

David R. Zaro*
dzaro@allenmatkins.com
Yale K. Kim*
ykim@allenmatkins.com
*Pro Hac Vice Applications Pending
Allen Matkins Leck Gamble
Mallory & Natsis LLP
515 South Figueroa Street, Ninth Floor
Los Angeles, California 90071-3309
Phone: (213) 622-5555
Fax: (213) 620-8816
Email: dzaro@allenmatkins.com
ykim@allenmatkins.com

-and-

Tara J. Schleicher, OSB #95402
tschleicher@fwwlaw.com
Kathryn P. Salyer, OSB #88301
ksalyer@fwwlaw.com
Farleigh Wada Witt
121 SW Morrison Street, Suite 600
Portland, Oregon 97204-3136
Telephone: (503) 228-6044
Facsimile: (503) 228-1741

Attorneys for Michael A. Grassmueck, Receiver

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON

FEDERAL TRADE COMMISSION,

Plaintiff,

vs.

MERCHANT PROCESSING, INC.;
VEQUITY FINANCIAL GROUP, INC.;
DIRECT MERCHANT PROCESSING,
INC.; PPI SERVICES, INC.; AARON LEE
RIAN; KARLEY MCCARTHY, AKA
KARLY SPEELMAN,

Defendants.

Case No. CV 07-0533-BR

DECLARATION OF MICHAEL A.
GRASSMUECK IN SUPPORT OF
MOTION FOR ORDER TO APPROVE
CLAIMS PROCEDURES AND FOR
ORDER ESTABLISHING CLAIMS BAR
DATE

[Motion, Memorandum, and Proposed Order
Approving Claims Procedures, Filed
Concurrently Herewith]

I, Michael A. Grassmueck, declare:

1. I am the duly appointed receiver (the "Receiver") in respect to Merchant Processing, Inc. ("MPI"), Vequity Financial Group, Inc. Direct Merchant Processing, Inc., their respective affiliates and subsidiaries under the control of any of them, including, but not limited to, Bad Boy Enterprises, Inc., dba Atlantic Hound, Bad Boy Racing, LLC, Bad Boy Investments, LLC, Rian Racing, Inc., and PPI Services, Inc. (collectively, the "Receivership Defendants").

2. I submit this declaration (the "Declaration") in support of the Motion For Order Approving Claims Procedures, Establishing Claims Bar Date, And Approving Other Related Relief (the "Motion"). I have personal knowledge of the facts stated in this Declaration as to which I could and would personally and competently testify if called upon to do so.

3. Per the Motion, the Receivership Estate seeks an order to (i) approve the procedure to be used by the Receiver for the solicitation, review and approval of claims against the receivership estate (the "Receivership Estate"), (ii) fix a date certain (the "Bar Date") as the last date by which the Receiver must receive proofs of claim of any type against any of the Receivership Defendants; and (iii) approve the form and manner of notice of the Bar Date to be sent to creditors, merchants and parties in interest (collectively, the "Claims Procedures").

4. The Claims Procedures are necessary in order for me, as receiver, to determine the maximum amount of claims that will be allowed to participate in distribution of any proceeds of Receivership Estate. To accomplish this, I, as Receiver, together with my staff, will perform a careful review of any claims filed against the Receivership Estate, following a Court approved Bar Date. With limited proceeds available for distribution, the Claims Procedures will ensure that the proceeds available

for distribution are maximized for payment to those claimants who hold valid claims against the Receivership Estate, and whose claims are sufficiently documented and filed by the Bar Date.

KNOWN CLAIMANTS

5. During the span of this FTC receivership, the Receivership Estate has compiled a log of numerous merchant claimants (approximately 156 claimants at this time) which the Receivership Estate expects will file claims against the Receivership Estate. The Receivership Estate became aware of these claims through correspondence with a number of claimants in the course of administration of this receivership ("Known Claims"). These merchant claimants holding Known Claims corresponded with the Receivership Estate to provide information and documentation supporting their claims for, among other things, cancellation of Processing Services, reimbursements for fees and overcharges related to the Processing Services, and other issues related to the Processing Services. As part of the Claims Procedures, the Receivership Estate requests that the Court authorize the treatment of Known Claims as timely claims (which are not subject to the Bar Date). However, these Known Claims will still be subject to prove-up, pursuant to the filing of a proof of claim with adequate supporting documentation.

PROPOSED CLAIMS PROCEDURES

6. I propose that once the Court has approved the form and content of the Notice of Bar Date for Submitting Any and All Claims (the "Notice of Bar Date") (attached as Exhibit "B" to the Motion), the Receivership Estate shall mail the Notice of Bar Date along with an approved proof of claim form to all known and suspected interested parties, and will publish notice in an appropriate newspaper of general readership.

7. The establishment of a Bar Date is necessary in order to provide certainty and finality to the claims process and to allow for the timely wind-down of the Receivership Estate. I propose that the Bar Date be set sixty-five (65) days from the date

of mailing the Notice of Bar Date, thereby providing sufficient notice to all to file their claims.

8. I will authorize claimants to file their proofs of claim with my office by mailing such proof of claim form, with a self-addressed stamped return envelope for conformed copy, per the instructions in the Notice of Bar Date and proof of claim form.

9. Once the Bar Date has passed and the Receivership Estate has reviewed the claims, the Receivership Estate will bring an omnibus motion or motions for approval or rejection of claims. All claimants will receive notice of this omnibus motion or motions with information about how the Receivership Estate proposes his/her or its claim be treated, so that a claimant whose claim is disallowed can file an opposition to the motion if the claimant wishes to be heard.

NOTICE

10. The Receivership Estate is to provide claimants *at least* sixty (60) days notice to file a proof of claim from the date of receipt of the Notice of Bar Date. I believe that setting the Bar Date ninety-five (95) days (i.e., 60 days plus 5 days from the date of mail) from the date of mailing the Notice of Bar Date will ensure that claimants will have sufficient notice within which to file their claims.

11. The Receivership Estate will mail the Notices and proof of claim form to the claimants as listed in the Receivership Estate's database for merchants and creditors.

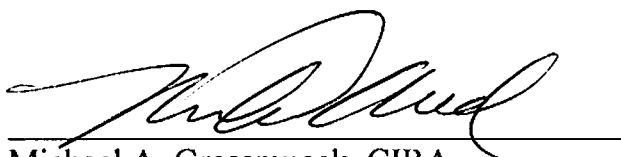
12. The Receivership Estate will also publish notice of the Bar Date in an appropriate newspaper and other publication, as the Receivership Estate deems appropriate, and on the Receiver's website in a form similar to the Form of Notice for Publication attached to the Motion as Exhibit "C".

EFFECT OF FAILURE TO FILE PROOF OF CLAIM

13. Any party who is required to file a proof of claim and otherwise fails to do so by the Bar Date (other than Known Claims): (i) should not, with respect to any such claim, be treated as a claimant of the Receivership Defendants, (ii) should be forever

barred, estopped and enjoined from (a) filing a proof of claim at a later date with respect to such claim, (b) asserting any claim against the Receivership Defendants or the Receivership Estate and property thereof, (c) participating in any distribution in this receivership case on account of such claim, and (iii) the Receiver and the Receivership Defendants should be discharged forever from any and all indebtedness or liability in respect of such claim. This aspect of the requested order is essential to ensure finality and to allow for the timely efficient, wind-down of the Receivership Estate.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 3rd day of ~~January~~ ^{February}, 2010, at Portland, Oregon.



Michael A. Grassmueck, CIRA
Receiver for Merchant Processing, Inc. et al.