

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK (MANHATTAN)** **PROOF OF CLAIM**

In re: **Jennifer Convertibles, Inc.** Case Number: **10-13779**

NOTE: See Reverse for List of Debtors/Case Numbers/ important details. This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor and Address: the person or other entity to whom the debtor owes money or property

**RENAISSANCE PARTNERS  
C/O JAFFE, RAITT, HEUER & WEISS, P.C.  
THOMAS E. COUGHLIN, ESQ.  
27777 FRANKLIN ROAD, SUITE 2500  
SOUTHFIELD, MI 48034**

25239791001585

Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Check this box if you are the debtor or trustee in this case.

If you have already filed a proof of claim with the Bankruptcy Court or BMC, you do not need to file again. **THIS SPACE IS FOR COURT USE ONLY**

Creditor Telephone Number (248) 351-3000

Name and address where payment should be sent (if different from above):

Payment Telephone Number ( )

**RECEIVED  
OCT 25 2010  
BMC GROUP**

Check this box to indicate that this claim amends a previously filed claim.

Claim Number (if known):

Filed on:

1. AMOUNT OF CLAIM AS OF DATE CASE FILED \$ **3,975,595.25\***

If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4. \* Estimated

If all or part of your claim is entitled to priority, complete item 5.

If all or part of your claim qualifies as an administrative expense under 11 U.S.C. § 503(b)(9), complete item 6.

Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

2. BASIS FOR CLAIM: Merchant Agreement and Court Order (See instructions #2 and #3a on reverse side.)

3. LAST FOUR DIGITS OF ANY NUMBER BY WHICH CREDITOR IDENTIFIES DEBTOR: 4646

3a. Debtor may have scheduled account as:

4. SECURED CLAIM (See instruction #4 on reverse side.)

Secured Claim Amount: \$ **3,975,595.25** **DO NOT** include the priority portion of your claim here.

Unsecured Claim Amount: \$ **0**

Nature of property or right of setoff: Describe: Cash Reserve Amount of arrearage and other charges as of time case filed included in secured claim, possession, setoff and recoupment

Real Estate  Motor Vehicle  Other Cash Reserve

Value of Property: \$ 3,975,595.25 Annual Interest Rate: % if any: \$ Basis for Perfection:

5. PRIORITY CLAIM

Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). Include ONLY the priority portion of your unsecured claim here.

If any portion of your claim falls in one of the following categories, check the box and state the amount. Unsecured Priority Claim Amount: \$

You **MUST** specify the priority of the claim:

Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).

Wages, salaries, or commissions (up to \$11,725\*), earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4).

Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5).

Up to \$2,600\* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(7).

Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).

Other - Specify applicable paragraph of 11 U.S.C. § 507(a) ( ).

\* Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

6. AMOUNT OF CLAIM THAT QUALIFIES AS AN ADMINISTRATIVE EXPENSE UNDER 11 U.S.C. § 503(b)(9): \$

See instruction #6 on reverse side

7. CREDITS: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

8. SUPPORTING DOCUMENTS: Attach redacted copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of evidence of perfection of a security interest. (See instruction 8 and definition of "redacted" on reverse side.) If the documents are not available, please explain.

DATE-STAMPED COPY: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

**DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.**

The original of this completed proof of claim form must be sent by mail or hand delivered (FAXES NOT ACCEPTED) so that it is actually received on or before 5:00 pm, prevailing Eastern Time on October 25, 2010 for Non-Governmental Claimants OR on or before 5:00 pm, prevailing Eastern Time on January 18, 2011 for Governmental Units.

BY MAIL TO: BMC Group, Inc  
Attn: Jennifer Convertibles Claims Processing  
PO Box 3020  
Chanhassen, MN 55317-3020

BY HAND OR OVERNIGHT DELIVERY-TO: Jennifer Convertibles  
BMC Group, Inc  
Attn: Jennifer Convertibles Claims Processing  
18750 Lake Drive East  
Chanhassen, MN 55317

**THIS SPACE FOR COURT USE ONLY**

Jennifer Convertibles  
00296

DATE: 10/22/10

SIGNATURE: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number, if different from the notice address above. Attach copy of power of attorney, if any.

Thomas E. Coughlin Thomas E. Coughlin of Jaffe, Raitt, Heuer & Weiss, its attorney

SATTERLEE STEPHENS  
BURKE & BURKE LLP  
230 Park Avenue, Suite 1130  
New York, New York 10169  
(212) 818-9200  
Timothy T. Brock, Esq.  
Daniel G. Gurfein, Esq.  
Abigail Snow, Esq.

*Attorneys for Merrick Bank Corporation*

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Michael S. Fox, Esq.  
Andrea Fischer, Esq.  
Jordanna L. Nadritch, Esq.

*Proposed counsel for the Debtors and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT  
THE SOUTHERN DISTRICT OF NEW YORK**

In re:

JENNIFER CONVERTIBLES, INC., et al.,

Debtors.

Chapter 11  
Case No. 10-13779 (ALG)  
Jointly Administered

**REVISED INTERIM STIPULATION AND ORDER REGARDING  
CHARGEBACK RESERVE ACCOUNT**

This Interim Stipulation and Order (“Stipulation”), dated the 3rd day of August, 2010, is between and among Merrick Bank Corporation (“Merrick”); Renaissance Associates (“Renaissance” and, collectively with Merrick, the “Bank”); and Jennifer Convertibles Inc. (“Jennifer”). (All parties to this Stipulation are collectively referred to hereinafter as the “Parties”).

## RECITALS

A. On or about January 13, 2010, the Parties signed a “Merchant Application and Agreement” (“Agreement”) (copy attached as Exhibit A), which Agreement amended a prior agreement between the Parties, pursuant to which Bank has agreed to process Visa and MasterCard transactions initiated by customers utilizing credit cards at Jennifer locations (i.e., receive from a cardholder’s issuing bank, through the Visa/MasterCard interchange systems, payments for goods purchased at Jennifer locations with Visa/MasterCard cards (“Sales Receipts”) and remit such Sales Receipts on a daily basis, less applicable fees and other costs, to Jennifer).

B. Without the Bank’s performance under the Agreement, or the agreement of another bank to provide such services, Jennifer would be unable to accept Visa or MasterCard as a means for payment for its goods.

C. Jennifer’s ordinary course of business is to charge consumers a minimum of 50% of the purchase price for its goods at the time of sale for the Jennifer segment, and, in the case of sales of the Ashley segment goods, 100% of the purchase price at such time (the aggregate of all such down payments made with a Visa or MasterCard card at any given time the “Visa/MasterCard Deposits”) and the remaining balance, with respect to Jennifer segment sales, upon delivery of the purchased item some time later.

D. Pursuant to the rules of Visa and MasterCard, if product in respect of which a Visa/MasterCard Deposit has been made is not delivered, the cardholder may cancel the order (i.e., “chargeback”) and the Bank is obligated to return the Visa/MasterCard Deposit to the consumer. Likewise, if a cardholder determines not to accept delivered goods (defective, wrong

item, etc.) the cardholder may chargeback and the Bank is obligated to return the purchase price to the consumer.

E. The Agreement expires on January 13, 2011 and provides for termination by the Bank “without cause” on thirty (30) days advance written notice (Agreement § 4.02(a)) and “for cause” on notice immediately upon, among other reasons, a material adverse change in Jennifer’s financial condition or Jennifer’s bankruptcy. (Agreement § 4.02(b)).

F. The Agreement provided that the Bank may establish and Jennifer would fund a reserve to protect the Bank from chargeback risk in an amount demanded by the Bank, which may be increased by the Bank (the “Chargeback Reserve Account”). Such amount, as initially set forth in the Agreement, was \$801,462.52. (Agreement § 3.05).

G. Beginning earlier this year, the Bank increased the Chargeback Reserve Account by withholding daily an additional portion of the Sales Receipts it otherwise would have remitted to Jennifer (the “Withholding”); such Withholding ceased as of July 27, 2010.

H. The Chargeback Reserve Account totaled \$3,975,595.25 as of the close of business on July 16, 2010 (the “Interim Reserve”). As of July 28, 2010 the Visa/MasterCard Deposits, as per the most recent data reported to Bank by Jennifer, totaled \$4,294,266.

I. On July 18, 2010 (the “Petition Date”), Jennifer and affiliated debtors commenced voluntary cases pursuant to Chapter 11 of Title 11 of the United States Code and the cases (consolidated under Bankr. Case No. 10-13779) were assigned to the Honorable Allan L. Gropper, United States Bankruptcy Judge (the “Court”).

J. Jennifer will benefit by entering this Stipulation by (i) allowing it time to negotiate with the Bank toward modifying the Agreement to (x) extend the term beyond its current termination date and (y) provide a formula regarding the amount of the Chargeback

Reserve Account to which the Bank will be entitled on any given day, which formula will provide certainty to Jennifer as to cash flow and (ii) providing significant additional cash both immediately and during the term of this Stipulation as it will result in, as set forth below, the immediate release of one million dollars upon Approval (as defined below) and continuing cessation of the Withholding.

K. All parties reserve their rights.

#### AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby stipulated and agreed by and between the Parties hereto as follows:

1. The term of this Stipulation shall commence on the date of execution by Merrick, Renaissance and Jennifer and shall terminate on the earliest of (i) 14 days from the date of entry of an Order by the Court approving this Stipulation ("Approval"); (ii) August 4, 2010, if the Court has not entered an Order on or before that date; or (iii) the date of entry of an Order by the Court denying the relief requested in this Stipulation, provided however, either Party may move for relief from this Stipulation upon good cause shown, including but not limited to the change in the ratio of Visa/MasterCard Deposits to the balance of the outstanding Chargeback Reserve Account and the need for adequate protection. During the term of this Stipulation, Jennifer will not move for relief from this Stipulation in order to request the return of all or any part of the Interim Reserve.

2. Bank shall refrain from reinstating Withholding absent a Court order permitting such reinstatement.

3. Upon the Date of Approval, Bank shall remit \$1,000,000 currently held in the Interim Reserve to Jennifer.

4. Bank shall hold the Interim Reserve (with the exception of the amounts set forth in paragraph 3 *supra*) and shall be entitled to recoup chargebacks in accordance with the terms of the Agreement, including but not limited to recoupments of such losses from the Interim Reserve, regardless of whether the transaction date as referenced in the chargeback is post - petition ("Post Petition Recoupment") or pre-petition ("Pre-Petition Recoupment") (collectively, the "Post-Petition Recoupments and the Pre-Petition Recoupments are defined as "Recoupment").

5. Notwithstanding termination of this Stipulation, the Bank shall be authorized to take Post Petition Recoupments against the Interim Reserve.

6. The Bank will submit an accounting of such Recoupments to Jennifer on a weekly basis, and Jennifer reserves its right to challenge any such Recoupment, to the extent that such Recoupment does not comport with the ordinary course of business between the Parties.

7. To the extent any person or entity, receives a post-Petition Date lien over Jennifer's estate property, either by Court approval or otherwise, any such lien shall be subordinate to Merrick's rights, if any, to the funds in the Chargeback Reserve Account (including the Interim Reserve) as set forth in the Agreement.

8. Jennifer will provide the weekly Visa/MasterCard Deposit report to Merrick, on a post-Petition Date basis. Merrick reserves the right to move to compel additional reporting as needed and Jennifer reserves the right to object to any such motion.

9. Any Recoupment taken in accordance with paragraph 4 prior to termination of this Stipulation, which is not otherwise challenged pursuant to paragraph 6, shall be deemed

authorized, and not subject to challenge, notwithstanding the termination of this Stipulation. Paragraphs 2, 5, 6 and 7 shall survive termination of this Stipulation regardless of whether the Agreement is rejected (and in the case of such rejection, paragraphs 5 and 6 remain limited by the temporal terms of the Agreement). With the exception of the foregoing, upon the termination of this Stipulation for any reason, none of its provisions shall survive.

10. All other terms and conditions of the Agreement remain unchanged.
11. This Stipulation shall be binding upon, and shall inure to the benefit of, the parties and their respective successors and assigns.
12. The Parties may mutually consent (such consent to be in writing) to extend the term of this Stipulation.
13. The signatories to this Stipulation represent and acknowledge that they have the requisite authority to execute this Stipulation.
14. This Agreement may be executed by facsimile and in counterparts, each facsimile being deemed an original and constituting one original document.

Dated: August 3, 2010

OLSHAN GRUNDMAN FROME  
ROSENZWEIG & WOLOSKY LLP

By     /s/ Michael S. Fox    

Michael S. Fox  
Andrea Fischer, Esq.  
Jordanna L. Nadritch, Esq.

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By     /s/ Thomas E. Coughlin    

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Southfield, MI 48034  
(248) 351-3000  
*Attorneys for Renaissance Partners*



SO ORDERED:

/s/ Allan L. Gropper  
ALLAN L. GROPPER  
UNITED STATES BANKRUPTCY JUDGE

Dated: August 4, 2010



1650 Sycamore Ave, Suite 20, Bohemia, NY 11716  
Merchant Services • Tel: (800) 267-5772



135 Crossways Park West Woodbury, NY 11797  
Merchant Services Division • Tel (800) 267-2256

**Merchant Application and Agreement**

Merchant #:		EXISTING - UPDATED APP/TERMS JAN 2010		MCC:	
MERCHANT NAME (DBA or Trade Name)			CORPORATE/LEGAL NAME (if Different) JENNIFER CONVERTIBLES INC		
LOCATION ADDRESS			CORPORATE ADDRESS (if Different) 417 CROSSWAYS PARKS DR		
CITY	STATE	ZIP	CITY	STATE	ZIP
			WOODBURY	NY	11797
CONTACT NAME	EMAIL ADDRESS	TELEPHONE	FAX NUMBER	FEDERAL TAX ID#	
RAMI ABADA		5164961900		11-2824646	

MAIL / FAX RETRIEVALS, CHARGEBACKS TO:  OUTLET  CORPORATE  
MAIL / FAX STATEMENTS TO:  OUTLET  CORPORATE

PRODUCT OR SERVICE BEING OFFERED: FURNITURE SALES

<p>TYPE OF BUSINESS:</p> <input type="checkbox"/> INDIVIDUAL/SOLE PROPRIETOR <input type="checkbox"/> PARTNERSHIP <input type="checkbox"/> CORPORATION <input type="checkbox"/> LLC STATE: <input type="checkbox"/> PRIVATE <input checked="" type="checkbox"/> PUBLICLY TRADED <input type="checkbox"/> GOVERNMENT <input type="checkbox"/> NON-PROFIT (MUST PROVIDE 501-C3)	<p>NATURE OF BUSINESS:</p> <input checked="" type="checkbox"/> RETAIL <input type="checkbox"/> RETAIL W/IT <input type="checkbox"/> MAIL/PHONE ORDER <input type="checkbox"/> INTERNET <input type="checkbox"/> RESTAURANT <input type="checkbox"/> FAST FOOD <input type="checkbox"/> LODGING <input type="checkbox"/> QSR <input type="checkbox"/> PETROLEUM <input type="checkbox"/> UTILITY <input type="checkbox"/> OTHER: SEASONAL SALES: <input type="checkbox"/> YES <input type="checkbox"/> NO IF SO, PLEASE CIRCLE HIGH VOLUME MONTHS:
<p>LENGTH OF TIME IN BUSINESS: YEARS MONTHS</p>	<p>J F M A M J J A S O N D</p>

<p>DOES THIS LOCATION CURRENTLY TAKE VISA/MASTERCARD/DISCOVER @ ?</p> <input type="checkbox"/> NO <input checked="" type="checkbox"/> YES (IF YES PLEASE PROVIDE COPIES OF MERCHANT STATEMENT(S)). REASON FOR LEAVING CURRENT PROCESSOR:	<p>HAS MERCHANT OR OWNERS/PRINCIPALS EVER BEEN TERMINATED FROM ACCEPTING BANKCARDS FOR THIS BUSINESS OR ANY OTHER BUSINESSES? <input type="checkbox"/> NO <input type="checkbox"/> YES (IF YES, PLEASE EXPLAIN)          REASON FOR TERMINATION:       </p>
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METHOD OF ACCEPTANCE: (TOTALS TO EQUAL 100%) \* MERCHANTS PROCESSING LESS THAN 75% SWIPE TRANSACTIONS MUST COMPLETE THE MO/TO QUESTIONNAIRE

CREDIT CARDS SWIPE: 90 % MO/TO: % KEY ENTERED: 10 % INTERNET: %

(URL: )

ANNUAL V/MC/ DISC VOLUME: \$ 58000000 AVG. TICKET: \$ 500 HIGH TICKET: \$ 5000

**PRINCIPALS:**

NAME: PUBLIC TRADED "JEN" TITLE: \_\_\_\_\_  
 SSN: \_\_\_\_\_ DL# / STATE: \_\_\_\_\_ % OWNERSHIP: \_\_\_\_\_  
 HOME ADDRESS: \_\_\_\_\_ CITY: \_\_\_\_\_ STATE: \_\_\_\_\_ ZIP: \_\_\_\_\_ HOME PHONE: \_\_\_\_\_

NAME: \_\_\_\_\_ TITLE: \_\_\_\_\_  
 SSN: \_\_\_\_\_ DL# / STATE: \_\_\_\_\_ % OWNERSHIP: \_\_\_\_\_  
 HOME ADDRESS: \_\_\_\_\_ CITY: \_\_\_\_\_ STATE: \_\_\_\_\_ ZIP: \_\_\_\_\_ HOME PHONE: \_\_\_\_\_

**BANK ACCOUNT INFORMATION:** \* By providing the above referenced information, you are authorizing Bank to initiate ACH debit and credit transactions to said account

CHECKING ACCOUNT  SAVINGS ACCOUNT BANK NAME: JP MORGAN CHASE attach voided check for the operating account where funds are to be deposited  
 TRANSIT # (ABA ROUTING): \_\_\_\_\_ ACCOUNT # (ODD): 893149616  
 CONTACT: \_\_\_\_\_ PHONE #: \_\_\_\_\_

**BANK DISCLOSURE** Member Bank Information: Merrick Bank, 135 CrosswayS Park West, Woodbury, NY 11797 • Phone (800) 267-2256

**Important Bank Responsibilities**

- Merrick Bank is the only entity approved to extend acceptance of Visa products directly to a Merchant.
- Merrick Bank is responsible for educating Merchants on pertinent Visa operating regulations with which Merchants must comply.
- Merrick Bank, not RA, must hold, administer and control all reserve funds derived from settlement.
- Merrick Bank must be a principal (signer) to the Merchant Agreement
- Merrick Bank, not RA, must hold, administer and control all reserve funds derived from settlement.

**Merchant Information:** Refer to Merchant Application

**Important Merchant Responsibilities:** 1. Complying with cardholder data security and storage requirements. 2. Maintaining fraud and chargebacks below established thresholds. 3. Reviewing and understanding the Merchant Agreement. 4. Complying with Visa's operating regulations.

The responsibilities listed above do not supersede terms of the Merchant Agreement and are provided to ensure the Merchant understands some important obligations of each party and that the Visa Member - Merrick Bank - is the ultimate authority should the Merchant have any problems.

Merchant Name: Harley Greenfield 417 CROSSWAYS PARKS DR  
 WOODBURY NY 516 496-1900  
 Merchant Signature/Title: [Signature] CEO Date: 1.13.10  
 Agent/salesperson name: \_\_\_\_\_

**Merchant Application Page 2 of 2**

DOES MERCHANT USE AN INDEPENDENT SERVICER THAT STORES, MAINTAINS OR TRANSMITS CARDHOLDER INFORMATION?  No  Yes

NAME: \_\_\_\_\_ PHONE NUMBER: \_\_\_\_\_

DOES MERCHANT USE A FULFILLMENT HOUSE TO FULFILL PRODUCT?  No  Yes (If yes, please provide:)

NAME: \_\_\_\_\_ PHONE NUMBER: \_\_\_\_\_

HAVE MERCHANT OR OWNERS/PRINCIPALS EVER FILED BUSINESS BANKRUPTCY and/or PERSONAL BANKRUPTCY  No  Yes (If yes, please provide:)

Explanation: \_\_\_\_\_

**SITE INSPECTION:**

MERCHANT:  OWNS  RENTS (LANDLORD: \_\_\_\_\_)  
 BUILDING TYPE:  SHOPPING CENTER  OFFICE BUILDING  INDUSTRIAL BUILDING  RESIDENCE  
 AREA ZONED:  COMMERCIAL  INDUSTRIAL  RESIDENTIAL  
 SQUARE FOOTAGE:  0-500  501-2500  2501-5000  5001-10000+

BASED UPON YOUR REVIEW, DOES MERCHANT HAVE THE APPROPRIATE FACILITIES, EQUIPMENT, INVENTORY, PERSONNEL AND LICENSE OR PERMIT TO OPERATE THEIR BUSINESS?  NO  YES

COMMENTS: \_\_\_\_\_  
 BY SIGNING BELOW, INSPECTOR IS CERTIFYING HE/SHE HAS VISITED THE LOCATION AND INFORMATION PROVIDED IS TRUE & CORRECT.

INSPECTOR NAME: \_\_\_\_\_ INSPECTION DATE: \_\_\_\_\_ SIGNATURE: \_\_\_\_\_

**TRADE REFERENCES:**

1) NAME/CONTACT: \_\_\_\_\_ PHONE#: \_\_\_\_\_ 2) NAME/CONTACT: \_\_\_\_\_ PHONE#: \_\_\_\_\_

**MO/TO QUESTIONNAIRE: COMPLETE THIS SECTION IF PROCESSING LESS THAN 75% CARD-PRESENT:**

WHAT PERCENTAGE OF SALES ARE TO: BUSINESSES CONSUMER \_\_\_\_\_ % INDIVIDUAL CONSUMER \_\_\_\_\_ %

METHOD OF MARKETING:  NEWSPAPER/MAGAZINE  TELEVISION/RADIO  INTERNET  DIRECT MAIL, BROCHURE AND/OR CATALOG  OUTBOUND TELEMARKETING SALES  
 OTHER: \_\_\_\_\_

PERCENTAGE OF PRODUCTS SOLD VIA: TELEPHONE ORDERS \_\_\_\_\_ % MAIL/FAX ORDERS \_\_\_\_\_ % INTERNET ORDERS \_\_\_\_\_ % OTHER: \_\_\_\_\_ %

WHO PROCESSES THE ORDER?  MERCHANT  FULFILLMENT CENTER  OTHER \_\_\_\_\_

WHO ENTERS CREDIT CARD INFORMATION INTO THE PROCESSING SYSTEM?  MERCHANT  FULFILLMENT CENTER  CONSUMER  OTHER \_\_\_\_\_

IF CREDIT CARD PAYMENT INFORMATION TAKEN OVER THE INTERNET IS PAYMENT CHANNEL ENCRYPTED BY SSL OR BETTER?  NO  YES

IF MERCHANT IS AN E-COMMERCE MERCHANT, IS A MERCHANT CERTIFICATE UTILIZED?  NO  YES IF YES, PLEASE PROVIDE THE FOLLOWING:

MERCHANT CERTIFICATE NUMBER \_\_\_\_\_ CERTIFICATE ISSUER \_\_\_\_\_ EXP DATE \_\_\_\_\_ IS CERTIFICATE  INDIVIDUAL  SHARED

DO YOU OWN THE PRODUCT/INVENTORY?  YES  NO ; IS THE PRODUCT STORED AT YOUR BUSINESS LOCATION?  YES  NO IF NO, WHERE IS IT STORED? \_\_\_\_\_

AFTER CHARGE AUTHORIZATION, HOW LONG UNTIL PRODUCT SHIPS? \_\_\_\_\_ DAYS

WHO SHIPS THE PRODUCT?  MERCHANT  FULFILLMENT CENTER PRODUCT SHIPPED BY:  US MAIL  OTHER \_\_\_\_\_ DELIVERY RECEIPT REQUESTED?  YES  NO

**MERCHANT APPLICATION AND AGREEMENT ACCEPTANCE**

"By executing this Merchant Application on behalf of the merchant described above ("Merchant"), the undersigned individual(s) represent(s), warrant(s), and acknowledge(s) that: (i) All information contained in this Merchant Application ("Application") is true, correct and complete as of the date of this Application; (ii) If the Merchant is a corporation, limited liability company, or partnership, the individual(s) executing this Application have the requisite legal power and authority to complete and submit this Application on behalf of the Merchant and to make and provide the acknowledgments, authorizations and agreements set forth herein on behalf of the Merchant and individually; (iii) The information contained in this Application is provided for the purpose of obtaining, or maintaining, a merchant account for the Merchant with the Sponsor Bank ("BANK") and BANK will rely on the information provided herein in its approval process and in settling the applicable Discount Rate, Approved Average Ticket, and Approved Monthly Bankcard Volume; (iv) BANK is authorized to investigate, either through its own agents or through credit bureaus/agencies, the credit of the Merchant and each person listed on this Application; (v) BANK will determine all rates, fees and charges and notify Merchant of the approved fees and by Merchant's submission and acceptance of Merchant's first settled transaction. Merchant agrees to pay such approved fees; (vi) The Merchant Agreement will not take effect until Merchant has been approved by BANK and a merchant number has been issued to merchant; and (vii) The undersigned has received, read, understood, the Merchant Agreement, which is incorporated herein by reference thereto, and agrees on behalf of the merchant to be bound by the terms of such Merchant Agreement.

The merchant on whose behalf this Application is being submitted acknowledges that if this Application is being submitted to Merrick Bank as the Sponsor Bank, Renaissance Associates ("RA") shall also be a party to this Merchant Agreement. In such case, Merchant acknowledges that RA will rely on the representations and warranties set forth in this Application and Merchant Agreement and unless otherwise specified or prohibited by Association or applicable law, RA will have all the rights of BANK under this Application and Agreement. Any unilateral alteration, strikeover, or modification to the preprinted text or line entries of this merchant application and legal agreement shall be of no effect whatsoever, and Bank's and RA's sole discretion, may render this application invalid.

**MERCHANT:**

Principal #1: \_\_\_\_\_  
 Print Name: Harvey Greenfield CEO Date: 1.13.10

BANK:  
 By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Name and Title \_\_\_\_\_

Principal #2: \_\_\_\_\_  
 Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

Renaissance Associates  
 By: [Signature] Date: \_\_\_\_\_  
 Name and Title MICHAEL ROTHGAMP - EUP

**CONTINUING PERSONAL GUARANTY PROVISION - PERSONAL GUARANTOR**

By signing below, each individual or entity ("Guarantor") jointly and severally (if there is more than one Guarantor) unconditionally guarantees to RA and BANK the prompt payment and full and complete performance of all obligations of the Merchant identified above under the Merchant Agreement, as amended from time to time, including, without limitation, all promises and covenants of the Merchant, and all amounts payable by the Merchant under the Merchant Agreement, including, without limitation, charges, interest, costs and other expenses, such as attorney's fees and court costs. This means, among other things, that RA or BANK can demand performance or payment from any Guarantor if the Merchant fails to perform any obligation or pay what the Merchant owes under the Agreement. Each Guarantor agrees that his or her liability under this guaranty will not be limited or canceled because: (1) the Merchant Agreement cannot be enforced against the Merchant for any reason, including, without limitation, bankruptcy proceedings; (2) either RA or BANK agrees to changes or modifications to the Merchant Agreement, with or without notice to Guarantor; (3) RA or BANK releases any other Guarantor or the Merchant from any obligation under the Merchant Agreement; (4) any law, regulation, or order of any public authority affects the rights of either RA, Merchant, or BANK under the Merchant Agreement; and/or (5) anything else happens that may affect the rights of either RA or BANK against the Merchant or any other Guarantor. Each Guarantor further agrees that: (a) RA and BANK each may delay enforcing any of its rights under this guaranty without losing such rights and hereby waives any applicable Statute of Limitations; (b) RA and BANK each can demand payment from such Guarantor without first seeking payment from the Merchant or any other Guarantor or from any security held by the BANK; and (c) such Guarantor will pay all court costs, attorney's fees, and collection costs incurred by either RA or the BANK in connection with the enforcement of the Merchant Agreement or this Guaranty, whether or not there is a lawsuit, and such additional fees and costs as may be directed by a court. If the Merchant is a corporation or limited liability company, this Guaranty must be executed by a principal or affiliate of Merchant.

Principal #1: \_\_\_\_\_  
 Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

Principal #2: \_\_\_\_\_  
 Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

## TERMS AND CONDITIONS

Subject to the requirements of applicable Card Association rules, RA and Bank may allocate their respective duties and obligations between themselves as they deem appropriate at their sole discretion, and RA or Bank may jointly or individually assert or exercise the rights or remedies provided to the Bank hereunder. For purposes of this Agreement, Bank and RA are collectively referred to hereinafter as the "Bank". The Bank and Merchant agree as follows:

### ARTICLE I - DEFINITIONS

- 1.01 "Account" means a commercial checking or demand deposit account maintained by Merchant referred to in Section 5.16 for the crediting of collected funds and the debiting of fees and charges under this Agreement.
- 1.02 "ACH" means the Automated Clearing House paperless entry system controlled by the Federal Reserve Board.
- 1.03 "Agreement" means these terms and conditions, any supplementary documents referenced herein, and valid schedules and amendments to the foregoing.
- 1.04 "Authorization" means a computerized function or a direct phone call to a designated number to examine individual Transactions to obtain approval from the Card Issuer to charge the Card for the amount of the sale.
- 1.05 "Card" means (i) a valid credit card in the form issued under license from Visa U.S.A., Inc. Visa International, Inc., Discover® or MasterCard International, Inc. ("Bank Card"); or (ii) any other valid credit card accepted by Merchant by agreement with Bank.
- 1.06 "Card Association" means Visa U.S.A., Inc., Visa International, Inc., MasterCard International, Inc., Discover or any other Card Issuers that provide Cards accepted by Merchant by agreement with Bank.
- 1.07 "Card Issuer" means the financial institution or company which has provided a Card to a Cardholder.
- 1.08 "Card Not Present (CNP)" means that an Imprint of the Card is not obtained at the point-of-sale.
- 1.09 "Cardholder" means the person whose name is embossed upon the face of the Card.
- 1.10 "Cardholder Information" means any non-public, sensitive information about a Cardholder, including any combination of Cardholder name plus the Cardholder's social security number, driver's license or other identification number or credit or debit card number, or other bank account number.
- 1.11 "Chargeback" means the procedure by which a Sales Draft (or disputed portion thereof) is returned to Bank by a Card Issuer because such item does not comply with the applicable Card plan's operating regulations.
- 1.12 "Credit Voucher" means a document executed by a Merchant evidencing any refund or price adjustment relating to Cards to be credited to a Cardholder account.
- 1.13 "Imprint" means (i) an impression on a Sales Draft manually obtained from a Card through the use of an imprinter, or (ii) the electronic equivalent obtained by swiping a Card through a terminal and electronically capturing Card Data and printing a Sales Draft.
- 1.14 "Mid or Non-Qualifying Transaction" means any sale Transaction that fails to qualify for lowest interchange rate assigned by the applicable Card Association for Merchant's standard card industry code and which may be charged fees as set forth in Schedule A.
- 1.15 "Sales Draft" means the paper form, whether electronically or manually imprinted, evidencing a sale Transaction.
- 1.16 "Transaction" means any sale of products or services, or credit for such, from a Merchant for which the Cardholder makes payment through the use of any Card and which is presented to Bank for collection.
- 1.17 "Voice Authorization" means a direct phone call to a designated number to obtain credit approval on a Transaction from the Card Issuer, whether by voice or voice-activated systems.

### ARTICLE II - CARD ACCEPTANCE

- 2.01 **Honoring Cards.** Merchant will accept all valid Cards when properly presented by Cardholders in payment for goods or services, subject to applicable Card Association rules requiring Merchant to elect whether it will accept credit only, debit only or both debit and credit Cards. Merchant's election is set forth in the Schedule A. Merchant may not establish minimum or maximum amounts for Card sales as a condition for accepting any Card. Merchant may not require any Cardholder to pay as a surcharge any part of any discount or charge imposed upon Merchant by this Agreement, whether through any increase in price or otherwise require a Cardholder to pay any charge or price as a condition of sale that is not also required from a customer paying cash. However, Merchant may not, by this term, be prevented from offering discounts to Cardholders for cash purchases. Merchant may not engage in a Transaction (other than a mail, internet, telephone order, or preauthorized sale to the extent permitted under this Agreement) if the person seeking to charge the purchase to his or her Card account does not present the Card to permit Merchant to compare the signature on the Card to the signature on the Sales Draft and obtain an Imprint or otherwise use the physical Card to complete the Transaction.
- 2.02 **Advertising.** Merchant will prominently display the promotional materials provided by Bank in its place(s) of business. Merchant's use of promotional materials and use of any trade name, trademark, service mark or logo type ("Marks") associated with a Card is limited to informing the public that the Card will be accepted at Merchant's place(s) of business. Merchant's use of promotional materials and Marks is subject to the Bank's direction. Merchant may use promotional materials and Marks only during the term of this Agreement and will immediately cease use of and return any inventory to Bank upon termination thereof. Merchant may not use any promotional materials or Marks associated with Visa, Discover or MasterCard in any way which suggests or implies that either endorses any goods or services other than Bank Card services.
- 2.03 **Card Acceptance.** When accepting a Card, Merchant will follow the steps provided by Bank for accepting Cards and will: (a) Determine in good faith and to the best of its ability that the Card is valid on its face; (b) obtain Authorization from the Card Issuer to charge the Cardholder's account; (c) unless the Sales Draft is electronically generated or is the result of a mail, internet, phone or preauthorized order, (i) obtain an Imprint of the Card including embossed data from the merchant imprinter plate; and (ii) obtain the Cardholder's signature on the Sales Draft and compare that signature to the signature on the Card; (d) enter a description of the goods or services sold and the price thereof (including any applicable taxes); (e) deliver a true and completed copy of the Sales Draft to the Cardholder at the time the goods are delivered or services performed, or, if the Sales Draft is prepared by a point-of-sale terminal, at the time of the sale; (f) offer the Sales Draft to Bank for purchase according to Bank's procedures and the terms of this Agreement; and (g) make a Card Imprint, if the Transaction is not based upon a mail, internet, phone or pre-authorized order.
- 2.04 **Authorization.** Merchant will obtain an Authorization for all Card sales. If Merchant cannot, for any reason, obtain an electronic Authorization through the use of a terminal, Merchant will request a Voice Authorization from Bank's designated authorization center and will legibly print the authorization number on the Sales Draft. Merchant will not obtain or attempt to obtain authorization from Bank's authorization center unless Merchant intends to submit to Bank a Transaction for the authorized amount if Authorization for the Transaction is given. Merchant may not divide a single Transaction between two or more Sales Drafts on a single Card to avoid Authorization limits that may be set by the Card Issuer. Merchant acknowledges that an Authorization provides only that the Cardholder account has sufficient credit available to cover the amount of the current sale and that an Authorization is not a guarantee that the Transaction will not be subject to dispute or Chargeback and does not warranty the Cardholder's identity. Merchant may not attempt to obtain an authorization by successively decreasing the sale amount. Bank may refuse to purchase or process any Sales Draft presented by Merchant: (a) unless a proper authorization or approval code has been recorded on the Sales Draft; (b) if Bank determines that the Sales Draft is or is likely to become uncollectible from the Cardholder to which the transaction would otherwise be charged; or (c) if Bank has reason to believe that the Sales Draft was prepared in violation of any provision of this Agreement. Merchant will use, and may not circumvent, fraud identification tools requested by Bank, including Address Verification System processing and CVV2 processing, and acknowledges that the use of these tools may prevent Merchant from accepting certain Cards as payment. Merchant acknowledges that its use of fraud identification tools may not prevent fraudulent Card usage, and agrees that any fraudulent Transaction may ultimately result in a Chargeback, for which Merchant retains full liability under this Agreement.
- 2.05 **Retention and Retrieval of Cards.** Merchant will use its best efforts, by reasonable and peaceful means, to retain or recover a Card when receiving such instructions when making a request for Authorization or if Merchant has reasonable grounds to believe the Card is counterfeit, fraudulent or stolen. Merchant's obligations under this section does not authorize a breach of the peace or any injury to persons or property, and Merchant will hold Bank harmless from any claim arising from any injury to person or property or other breach of the peace in connection with the retention or recovery of a Card.
- 2.06 **Multiple Transaction Records; Partial Consideration.** Merchant may not prepare more than one Sales Draft for a single sale or for a single item but will include all items of goods and services purchased in a single Transaction in the total amount on a single Sales Draft except under the following circumstances: (a) for purchases in separate departments of a multiple department store; (b) for partial payment, installment payment, delayed delivery or an advance deposit; or (c) for delayed or amended charges governed by rules for travel and entertainment merchants and Transactions.
- 2.07 **Telephone Orders, Mail Orders, Internet, Preauthorized Orders and Installment Orders.** Unless Merchant has been approved by Bank to accept mail, internet or telephone orders, Merchant warrants that it is a walk-in trade business, located in a retail business place where the public moves in and out freely in order to purchase merchandise or obtain services. If Bank determines Merchant has accepted unapproved Card Transactions which are placed by telephones, generated through telephone solicitation, mail order or other means that does not create a Sales Draft that bears the Card imprint and Cardholder's signature, this Agreement will be immediately terminated and the value of all Sales Drafts collected from the first day of processing may be charged back to Merchant and all funds therefrom held as provided in Article IV. Unless approved by Bank, this Agreement does not contemplate regular acceptance of Cards for sales accepted by mail, internet or telephone nor through preauthorized orders. If an occasional Card Transaction is made by mail, phone or preauthorized order, the Sales Draft may be completed without the Cardholder's signature or an Imprint, but in such case Merchant will create a sales slip containing Cardholder data, an Authorization number, the sale amount and the letters "MO", "TO" or "PO", as appropriate. Receiving an Authorization will not relieve the Merchant of liability for Chargeback on any Transaction for which the Merchant did not obtain an Imprint or the Cardholder's signature.
- 2.08 **Lodging and Vehicle Rental Transactions.** Merchant must estimate and obtain Authorization for the amount of the Transaction based upon the Cardholder's intended length of stay or rental. Additional Authorization must be obtained and recorded for charges actually incurred in excess of the estimated amount. Regardless of the terms and conditions of any written preauthorization form, the Sales Draft amount for any lodging or vehicle rental Transaction must include only that portion of the sale, including any applicable taxes, evidencing a bona fide rental of real or personal property by Merchant to the Cardholder and may not include any consequential charges. Nothing contained herein is intended to restrict Merchant from enforcing the terms and conditions of its preauthorization form through means other than a Card Transaction.
- 2.09 **Returns and Adjustments; Credit Vouchers.**

Merchant's policy for the exchange or return of goods sold and the adjustment for services rendered will be established and posted in accordance with operating regulations of the applicable Card Association's regulations. Merchant will disclose, if applicable, to a Cardholder before a Card sale is made, that if merchandise is returned: (a) no refund, or less than a full refund, will be given; (b) returned merchandise will only be exchanged for similar merchandise of comparable value; (c) only a credit toward purchases will be given; or (d) special conditions or circumstances apply to the sale (e.g., late delivery, delivery charges, or other non-credit terms). If Merchant does not make these disclosures, a full refund in the form of a credit to the Cardholder's Card account must be given. Disclosures must be made on all copies of Sales Drafts or invoices in letters approximately 1/4" high in close proximity to the space provided for the Cardholder's signature or on an invoice issued at the time of the sale or on an invoice being presented for the Cardholder's signature. Any change in Merchant's return or cancellation policy must be submitted in writing to Bank not less than 14 days prior to the change. Bank may refuse to process any Sales Draft made subject to a revised return or cancellation policy of which Bank has not been notified as required herein.

- 2.10 **Cash Payments.** Merchant may not receive any payments from a Cardholder for charges included in any Transaction resulting from the use of any Card nor receive any payment from a Cardholder to prepare and present a Transaction for the purpose of affecting a deposit to the Cardholder's Card account.
- 2.11 **Cash Advances/Script Purchases.** Merchant may not deposit any Transaction for the purpose of obtaining or providing a cash advance either on Merchant's Card or the Card of any other party and may not accept any Card at a script terminal, and either action will be grounds for Bank's immediate termination of this Agreement.
- 2.12 **Duplicate Transactions.** Merchant may not deposit duplicate Transactions. Bank may debit Merchant for any adjustments for duplicate Transactions and Merchant is liable for any Chargebacks resulting therefrom.
- 2.13 **Deposit of Fraudulent Transactions.** Merchant may not accept or deposit any fraudulent Transaction and may not under any circumstances present for processing or credit, directly or indirectly, a Transaction which originated with any other merchant or any other source other than Transactions arising from bona fide purchases from Merchant for the goods and services for which Merchant has been approved under this Agreement. If Merchant deposits any prohibited Transaction, Bank may: (a) immediately terminate this Agreement; (b) withhold funds and demand an escrow as provided in this Agreement; (c) report Merchant to Visa, Discover and MasterCard under Section 4.04. Merchant's employees' actions are chargeable to Merchant under this Agreement.
- 2.14 **Collection of Pre-existing Debt.** Merchant may not prepare and present to Bank for purchase any Transaction representing the refinancing of an existing Cardholder obligation including, but not limited to, obligations: (a) previously owed to Merchant; (b) arising from the dishonor of a Cardholder's personal check or relating to a Chargeback; or (c) representing the collection of any other pre-existing indebtedness, including collection of delinquent accounts on behalf of third parties.
- 2.15 **Data Security/Personal Cardholder Information.** Merchant may not, as a condition of sale, impose a requirement on Cardholders to provide any personal information as a condition for honoring Cards unless such information is required to provide delivery of goods or services or Merchant has reason to believe the identity of the person presenting the Card may be different than that of the Cardholder. Merchant will not, under any circumstances, release, sell or otherwise disclose any Cardholder Information to any person other than Bank or the applicable Card Association, except as expressly authorized in writing by the Cardholder, or as required by law.
- (a) **Safeguards.** Merchant will maintain appropriate administrative, technical and physical safeguards for all Cardholder Information. These safeguards will (a) insure the confidentiality of Cardholder Information; (b) protect against any anticipated threats or hazards to the security or integrity of Cardholder Information; (c) protect against unauthorized access to or use of Cardholder Information that could result in substantial harm or inconvenience to any Cardholder; and (d) properly dispose of all Cardholder Information to ensure no unauthorized access to Cardholder Information. Merchant will maintain all such safeguards applicable to Merchant or Bank in accordance with applicable federal and state laws, rules, regulations and guidance.
- (b) **Compliance with Card Association Rules.** Merchant represents, warrants and covenants that it is and will remain throughout the term of this Agreement in compliance with Card Association bylaws, operating regulations and rules related to data security, data integrity and the safeguarding of Cardholder Information including the Payment Card Industry Data Security Standard ("PCI"), Discover Information Security Compliance ("DISC"), MasterCard's Site Data Protection Program ("SDP") and Visa's Customer Information Security Program ("CISP"), in effect and as may be amended, supplemented or replaced. Merchant will cause all of its service providers, subcontractors and agents to comply with PCI, SDP, DISC and CISP requirements at all times. Merchant will report any non-compliance immediately to Bank. To accomplish the foregoing, Merchant will encrypt all debit, credit or stored value card numbers whether in storage, transport or backup and will not store data security codes on its systems, network or software.
- (c) **Annual Certification.** Merchant will provide an annual certification to Bank if requested by Bank (in a form acceptable to Bank) certifying compliance with the data security provisions of this Agreement, including compliance with applicable Card Association requirements such as PCI, SDP, DISC and CISP. Merchant will provide annual certifications for Merchant's service providers, subcontractors and agents.
- (d) **Information Use Limitations.** Merchant may not sell, disclose, or otherwise make Cardholder Information available, in whole or in part, in a manner not provided for in this Agreement, without Bank's prior written consent. Merchant may, however, disclose Cardholder Information to its service providers, subcontractors and agents who have a need to know such information to provide the Services described in this Agreement, provided that those individuals or entities have assumed confidentiality obligations in accordance with this Agreement, or as may be required by legal process or applicable federal and state laws, rules, regulations and guidance and have entered into a written agreement with Merchant containing Merchant's and such individuals' or entities' agreement to the foregoing data security provisions including compliance with Card Association rules, regulations or bylaws.
- (e) **Response to Unauthorized Access.** Merchant will notify Bank within 24 hours after it knows of any breach in security resulting in an unauthorized access to Cardholder Information. Merchant will provide any assistance that Bank, the issuing bank of any Cardholder, and their regulators and the Card Associations deem necessary to contain and control the incident to prevent further unauthorized access to or use of Cardholder Information. Such assistance may include, but not be limited to, preserving records and other evidence and compiling information to enable Bank and the issuing bank(s) or the Card Associations to investigate the incident and provide assistance and cooperation to: (a) file suspicious activity reports (as applicable); (b) notify their regulators (as applicable); and (c) notify the affected Cardholder (as required). Unless the unauthorized access was due to Bank's acts or omissions, Merchant will bear the cost of notifying affected Cardholder.
- (f) **Miscellaneous.** Merchant may not make a claim against Bank or hold Bank liable for the acts or omissions of other merchants, service providers, Card Associations, financial institutions or others that do not have a written contractual relationship with Bank or over which Bank has no control. These provisions supplement, augment and are in addition to obligations of indemnification, audit, confidentiality and other similar provisions contained in this Agreement. This Section 2.15 and each of its subsections will survive this Agreement's termination. Merchant may not store in any system or in any manner discretionary Card read data including without limitation CVV2/ CID data, PIN data, address verification data or any other information prohibited by Card Association Rules.
- 2.16 **Compliance with Card Association Rules.** Merchant will comply with and conduct its Card activities in accordance with all applicable Card Association rules and regulations. Failure to comply with such rules and regulations may result in Merchant being terminated for cause and listed on various Card Association and industry databases, including the Terminated Merchant File and the Merchant Alert to Control High Risk Merchants file ("MATCH") and/or the Consortium Merchant Negative File (the CMNF) published by Discover. With respect to MasterCard, Discover or Visa USA, Merchant may not: (a) accept Cardholder payments for previous Card charges incurred at the Merchant location; (b) establish a minimum or maximum transaction amount as a condition for honoring a Card; (c) require a Cardholder to complete a postcard or similar device that includes the Cardholder's account number, card expiration date, signature, or any other card account data in plain view when mailed; (d) add any surcharge to transactions; (e) add any tax to transactions, unless applicable law expressly requires that Merchant be permitted to impose a tax (any tax amount, if allowed, must be included in the transaction amount and not collected separately); (f) enter into interchange any transaction receipt for a transaction that was previously charged back to Bank and subsequently returned to Merchant, irrespective of Cardholder approval (Merchant may pursue payment from the Cardholder outside the Card Association system); (g) request or use an account number of any purpose other than as payment for its goods or services; (h) disburse funds in the form of travelers cheques, if the sole purpose is to allow the Cardholder to make a cash purchase of goods or services from Merchant; (i) disburse funds in the form of cash, unless: (i) Merchant is a lodging or cruise line merchant disbursing cash to a Cardholder; (ii) Merchant is dispensing funds in the form of travelers cheques, Cards, or foreign currency; or (iii) Merchant is participating in the Card Association cash back service; (j) accept a Card for the purchase of script; (k) accept a Card for manual cash disbursement; (l) accept a Card to collect or refinance existing debt that has been deemed uncollectible by the Merchant providing the associated goods or services; or (m) enter into a Transaction that represents collection of a dishonored check. Merchant will pay all Card Association fines, fees, penalties and all other assessments or indebtedness levied by Card Associations to Bank which are attributable, at the Bank's discretion, to Merchant's Transaction processing or business. (n) A merchant may not accept a Card for an unlawful internet gambling transaction. Merchant will pay all Card Association fines, fees, penalties and all other assessments or indebtedness levied by Card Associations to Bank which are attributable, at the Bank's discretion, to Merchant's Transaction processing or business.
- 2.17 **Merchant's Business.** Merchant will notify Bank immediately if it intends to (a) transfer or sell any substantial part of its total assets, or liquidate; (b) change the basic nature of its business, including selling any products or services not related to its current business; (c) change ownership or transfer control of its business; (d) enter into any joint venture, partnership or similar business arrangement whereby any person or entity not a party to this Agreement assumes any interest in Merchant's business; (e) alter in any way Merchant's approved monthly volume, average, or maximum ticket; or (f) changes its return policies or to another fulfillment house different from those identified in Merchant Application. Merchant will notify Bank promptly in writing if it becomes subject to any voluntary or involuntary bankruptcy or insolvency petition or proceeding. Merchant's failure to provide notice as required above may be deemed a material breach and will be sufficient grounds for termination of Merchant and for Bank's exercise of all its rights and remedies provided by this Agreement. If any change listed above occurs, Bank may immediately terminate this Agreement.
- 2.18 **Merchant's Warranties.** Merchant represents and covenants that: (a) all information contained in the Merchant Application or any other documents delivered to Bank in connection therewith is true and complete and properly reflects Merchant's business, financial condition and principal partners, owners or officers; (b) Merchant has power to execute, deliver and perform this Agreement, and this Agreement is duly authorized, and will not violate any provisions of law, or conflict with any other agreement to which Merchant is subject; (c) Merchant holds all licenses, if any, required to conduct its business and is qualified to do business in every jurisdiction where it is required to do so; (d) there is no action, suit or proceeding at law or in equity now pending or to Merchant's knowledge, threatened by or against or affecting Merchant which would substantially impair its right to carry on its business as now conducted or adversely affect its financial condition or operations; (e) each Sales Draft presented to Bank for collection is genuine and is not the result of any fraudulent or prohibited Transaction or is not being deposited on behalf of any business other than Merchant as authorized by this Agreement; (f) each Sales Draft is the result of a bona fide Card Transaction for the purchase of goods or services from Merchant by the Cardholder in the total amount stated on the Sales Draft; (g) Merchant has performed or will perform all of its obligations to the Cardholder in connection with the Card Transaction evidenced thereby; (h) Merchant has complied with Bank's procedures for accepting Cards, and the Card Transaction itself does not involve any element of credit for any other purposes other than as set forth in this Agreement, and is not subject to any defense, dispute, offset or counterclaim which may be raised by any Cardholder under the Card Associations' rules.

the Consumer Credit Protection Act (15 USC §1601) or other relevant state or federal statutes or regulations; and (f) any Credit Voucher which it issues represents a bona fide refund or adjustment on a Card sale by Merchant with respect to which a Sales Draft has been accepted by Bank.

### ARTICLE III - PRESENTMENT, PAYMENT, CHARGEBACK

- 3.01 **Acceptance.** Bank will accept from Merchant all Sales Drafts deposited by Merchant under the terms of this Agreement and will present the same to the appropriate Card Issuers for collection against Cardholder accounts. Merchant must transmit Sales Drafts and Credit Vouchers to Bank or its processing vendor on the same or next business day immediately following the day that such Sales Drafts and Credit Vouchers have been originated. All presentment and assignment of Sales Drafts, collection thereof and reassignment or rejection of such Sales Drafts are subject to the terms of this Agreement and regulations of the Card Association. Bank will only provisionally credit the value of collected Sales Drafts to Merchant's Account and reserves the right to adjust amounts collected to reflect the value of Chargebacks (actual and anticipated), fees, penalties, late submission charges, reserve deposits, negative Sales Draft batch deposits and items for which Bank did not receive final payment.
- 3.02 **Endorsement.** By presenting Sales Drafts to Bank for collection and payment, Merchant agrees to sell and assign all its right, title and interest in each Sales Draft completed in conformity with Bank's acceptance procedures and constitutes an endorsement by Merchant to Bank of such Sales Drafts. Bank may supply such endorsement on Merchant's behalf.
- 3.03 **Prohibited Payments.** Bank may receive payment of any Sales Draft presented by Merchant and paid by Bank unless and until there is a Chargeback. Unless specifically unauthorized in writing by Bank, Merchant may not collect or attempt to collect any Sales Draft, including Chargebacks, and will hold in trust for Bank and promptly deliver in kind to Bank any payment Merchant receives, in whole or in part, of the amount of any accepted Transaction, together with the Cardholder's name and account number and any correspondence accompanying payment.
- 3.04 **Chargebacks.** Merchant will accept for chargeback any sale for which the Cardholder disputes the validity of the sale according to prevailing Card Association regulations, or a Card issuer or Bank determines that Merchant has in any way failed to comply with Card Association regulations or Bank's procedures in accepting a Card and presenting the resulting Sales Draft to Bank for purchase. Section 2.03 notwithstanding, Bank may charge back the amount of a Card sale for which the Cardholder disputes that authorizing the charge if Merchant failed to obtain the Card Imprint or the Cardholder's signature. Merchant may not initiate a sale Transaction in an attempt to collect a Chargeback. Merchant will pay the current published fees for each Chargeback as listed on Schedule A.
- 3.05 **Chargeback Reserve Account.** Notwithstanding anything to the contrary in this Agreement, Bank may establish (without notice to Merchant) and Merchant agrees to fund a non-interest bearing chargeback reserve account (the "Reserve Account") in the amount of \$801,462.52 upon acceptance of this agreement by Bank. Notwithstanding anything to the contrary in this Agreement, Bank may establish (without notice to Merchant) and Merchant agrees to fund an additional amount or demand other security or raise any discount, transaction or other fees to increase the reserve account. This account may be established at any time or for any reason. Specific examples might include: (a) Merchant engages in any charge processing that creates an overcharge to a Cardholder by duplicating charges; (b) any activity designed by Merchant to circumvent a "call center" message when attempting to process a transaction; (c) Merchant breaches this Agreement, violates any representation, covenant or warranty herein, violates any applicable Card Association rule or applicable law; (d) Merchant's application is in any way inaccurate or becomes inaccurate subsequent to Bank's approval of the application; (e) Merchant changes its type of business without Bank's prior written approval; (f) fraud; Merchant processes an unauthorized charge, or other action that violates Bank's applicable risk management standards or is likely to cause a loss; (g) Merchant has chargebacks exceeding one percent (1%) of the total number of transactions completed by Merchant in any 30 calendar day period; (h) excessive numbers of requests from consumers or issuing banks to retrieve documentation; (i) Merchant's financial stability is in question or Merchant ceases doing business; or (j) Merchant terminates this Agreement. Once the Reserve Account is established, collected funds will be placed in the Reserve Account. Before releasing funds after this Agreement is terminated, Merchant will pay any equipment cancellation fees and any outstanding charges, losses or amounts, and Chargebacks for which Merchant has provided indemnification under this Agreement. Further, Bank may require Merchant to deposit additional amounts based upon Merchant's processing history and/or anticipated risk of loss to Bank into the Reserve Account. Once established, unless Bank determines otherwise at its sole discretion, the Reserve Account will remain in place for 180 days and a reasonable period thereafter during which Cardholder disputes may remain valid under applicable Card Association rules. The provisions of this Agreement relating to account debits and credits apply to the Reserve Account and survive this Agreement's termination until Bank terminates the Reserve Account. Any balance remaining after chargeback rights have expired and all of Bank's other expenses, losses and damages have been paid will be disbursed to Merchant.

### ARTICLE IV - TERMINATION AND EFFECT OF TERMINATION

- 4.01 **Term.** This Agreement will be effective once Bank accepts it and, unless otherwise terminated, will continue for one (1) year with automatic one (1) year renewals.
- 4.02 **Termination.**
- (a) **Without Cause.** Bank may terminate this Agreement, without cause, upon 30 days advance written notice to Merchant.
- (b) **For Cause.** Bank may terminate this Agreement in its sole discretion, effective immediately, upon written or verbal notice, or by closing Merchant's point-of-sale terminal, if Bank reasonably determines that any of the following conditions exists: (i) Merchant has violated any provision of this Agreement; (ii) there is a material adverse change in Merchant's financial condition; (iii) if any case or proceeding is commenced by or against Merchant under any federal or state law dealing with insolvency, bankruptcy, receivership or other debt relief; (iv) any information which Merchant provided to Bank, including Application information, was false, incomplete or misleading when received; (v) at any time during the term of this Agreement, Merchant has had a monthly ratio of Chargebacks to total transactions exceeding Card Association requirements or 1%, or Chargebacks exceed 3% of any monthly dollar amount of total transactions; (vi) an overdraft in the settlement account exists for more than three days; (vii) Merchant or any of Merchant's officers or employees has been involved in processing transactions arising from fraudulent or otherwise unauthorized transactions; (viii) Merchant is or will be unable or unwilling to perform its obligations under this Agreement or applicable law; (ix) Merchant has failed to timely pay Bank any amount due; (x) Merchant has failed to promptly perform or discharge any obligation under its settlement account or the Reserve Account; (xi) any of Merchant's representations or warranties made in connection with this Agreement was not true or accurate when given; (xii) Merchant has defaulted on any agreement it has with the Bank; (xiii) Bank is served with legal process seeking to attach or garnish any of Merchant's funds or property in Bank's possession, and Merchant does not satisfy or appeal the legal process within 15 days of such service; (xiv) any Card Association rules are amended in any way so that the continued existence of this Agreement would cause Bank to be in breach of those rules; (xv) any guaranty supporting Merchant's obligations is revoked, withdrawn, terminated or altered in any way; (xvi) if any circumstances arise regarding Merchant or its business that create harm or loss of goodwill to any Card Association; (xvii) termination is necessary to prevent loss to Bank or Card Issuers; (xviii) Merchant's type of business indicated on the Application or as conducted by Merchant could endanger the Bank's safety or soundness; (xix) Merchant's owner, officer, guarantor, or corporate entity has a separate relationship with the Bank and that relationship is terminated; (xx) Merchant appears on any Card Association's security reporting; or (xxi) Bank's security for repayment becomes impaired.
- 4.03 **Effect of Bankruptcy.** Any account or security held by Bank will not be subject to any preference, claim or stay by reason of bankruptcy or similar law. The parties expressly agree that the acquisition of Card Transactions hereunder is a financial accommodation and if Merchant becomes a debtor in any bankruptcy or similar proceeding, this Agreement may not be assumed or enforced by any other person and Bank will be excused from performance hereunder.
- 4.04 **Effect of Termination.** When termination becomes effective, the parties' rights and obligations existing under this Agreement survive. If this Agreement is terminated, regardless of cause, Bank may withhold and discontinue the disbursement for all Cards and other Merchant Transactions in the process of being collected and deposited. If Merchant is terminated for cause, Merchant acknowledges that Bank may be required to report Merchant's business name and the names and other identification of its principals to the MATCH file and/or the CMNF maintained by Visa, Discover and MasterCard. Merchant expressly agrees and consents to such reporting if Merchant is terminated for any reason requiring listing on the MATCH file and/or the CMNF. Merchant waives and will hold harmless Bank from any claims that Merchant may raise as a result of Bank's MATCH file and/or the CMNF reporting. Merchant will also immediately cease requesting Authorizations. If Merchant obtains any Authorization after termination, the fact that any Authorization was requested or obtained will not reinstate this Agreement. Further, Merchant will return all Bank property, forms, or equipment. All obligations for Transactions prior to termination (including payment for Chargebacks and Bank's expenses relating to Chargebacks) survive termination. Bank is not liable to Merchant for damages (including prospective sales or profits) due to termination. Following termination, Merchant will upon request provide Bank with all original and electronic copies of Sales Drafts and Credit Vouchers that have been retained by Merchant as of the date of termination. Upon termination, any amounts due to Bank will accelerate and be immediately due and payable, without any notice, declaration or other act whatsoever by Bank. During the term of this agreement and upon any renewals, if merchant wishes to accept credit card services (Visa and MasterCard and related ancillary services) from a source other than RA, then Merchant must first offer RA the opportunity to match the terms and conditions offered by the third party in writing to the Merchant. Merchant must then submit that third party proposal in writing to RA, and upon receipt by RA of the third party proposal, RA has (10) ten days to match or decline the third party offer to the Merchant. In the event that RA declines to match the third party offer, merchant may proceed with the third party offer and notify RA of such acceptance in writing. The parties agree that if this Agreement is terminated before completion of the then existing term of this Agreement for any reason other than a material unexcused breach by Bank, Merchant will pay Bank damages determined by (a) computing the number of months remaining from the date of termination to the end of the then current term, and (b) multiplying that number by thirty five dollars (35) for termination without first right of refusal notification or fifteen dollars (15) for termination with first right of refusal notification, and adding Bank's costs and attorneys' fees. Merchant agrees that these damages are not a penalty but are a reasonable computation of the financial harm caused by the termination of this Agreement. Bank's rights of termination are non-cumulative. A debit to merchant's DDA will be initiated by Bank to collect the calculated damages.

### ARTICLE V - MISCELLANEOUS

- 5.01 **Account Monitoring.** Merchant acknowledges that Bank will monitor Merchant's daily deposit activity. Bank may upon reasonable grounds suspend disbursement of Merchant's funds for any reasonable period of time required to investigate suspicious or unusual deposit activity. Bank will make good faith efforts to notify Merchant promptly following suspension. Bank is not liable to Merchant for any loss, either direct or indirect, which Merchant may attribute to any suspension of funds disbursement.
- 5.02 **Forms.** Merchant will use only the forms or modes of transmission of Sales Drafts and Credit Vouchers that are provided or approved in advance by Bank, and Merchant may not use such forms other than in connection with card transactions.
- 5.03 **Indemnification.** Merchant will defend, indemnify and hold Bank and its officers, directors, members, shareholders, partners, employees, agents, subcontractors and representatives harmless from and against any and all fines, penalties, claims, damages, expenses, liabilities or fees of any nature whatsoever, including attorneys' fees and costs ("Damages"), asserted against or incurred by Bank arising out of, relating to or resulting from, either directly or indirectly: (a) a breach of the security of the system safeguarding Cardholder Information resulting in unauthorized access to Cardholder Information; (b) a breach of any representation, warranty or term of this Agreement, including, but not limited to, the data security provisions by Merchant, or any service provider, subcontractor or agent of Merchant; (c) the negligence, gross negligence or willful misconduct of Merchant in the performance of its obligations under this Agreement.

- including, but not limited to, the data security provisions; (d) any violation of applicable federal and state laws, rules, regulations and guidance and Card Association rules by Merchant; and (e) all third party claims arising from the foregoing. Notwithstanding the preceding, Merchant is not liable to Bank if Damages are caused by, related to or arise out of Bank's negligence, gross negligence or willful misconduct, or Bank's breach of this Agreement. Merchant will promptly reimburse Bank for any assessments, fines, fees or penalties imposed by the Card Association in connection with this Agreement, including the data security provisions, and authorizes Bank to deduct any such sums from amounts to be cleared and settled with Merchant.
- 5.04 **Records.** In addition to any records Merchant routinely furnishes to Bank under this Agreement, Merchant will preserve a copy of actual paper Sales Drafts and Credit Vouchers and any written authorization of the Cardholder for at least two years after the date Merchant presents the Transaction to Bank.
- 5.05 **Requests for Copies.** Immediately after Merchant receives the request by Bank, Merchant will provide to Bank either the original or a legible copy (in a size comparable to the actual Sales Draft) of the paper Sales Draft and any other documentary evidence available to Merchant that Bank reasonably requests to meet Bank's obligations under law (including its obligations under the Fair Credit Billing Act) or otherwise to respond to questions concerning Cardholder accounts.
- 5.06 **Compliance with Law.** Merchant will comply with all laws applicable to Merchant, Merchant's business and any Card Transaction, including without limitation all state and federal consumer credit and consumer protection statutes and regulations.
- 5.07 **Fees and Charges.** Merchant will pay to Bank the fees and charges set forth on Schedule A including any additional charges applied to transactions that fail to meet Card Association requirements for the lowest interchange levels. Merchant's Account will be debited through ACH or withheld from daily payments to Merchant for such amounts and for any other fees, charges or adjustments incurred by Merchant and associated with processing services. Bank may change fees, including adding fees for additional services utilized by Merchant, upon 30 days written notice to Merchant.
- 5.08 **Security Interest.** To secure payment of Merchant's obligations under this Agreement, Merchant grants to Bank a security interest in all now existing or hereafter acquired: (a) Transactions, Sales Drafts, Credit Vouchers and other items submitted to Bank for processing by or for Merchant; (b) accounts receivable and payment rights relating to or arising from this Agreement, including all amounts due Merchant (including any rights to receive credits or payments hereunder); (c) accounts (including without limitation all deposit accounts) maintained with the Bank or any institution other than Bank, including the Reserve Account, in the name of or for the benefit of, Merchant or any guarantor of Merchant's obligations under this Agreement; (d) deposits, regardless of source, to Merchant's or any guarantor's accounts with Bank or any institution other than Bank, including the Reserve Account; (e) all deposits and all other property and funds deposited by Merchant or withheld by Bank, including funds and property withheld as the result of security monitoring; and (f) proceeds of the foregoing. If Bank reasonably determines that Merchant has breached any obligation under this Agreement, or that proceeds of Merchant's future card sales are unlikely to cover anticipated Chargebacks, credits, fees and adjustments, as reasonably determined by Bank (whether because this Agreement has been terminated or for any other reason), Bank may setoff or otherwise exercise its security interest without notice or demand by immediately withdrawing from or freezing any account or otherwise exercising its rights under this Agreement or those rights available under applicable laws, including the Utah Uniform Commercial Code, or in equity. In addition to the collateral pledged above, Bank may require Merchant to furnish such other and different security as Bank deems appropriate in its sole discretion to secure Merchant's obligations under this Agreement. Bank may fully or partially prohibit withdrawal by Merchant of funds from Merchant's deposit accounts maintained with Bank or financial institutions other than Bank, pending Bank's determination from time to time to exercise its rights as a secured party against such accounts in partial or full payment of Merchant's obligations to Bank. Merchant will execute any documents and take any actions required to comply with and perfect any security interest under this paragraph, at Merchant's cost. Merchant represents and warrants that no other party has a security interest or lien in any of the collateral pledged above, and Merchant will obtain Bank's written consent before it grants a lien or security interest in that pledged collateral to any other person.
- 5.09 **Modifications to Agreement.** This Agreement is subject to amendment to conform with Card Association regulations, as amended from time to time. From time to time Bank may amend any provision or provisions of this Agreement, including, without limitation, those relating to the discount rate or to other fees and charges payable by Merchant by mailing written notice to Merchant of the amendment at least 30 days prior to the effective date of the amendment, and the amendment will become effective unless Bank receives Merchant's notice of termination of this Agreement before such effective date. Amendments required due to changes in either Card Association's rules and regulations or any law or judicial decision may become effective on such shorter period of time as Bank may specify if necessary to comply with the applicable rule, regulation, law or decision.
- 5.10 **Warranty Disclaimer.** BANK MAKES NO WARRANTIES REGARDING THE USE, OPERATION OR PERFORMANCE OR NON-PERFORMANCE OF SOFTWARE AND SYSTEMS UTILIZED FOR THIS AGREEMENT, WHETHER EXPRESS OR IMPLIED, AND BANK EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.
- 5.11 **Limitation of Liability.** Bank's liability with respect to any Card Transaction may not exceed the amount of the Sales Draft in connection with that Transaction less any applicable fees and charges. Bank is not liable for any incidental or consequential damages whatsoever. Merchant waives all claims against Bank for any loss, claim, demand, penalty, action, delay, cost or expense (including reasonable attorneys' fees) of any kind unless Merchant provides written notice to Bank of the occurrence that gave rise to the alleged liability within 30 days after Merchant knew or should have known of the occurrence. Merchant will indemnify and hold Bank harmless from any claim relating to any Sales Draft paid for by Bank as may be made by anyone by way of defense, dispute, offset, counterclaim or affirmative action, or for any damages of or losses that Bank may incur as a result of Merchant's breach of this Agreement. Further, Merchant will reimburse Bank for all expenses and costs, including attorneys' fees, with regard thereto.
- 5.12 **Waiver.** Bank's failure by Bank to enforce one or more of the provisions of this Agreement will not constitute a waiver of the right to enforce the same or other provision in the future.
- 5.13 **Written Notices.** All written notices and other written communications required or permitted under this Agreement will be deemed delivered immediately when hand-delivered or sent via facsimile and the sender obtains a fax confirmation receipt, and upon mailing when sent first class mail, postage prepaid, addressed as follows:  
 (a) If to ISO: Renaissance Associates 1650 Sycamore Ave, Suite 20, Bohemia, NY 11716 Attn: Client Services, Facsimile: 631-218-3493;  
 (b) If to Bank: Merrick Bank Corporation, 10705 South Jordan Gateway, Suite 200, South Jordan, UT 84095, Attn: Fred Horn, Facsimile: 516-576-8741;  
 (c) If to Merchant: At the facsimile number or address provided as the billing address and to the contact listed on the Merchant Application.
- 5.14 **Choice of Law; Jurisdiction.** Utah law governs this Agreement. Any claim or cause of action arising out of this Agreement against Bank must be initiated and maintained exclusively in the state or federal courts located in Salt Lake County, Utah.
- 5.15 **Entire Agreement; Assignability.** This Agreement expresses the entire understanding of the parties with respect to the subject matter hereof and except as provided herein, may be modified only in writing executed by Bank and Merchant. This Agreement may not be assigned, directly or by operation of law, without Bank's prior written consent. This Agreement will be binding upon and inure to the benefit of the parties' respective heirs, personal representatives, successors and assigns.
- 5.16 **Deposit Account.** Merchant will at all times maintain an Account at a bank that is a member of the Federal Reserve ACH system and will provide Bank with proper authorization to debit the Account. All credits for collected funds and debits for fees, payments and Chargebacks and other amounts for which Merchant is liable under the terms of this Agreement will be made to the Account. Merchant may not close or change the Account without written notice to Bank. Merchant will be solely liable for all fees and costs associated with the Account and for all overdrafts. Merchant hereby grants to Bank a security interest in the Account to the extent of any and all fees, payments and Chargebacks and other amounts due which may arise under this Agreement, and Merchant will execute any document and obtain any consents or waivers from the bank at which the Account is maintained as requested by Bank to protect its security interests therein.
- 5.17 **Credit and Financial Inquiries; Additional Locations; Inspections.** Bank may make, at any time, any credit inquiries which it may consider necessary to accept or review acceptance of this Agreement or investigate Merchant's deposit or Card acceptance activities subsequent to acceptance of this Agreement. Such inquiries may include, but are not limited to, a credit and/or criminal check of the business including its proprietor, partners, principal owners or shareholders or officers. Upon Bank's request, Merchant will provide the written consent of any person for which an inquiry has been or is to be made if such person has not executed this Agreement and will provide any financial statements, income tax and business tax returns and other financial information as Bank may consider necessary to perform initial or periodic reviews of Merchant's financial stability and business practices. Merchant may accept Cards only at locations approved by Bank. Additional locations may be added, subject to Bank's approval. Any party to this Agreement may delete any location by providing notice as provided herein. Merchant will permit Bank, at any time and from time to time, to inspect locations to confirm that Merchant has or is adhering to the terms of this Agreement and is maintaining the proper facilities, equipment, inventory, records and license or permit (where necessary) to conduct its business. However, nothing in this paragraph may be deemed to waive Merchant's obligation to comply in all respects with the terms of this Agreement. Bank, its internal and external auditors, and its regulators may audit compliance with this Agreement, compliance with federal and state laws, rules, regulations and guidance applicable to the services, Card acceptance and Transaction processing, and data security provisions, including Card Association compliance. Merchant will make available its records maintained and produced under this Agreement, and Merchant's facilities will be made accessible, upon notice during normal business hours for examination and audit. Nothing in this section may be construed to require Merchant to give access to its facilities, personnel or records in a manner that unreasonably interferes with its business operations. Each party will bear its expenses of any audit.
- 5.18 **Marketing of Non-Bankcard Services.** From time to time, Bank may offer to Merchant certain additional products and services which may or may not be related to the processing of credit card Transactions. If such offers are made, Merchant may decline the offers or be deemed to have accepted the offers and be liable for payment therefor.
- 5.19 **Force Majeure.** The parties will be released from liability hereunder if they fail to perform any obligation where the failure occurs by reason of any act of God, fire, flood, storm, earthquake, tidal wave, communications failure, sabotage, war, military operation, terrorism, national emergency, mechanical or electronic breakdown, civil commotion or the order, requisition, request or recommendation of any governmental authority, or either party's compliance therewith, or governmental regulation, or priority, or any other similar cause beyond either party's reasonable control, except that nothing in this section 5.19 will affect or excuse Merchant's liabilities and obligations for Chargebacks, refunds or unfulfilled products and services.
- 5.20 **No Third Party Beneficiary.** No other person or entity may be deemed to be a third party beneficiary of this Agreement.

# Jaffe

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Attorneys & Counselors

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October 22, 2010

**VIA OVERNIGHT MAIL**

BMC Group, Inc.  
18750 Lake Drive East  
Chanhassen, MN 55317  
Attn: Jennifer Convertibles Claims Processing

Re: In re Jennifer Convertibles, Inc.  
Case No. 10-13779

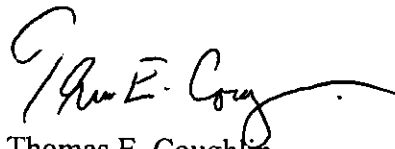
Dear Sir/Madam:

Enclosed for filing please find an original and one copy of Proof of Claim on behalf of Renaissance Partners in connection with the above matter. I am also enclosing an additional copy to be time stamped and returned in the envelope provided for your convenience.

Thank you for your attention to this matter.

Sincerely,

**Jaffe, Raitt, Heuer & Weiss**  
Professional Corporation



Thomas E. Coughlin

TEC/jkt

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