

# Decentralized Settlement Paperwork Primer



## **So you have decided on Decentralized Settlement.**

*What does that entail? And what do you need to do to get started?*

## **How It Works**

With Decentralized Settlement, funds not yet redeemed are held in each individual location are settled directly between the bank accounts of individual locations

**What:** Merchant groups with more than one location and/or owner need to track gift card loads and redemptions that occur at different locations in order to reconcile funds between locations. The funds-reconciliation process is known as “ACH Settlement”. Decentralized Settlement is when funds are settled directly between the bank accounts of individual locations.



**Why:** When gift cards are loaded, they are treated as a “liability”. Funds are being collected from the customer to purchase the gift card, but the money hasn’t been spent. The amount loaded onto a gift card isn’t counted as revenue until it is redeemed.



**Who:** An Agent needs to be assigned, and each individual owner will have sign the document along with the agent.

The agent is the decision maker for any participating merchants in this gift card program and the primary point of contact for the chain. Agents must indicate the group’s decision to include or exclude promotional funds with regard to settlement.



**When:** ACH Settlement currently runs on the 3rd day of each month. This service can be added on at any time. However, we recommend that if the merchant is interested in the service, they sign up at the same time they are purchasing the Heartland Gift program

Promotional value is any value added to a card as a result of an automatic reward. Because this value is generated by the system based on the merchant's preset criteria and not a transaction taking place at the merchant’s place of business, we know the value is not backed by any real currency. Our system tracks these values separately from “Real Value” which is known or believed to have been paid for by the customer at a point of sale.

If promo value is “included”, then all transactions are settled in full. If promo value is “excluded”, only transactions backed by real money are settled.

## HEARTLAND GIFT DECENTRALIZED MULTI-PARTY ACH SETTLEMENT AGREEMENT



This Multi-Party ACH Settlement Agreement ("**Agreement**") is by and between Heartland Payment Systems, Inc. ("**Heartland**"), and the following Merchants listed hereto on Exhibit A (each individually, a "**Merchant**" or collectively, "**the Merchants**") as of \_\_\_\_\_, 20\_\_\_\_ ("**Effective Date**"). This Agreement supplements and is hereby incorporated into the Heartland Gift Agreement between Heartland and each Merchant, as if set forth expressly therein.

### Background

1. Heartland provides electronic transaction processing for promotional, reward, prepaid, gift cards, and/or other related cards approved by Heartland to operate on the Heartland electronic card processing system ("**Gift Cards**") as well as payment processing of credit and debit transactions.
2. Each Merchant has engaged Heartland to process Gift Card transactions for its business location(s) ("**Gift Card Program**").
3. The Merchants desire to operate their respective Gift Card Programs as one Gift Card Program ("**Unified Gift Card Program**"), such that a customer may purchase a Gift Card at one Merchant's business location and redeem that Gift Card at another Merchant's business location.
4. In order to create the Unified Gift Card Program, the Merchants require a method to settle redeemed Gift Card value amongst themselves, in accordance with the terms herein.

**NOW, THEREFORE**, in consideration of the mutual promises contained herein, the Merchants and Heartland agree as follows:

### 1. Settlement of Gift Card Value

- a. The Merchants appoint [\_\_\_\_\_] as their agent ("**Agent**") to make decisions regarding Heartland's administration of the Unified Gift Card Program, including, but not limited to, frequency of settlement, start date of settlement, inclusion of promo dollars, and termination of the Unified Gift Card Program. Merchants acknowledge and agree that: (i) Agent may also be a Merchant; (ii) Agent may make changes to the Unified Gift Card Program at any time; and (iii) Agent, and not Heartland, shall be responsible for notifying Merchants about any such changes.
- b. At intervals decided by the Agent, after Gift Cards are redeemed at a Merchant business location, Heartland and its representatives or agents will cause correlating funds to be transferred on an Automated Clearinghouse ("**ACH**") basis from the Merchant deposit account where the Gift Card was purchased or reloaded to the Merchant deposit account where the Gift Card was redeemed.
- c. Each Merchant hereby authorizes and appoints Heartland and Heartland's representatives as its agent to initiate ACH credit or debit entries to and from the Merchant's deposit account (as identified in either the debit/credit authorization in each Merchant's: (1) Merchant Application for credit and debit card processing; or (2) Heartland Gift Application) for any amounts due from, or owed to, that Merchant related to the sale or redemption of a Gift Card and to initiate adjustments for any credit or debit entries made in error. In the event that a Merchant has executed both a Merchant Application for credit and debit card processing and a Heartland Gift Application, each Merchant acknowledges that Heartland will utilize the deposit account identified on the Merchant Application for credit and debit card processing of purpose of settlement under this Agreement. Each Merchant further acknowledges and agrees that Heartland shall only be obligated to initiate ACH credit or debit entries to or from the Merchants' deposit accounts on a periodic basis (as established by the Agent) following the sale or redemption of Gift Cards.

- d. Each Merchant and Agent acknowledges and agrees that, subject to any Heartland fees applicable to the Gift Card Program or the Unified Gift Card Program: (i) after Gift Cards are redeemed at a Merchant location, correlating funds will be sent via ACH by Heartland or Heartland's representatives or agents from the deposit account of the Merchant who accepted payment for the Gift Card to the deposit account of the Merchant who accepted the Gift Card as payment; and (ii) each Merchant will maintain sufficient funds in its deposit account for the crediting or debiting of amounts owed through the Unified Gift Card Program.
- e. Each Merchant must notify Heartland in writing at Heartland Payment Systems, Inc., One Heartland Way, Jeffersonville, Indiana 47130, Attn: Customer Care, at least thirty (30) days prior to closing its direct deposit account ("DDA"), as designated herein, and provide information for any new DDA. A twenty-five dollar (\$25.00) handling fee will be imposed for changing DDA information and a fee for the lesser of twenty-five dollars (\$25.00), or the maximum allowed by law, will be imposed by Heartland for all ACH items that are returned because of Non-Sufficient Funds ("NSF"). Merchant authorizes payment of any NSF fees through direct debit of Merchant's bank account via ACH.
- f. Merchant shall perform its obligations under this Agreement in accordance with all applicable federal and state laws and regulations, including the NACHA Rules and sanctions laws administered by the Office of Foreign Assets Control ("OFAC").
- 2. **Pricing.** Each Merchant shall pay Heartland the fees, charges and other amounts in accordance with the Fee Schedule set forth in the Heartland Gift Addendum ("Fees"). Merchant authorizes payment of the fees and charges by collection through direct debit of Merchant's bank account via ACH in arrears on a monthly basis.

### 3. Term and Termination

- a. This Agreement is coterminous with each Merchant's Heartland Gift Agreement with Heartland. Any Merchant may terminate its participation in the Unified Gift Card Program by terminating its Heartland Gift Agreement. To ensure the continuity of the program to the remaining Merchants, each Merchant may not terminate its participation in the Unified Gift Card Program without terminating its Heartland Gift Agreement with Heartland. In the event a Merchant terminates its Heartland Gift Agreement, this Agreement shall remain in full force and effect as to the other parties.
- b. Heartland may terminate this Agreement in its entirety upon thirty days' written notice to Agent. Agent, shall, in turn, notify all Merchants participating in the Unified Gift Card Program of Heartland's termination. Notwithstanding the foregoing, Heartland may, at its sole discretion, with reasonable suspicion of fraud or other criminal activity, immediately terminate this Agreement and Unified Gift Card Program and give written notice to Agent within ten (10) days. Agent, shall, in turn, notify all Merchants participating in the Unified Gift Card Program of Heartland's termination.
- c. Agent may terminate this Agreement in its entirety upon thirty days' written notice to Heartland and to the Merchants participating in the Unified Gift Card Program.
- d. Upon termination for any reason, Agent and Merchants shall determine amongst themselves the settlement of unredeemed funds, and Heartland shall have no further obligation to settle funds to or from any Merchant.
- e. The ACH authorization contained herein on behalf of each Merchant shall remain in full force and effect for the term of this Agreement.
- 4. **Reporting.** Heartland will post a transaction report on its web-based merchant system after each completed settlement processing.

## 5. General

- a. The origination of ACH transactions from and to each Merchant's deposit account shall comply with the provisions of applicable law and the NACHA Rules.
- b. All disputes relating to the amount of settlement shall be settled between the Merchants and Agent. The Parties acknowledge and agree that Heartland shall only be obligated to initiate an ACH transaction to or from any Merchant's deposit account as authorized in writing by Agent, in the event of a dispute relating to the amount of settlement between any Merchants. The parties acknowledge and agree that Heartland shall not have any liability to Agent or any Merchant for: (i) a Merchant's failure to maintain sufficient funds in its Deposit Account to settle amounts owed under the Unified Gift Card Program; or (ii) any Merchant business failure or Merchant filing of bankruptcy which would result in Heartland's inability to settle amounts redeemed to another Merchant participating in the Unified Gift Card Program.
- c. Each Merchant must execute this Agreement before participating in the Unified Gift Card Program. The Merchants acknowledge and agree that additional Merchants may execute this Agreement at a future time to participate in the Unified Gift Card Program, without notice to any existing Merchant to this Agreement.
- d. Each Merchant acknowledges and agrees that Heartland's provision of ACH services hereunder may be interrupted from time to time and that Heartland shall have no liability whatsoever as a result of such an interruption or delay. Without limiting the generality of the foregoing provisions, Heartland shall 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, loss of power, equipment or software error or malfunction, war, terrorist actions, acts of God, earthquakes, flood, embargo, riot, sabotage, labor shortage or dispute, emergency conditions or circumstances beyond Heartland's control. From time to time Heartland may need to temporarily suspend processing of a transaction (particularly an international ACH transaction) for greater scrutiny or verification, including, but not limited to, suspending processing to review for OFAC compliance in accordance with applicable OFAC guidance, and Heartland shall be excused if this action causes delay in the settlement and/or availability of the transaction while review is in process. In addition, Heartland shall be excused, while review is in process, from failing to transmit or delay in transmitting an Entry if such transmittal would result, in Heartland's reasonable judgment, in violation of any rule or regulation of any U.S. governmental regulatory authority or NACHA Rule.
- e. **AGENT AND EACH MERCHANT SHALL INDEMNIFY, DEFEND AND HOLD HEARTLAND HARMLESS FROM AND AGAINST ANY AND ALL THIRD PARTY CLAIMS, COSTS AND/OR LIABILITIES, INCLUDING ANY ATTORNEYS' FEES AND COSTS ("DAMAGES") INCURRED BY HEARTLAND AND ARISING OUT OF THE UNIFIED GIFT CARD PROGRAM OR THE SETTLEMENT OF REDEEMED GIFT CARD FUNDS, EXCEPT TO THE EXTENT SUCH DAMAGES ARISE EXCLUSIVELY FROM HEARTLAND'S GROSS NEGLIGENCE OR WILLFULL MISCONDUCT.**
- f. **HEARTLAND'S CUMULATIVE LIABILITY TO THE MERCHANTS, INCLUDING AGENT, COLLECTIVELY, FOR DAMAGES ARISING FROM ANY CAUSE, WHATSOEVER, REGARDLESS OF THE FORM OF ACTION OR LEGAL THEORY, SHALL NOT EXCEED THE AMOUNT OF FEES HEARTLAND CHARGED THE MERCHANTS (INCLUDING AGENT), CUMULATIVELY, FOR THE SERVICES PERFORMED UNDER THIS AGREEMENT IN THE THREE MONTHS IMMEDIATELY PRECEDING THE FIRST OF ANY SUCH CLAIM.**
- g. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or scanned pages shall be

effective as delivery of a manually executed counterpart to this Agreement.

**IN WITNESS WHEREOF**, Merchant and/or Agent certify their acceptance of the terms of this Agreement as of the Effective Date.

**Agent:**

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Merchant:**

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**AGENT:** Please indicate preference for transactions of promotional value. If **no** selection is made, setting will default to “**EXCLUDE.**”

**Choose one:**    ☐ **EXCLUDE**    ☐ **INCLUDE**

**EXHIBIT A  
MERCHANTS**

<b>Merchant Name</b>	<b>Signer Name</b>	<b>MID Number</b>
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