



SOUTH LOGAN WATER ASSOCIATION, INC.

114 S. MAIN STREET
ADAIRVILLE, KENTUCKY 42202
PHONE (270) 539-6730
FAX (270) 539-5730

May 17, 2011

RECEIVED

MAY 31 2011

PUBLIC SERVICE
COMMISSION

Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40602-0615

Re: Case No # 2011-00164

Dear Sirs:

Please find enclosed the following documentation in response to your request.

1. The merchant contract between South Logan Water and Humboldt Merchant Services (later purchased by Moneris Solutions)
2. According to our contract with Humboldt Merchant Services, we are not prohibited from collecting a convenience fee. We do not have a card reader. All transactions are done manually. The customer is informed of the charge prior to the transaction being completed.
3. In response to question # 3, we are not prohibited from charging this convenience fee.
4. We began accepting debit/credit card payments in November, 2008. We started with a flat convenience fee of \$1.50 per transaction. We only had 13 customers that agreed to this flat fee the entire billing cycle (which continued through Dec 2.) We had several customers that were very interested in the convenience of debit/credit card payments, but would not pay the flat fee. They felt it was excessive for the convenience of paying by phone for a minimum bill of \$21.49, and we agreed. After careful consideration, and listening to the customers opinions, we opted for 3% of the total bill. We felt this was the fairest option for all customers. Those paying a minimum bill were paying only slightly more than the cost of a postal stamp and did not mind this fee. For the December billing cycle (which continued through Jan 3) we had 40 transactions.

Another major reason we decided to use a flat 3% convenience fee was to avoid the possibility of benefiting financially from this service. Moneris Solutions charges a flat monthly fee of \$22.95 (originally \$19.95 in 2008). In addition, we are charged a minimum of 2.2% per total transaction (which would include water bill plus convenience fee charge), plus \$0.15 per transaction. These are the minimums we are charged. These are also other fees associated with the different types of cards used by our customers. We don't know exactly what these fees are until the statement comes from Moneris the following month, because we do not know which bank issued the customer's card.

In defense of the flat 3% fee, we have reviewed the statements to ensure we do not make a profit by using this fee. We have not made a profit. At best, we limit our cost to a reasonable amount for providing this payment option. For the first four months in 2011, our average loss (total cost of providing this service) is \$25.00 per month.

As stated, this has been the fairest method of offering debit/credit card services. Our customers like having the option to pay by phone if it is cost effective. Our current minimum bill is \$22.58. Those customers will pay \$0.68 to pay by phone, but do not want to pay \$1.50 or more. Higher paying customers always have the option of mailing their payment in a timely manner.

If we were to go to a flat fee of \$1.50 or more, we would most likely not have as many customers to use this payment option. The cost effectiveness for South Logan would be hard to determine, because we don't know the exact fees we are charged until the month end, and we would have no way of knowing ahead of time how much the average bill being paid is. We could either make a profit or lose much more than \$25.00 for the month.

Customers are charged a 3% utility tax. Customers who pay after the due date of the 20th pay a 10% late charge. As shown, we already use percentages to calculate or determine late charges and taxes. Therefore, a 3% convenience fee for those customers who choose to use this payment option seems extremely fair.

Our customers enjoy having payment options available to them.

5. As stated, we feel that a flat fee has too many variables for effectiveness. Setting the fee too high stop many customers from using this payment option and could allow us a profit. Not setting it high enough would ensure this payment option to be costly to us. If this happened, we would no longer offer this payment option.

6. (a). As stated in the above, we do accept debit/credit card payments.

6. (b). 1. We began accepting these payments in November of 2008. The following chart shows the number of customers for each month since we began taking payment in 2008 that used this service.

<u>MONTHS</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
JANUARY		20	88	119
FEBRUARY		41	88	90
MARCH		46	86	101
APRIL		50	83	98
MAY		44	88	
JUNE		41	80	
JULY		53	94	
AUGUST		55	84	
SEPTEMBER		49	84	
OCTOBER		77	91	
NOVEMBER	8	69	82	
DECEMBER	24	67	95	

6. (b). 2. The following charts provide total revenues received through debit/credit card payments, as well as total fees paid to the service card provider.

Year	Total Revenue	Merchant fee (Re-occurring)	Merchant card Processing chg	Convenience fee
2008 NOV	426.72	19.95	25.61	12.00
2008 DEC	1512.36	22.95	49.77	42.95
2009 JAN	920.04	22.95	37.52	26.81
2009 FEB	2116.98	22.95	66.93	61.65
2009 MARCH	2612.20	22.95	80.06	75.69
2009 APRIL	2745.03	22.95	84.36	79.97
2009 MAY	2006.80	22.95	65.27	58.42
2009 JUNE	1952.99	22.95	64.23	56.87
2009 JULY	3554.11	22.95	107.96	103.53
2009 AUG	3156.32	22.95	97.12	91.92
2009 SEPT	2654.01	22.95	84.31	77.29
2009 OCT	4587.08	22.95	132.42	146.81
2009 NOV	3082.78	22.95	105.33	82.82
2009 DEC	2830.29	22.95	92.03	86.95

2010 JAN	4374.58	22.95	129.54	119.28
2010 FEB	4213.90	22.95	126.39	135.10
2010 MARCH	7282.92	22.95	194.37	217.61
2010 APRIL	4181.35	22.95	125.62	125.46
2010 MAY	4482.42	22.95	139.85	134.42
2010 JUNE	4425.34	22.95	136.03	130.36
2010 JULY	5452.40	22.95	157.55	129.78
2010 AUG	5341.88	22.95	152.22	157.28
2010 SEPT	5423.40	22.95	154.58	177.54
2010 OCT	5264.77	22.95	152.18	157.78
2010 NOV	4441.47	22.95	140.73	125.36
2010 DEC	5094.95	22.95	151.37	152.10
2011 JAN	5889.09	22.95	168.20	157.64
2011 FEB	4577.13	22.95	138.07	152.93
2011 MARCH	4911.22	22.95	146.51	160.64
2011 APRIL	4530.08	22.95	137.91	121.71
TOTAL REVENUES FOR 2008	1939.08	42.90	75.38	54.95
TOTAL REVENUES FOR 2009	32,218.63	275.40	1,017.54	948.73
TOTAL REVENUES FOR 2010	59,979.38	275.40	1,760.43	1,762.07
TOTAL REVENUES (JAN-APRIL) 2011	19,907.52	91.80	590.69	592.92
TOTAL REVENUES	114,044.61	685.50	3,444.04	3,358.67

7. We at South Logan Water Association feel that by offering this payment option, we have decreased the average monthly penalties to customers, and have decreased the average monthly disconnects.

Disconnects for non payment have averaged monthly as follows:

2007	15.25
2008	16.50
2009	12.42
2010	12.42

While we did not go back and figure late penalties for each year, we did a random sample of two years. In 2006, penalties averaged \$1477.21 per month. In 2009, penalties averaged 1372.39 per month. That is a decrease of an average of \$105.00 a month even though we had a rate increase in 2007.

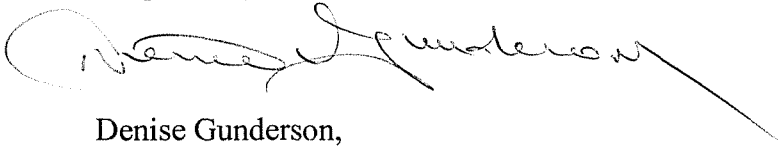
For those customers who are disconnected for nonpayment, having the debit/credit card option has been very convenient. The sooner we receive payment, the sooner we can reconnect their service. This has allowed us to reconnect more customers the same day they are disconnected, leaving fewer customers disconnected overnight.

In summery, South Logan Water Association started using debit/credit card payments after repeated requests from the customers.

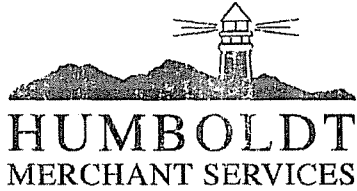
Many customers do not have a checking account. They use prepaid cards purchased from convenience stores. They can phone in their payment and don't have to think about it any more. No buying money orders or postage, or driving to our office to pay in person. No worrying if the payment was lost in the mail. The customers who use this payment option feel these savings offset the 3% convenience fee we currently charge. We offer several different payment options. Customers are free to use the option best suited to them.

We hope this fully addresses your concerns. Please do not hesitate to contact us if you should require further information.

Respectfully submitted,



Denise Gunderson,
Office Manager
South Logan Water Association



South Logan Water Assoc
114 South Main St
Adairville, KY 42202

Dear Merchant:

Congratulations! Your application for merchant bankcard services has been approved. You may install your **EPN keyed** and begin processing credit card transactions at any time. If you have any questions about the installation, please contact the Help Desk at (800) 971 0997 . If you have not yet received your equipment or software package, contact your Sales Representative.

We have provided the enclosed booklet to guide you through card acceptance practices. The booklet also contains contact numbers and other important reference information you should keep close at hand. If you have any questions about the booklet or the terms of your Merchant Agreement as listed below, contact your Sales Representative or our Customer Service.

Your Merchant Number is: 4194043000009211

Your qualified discount rate will be deducted **Daily**. At the beginning of each month, all remaining processing fees will be debited, in one sum, from your merchant bank account.

- Qualified Discount Rate of 2.2% with a per authorization/transaction fee of \$0.15.
- Signature Debit Qualified Discount Rate of 2.2%.
- Rewards Discount Rate of 2.45%.
- Mid-Qualified Discount Rate of 2.9%.
- Signature Debit Mid-Qualified Discount Rate of 2.9%.
- Non-Qualified Discount Rate of 3.99%.
- Signature Debit Non-Qualified Discount Rate of 3.99%.
- Minimum Monthly Fee of \$25.
- Monthly Maintenance Fee of \$10.

Please refer to your Merchant Agreement for a complete listing of terms & conditions and fees.

Note: Average Ticket amount of 60 and Maximum Monthly Volume of 15000 for Bankcard transactions have been set on your account so we can monitor for transaction activity that presents higher risk to you and to HMS. Please be advised that exceeding these amounts may result in a delay in depositing funds. Contact our Risk Management for more details.

Thank you for allowing us to meet your transaction processing needs. We look forward to a successful relationship with your business.

Sincerely,
Humboldt Merchant Services

Merchant Bankcard Application and Agreement

Please print and fill out completely.

Sales ID # 512111	Representative's Name Robert Mohon	Representative's Phone (615) 846-3000
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Maximum Monthly Bankcard Volume \$ 15,000.⁰⁰	Average Bankcard Ticket \$ 60.⁰⁰	Do you process recurring transactions? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Do you accept card numbers over the internet? <input type="checkbox"/> Yes _____% <input checked="" type="checkbox"/> No
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PROCESSING INFORMATION

Visa/MasterCard/Discover Sales Select One: <input type="checkbox"/> Retail/Storefront <input type="checkbox"/> Restaurant <input checked="" type="checkbox"/> Service <input type="checkbox"/> Lodging <input type="checkbox"/> Trade Show <input type="checkbox"/> Mail Order/Telephone Order <input type="checkbox"/> Internet (shopping cart required) <input type="checkbox"/> Virtual Terminal (no shopping cart) <table border="1" style="width:100%"> <tr> <td>Swiped 0 %</td> <td>Non-Swiped 100 %</td> </tr> </table> <p style="text-align:center">Total Must Equal 100%</p>	Swiped 0 %	Non-Swiped 100 %	Fee Summary (Refer to Section 25 of Merchant Agreement for additional fees) <table border="1" style="width:100%"> <tr> <td></td> <td style="text-align:center">Credit Card</td> <td style="text-align:center">Signature Debit *</td> </tr> <tr> <td>Qualified Discount Rate</td> <td style="text-align:center">2.2 %</td> <td style="text-align:center">2.2 %</td> </tr> <tr> <td>Auth/Batch Fee</td> <td style="text-align:center">\$ 0.15 each</td> <td><input type="checkbox"/> eMerchant View</td> </tr> <tr> <td>Device Monthly Fee (Internet/Wireless)</td> <td style="text-align:center">\$ N/A /device</td> <td><input type="checkbox"/> Lighthouse Club</td> </tr> <tr> <td>Annual Fee</td> <td style="text-align:center">\$ 10</td> <td></td> </tr> </table> <p style="font-size:small">* If left blank, signature debit rate and credit rate will be the same</p> <table border="1" style="width:100%"> <tr> <th colspan="4">Adjustments</th> </tr> <tr> <td>Monthly Minimum</td> <td>MQR</td> <td>NQR</td> <td>SD MQR/NQR</td> </tr> </table>		Credit Card	Signature Debit *	Qualified Discount Rate	2.2 %	2.2 %	Auth/Batch Fee	\$ 0.15 each	<input type="checkbox"/> eMerchant View	Device Monthly Fee (Internet/Wireless)	\$ N/A /device	<input type="checkbox"/> Lighthouse Club	Annual Fee	\$ 10		Adjustments				Monthly Minimum	MQR	NQR	SD MQR/NQR
Swiped 0 %	Non-Swiped 100 %																									
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Annual Fee	\$ 10																									
Adjustments																										
Monthly Minimum	MQR	NQR	SD MQR/NQR																							

Special Program/Event
Government / Monthly Discount

Terminal Type <input type="checkbox"/> DSL/IP <input type="checkbox"/> Contactless	Printer Type	Pin Pad Type
Software Type/Version <input type="checkbox"/> DSL/IP	Gateway EPN	HMS to set up: <input type="checkbox"/> Authorize.Net <input type="checkbox"/> USA ePay

<input type="checkbox"/> Online PIN Debit (NYCE, Interlink, PULSE, STAR, Maestro) PIN Debit Monthly Access Fee: \$ _____ PIN Debit Sale Transaction Fee: \$ _____ PIN Debit Sale Percentage Fee: _____%	<input type="checkbox"/> Electronic Benefits Transfer (EBT) EBT Authorization Fee: \$ _____ FNS Number: <table border="1" style="width:100%"> <tr> <td style="width:12.5%"> </td><td style="width:12.5%"> </td><td style="width:12.5%"> </td><td style="width:12.5%"> </td><td style="width:12.5%"> </td><td style="width:12.5%"> </td><td style="width:12.5%"> </td><td style="width:12.5%"> </td> </tr> </table>								

ADDITIONAL CARD TYPES

JCB:

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American Express:

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 Apply (Must Sign Below)

Apply for American Express _____

Discount Rate _____% and Transaction Fee \$ _____ each or Monthly Flat Fee: \$5.95 Pay Frequency: 3 Day 15 Day 30 Day

Est. Annual Volume: \$ _____ Est. Average Ticket: \$ _____ Monthly Gross Pay (+ 03% if \$100k+) or Daily Gross Pay

By signing below, I represent that I have read and am authorized to sign and submit this application on behalf of the entity below and all information I have provided herein is true, complete, and accurate. I authorize American Express Travel Related Services Company, Inc. ("American Express") to verify the information in this application and receive and exchange information about me personally, including by requesting reports from consumer reporting agencies. I authorize and direct American Express to inform me directly, or through the entity above, of reports about me that American Express has requested from consumer reporting agencies. Such information will include the name and address of the agency furnishing the report. I understand that upon American Express' approval of the entity indicated below to accept the American Express Card, the terms and conditions for American Express® Card Acceptance ("Terms and Conditions") will be sent to such entity along with a Welcome Letter. By accepting the American Express Card for the purchase of goods and/or services, or otherwise indicating its intention to be bound, the entity agrees to be bound by the Terms and Conditions.

Merchant's Signature _____ Date _____ Sign Here

DISCLOSURE

MEMBER BANK (ACQUIRER) INFORMATION Acquirer Name: First National Bank of Nevada Acquirer Address: 6275 Neil Road, Reno, Nevada 89511 Acquirer Phone: (866) 493-9253 IMPORTANT MEMBER BANK (ACQUIRER) RESPONSIBILITIES 1. A Visa Member is the only entity approved to extend acceptance of Visa products directly to a Merchant. 2. A Visa Member must be a principal (signer) to the Merchant Agreement. 3. The Visa Member is responsible for educating Merchants on pertinent Visa Operating Regulations with which Merchants must comply. 4. The Visa Member is responsible for and must provide settlement funds to the Merchant. 5. The Visa Member is responsible for all funds held in reserve that are derived from settlement.	MERCHANT INFORMATION Merchant DBA: South Logan Water Assoc. IMPORTANT MERCHANT RESPONSIBILITIES 1. Ensure compliance with cardholder data security and storage requirements. 2. Maintain fraud and chargebacks below thresholds. 3. Review and understand the terms of the Merchant Agreement. 4. Comply with Visa Operating Regulations. The responsibilities listed for Member Bank and Merchant do not supersede terms of the Merchant Bankcard Agreement and are provided to ensure the Merchant understands some important obligations of each party and that the Visa Member (Acquirer) is the ultimate authority should the Merchant have any problems. Merchant's Signature: Denise Gunderson Date: 11-4-08 Merchant's Name and Title: Denise Gunderson Manager
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BUSINESS INFORMATION	Legal Business Name (As registered with IRS) <i>South Logan water Assoc</i>		Doing Business As (Appears on Cardholder statements)		
	Location Address <i>114 South Main Street</i>		City <i>Adairville</i>	State <i>KY</i>	Zip <i>42202</i>
	Billing Address <i>114 South Main Street</i>		City <i>Adairville</i>	State <i>KY</i>	Zip <i>42202</i>
	Contact Name(s) <i>Denise Gunderson</i>		Federal Tax ID# <i>611073892</i>		
	Business Phone <i>270-539-6730</i>		Customer Service Phone <i>270-539-6730</i>	Fax <i>270-539-5730</i>	
	E-mail <i>slwa@logantele.com</i>		URL (Use additional sheets if needed to list all URLs)		
	Years in Business <i>38 yrs.</i>	Type of Ownership <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input checked="" type="checkbox"/> Non-Profit <input type="checkbox"/> LLC <input type="checkbox"/> Government			State of Incorporation <i>KY</i>
	Do you currently process Bankcards? <input type="checkbox"/> Yes (Provide 3 most recent statements) <input checked="" type="checkbox"/> No		Has this merchant or any of the principals ever had a merchant relationship terminated? <input type="checkbox"/> Yes Explain <input checked="" type="checkbox"/> No		
	Describe Products/Services Sold <i>Water Utility</i>		Do you use a Fulfillment House? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, name of service: _____ Phone Number: _____		
	Product/Service is received (select one) after card is processed. <input checked="" type="checkbox"/> Immediately <input type="checkbox"/> 1-10 Days <input type="checkbox"/> 11-30 Days <input type="checkbox"/> 31-90 Days <input type="checkbox"/> 91-180 Days <input type="checkbox"/> >180 Days			Publicly traded company? (NASDAQ/NYSE/AMEX) <input type="checkbox"/> Yes Provide Symbol <input checked="" type="checkbox"/> No	
Refund Policy (select one) <input checked="" type="checkbox"/> No Refunds <input type="checkbox"/> Refund Within 30 Days <input type="checkbox"/> Damaged/Defective Merchandise Only <input type="checkbox"/> Restocking Fee Charged <input type="checkbox"/> Store Credit Only <input type="checkbox"/> Return Authorization Required (RMRMA) <input type="checkbox"/> Other _____					
Marketing Methods <input type="checkbox"/> Newspaper/Magazine <input type="checkbox"/> Television/Radio <input type="checkbox"/> Yellow Pages <input type="checkbox"/> Direct Mail <input type="checkbox"/> Internet <input type="checkbox"/> Other _____					
SECURITY	Do you store account data electronically? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, indicate what you store (select all that apply): <input type="checkbox"/> Card Numbers <input type="checkbox"/> Expiration Date <input type="checkbox"/> CVV2/CVC2/CID <input type="checkbox"/> Cardholder Name <input type="checkbox"/> Cardholder Zip Code <input type="checkbox"/> Cardholder Address <input type="checkbox"/> Mag Stripe Data				
	Are you currently PCI DSS compliant? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Have you been subject to any ongoing or previous compromise investigations? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
	Do you utilize a shopping cart service? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Name of service: _____		Do you utilize a hosting provider? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Name of provider(s): _____		
PRINCIPAL INFORMATION	Principal 1 Name <i>Denise Gunderson</i>		Principal 2 Name		
	Position/Title <i>Manager</i>		% Ownership <i>0</i>	Position/Title	
	Social Security # <i>000-00-0000</i>		Date of Birth <i>7-1-1971</i>	Social Security #	
	Driver's License # <i>NA</i>		<i>KY</i>	Driver's License #	
	Home Address <i>NA</i>		Home Address		
	City <i>NA</i>		State <i>NA</i>	City	
	Home Phone <i>(000) 000-0000</i>		Home Phone		
	Relative Not Living With You <i>NA</i>		Phone <i>(000) 000-0000</i>	Relative Not Living With You	
ACH	Bank Name <i>Citizens Union Bank</i>		Phone <i>270 539-6551</i>		
	Transit & Routing/ABA # (Include Voided Check)		Account #/DDA		
SITE SURVEY	Zoning: <input type="checkbox"/> Commercial <input type="checkbox"/> Industrial <input type="checkbox"/> Residential		Type of Building: <input type="checkbox"/> Shopping Center <input type="checkbox"/> Office Building <input type="checkbox"/> Residence <input type="checkbox"/> Retail Storefront <input type="checkbox"/> Other		
	Business Premises: <input checked="" type="checkbox"/> Own <input type="checkbox"/> Rent <input type="checkbox"/> Lease		Permanent Signage: <input type="checkbox"/> Yes <input type="checkbox"/> No		Is inventory consistent with business? <input type="checkbox"/> Yes <input type="checkbox"/> No
	Business appears legitimate? <input type="checkbox"/> Yes <input type="checkbox"/> No		By signing below, I certify that I have inspected the business premises of the merchant identified in this Application AND I have personally confirmed the identity of each person listed in the Business Information and Principal Sections of this Application AND I have conducted my review of this merchant to the best of my ability and that, to the best of my knowledge and belief, the information set forth in this Application is true and accurate.		
Signature		To Be Completed by Sales Representative		Date	

SECTION 25 - FEES

Merchant agrees to pay FNBN and HMS all fees, discount rates, and other charges set forth herein or in any other document issued contemporaneously herewith, and any other charges as may be shown on the monthly statement or that arise out of this Agreement, as amended from time to time. Merchant agrees that all charges are considered accurate and final unless Merchant disputes them within sixty (60) calendar days of receipt of documentation showing the charges. No charges will be prorated for partial months including the month in which the Merchant's account is closed, and all charges commence on the date that the Merchant Bankcard Application is approved by FNBN and HMS. The following charges are applicable to this Agreement as of the effective date hereof (Merchant acknowledges that such charges may be changed and that other fees and/or charges may be added by FNBN and HMS pursuant to this Agreement):

See Processing Information on Application for Qualified Discount Rate for sales and credits, Online PIN Debit Fees, Electronic Benefits Transfer Fees, Auth/Batch Fee, and Device Monthly Fee.
Rewards Discount Rate for sales and credits: An additional 0.25% over the credit Qualified Discount Rate.
Mid-Qualified Discount Rate (MQR) for sales and credits: An additional 0.70% over the credit Qualified Discount Rate or as otherwise noted in the Adjustments section on Application.
Non-Qualified Discount Rate (NQR) for sales and credits: An additional 1.79% over the credit Qualified Discount Rate or as otherwise noted in the Adjustments section on Application.
Monthly Minimum: \$25.00/month or as otherwise noted in the Adjustments section on Application.
Annual Fee: See Processing Information on Application; to be charged annually on Anniversary Date.

Early Cancellation Fee: \$159.00 if Merchant cancels this Agreement prior to its one year term.
Voice Auth Fee: \$1.00 each.
Address Verification Service (AVS): \$0.10 each.
ISA Rate: 0.40% of Visa International Sales Volume.
Maintenance Fee: \$10.00/month per account.
eMerchant View: \$5.00/month per account.
Lighthouse Club: \$14.95/month per terminal.
Retrieval Fee: \$7.00 each.
Chargeback Fee: \$25.00 each.
Overlimit Fee: \$35.00 per occurrence.
ACH Reject Fee: \$25.00 per occurrence.
Settlement Account Change Fee: \$15.00 per occurrence.
Merchant DBA Name Change Fee: \$15.00 per occurrence.
Documentation Research Fee: \$20.00 per hour.

Requests for refunds of fees or statements or questions relating to fees must be addressed in writing to HMS within sixty (60) days of receipt of statement, but in no event more than ninety (90) days following imposition of the fee in question. FNBN's and HMS' liability with respect to any fee is limited to ninety (90) days from date statement issued.

LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles. Any action or dispute arising from, or related to, this Agreement shall not be deemed proper unless brought in a court of competent jurisdiction located in Humboldt County, California.

AGREEMENT

IN WITNESS WHEREOF, the Merchant, HMS, and FNBN have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the _____ day of _____, 20____, have read and hereby agree to all terms and conditions of the Merchant Bankcard Agreement (OA-006) available for viewing and/or downloading at: <https://www.merchantapply.com/agreement006>.

MERCHANT:

Denise Gunderson 11-3-08
Principal or Corporate Officer Signature Date
Denise Gunderson
Print Name

Principal or Corporate Officer Signature Date

Print Name

Sign Here

ACCEPTED BY:

Humboldt Merchant Services, P.O. Box 1479, Eureka, CA Date

1st National Bank of Nevada Date

GUARANTEE

PERSONAL GUARANTEE: As a primary inducement to FNBN and HMS to enter into this Merchant Bankcard Processing Agreement with Merchant, and in consideration of FNBN's and HMS' acceptance of this Merchant Bankcard Application and Agreement, the undersigned Guarantor, jointly and severally if more than one, by signing this Agreement unconditionally and irrevocably guarantees the full and faithful performance by Merchant of each of its obligations to FNBN and HMS pursuant to this Agreement, as it now exists or as it may be amended from time to time, whether before or after termination or expiration and whether or not Guarantor has received any notice of any amendment and, in the event of any breach by Merchant, hereby waives Notice of Default and agrees to indemnify FNBN and HMS for any and all funds due from Merchant and perform any other obligation of Merchant pursuant to the terms of the Agreement. FNBN and HMS may proceed directly against Guarantor without first exhausting its remedies against any other person or entity responsible to, or any security held by, FNBN and HMS. Guarantor waives any and all rights of subrogation, reimbursement, or indemnity derived from Merchant and all other rights and defenses available to Guarantor under California Civil Code Section 2787 to 2856, inclusive, (or any similar suretyship laws), and further waives any and all rights or defenses arising by reason of any modification or change in the terms of the Agreement whatsoever, including, without limitation, the renewal, extension, acceleration, or other change in the time any payment or other performance thereunder is due, and/or any change in any interest, discount rate, or fee thereunder. Guarantor confirms that Guarantor, collectively or individually, is a party to the Agreement, and unconditionally and specifically authorizes FNBN and HMS, or its authorized agent, to debit any overdue fees, costs, chargebacks, fines, penalties, expenses, or obligations under the Agreement and/or any other contractual relationship between FNBN/HMS and Merchant from any personal checking account or other account owned or controlled by Guarantor, and further, to report any default hereunder or inquiries hereof on Guarantor's personal Credit Bureau Report. Guarantor agrees to pay all costs and expenses of whatever nature, including attorney's fees and other legal expenses, incurred by or on behalf of FNBN and HMS in connection with the enforcement of this Guarantee.

_____, An Individual, _____
Signature Date

_____, An Individual, _____
Signature Date

Sign Here

ACH Payment Form

Please fill in, sign and return by FAX to: 1-866-257-7991. Thank you.

Re: One-time application and underwriting \$100
One-time License purchase \$ 295.⁰⁰
Monthly Recurring Service \$ 19.95
One-time Equipment purchase \$ _____
Equipment shipping and handling (please circle one below)
\$30 - Ground \$40 - 3-day air \$50 - 2-day air \$65 - Next-day air

In consideration of the goods, products and/or services provided to me by The Neil Group, LLC, as listed above, I hereby authorize The Neil Group, LLC or its assigns to initiate a debit entry to my checking account indicated below at the financial institution named below and to debit the same to such account for the amount listed below, with amount subject to increase as service costs increase as determined by The Neil Group, LLC or its assigns. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of U.S. law and that I will pay a \$25 fee for each rejected debit to my account.

This authorization is to remain in full force and effect for this transaction only, or until such time that my indebtedness to The Neil Group, LLC or its assigns for the amount listed below is fully satisfied. I may only revoke this authorization with 30 days' notice to the address or fax number listed below.

Enter your Financial Institution Name Citizens Union Bank (CUB)

Enter your 9-digit Routing Number _____

Enter your Checking Account Number _____

Effective Date (today's date) 11-3-08

Amount to be Debited \$ 395.⁰⁰ One time debit, plus shipping, if applicable
\$ 19.95 Recurring monthly debit

Please print your name Denise Gunderson

Please sign here to authorize this debit Denise Gunderson

? By checking this box, I certify that my company is a non-taxable entity for Tennessee state sales tax purposes

** Please fill in, sign and return to FAX: 1-866-257-7991. Thank you.

The Neil Group, LLC - 9005 Overlook Blvd. #309 - Brentwood, Tennessee 37027
Phone: (615) 846-3000 - Fax: (866) 257-7991



**HUMBOLDT
MERCHANT SERVICES**

An affiliate of 1st National Bank of Nevada, Reno, NV

STATE OF: Kentucky }
COUNTY OF: Logan } SS.

On November 3, 2008 before me, Rebecca A. Tind,
personally appeared Denise Gunderson
Denise Gunderson, personally known to
me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose
name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of
which the person(s) acted, executed the instrument.

Rebecca A. Tind
Notary Public
my commission expires 5/24/10

(This area for official notarial seal)

Title of Document Merchant Bankcard Application and Agreement
Date of Document _____ No. of Pages _____
Other signatures not acknowledged _____