

AUTOMATED CLEARING HOUSE ORIGINATION SERVICES AGREEMENT

This *Automated Clearing House* (“ACH”) *Origination Services Agreement* (“Agreement”) applies to Salal Credit Union’s (“Salal”, “Credit Union”) provision of Automated Clearing House Services (“ACH Services”). ACH Services allow a business to initiate requests to debit or credit accounts through Mobile or Online Banking (“Digital Banking”). The Credit Union is willing to act as an Originating Depository Financial Institution (“ODFI”) with respect to such Entries, subject to the provisions of this Agreement. This Agreement is intended to supplement the *Business Digital Banking Disclosure & Agreement*. Use of the Credit Union’s ACH Services constitutes the Business’s acknowledgement of, and agreement to, the Agreement.

The Business should keep a copy of this Agreement for its records.

By participating in ACH Services, the Business acknowledges that it will maintain access to and abide by the NACHA Rules and their application to ACH Services. Unless otherwise defined in this Agreement, any capitalized terms used in this Agreement have the meanings prescribed in the NACHA Rules.

The following terms are defined as follows:

- **Account** – Business deposit account(s) enrolled in the Service.
- **ACH Operator** – An entity that acts as a central facility for the clearing, delivery, and settlement of electronic Entries.
- **Business Day** – Every day except Saturday, Sunday, and federal holidays.
- **Entry and Entries** – A request (or requests) for the transfer of money to or from a Receiver’s Account.
- **Entry Date** – The date the Entry is transmitted to the Credit Union for processing.
- **Effective Date** – The date specified by the Originator as the intended date of settlement.
- **NACHA** – The National Automated Clearing House Association.
- **NACHA Rules** – The NACHA Operating Rules & Guidelines available at nacha.org or nachaoperatingrulesonline.org.
- **ODFI** – Originating Depository Financial Institution; a financial institution that transmits an Entry to an ACH Operator for further transmittal to an RDFI on behalf of an Originator. For the purposes of this Agreement the ODFI means Salal Credit Union.
- **Originator** – A person or organization that has authorized a financial institution to transmit a credit or debit entry to a person or organization’s account. For the purposes of this Agreement the Originator means the Business.
- **RDFI** – Receiving Depository Financial Institution; the financial institution that receives an Entry.
- **Receiver** – A person or an organization that has authorized an Originator to initiate a credit or debit Entry to their account.
- **Rules** – The terms and conditions set forth in this Agreement, and the NACHA Rules, as amended from time to time, and the rules of any other clearing house or ACH Operator used by the Credit Union.
- **Same-Day Entry** – A request for the transfer of money to or from a Receiver’s account where the Entry Date is the same as the Effective Date.
- **Settlement Date** – The date the ODFI and RDFI exchange funds with respect to an Entry.

OFAC, Compliance With Laws & Right To Audit

It is the responsibility of the Business that the origination of ACH transactions complies with U.S. law. This includes, but is not limited to, sanctions enforced by the Office of Foreign Assets Control (OFAC). It is the responsibility of the Business to obtain information regarding such OFAC enforced sanctions. The Business is required to check payees against OFAC compliance checklists (This information may be obtained directly from the OFAC Compliance Hotline at 800.540.OFAC or from the OFAC SDN list at treasury.gov/resource-center/sanctions/Pages/default.aspx).

The Business understands and agrees that the Credit Union has the right to audit the Business’s compliance with this Agreement, including any applicable laws, and the NACHA Rules.

Transmittal Of Entries By The Business

General Requirements

The Business agrees that it will transmit all Entries to the Credit Union at the location(s) and in compliance with all formatting, security, and other requirements as established and/or amended by the Credit Union. Entries must designate the Business as the Originator.

Acceptance of Entries; ACH Exposure Limit

The Business acknowledges the Credit Union’s acceptance of Entries is dependent, among other things, upon:

- **Pre-funding:** Pre-funding may be required for any Business and is at the discretion of the Credit Union. Events, such as if the Business fails to furnish

current financial reports with the Credit Union as requested, may prompt a change to pre-funding. With pre-funding, the Credit Union may require a hold on funds in the Account from the time the Entries are submitted until the settlement date. Alternately, the Credit Union may withdraw funds from the Account at the time the Entries are submitted.

- The Credit Union's assessment of the Business's creditworthiness.
- Should the Credit Union decide to offer ACH transactions that are not pre-funded, then the total amount of Entries outstanding at any one time which have been accepted by the Credit Union but for which the Credit Union has not received final settlement ("Unsettled Entries"), will be dependent upon an exposure limit applicable to the Business's Entries.

The Credit Union will establish payment and collection limits applicable to the Business's Entries ("ACH Exposure Limit") as noted on the *Business Digital Banking Enrollment Addendum—ACH Origination Services*. The Credit Union may amend the ACH Exposure Limit as needed and without notice to the Business. The Credit Union has no obligation to accept any Entry which, when combined with all Unsettled Entries, exceeds the Business's ACH Exposure Limit. The Business agrees to furnish to the Credit Union, upon request, the Business's then-current balance sheet, income statement, and such other financial reports as the Credit Union deems necessary.

Third-Party Senders

Third-party senders have a separate Agreement that must be signed. This includes the requirements from NACHA for third-party senders.

Cancellations or Amendment of Entries by the Business

The Business has no right to cancel or amend any Entry after submission to the Credit Union. However, the Credit Union agrees to use reasonable efforts to act on a request by the Business for cancellation or amendment of an Entry, provided such request complies with any applicable security procedures. Notwithstanding such efforts, the Credit Union will have no liability whatsoever if such cancellation or amendment is not affected.

Vendor Processors

If the Business is using a third-party vendor to aid in the initiation of Entries, the Business acknowledges and agrees that such processor is acting as the Business's agent for all purposes under this Agreement. The Business is solely responsible for providing any funds to the Credit Union to cover any Entry transmitted by such processor, and the Credit Union will have no liability for any compensation due to such processor for providing services as the Business's agent. The Credit Union will be entitled to rely conclusively upon the authority of such processor until the Credit Union receives written notice of the Business's revocation of that authority and has had a reasonable opportunity to act on such notice.

The Account

General

The Business agrees to maintain one or more deposit Accounts with the Credit Union and will deposit sufficient funds into the Account to facilitate the Entries covered by this Agreement. The Account will be subject to the Credit Union's *Business Membership & Account Agreement*.

Payment For Services

The Business agrees to pay the Credit Union the applicable fees and charges for the services described in this Agreement. Such fees and charges may be amended by the Credit Union from time to time. Such fees and charges do not include, and the Business shall be responsible for payment of, any applicable taxes and any additional fees or charges provided for in the applicable *Business Membership & Account Agreement*.

Debit Entries and Adjustments

Subject to the provision of this section, the Credit Union will credit the Account for any debit Entries it transmits on behalf of the Business. The Business will at all times, prior to final settlement, maintain sufficient available funds in the Account to pay for all returned or reversed debit Entries, adjusted Entries, fees, and other amounts that the Business is obligated to pay the Credit Union under the terms of this Agreement. The Credit Union has the right to defer any credit to the Account resulting from a debit Entry until the Credit Union receives final settlement for such debit Entry. Any credit provided prior to final settlement is provisional, and the Business agrees to pay the Credit Union, immediately, the full amount of such credit upon the Business's receipt of notice that final settlement has not or will not occur. In addition, the Business agrees to pay the Credit Union immediately the full amount of:

- Any returned or rejected debit Entry for which the Business has previously received credit at the time the Credit Union receives such rejection or return.
- Any adjusted Entry which reduces the amount of an original corresponding debit Entry upon its receipt by the Credit Union.
- Any refund paid by the Credit Union to a Receiver in connection with such Receiver's claim that an Entry was, in whole or in part, not authorized.

Credit Entries

The Credit Union, in its sole discretion and on any subsequent occasion, may require that the Business have such available funds in the Account prior to the Credit Union's transmittal of a credit Entry to an ACH Operator (Pre-funding). Should the Credit Union decide to offer ACH transactions that are not pre-funded, by the Settlement Date, the Business will deposit into its Account sufficient available funds to cover the amount of each credit Entry transmitted by the Credit Union.

Indebtedness and Collateral

To the extent there are not sufficient available funds in the Account to cover the Business's obligations under the terms of this Agreement, the Business agrees that such obligations constitute an indebtedness (the "Indebtedness") owed by the Business to the Credit Union. The Indebtedness will be deemed to be immediately due and payable in full and will accrue interest at a rate equal to the rate applied to overdrafts as described in the applicable *Business Product & Fee Disclosure* for the period involved. The Credit Union may also debit any account maintained by the Business with the Credit Union and the Credit Union may set off against any amount the Business has on deposit in order to obtain payment of the Indebtedness.

Processing By Credit Union

General

Except as otherwise provided in this section, the Credit Union:

- Reserves the right to amend Entries it receives in order to process them in a file format that conforms with the specifications set forth in the Rules.
- Will transmit Entries to an ACH Operator selected by the Credit Union.
- Will settle for Entries as provided in the Rules.

Receipt, Transmittal, and Cut-Off Times

The Credit Union will transmit Entries to the ACH Operator by the deadline of the ACH Operator no more than two (2) Business Days prior to the date the Business intends the Entries to be settled (as such date is shown in such entries) ("Effective Entry Date") provided:

- Such Entries are received by the Credit Union no later than **3:30 p.m. Pacific Time** ("PT") one or two (1-2) Business Days, depending on the type of Entry, prior to the Effective Entry Date, or in the case of Same-Day Entries no later than **10:30 a.m. PT** on the Effective Entry Date, or such other day and time as may be established by the Credit Union from time to time.
- ACH Operator is open for business on the Business Day on which the Credit Union receives the Entries. For purposes of this Agreement, Entries will be deemed received by the Credit Union, when the transmission is completed in accordance with the Credit Union's formatting, security, and other requirements. If Entries are not received by the Credit Union in a timely manner, the Credit Union agrees to use reasonable efforts to transmit such Entries to the ACH Operator by the next deposit deadline of the ACH Operator which is a Business Day and a day on which the ACH Operator is open for business; however, the Credit Union will have no liability for its failure to do so.

On-Us Entries

In the case of an Entry received for posting to an account maintained with the Credit Union (an "On-Us Entry"), the Credit Union may credit/debit the Receiver's account in the amount of such Entry on a Settlement Date which is on or before the Effective Entry Date contained in such Entry, provided the Entry is received by the Credit Union in a timely manner as described in this Agreement. If the Entry is not timely, the Credit Union may credit/debit such account on the Business Day following such Effective Entry Date.

Rejection of Entries by Credit Union

The Credit Union may reject any Entry that does not comply with formatting, security, and other requirements outlined in this Agreement. The Credit Union may also reject any Entry:

- For any reason prescribed by the Rules.
- If the Business has failed to comply with its Account balance obligations as described in the section titled "The Account".
- If such Entry would cause the Business's available balance to be exceeded or otherwise.
- For any other reason the Credit Union, in its sole discretion, deems appropriate.

The Credit Union will make every effort to notify the Business of such rejection, via such means as the Credit Union deems appropriate, no later than the Business Day such Entry would otherwise have been transmitted by the Credit Union to the ACH Operator or, in the case of an On-Us Entry, its Effective Entry Date. The Credit Union will have no liability to the Business by reason of the rejection of any Entry or the fact that such notice is not given at an earlier time.

Notice of Returned Entries

The Credit Union will notify the Business of the Credit Union's receipt of any returned Entry, via such means as the Credit Union deems appropriate, no later than one Business Day after the Business Day of such receipt. The Credit Union has no obligation to retransmit a returned Entry.

Notification of Change (NOC)

The Credit Union will provide the Business all information, as required by the NACHA Rules, with respect to each Notification of Change (NOC) Entry or Corrected Notification of Change (Corrected NOC) Entry received by the Credit Union relating to Entries transmitted by the Business. The Credit Union must provide such information to the Business within two (2) Banking Days of the Settlement Date of each NOC or Corrected NOC Entry. The Business will ensure that changes requested by the NOC or Corrected NOC are made within six (6) Banking Days of the Business's receipt of the NOC information from the Credit Union or prior to initiating another Entry to the Receiver's account, whichever is later. The Credit Union may terminate access to ACH Services and pass any fines received to the Business for non-compliance.

Business Representations, Warranties, And Agreements

Entries Authorized

The Business represents and warrants to the Credit Union that to the extent such authorization is required by the Rules:

- Each person or business shown as the Receiver on an Entry received by the Credit Union has authorized:
 - The initiation of such Entry and the posting of such Entry to its account in the amount and on the Effective Entry Date shown on such Entry.
 - The transmission of debit and credit Entries to correct erroneous Entries to Receiver's accounts.
 - The Credit Union to access all required information concerning such Receiver to enable the Credit Union to recover such Entries.
- Such authorization is operative at the time of transmittal or posting by the Credit Union as provided in this Agreement. The Business agrees that it will immediately cease initiating Entries for a Receiver's account upon the termination or revocation of Receiver's authorization, and the Credit Union will have no liability for Entries transmitted after such revocation or termination. **The Business also agrees to retain the original or a copy of each authorization received by the Business for two (2) years after termination or revocation of the authorization and to provide the Credit Union with copies of same upon the Credit Union's request.**

- Entries transmitted to the Credit Union by the Business are limited to the following types of credit and debit Entries as set forth in the *Business Digital Banking Enrollment Addendum—ACH Origination Services* and as defined in the Rules:
 - PPD (Pre-arranged Payment and Deposit): An Entry initiated by an Organization and authorized by a Receiver to transfer funds to or from a Consumer Account based on a standing or single-entry authorization from the Receiver (e.g. a direct payroll deposit or a pre-authorized bill payment).
 - CCD (Corporate Credit or Debit): An Entry initiated by an Organization to transfer funds to or from an Account of that Organization or another Organization.

The Credit Union may approve additional Entry types to be made available to the Business on a case-by-case basis. This accommodation may result in additional requirements for the Business, who agrees to abide by the Rules pertaining to these Entry types.

Changes in Debit Entries; Notice to Consumer

With respect to debit Entries transmitted by the Business to a Consumer Account which vary in amount from the previous debit Entry relating to the same authorization or preauthorized amount, or where the Business has changed the scheduled Effective Entry Date with respect to one or more debit Entries, the Business agrees to provide the notices required by the Rules in Section 2.3 (subsection 2.3.2.6 – Notices of Variable Debits to Consumer Accounts), as the same may be amended from time to time.

Credit Entries – Provisional Payment

The Business represents to the Credit Union and agrees that it will be bound by the provision of the Rules (subsection 3.3.1.4 – Credit Entries Subject to Article 4A are Provisional) making payment of an Entry by the RDFI to the Receiver provisional until receipt by the RDFI of final settlement for such Entry, and specifically acknowledges that it has received notice of that Rule and of the fact that, if such settlement is not received, the RDFI will be entitled to a refund from the Receiver of the amount credited, and the Business will not be deemed to have paid the Receiver that amount of the Entry.

Inconsistency of Name and Account Number

The Business acknowledges and agrees that, an RDFI may rely solely on the account number contained in an Entry when posting the Entry to a Receiver's account, regardless of whether the name of the Receiver in the Entry matches the name associated with the account number.

Security

The Business is solely and strictly responsible to determine, establish, and maintain internal procedures necessary to safeguard against unauthorized transmissions, including the maintaining of adequate security and control of any and all passwords, codes, security devices, and related instructions furnished by the Credit Union. The Business warrants that no individual will be allowed to initiate transfers in the absence of proper supervision, training, and safeguards. The Business will restrict access to all such passwords, codes, security devices, and related instructions to such employees and agents as may be reasonably necessary to use the ACH Services, and will ensure that each employee or agent of the Business using the ACH Services is aware of and otherwise complies with all applicable provisions of this Agreement and the NACHA Rules.

If the Business believes or suspects that any such information or instructions have been known or accessed by unauthorized persons or for unauthorized purposes, the Business agrees to notify the Credit Union immediately, followed by written confirmation. The occurrence of unauthorized access will not affect any transfers made in good faith by the Credit Union prior to receipt of such notification and within a reasonable time period to prevent unauthorized transfers.

The Business will take all commercially reasonable precautions to prevent the introduction of a computer virus, malicious code, or other defect that might disrupt the ACH Services, including the installation, operation, and proper configuration of commercially reasonable anti-virus software. The Business will comply with all security procedures described in the Rules, including but not limited to, the security guidelines that accompany the Terms in Appendix A of the *Business Digital Banking Disclosure & Agreement*. The Business is also responsible for regularly reviewing the security of their computers and networks to ensure these precautions are effective.

The Business acknowledges that the purpose of such Security Procedures is for verification of authenticity and not to detect an error in the transmission or content of an Entry. No Security Procedures for the detection of any such error has been agreed upon between the Credit Union and the Business.

The Business agrees to originate all ACH Entries over a secure connection.

THE BUSINESS AGREES THAT THE UPLOADING OR TRANSMITTING OF FILES WILL BE HANDLED UNDER DUAL CONTROL AND UNDERSTANDS AND ASSUMES THE RISK AND LIABILITY BY REFUSING TO PERFORM TRANSACTIONS IN THIS MANNER. THE BUSINESS FURTHER AGREES TO ASSUME THE RISK FOR ANY TRANSACTIONS INITIATED BY ANY AUTHORIZED USERS, OR BY USERNAME CREATED BY SUCH AUTHORIZED USERS, WHETHER OR NOT SUCH USERS HAVE ACTUAL AUTHORITY TO INITIATE ANY SPECIFIC TRANSACTION ON BEHALF OF THE BUSINESS'S ACCOUNT(S).

ODFI Warranties

The Business warrants to the Credit Union each and every warranty imposed by the Rules on the Credit Union as an Originating Depository Financial Institution, and that such warranties may be amended from time to time. Specifically, and without limitation, the Business represents and warrants to the Credit Union each of the following with respect to each Entry transmitted to the Credit Union:

- **Timeliness and Accuracy of Entries:** Each credit Entry is timely, and each debit Entry is for an amount which on the settlement date will be due and owing to the Business from the Receiver, is for a sum specified by the Receiver to be paid to the Business or is to correct a previously transmitted erroneous credit Entry and that all Entries are accurate and complete.
- **Compliance with Other Requirements:** All applicable requirements of Section 2.2 of the Rules (Prerequisites to Origination) have been satisfied, the Entry has not been reinitiated in violation of subsection 2.12.4 of the Rules (Re-Initiation of Returned Entries), and the Entry otherwise complies in all respects with the Rules.
- **Re-Initiation of Returned Entries:** For all returned Entries, such Entries have not been reinitiated unless:
 - The Entry was returned for insufficient or uncollected funds.

- The entry was returned for stopped payment and re-initiation was authorized by the Receiver.
- The Credit Union has taken corrective action to remedy the reason for the return.

Indemnification of Credit Union

The Business agrees to indemnify, defend, and hold the Credit Union harmless from and against any claim, demand, loss liability, or expense (including attorney's fees, costs, and expenses) directly or indirectly resulting from or arising out of:

- Any breach of any of the foregoing representations, warranties, or agreements.
- Any action or omission of the Business, its agents, contractors, or employees, including, without limitation, any action or omission of the Business which give rise to an indemnification obligation on the part of the Credit Union, whether under the Rules or otherwise.

In the event the Business causes fines and/or penalties to be charged to the Credit Union by NACHA, the Business agrees to immediately reimburse the Credit Union for these fines or penalties.

Limitations Of Credit Union's Liability

Services; Acts of Others

The Credit Union is responsible for performing the services expressly provided for in this Agreement and will be liable only for its gross negligence in performing those services. The Credit Union is not responsible for the Business's acts or omissions (including, without limitation, any acts or omissions with respect to the amount, accuracy, timeliness of transmittal, or due authorization of any Entry) or those of any other person, including, without limitation, any person designated by the Business as an Authorized User, any Federal Reserve Bank or transmission or communications facility, the ACH Operator, any payroll processor transmitting an Entry using the Business's Account number, any Receiver or any RDFI (including, without limitation, the return of an Entry by such Receiver or RDFI); and no such person will be deemed the Credit Union's agent for any purpose. The Business agrees to indemnify, defend, and hold the Credit Union harmless from and against any loss, liability, or expense (including attorney's fees and expenses) resulting from or arising out of any claim of any person that the Credit Union is responsible for any act or omission of the Business or any other person described in this section.

Limitation of Loss and Damage

IN NO EVENT WILL THE CREDIT UNION BE LIABLE FOR ANY CONSEQUENTIAL, SPECIAL, PUNITIVE, OR INDIRECT LOSS OR DAMAGE WHICH THE BUSINESS MAY INCUR OR SUFFER IN CONNECTION WITH THE SERVICE.

If an Entry received by the Credit Union purports to have been authorized by the Business, it will be deemed effective as the Business's Entry and the Business shall be obligated to pay the Credit Union the amount of such Entry even if the entry was not authorized by the Business, provided the Credit Union accepted the Entry in good faith and acted in compliance with the Credit Union's security procedures.

Force Majeure; Government Regulation

Without limiting the generality of the foregoing provisions, the Credit Union will be excused from failing to act or delay in acting if such failure or delay is caused by legal constraint, interruption of transmission or communication facilities, equipment failure, war, emergency conditions, or other circumstances beyond the Credit Union's control. In addition, the Credit Union will be excused from failing to transmit or any delay in transmitting an Entry if such transmittal would result in the Credit Union's violating any provision of any present or future risk control program of the Federal Reserve or any rule or regulation of any other governmental regulatory authority.

Liability Limited to Lost Interest

Subject to the foregoing limitations, unless otherwise required by applicable law, the Credit Union's liability will be limited only to loss of interest resulting from its error or delay, and the interest will be calculated based on the interest rate or earnings credit rate on the account for the period. At the Credit Union's option, payment of such interest may be made by crediting the Account.

Cooperation In Loss Recovery Efforts

In the event of any damages for which the Credit Union or the Business may be liable to each other or to a third party pursuant to the services provided under this Agreement, the Credit Union and the Business will undertake reasonable efforts to cooperate with each other, as permitted by applicable law, in performing loss recovery efforts and in connection with any actions that the relevant party may be obligated to defend or elects to pursue against a third party.