combat fraud.
- To verify the existence and condition of your account for a third party, such as a credit bureau or merchant.
- In response to government agency inquiries or orders.
- In response to court orders.
- If you give us your written or oral permission.
- To comply with government regulations.
- To offer you products and services that we believe may interest you.

Please refer to our Privacy Notice for more details on our information-sharing policies. Copies of our Privacy Notice are available at any of our branches or on our website at www.southernbank.com.

You must pay our standard charges for research and copying when we provide account information to you or to third parties.

Documentation of Transfers

Under Regulation E, you have the right to receive documentation of electronic fund transfers as follows:

- **ATM Transfers:** You can get a receipt at the time you make any transfer to or from your account using one of our ATMs or any ATM that participates in one or more of the several ATM networks of which we are a member.
- **PIN Required Debit Card Transactions:** You can get a receipt at the time you purchase goods or services using your card to effect PIN-based debit card transactions at a point-of-sale electronic terminal.
- **Direct Deposits:** If you have arranged to have direct deposits made to your account at least once every 60 days from the same person, company or government agency, either (i) the person or

company making the deposit will tell you every time they send us the money, or (ii) you can call the Customer Contact Center at 1-855-275-7226, or (iii) you can call or visit your local branch office to find out whether or not the deposit has been made.

- **Periodic Statements:** You will get a monthly account statement unless there are no transfers in a particular month. In any case, you will get a statement at least quarterly. However, we will discontinue mailing statements to you if your statements are returned to us as undeliverable for three consecutive months.

Your Right to Stop Payment of Pre-Authorized Transfers and Your Right to Receive Notice of Varying Amounts

- **Stop Payment Procedure:** If you have told us in advance to make regular payments out of your account, you can stop any of these payments. Here's how: Call us or write us at the telephone number or the address shown on your periodic statement in time for us to receive your request three business days or more before the payment is scheduled to be made. If you call, we may also require you to put your request in writing and to get it to us within 14 days after you call. Normal service charges apply for each stop payment order requested.
- **Notice of Varying Amounts:** If your regular payments vary in amount, the person you are going to pay will tell you, at least 10 days before each payment, when it will be made and how much it will be. You may choose instead to get this notice only when the payment would differ by more than a certain amount from the previous payment, or when the amount would fall outside certain limits that you set.
- **Failure to Stop Payment of Pre-Authorized Transfer:** If you order us to stop one of these payments three business days or more before the transfer is scheduled, and we do not do so, we will be liable for your losses or damages caused by our failure.

Liability for Failure to Make Transfers

If we do not complete a transaction to or from your account on time or in the correct amount according to our agreement with you, we will be liable for your losses or damages caused by such failure. However, there are some exceptions. We will NOT be liable, for instance:

- If, through no fault of ours, you do not have enough money in your account to make the transaction.
- If the transaction would go over the credit limit on your overdraft line of credit.
- If the ATM where you are making the transaction does not have enough cash.
- If the terminal or the ATM system was not working properly and you knew about the breakdown when you started the transaction.
- If circumstances beyond our control (such as fire or flood) prevent the transaction, despite reasonable precautions that we have taken.
- If there is a hold on your account or if access to your account is blocked in accordance with our policies.
- If your funds are subject to legal process or encumbrances restricting transfer.

- If your transfer authorization is terminated.
- If a merchant refuses to accept your card.
- If we refuse to cash any checks presented for payment through an ATM transaction.

There may be other exceptions stated in our agreement with you or permitted by law.

Error Resolution

In case of errors or questions about your electronic transfers, call us or write us at the telephone number or the address shown on your periodic statement as soon as you can, if you think your statement or receipt is wrong or if you need more information about a transfer listed on the statement or receipt. Alternatively, you may call or visit your local branch office. We must hear from you no later than 60 days after we sent the FIRST statement on which the problem or error appeared.

When you notify us:

- Tell us your name and account number.
- Describe the error or the transfer you are unsure about, (including the date that it occurred) and explain as clearly as you can why you believe it is an error or why you need more information.
- Tell us the dollar amount of the suspected error.

If you notify us in person or by telephone of a suspected error, we may require that you followup your oral notice or questions in writing. If we do require that you notify us in writing, we must receive this writing within ten business days of your oral notice.

We will tell you the results of our investigation within ten business days after we hear from you and will correct any error promptly. If we need more time, however, we may take up to 45 days to investigate your complaint or questions. If we decide to do this, we will provisionally credit your account within ten business days for the amount you think is in error so you will have the use of the money during the time it takes us to complete our investigation. If we ask you to put your complaint or question in writing and we do not receive it within ten business days, we may not provisionally credit your account.

For errors involving new accounts, point-of-sale debit card transactions, or foreign-initiated transactions, we may take up to 90 days to investigate your complaint or question. For new accounts, we may take up to 20 business days to provisionally credit your account for the amount you think is in error.

If we decide there was no error, we will send you a written explanation within three business days after we finish our investigation. You may ask for copies of the documents that we used in our investigation.

ATM SAFETY TIPS

For your safety, please follow these suggestions when using any ATM machine:

- Commit your PIN (Personal Identification Number) to memory and never share your PIN.
- As you approach an ATM, be aware of your surroundings.
- Wait until you leave the ATM to count your money.
- Immediately report a lost or stolen card to the Bank.
- Have your card ready when you approach the ATM.
- Wait until previous customers have finished their transactions.
- Stand close to the ATM when entering your PIN.
- If using a drive-through ATM: pull up close to the ATM, remain in your car with doors locked, and keep your car running while operating the ATM.

FAIR CREDIT REPORTING ACT DISCLOSURES

We are pleased to provide you with the following disclosures of your rights under the consumer protection provisions of the federal Fair Credit Reporting Act. These provisions protect individual consumers. Except to the extent required by applicable law, these disclosures do not apply to businesses or business or commercial transactions.

Information Reported to Consumer Reporting Agencies. Under the Fair Credit Reporting Act, you have the right to notify us if you believe we have inaccurately reported information about your account to a consumer reporting agency. Your notice to us should be in writing and should include your complete name, current address, social security number, telephone number, account number, type of account, specific item of dispute, and the reason you believe the information we reported is inaccurate. Send your notice to: Southern Bank, Loan Administration, P.O. Box 729, Mount Olive, North Carolina 28365-0729.

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www.southernbank.com

