

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

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,

Case No. CV07-0533-BR

Plaintiff,

v.

MEMORANDUM IN SUPPORT OF
RECEIVER'S MOTION FOR ORDER TO
APPROVE CLAIMS PROCEDURES AND
FOR ORDER ESTABLISHING CLAIMS
BAR DATE

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

Defendants.

I.

INTRODUCTION

On April 30, 2007, the Court entered the Stipulated Preliminary Injunction and Order for Other Equitable Relief ("Receiver Order"), which authorized the permanent appointment of Michael A. Grassmueck, as receiver (the "Receiver") with regard 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, and Rian Racing, Inc. (collectively, the "Receivership Defendants"). Pursuant to a Second Stipulated Preliminary Injunction and Order for Other Equitable Relief, entered on November 2, 2007, ("Second PI Order") PPI Services, Inc. was added to the list of Receivership Defendants.

Pursuant to the Receiver Order, the Receiver was empowered with all powers of a federal equity receiver, which would include, among other things, undertaking the review and analysis of claims, and determining the allowance of claims, through a claims review process.

In connection with his duties as receiver, and based on the timing of this case and the existence of funds available for distribution to merchants and creditors, the Receiver has determined that it is appropriate to commence the claims review process. The first step in the process is to obtain Court approval of the following: (i) the procedure to be used by the Receiver for the solicitation, review and allowance of claims, (ii) a date certain (the "Bar Date") by which the Receiver must receive proofs of claim from claimants against any of the Receivership Defendants, and (iii) the form and manner of notice of the Bar Date to be sent to merchants and creditors, (collectively, the "Claims Procedures"). By the Motion, the Receiver seeks approval of the Claims Procedures.

///

///

///

II.

FACTS

A. The FTC Action

On April 11, 2007, the Federal Trade Commission ("FTC") commenced an action (the "SEC Action") against the Receivership Defendants and other individual defendants in this Court, for violations of various federal trade commission laws. The FTC alleged in the action, among other things, that the Receivership Defendants engaged in unfair or deceptive acts or practices in or affecting commerce, based on the business practices described below.

At least one of the Receivership Defendants, MPI, acted as an Independent Sales Organization ("ISO"), which, in credit card business terminology, indicates that they served as a liaison between small business merchants who desired to accept credit and debit card payments and financial institutions that are members of card associations such as MasterCard and Visa. ISO's solicit merchants to establish accounts with the financial institutions into which the proceeds of merchants' card sales are deposited. For this service, merchants pay processing fees to the financial institutions, including a so-called "discount rate" that is a percentage of each sale they make.

The Receivership Defendants used sales agents to solicit merchants to pay for the credit and debt card processing services ("Processing Services") through the Receivership Defendants. According to the FTC, the Receivership Defendants would typically quote a discount rate lower than the rate the merchants were paying for existing Processing Services, and make other representations concerning fees and rates which would purportedly result in significant savings to the merchants. The Receivership Defendants also solicited merchants to lease Processing Services (known as card swipe terminals), which obligated merchants to pay monthly lease payments to a third-party leasing company. The Receivership Defendants made numerous claims, associated with such solicitations, that leasing the Processing Services through the Receivership Defendants, would allegedly result in substantial savings for the merchants.

Through its investigation, the FTC determined that the Receivership Defendants' representations, in connection with its solicitations for the Processing Services, were deceptive and misrepresentative in violation of Section 5(a) of the FTC Act, 15 USC § 45(a). Following completion of its investigation and findings, the FTC filed this action against MPI and the Receivership Defendants (and later added, pursuant to an amended complaint, PPI Services, Inc., as a Receivership Defendant).

On April 11, 2007, the FTC filed its complaint and motion for temporary restraining order ("TRO") and for appointment of temporary receiver in this action. On April 11, 2007, the Court granted the request for TRO and for appointment of temporary receiver, and Michael A. Grassmueck was appointed as temporary receiver as to the Receivership Defendants. On April 30, 2007, the Court issued a stipulated preliminary injunction against the Receivership Defendants, and continued the appointment of Michael A. Grassmueck as receiver in this action, pursuant to the entered Stipulated Preliminary Injunction and Order for Other Equitable Relief .

Pursuant to a Second Stipulated Preliminary Injunction and Order for Other Equitable Relief, entered on November 2, 2007, ("Second PI Order"), Defendants Karely McCarthy, a.k.a. Karly Speelman and PPI Services, Inc., were added as defendants to this action. Pursuant to the Second PI Order, PPI Services, Inc. was added to the list of Receivership Defendants made subject to the provisions of the receivership, as outlined in both the Receiver Order and the Second PI Order.

B. The Receiver Order

Pursuant to the Receiver Order, the Receiver was empowered with all powers of a federal equity receiver, which would include, among other things, undertaking the review and analysis of claims, and determining the allowance of claims, through a claims review process.

C. The Operations of the Receivership Defendants

The Receiver had previously operated the business of the Receivership Defendants since his appointment. The Receiver previously employed a Chief Executive Officer to control the

daily operations of the Receivership Defendants. At this time, the Receivership Defendants' business is no longer operating, and the CEO no longer operates the Receivership Defendants.

D. Final Judgment

In May, 2008, the Court entered final judgments (the "Judgments") in this action as to Receivership Defendants (including PPI Services, Inc.)¹, and individual defendants Aaron Lee Rian and Karely McCarthy, aka Karly Speelman. The Judgments provided for the issuance of a permanent injunction as against all Defendants.

E. The Claims Procedures

In connection with his duties as equity receiver under the Receiver Order, and based on the timing of this case and the existence of funds available for distribution to merchants and creditors, the Receiver has determined that it is appropriate to commence the claims review and analysis process. The first step in the process is to obtain Court approval of the Claims Procedures, as described below.

F. Known Claimants

During the span of this FTC receivership, the Receiver has compiled a log of numerous merchant claimants (approximately 156 claimants at this time) which the Receiver 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 Receiver 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 Receiver further requests that the Court authorize the Receiver to treat the Known Claims as timely claims (which are not subject to the

¹ Hereinafter, the term "Receivership Defendants" is inclusive of Defendant PPI Services, Inc.

Claims Bar Date (as defined below)). However, these Known Claims will still be subject to prove-up, pursuant to the filing of a proof of claim with adequate supporting documentation.

III.

PROPOSED CLAIMS PROCEDURES

Based on his experience the Receiver is keenly aware of the need for a fair, efficient and transparent claims process. This begins with proper notice.

As set forth more fully in Section IV below, the Receiver proposes 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 "A"), the Receiver shall mail the Notice of Bar Date along with an approved proof of claim form to all known and potentially interested parties, and will publish notice in an appropriate newspaper of general circulation.

The establishment of a claims 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 corporate receivership. The Receiver proposes that the Bar Date be set sixty-five (65) days from the date of mailing of the Notice of Bar Date, thereby providing sufficient notice to all claimants to file their claims.

As claims are received, the Receiver will review claims to determine their validity and seek to verify the claims against the available records and the information supplied by each claimant. As noted in the form of notice, each claimant is to provide cancelled checks, wire transfer confirmations or similar evidence of their losses.

Once the Bar Date has passed and the Receiver has reviewed the claims, the Receiver will bring an omnibus motion to address anticipated objections to all claims (e.g., claimants commonly seek, among others, interest, lost opportunity costs, unsubstantiated amounts and attorneys' fees). As part of this omnibus motion, the Receiver will seek the allowance or rejection of claims. All claimants will receive notice of the omnibus motion or motions with

information about how the Receiver proposes his or her 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.

IV.

CLAIMS BAR DATE NOTICE

It is the Receiver's intent to provide claimants sixty (60) days to file a proof of claim from the date of receipt of the Notice of Bar Date. The Receiver believes that setting the Claims Bar Date sixty-five (65) days from the date of mailing (i.e., 60 days plus 5 days for mailing) will ensure that claimants will have sufficient notice within which to file their claims.

A copy of the proposed Notice to Creditors of the Claims Bar Date, the Form of Notice for Publication (collectively the "Notices"), and the Proof of Claim form are attached hereto as Exhibits "A", "B" and "C", respectively. The Notices and Proof of Claim form provide clear notice and instructions to claimants concerning the claims process.

The Receiver will mail the Notices and Proof of Claim form to all known and potential claimants. The Receiver has worked diligently to develop the broadest possible list of claimants using the Receivership Defendants' records as well as information the FTC developed in this case. Of course, all of the forms will be available on the Receiver's website.

The Receiver will also publish notice of the Bar Date in an appropriate newspaper and other publication, as determined appropriate by the Receiver, and on the Receiver's website in a form similar to the Form of Notice for Publication attached hereto as Exhibit "B". The Receiver believes that these efforts will ensure the broadest possible notice to potential claimants.

For those Known Claims, the Receiver will treat the Known Claims as timely claims (which are not subject to the Claims 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.

///

///

V.

EFFECT OF FAILURE TO FILE PROOF OF CLAIM

Any party who is required to file a proof of claim and otherwise fails to do so by the Bar Date, other than the Known Claims: (i) should not, with respect to any such claim, be treated as a creditor or 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 Receiver; (c) participating in any distribution in this 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 efficient, timely wind-down of this receivership.

VI.

CONCLUSION

Based on the foregoing, the Receiver requests that this Court grant the Motion, issue an order approving the Claims Procedures, and for such other relief as the Court deems just and necessary.

Dated: February __, 2010

ALLEN MATKINS LECK GAMBLE MALLORY &
NATSIS LLP

By: /s/ David R. Zaro

David R. Zaro, *Pro Hac Vice Application Pending*
Yale K. Kim, *Pro Hac Vice Application Pending*
dzaro@allenmatkins.com
ykim@allenmatkins.com
Phone: (213) 622-5555

- and -

Dated: February __, 2010

FARLEIGH WADA WITT

By: /s/ Tara J. Schleicher

Tara J. Schleicher, OSB #954021

Kathryn P. Salyer, OSB #883017

tschleicher@fwwlaw.com

ksalyer@fwwlaw.com

Phone: (503) 228-6044

Attorneys for Michael A. Grassmueck, Receiver

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

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,

Case No. CV07-0533-BR

Plaintiff,

NOTICE OF BAR DATE FOR
SUBMITTING ANY AND ALL CLAIMS

v.

DEADLINE FOR FILING CLAIMS –
_____, **2010**

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

Defendants.

PLEASE TAKE NOTICE that the United States District Court for the District of Oregon ("District Court") has entered its order establishing a deadline of _____, 2010, by which proofs of claim must be received by the Receiver by all persons or entities that hold or assert that

they have or hold a claim against Merchant Processing, Inc., 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 Entities").

Since his appointment, the Receiver has been liquidating the assets of the Receivership Entities on behalf of the receivership estate (the "Receivership Estate"), and collected proceeds of such assets. As a result, the Receivership Estate has some assets to distribute to claimants. Only those individuals and entities who hold allowed claims will be eligible to receive distributions from the Receivership Estate.

All persons or entities asserting a claim against the Receivership Entities or otherwise wish to pursue relief related to a claim against the Receivership Entities must do so by filing a Proof of Claim as provided herein and the Proof of Claim form distributed by the Receiver. Accordingly, if you fall within any of the following categories, your Proof of Claim must be received by the Receiver on or before _____, 2010 at 5:00 p.m. PST:

- If you assert a claim against the Receivership Entities arising from a business transaction with any of them in which you suffered a loss or incurred fees without payment or reimbursement, or any claim of any sort against any of them or any entity under their control whether such claim is based upon contract, tort, contribution, indemnity, reimbursement, subrogation theories or other legal or equitable theory;

- If you assert an interest in any of the Receivership Entities or any of their assets;
- If you assert a claim against any of the Receivership Entities or any entity under their control based on primary, secondary, direct, indirect, secured, unsecured, or contingent liabilities.

///

THIS BAR DATE NOTICE APPLIES TO (1) EVERY CLAIM AGAINST THE RECEIVERSHIP ENTITIES AND (2) EVERY CLAIM AGAINST ANY OTHER PERSON OR ENTITY ARISING OUT OF OR RELATED TO ANY CLAIM AGAINST THE RECEIVERSHIP ENTITIES. DISTRIBUTIONS WILL BE MADE ONLY TO PERSONS OR ENTITIES WHO HAVE SUBMITTED ALLOWED CLAIMS.

When you submit a Proof of Claim form in this case, you consent to the jurisdiction of the District Court for all purposes, including a determination, among other things, as to the validity and amount of your claim. In submitting a Proof of Claim, you agree to be bound by the actions of the District Court even if that means that your claim is limited or denied. By submitting a Proof of Claim, you further agree that your participation in any distribution of the Receivership Estate may exclude you from any other remedies against the Receivership Entities or any other person or entity based upon your claim.

You must submit, in addition to your Proof of Claim, a copy of all documents evidencing your claim, including but not limited to any canceled checks (front and back), bank statements, account ledgers, invoices, statements, or other documents evidencing the amount or basis of your claim, and any document evidencing a security interest, if any, in order to assist the District Court, the Receiver and other parties in interest in reviewing your claim and reconciling it with the books and records of the Receivership Entities. **FAILURE TO SUBMIT APPROPRIATE SUPPORTING DOCUMENTS MAY RESULT IN DENIAL OF YOUR CLAIM.**

You must inform the Receiver if you change your address after you submit your proof of claim or interest.

IF YOUR PROOF OF CLAIM IS NOT RECEIVED BY THE RECEIVER ON OR BEFORE _____, 2010 AT 5:00 P.M. PST, YOU WILL BE FOREVER BARRED FROM SEEKING OR PURSUING RECOVERY ON ANY CLAIM YOU MAY HAVE OR HOLD WHICH RELATES TO OR ARISES OUT OF ANY CLAIMS YOU MAY ASSERT AGAINST THE ENTITIES OR ANY OF THEM. YOU MAY WANT TO CONSULT YOUR

OWN ATTORNEY. YOU HAVE THE SOLE RESPONSIBILITY TO CORRECTLY AND TIMELY FILE THE PROOF OF CLAIM FORM.

To file your proof of claim, please file the original proof of claim with the Receiver at the following address:

Michael A. Grassmueck, Receiver
P.O. Box 1050
Portland, Oregon 97207-1050

To receive a conformed (date-stamped) copy of your filed Proof of Claim form, please enclose an extra copy of the form, along with a stamped, self-addressed envelope.

Dated: February __, 2010

ALLEN MATKINS LECK GAMBLE MALLORY &
NATSIS LLP

By: /s/ David R. Zaro

David R. Zaro, *Pro Hac Vice Application Pending*
Yale K. Kim, *Pro Hac Vice Application Pending*
dzaro@allenmatkins.com
ykim@allenmatkins.com
Phone: (213) 622-5555

- and -

Dated: February __, 2010

FARLEIGH WADA WITT

By: /s/ Tara J. Schleicher

Tara J. Schleicher, OSB #954021
Kathryn P. Salyer, OSB #883017
tschleicher@fwwlaw.com
ksalyer@fwwlaw.com
Phone: (503) 228-6044

Attorneys for Michael A. Grassmueck, Receiver

****FOR PUBLICATION NOTICE ONLY****

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON, Case No. CV 07-0533-BR
NOTICE OF BAR DATE FOR SUBMITTING CLAIMS
DEADLINE FOR FILING CLAIMS: _____, 2010

FEDERAL TRADE COMMISSION, Plaintiff

v.

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

PLEASE TAKE NOTICE that the United States District Court for the District of Oregon ("District Court") has entered its order establishing a deadline of _____, 2010, by which proofs of claim must be received by the Receiver by all persons or entities that hold or assert that they have or hold a claim against Merchant Processing, Inc., 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 Entities").

All persons or entities who assert a claim against any of the Receivership Entities or otherwise wish to pursue relief related to a claim against the Receivership Entities must do so by filing a Proof of Claim as provided herein and as distributed by the Receiver. Accordingly, your Proof of Claim must be received by the Receiver on or before _____, 2010 at 5:00 p.m. PST.

When you submit a Proof of Claim form in this case, you (i) consent to the jurisdiction of the District Court for all purposes, including a determination, among other things, as to the validity and amount of your claim, (ii) agree to be bound by the actions of the District Court even if that means that your claim is limited or denied, and (iii) agree that your participation in any distribution of the receivership estate may exclude you from any other remedies against the Receivership Entities or any other person or entity based upon your claim. You must submit, in addition to your Proof of Claim, a copy of all documents evidencing your claim, including but not limited to any, canceled checks (front and back), bank statements, account ledgers, invoices, statements, or other documents evidencing the amount or basis of your claim, and any document evidencing a security interest, if any.

IF YOU FAIL TO FILE A PROOF OF CLAIM BY _____, 2010 AT 5:00 p.m. PST, YOU WILL BE FOREVER BARRED FROM SEEKING OR PURSUING RECOVERY ON ANY CLAIM YOU MAY HAVE OR HOLD WHICH RELATES TO OR ARISES OUT OF ANY CLAIM AGAINST THE RECEIVERSHIP ENTITIES.

To submit your proof of claim, please file your claim by mailing the original proof of claim to the Receiver at: Michael A. Grassmueck, Receiver, P.O. Box 1050, Portland, Oregon 97207-1050 (to receive a conformed (date-stamped) copy of your filed Proof of Claim form, enclose an extra copy of the form, along with a stamped, self-addressed envelope).

**UNITED STATES DISTRICT COURT
District of Oregon**

PROOF OF CLAIM

FEDERAL TRADE COMMISSION, Plaintiff
v.
Merchant Processing, Inc.; Vequity Financial Group, Inc.; Direct Merchant Processing, Inc.; PPI Services, Inc.; Aaron Lee Rian,; and Karely McCarthy, A.K.A. Karly Speelman, Defendants.

Case Number CV07-0533 BR

1. NAME AND ADDRESS OF CLAIMANT :

Name

Address

City / State / Zip Code

Telephone No. of Claimant: _____

Tax I.D. No. or SSN: _____

Account or Reference No: _____

2. CLAIMANT IS A: **MERCHANT (Go to Box 3)**
 CREDITOR (Go to Box 4)

If Claimant is both a Merchant and a Creditor, please file separate Proof of Claim forms for each claim.

YOUR PROOF OF CLAIM SHOULD BE FILED ACCORDING TO THE ATTACHED INSTRUCTIONS.

3. MERCHANTS ONLY

3a. Entity In or With Which You Claim To Have Suffered a Loss: (If you conducted business with several of the below receivership companies, provide separate Proof of Claim forms for each entity):

Merchant Processing, Inc.
 Vequity Financial Group, Inc.
 Direct Merchant Processing, Inc.
 PPI Services, Inc.
 Other: _____

3b. Total Amount of Claim as of April 11, 2007:
 \$ _____

Check this box if claim includes increases over principal loss, i.e. interest or other charges, such as attorneys' fees, damages, claims or late fees in addition to the principal amount of the claim. If you check this box, you must attach itemized statement of all additional amounts, interest or charges.

Check this box if you contend your claim is subject to a security interest. If you check this box, you must attach copies of all documents that evidence the claim of secured status.

3c. Date and Amount of Funds Lost or Fees Incurred:

Date: _____ Amount: \$ _____

Date: _____ Amount: \$ _____

(Attach additional sheets as necessary to reflect the date and amount of all loses.)

3d. Date and Amount of Any Payments or Reimbursements Received by Claimant:

Date: _____ Amount: \$ _____

Date: _____ Amount: \$ _____

(Attach additional sheets as necessary to reflect the date and amount of all payments or reimbursements.)

3e. Attach Certificates/Agreements:

Attach to this Proof of Claim, copies of all Agreements, cancelled checks (front and back), bank statements, account ledgers, statements or other documents evidencing the amount and basis of your claim. Failure to attach complete documentation of your claim may result in your claim being rejected.

***You Must Date and Sign The Claim At Lines 7 and 8 Below For This Claim To Be Valid.**

4. CREDITORS ONLY

4a. Basis of Claim:

Goods Sold
 Services Performed
 Money Loaned
 Taxes
 Wages, salaries or compensation (fill out below)
 Your SS# _____
 Unpaid compensation for services performed from _____ to _____ (dates)
 Benefits (provide a detailed explanation on attached sheet)
 Other (provide a detailed explanation on attached sheet)

4b. Entity/Person with whom claim was incurred: _____

4c. Date Claim was Incurred: _____

4d. If Legal Action Pending, Date Commenced, Court and Case No.:

If Court Judgment, Date Obtained: _____

4e. Total Amount of Claim as of April 11, 2007: \$ _____

Check this box if you contend your claim is subject to a security interest. If you check this box, you must attach copies of all security agreements and other documents that evidence the claim of secured status.

Check this box if claim includes interest or other charges, such as attorney's fees, lost profits or late fees in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5. Supporting Documents: Attach copies of supporting documents, such as cancelled checks (front and back), account ledgers, bank statements, promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, you must explain. If the documents are voluminous, attach a summary.

6. Date-Stamped Copy: To receive an acknowledgment of the filing of your Proof of Claim form, enclosed a stamped (USD\$ Denominated), self-addressed envelope and copy of this proof of claim.

7. Date

8. Sign and print the name and title, if any, of all Claimants or other persons authorized to file this claim (attach copy of power of attorney, death certificate or other document as needed if co-owner is unable to sign): By signing your name below, you are certifying that the information contained in this Proof of Claim and any back-up documentation provided is true and correct under penalty of perjury under the laws of the United States of America:

INSTRUCTIONS FOR PROOF OF CLAIM FORM

UNITED STATES DISTRICT COURT District of Oregon

FEDERAL TRADE COMMISSION, Plaintiff

v.
Merchant Processing, Inc.; Vequity Financial Group, Inc.; Direct Merchant Processing, Inc.; PPI Services, Inc.; Aaron Lee Rian,; and Karely McCarthy, A.K.A. Karly Speelman, Defendants.

Case Number CV07-0533 BR

GENERAL INFORMATION

Michael A. Grassmueck, as Receiver in the above-captioned case, has determined that there will likely be some assets to distribute to Merchants and Creditors. The amount of funds available for distribution has not been determined; however, the Receiver believes that the best source of compensation to the merchants and creditors is from the funds that the Receiver is bringing into the receivership estate and Merchants and Creditors are strongly encouraged to file claims. **If your Proof of Claim is not received before xxxxxxxxxxxxxxxx at 5:00 p.m. PST, you will lose your right to receive any distributions from the Receiver or the receivership estate and your claim will be barred.**

1. **WHO MUST FILE A PROOF OF CLAIM FORM?** You must file a Proof of Claim form if you believe that you are owed any money by the following Defendants: Merchant Processing, Inc., Vequity Financial Group, Inc., Direct Merchant Processing, Inc., PPI Services, Inc., Liberty Merchant Services, Inc., Bad Boy Investments, Inc., Bad Boy Racing, LLC., and/or Bad Boy Enterprises, Inc. (collectively, the "Companies") or if you assert a claim against any other person or entity arising out of or based upon (a) any business with, through, or in any of the Companies; (b) any interest in any of the Companies or any of its assets or any claim against any of the Companies or any entity under their control based on primary, secondary, direct, indirect, secured, unsecured, or contingent liabilities; or (c) any claim of any sort against any of the Companies or any entity under their control whether such claim is based upon contract, tort, contribution, indemnity, reimbursement, subrogation theories or other legal or equitable theory. Proof of Claim forms must be filed by Claimants who were Merchants and/or Creditors of the above-listed Defendants and their affiliates and subsidiaries. If you are both a Merchant and Creditor, or are a Merchant with or through more than one of the Companies or affiliates or subsidiaries, you must file separate Proof of Claim forms for each and every claim or interest you allege to have against them or any of them. **Note that failure to submit a signed Proof of Claim form and supporting documentation may result in denial of your claim.**
2. **CONSENT TO JURISDICTION OF THE COURT AND THE CONSEQUENCES THEREOF.** If you submit a Proof of Claim form in this case, you consent to the jurisdiction of United States District Court for the District of Oregon ("District Court") for all purposes, agree to be bound by its decisions, including a determination, among other things, as to the validity and amount of your claim against the Companies, affiliates, subsidiaries or other persons or entities as identified in paragraph 1. In submitting a Proof of Claim, you agree to be bound by the actions of the District Court even if that means that a claim is limited or denied. By submitting a Proof of Claim, you further agree that your participation in any distribution of the receivership estate may exclude or prevent you from pursuing any other remedies.
3. **WHERE MUST THE PROOF OF CLAIM FORM BE SENT?** The completed Proof of Claim form, along with all supporting documentation should be filed pursuant to the instructions set forth therein, and sent by mail to:
Michael A. Grassmueck, Receiver
PO Box 1050
Portland, OR 97207-1050
4. **WHAT IS THE DEADLINE TO FILE THIS PROOF OF CLAIM FORM?** The Proof of Claim form must be received by the Receiver before xxxxxxxxxxxxxxxx at 5:00 p.m. PST. Please note that any late filed claim may be objected to and denied in its entirety.
5. **AM I A MERCHANT OR CREDITOR?** If you believe you have or allege you have incurred a loss through the purchase of the Companies' or affiliates and subsidiaries' services (see Paragraph 3a of the Claim for names of some of the other entities), you are a Merchant. If you have performed services for the Companies, sold merchandise, loaned money, or were an employee of the above-listed Companies or their affiliates or subsidiaries, you are a Creditor. All other Claimants to whom the Companies owe a debt, which debts are not based on the purchase of stocks or other investments, are also Creditors. Based on your categorization as either a Merchant or Creditor, fill in the appropriate section of the attached Proof of Claim form. If you believe that you are both a Merchant and a Creditor, fill out two (2) separate Proofs of Claim. In either case, you must sign the Proof of Claim form at line 8.
6. **SUPPORTING DOCUMENTS.** You must attach to the Proof of Claim form copies of all documents that show that the Companies owe the debts or amounts claimed, or if the documents are too lengthy, a summary of those documents. If supporting documents are not available, you must attach an explanation of why they are not available. Failure to provide such documents may result in the denial of your claim.
7. **ADDITIONAL INFORMATION.** Note that additional information regarding filing the Proof of Claim form, along with additional blank forms, can be obtained at www.grassmueckgroup.com/mpj.php or you may write to the Receiver at the address set forth in Section 3 above.

INFORMATION ON COMPLETING THE PROOF OF CLAIM FORM

1. **Information about Claimant.** Complete this section giving the name, address and telephone number of the Claimant to whom the Companies owe money or property, and any account or reference number associated with such debt.
2. **Claimant Type.** Indicate in this box whether you are a Merchant or Creditor (as defined in the General Information section above). If you are both a Merchant and a Creditor, please file separate Proof of Claim forms for each claim. Upon completing this box, if you have marked Merchant, please proceed to box 3; if you have marked Creditor, please proceed to box 4.
3. **FOR MERCHANTS ONLY.**
 - 3a. Indicate the name of the entity with, through, or in which you claim to have incurred loss.
 - 3b. **Claim Amount.** State the amount you lost or paid to the Companies or their predecessors, affiliates or subsidiaries as of **April 11, 2007**. If said claim amount includes increases over principal or actual losses incurred, such as interest, attorney fees, damages, claims or late fees, please mark the appropriate box below the claim amount and provide a detailed break-down of the claim. Also attach all documentation supporting said claim amount and the calculation of same. Also, if you allege that your claim is subject to a security interest, mark the appropriate box in this section and provide all supporting documentation evidencing the secured status of your claim.
 - 3c. **Date and Amount of Funds Lost or Fees Incurred.** Indicate in this section each time you incurred a loss with the applicable Company by indicating the date and the amount. Attach additional sheets as necessary to reflect all individual losses experienced.
 - 3d. **Date and Amount of any Payments or Reimbursements Received.** Indicate the date of any payments or reimbursements from the applicable Company by indicating the date and amount of each. Attach additional sheets as necessary to reflect the date and amount of all transfers of money out of the applicable Company. (Merchants go to Section 5 of the Proof of Claim and complete Sections 5 – 8.)
 - 3e. Attach to your Proof of Claim, copies of all Agreements, Certificates, and any other documents you contend reflect the terms of your agreement with any of the Companies.
4. **FOR CREDITORS ONLY.**
 - 4a. Indicate the basis of your claim in this section.
 - 4b. Entity with whom claim was incurred: Identify the entity you believe owes you the money.
 - 4c. **Date the Claim was Incurred.** Indicate the date on which the amount you allege to be owed arose.
 - 4d. **Pending Legal Action.** If you have commenced a legal action against any of the Companies, provide the details of said legal action here. Attach any additional pages of description and supporting documentation. Also, please provide any information regarding court judgments obtained against any of the above-captioned defendants.
 - 4e. **Total Claim Amount as of April 11, 2007.** State your claim amount of April 11, 2007. Also, mark the applicable box if you contend your claim is subject to a security interest, and attach copies of all security agreements and other documents that evidence the claim of secured status. Mark the applicable box if your claim amount includes interest or other charges, such as attorney fees, lost profits, or late fees in addition to the principal amount of your claim, and attach an itemized statement of all such additional charges.
5. **Supporting Documentation.** Note that in addition to filling out the Proof of Claim form, you should provide supporting documentation evidencing your claim. Supporting documentation may include documents such as cancelled checks, bank statements, account ledgers, promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, or evidence of perfection of liens. Furthermore, feel free to provide any additional pages of explanation or narrative discussing your claim and claim amount.
6. **Acknowledgement of Filing.** To receive an acknowledgement of the filing of your Proof of Claim form, enclose an additional copy of the Proof of Claim form, along with a self-addressed, stamped envelope when filing the original form.
7. **Date.** Insert the date on which you completed and signed the Proof of Claim form.
8. **Signature.** Sign the Proof of Claim form and indicate your title, if applicable. **THE PROOF OF CLAIM FORM YOU SUBMIT MUST BE SIGNED AND CERTIFIED AS TRUE AND ACCURATE UNDER PENALTY OF PERJURY.**