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15 UNITED STATES DISTRICT COURT  
16 DISTRICT OF OREGON  
17 PORTLAND DIVISION

18 FEDERAL TRADE COMMISSION,

19 Plaintiff,

20 vs.

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

25 Defendants.  
26

Case No. CV 07-0533-BR

DECLARATION OF MICHAEL A.  
GRASSMUECK IN SUPPORT OF MOTION  
FOR ORDER CLOSING CASE AND  
DISCHARGING THE RECEIVER EFFECTIVE  
UPON COMPLETION OF THE FINAL  
CLOSING TASKS AND FOR OTHER  
RELATED RELIEF

[Motion, Memorandum, Declaration of Michael  
A. Grassmueck, and Proposed Order, Filed  
Concurrently Herewith]

1 I, Michael A. Grassmueck, declare:

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

7 2. I submit this declaration (the "Declaration") in support of the Motion for  
8 Order Closing Case and Discharging the Receiver Effective Upon Completion of the Final  
9 Closing Tasks and for Other Related Relief. I have personal knowledge of the facts stated in this  
10 Declaration as to which I could and would personally and competently testify if called upon to  
11 do so.

12 3. By the motion, I request that the Court authorize the closing of the  
13 receivership estate (the "Receivership Estate") and my discharge as receiver, effective upon the  
14 following: (i) the transfer of all remaining Receivership Estate funds to the FTC, after payment  
15 of all administrative expenses and professionals fees and costs; (ii) the Court's confirmation that  
16 the FTC may retain the \$607,879.82 in Receivership Estate funds previously transferred to the  
17 FTC on account of creditor and employee claims; (iii) the destruction of the Receivership Estate  
18 records; and (iv) the filing of my declaration confirming completion of (i) and (iii) above, along  
19 with the final accounting for the Receivership Estate, (collectively, the "Final Closing Tasks"). I  
20 estimate the completion of the Final Closing Tasks in approximately 60 days from the filing of  
21 the motion.

22 4. I also seek approval to pay the administrative expenses which I have  
23 incurred as receiver and the Receivership Estate's professionals' fees and expenses, as set forth in  
24 the statements which are attached as Exhibits to the Motion ("Final Statements"), filed  
25 concurrently herewith. The Final Statements reflect my final invoices as receiver and those of  
26 the Receivership Estate's professionals, and additionally for me as receiver and the Receivership

1 Estate's counsel, estimated reserves for fees and costs in closing the receivership.

2 5. Pursuant to Section XVI of the Receiver Order, if no objections are filed  
3 within 14 days of the date of this Motion, the Receivership Estate is authorized to pay the Final  
4 Statements on an interim basis. I also seek approval of all my previously submitted fees and  
5 costs as receiver and the Receivership Estate's professionals, on a final basis, as set forth in each  
6 of the Notices of Statements of Receiver and Professionals previously filed in this case  
7 (including the Final Statements).

8 6. Except for the Final Closing Tasks, I have fulfilled all duties under the  
9 Stipulated Preliminary Injunction and Order for Other Equitable Relief ("Receiver Order"),  
10 entered on April 30, 2007. The Receivership Estate has, among other things, completed the  
11 investigation and general accounting, the claims administration process, and the liquidation of all  
12 Receivership Estate assets. In addition, the Receivership Estate has, with the Court's and the  
13 FTC's approval, transferred Receivership Estate funds to the FTC for distribution to merchants.  
14 With all of the foregoing tasks completed, I am ready to close this case and request my discharge  
15 as receiver, effective upon completion of the Final Closing Tasks.

16 7. In connection with the Final Closing Tasks, I specifically request that the  
17 Court approve the destruction of all Receivership Estate records. The Receivership Estate  
18 previously filed a Notice of Intent to Destroy Documents ("Notice to Destroy"), for the  
19 destruction of approximately 100 boxes of original documents of the Receivership Defendants.  
20 There was no objection to the Notice to Destroy, and the original documents were destroyed.  
21 The Receivership Estate maintained copies of substantially all of the documents, and seeks  
22 authority to destroy these copies.

23 8. I believe that destruction of the Receivership Estate's records is  
24 appropriate and prudent given that many of the documents contain financial information of  
25 merchants and creditors. Destruction of these documents ensures that this information cannot  
26 be compromised.

1 9. Further, with the closing of the receivership, there will be no need for the  
2 Receivership Estate to maintain the documents, or incur storage fees and any administrative  
3 expenses associated with maintaining them.

4  
5 I declare under penalty of perjury under the laws of the United States of America  
6 that the foregoing is true and correct. Executed this 8th day of December, 2011, at Portland,  
7 Oregon.

8  
9 /s/ Michael A. Grassmueck  
10 MICHAEL A. GRASSMUECK