

STATE OF VERMONT  
WASHINGTON COUNTY, SS. FILED

2009 NOV 13 A 9 36

IN RE DEBT SETTLEMENT )  
USA, INC. )

Washington Superior Court  
Docket No. 867-11-09 WNCW

ASSURANCE OF DISCONTINUANCE

WHEREAS Debt Settlement USA, Inc. ("Debt Settlement USA") is an Arizona corporation with offices at 16430 North Scottsdale Road, Suite 400, Scottsdale, Arizona 85254, that is engaged in the business of assisting consumers ("clients") in negotiating and settling their unsecured, personal debts;

WHEREAS Debt Settlement USA offers, among other things, to negotiate with its clients' creditors reductions in the amounts due the creditors;

WHEREAS Debt Settlement USA provides debt settlement account processing, negotiations, settlement, and customer service (collectively, "services") to its clients for a fee of 14 percent (12 percent until mid-2007) of the principal amount of the debt;

WHEREAS Debt Settlement USA began doing business in Vermont in or around July 2003;

WHEREAS Debt Settlement USA provided services to 114 Vermont consumers, who paid a total in fees, after refunds, of over \$230,000 to the company;

WHEREAS the Attorney General asserts that the Vermont Debt Adjusters Act, 8 V.S.A. ch. 133, is applicable to Debt Settlement USA's business and its services;

WHEREAS at no time relevant to this Assurance of Discontinuance did Debt Settlement USA possess a Vermont debt adjuster license;

Office of the  
ATTORNEY  
GENERAL  
Montpelier,  
Vermont 05609

WHEREAS Debt Settlement USA also did not (1) pay the fees or obtain the bond required by 8 V.S.A. §§ 4862 and 4864-4865; (2) include in its client contract the right-to-cancel disclosure required by 8 V.S.A. § 4869a(b); (3) make payments to creditors **at least** once every 30 days as required by 8 V.S.A. § 4870a; or (4) limit its fee for services to the \$50.00 initial setup fee plus ten percent of any payment received by the company for distribution to credits, as prescribed by 8 V.S.A. § 4872;

WHEREAS Debt Settlement USA imposed an application fee on some of its customers in advance of rendering debt settlement services to them;

WHEREAS Debt Settlement USA represented that it could achieve particular results for its clients (e.g., “Debt Free In 18 to 36 Months,” “Reduce Your Total Unsecured Debt by HALF,” “[W]e can reduce your debt by 60% of the current total,” and “It typically takes about 18-24 months after we’ve negotiated the total amount of your debt down to 40%-60%.”), for which the Vermont Attorney General alleges that the company did not have prior reasonable factual substantiation as to the typicality of those results;

WHEREAS the Attorney General alleges that all of the above-described practices violated the Vermont Consumer Fraud Act’s prohibition on unfair and deceptive trade practices, 9 V.S.A. § 2453(a);

WHEREAS the Attorney General also alleges that although Debt Settlement USA offered consumers a right to cancel, the company’s disclosures of that right, and its exclusion of refunds for its processing fee, violated the right-to-cancel provisions of 9 V.S.A. § 2454 and Vermont Consumer Fraud Rule 113 for telephonic sales;

AND WHEREAS the Attorney General and Debt Settlement USA are willing to accept this Assurance of Discontinuance pursuant to 9 V.S.A. § 2459;

THEREFORE the parties agree as follows:

1. Debt Settlement USA shall comply with all applicable federal and Vermont laws and regulations, including but not limited to the Vermont Debt Adjusters Act, 8 V.S.A. ch. 133, the Vermont Consumer Fraud Act, 9 V.S.A. ch. 63, and any regulations promulgated under either statute.

2. In the event that it obtains a license to engage in the business of debt adjustment in Vermont in the future, Debt Settlement USA shall further:

- a. Clearly and conspicuously disclose the risks (including the risk of being sued) associated with turning accounts over to the company and not making payments to creditors; and
- b. Refrain from making any representations in any medium, directly or indirectly, about the results it can or will achieve for its clients without having prior reasonable factual substantiation that those representations reflect the typical experience of its clients.

3. Within sixty (60) days of signing this Assurance of Discontinuance, Debt Settlement USA shall refund to its Vermont clients identified by the Attorney General, all unrefunded fees paid by each of those clients to the company. In the event that Debt Settlement USA is unable to make one or more refunds, for example because certain clients cannot be located, the company shall, within ninety (90) days of signing this Assurance of Discontinuance, pay the total amount of those unpaid refunds to the State of Vermont, in care of the Vermont Attorney General's Office, as unclaimed funds.

4. Also within sixty (60) days of signing this Assurance of Discontinuance, Debt Settlement USA shall pay liquidated damages in the amount of \$2,000.00 (two thousand dollars) to any Vermont client who was sued by one or more creditors between the consumer's sign-up with Debt Settlement USA and the date of the company's settlement with the creditor.

5. Debt Settlement USA shall promptly complete, without charge, negotiations with all listed creditors of each of its Vermont clients, at the client's option, and shall make all reasonable efforts to settle the amount due each creditor at no more than fifty (50) percent of the enrolled amount of the debt. Debt Settlement USA shall document these efforts in writing, including a comparison with past settlements with the same creditor, and provide such documentation to the Attorney General's Office within sixty (60) days of signing this Assurance of Discontinuance. In the event of a dispute about the adequacy or promptness of Debt Settlement USA's efforts under this paragraph, the parties shall attempt in good faith to resolve the issue themselves. If they are unable to do so, either party may petition the Washington Superior Court in Montpelier, Vermont, for a ruling.

6. To implement the provisions of paragraphs 3 through 5, above, within thirty (30) days of signing this Assurance of Discontinuance, Debt Settlement USA shall send to each of its Vermont clients, by first class mail, postage prepaid, a letter in substantially the same form as Exhibit 1, enclosing an itemized list of the amounts and dates of all fees paid to the company, and further enclosing any payments required by paragraphs 3 and 4, above, in the form of a check or checks. If the letter is returned as undeliverable, Debt Settlement USA shall make all reasonable efforts to find a valid mailing address for the consumer in question

and shall promptly resend the letter and any accompanying payment (if applicable) required by this Assurance of Discontinuance to the new address.

7. Within seventy (70) days of signing this Assurance of Discontinuance, Debt Settlement USA shall pay to the State of Vermont, in care of the Vermont Attorney General's Office, the sum of seventy thousand dollars (\$70,000.00) in civil penalties and costs.

8. Acceptance of this Assurance of Discontinuance by the Vermont Attorney General does not constitute approval of any business practices by Debt Settlement USA, nor shall the company or anyone acting on its behalf state or infer otherwise.

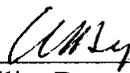
9. This Assurance of Discontinuance shall be binding on Debt Settlement USA, its officers, directors, owners, managers, successors and assigns. The undersigned authorized agent of Debt Settlement USA shall promptly take reasonable steps to ensure that copies of this document are provide to all officers, directors, owners, and managers of the company.

10. This Assurance of Discontinuance resolves all existing claims the State of Vermont may have against Debt Settlement USA stemming from the conduct described in this document.

Date: 10/26/09

STATE OF VERMONT

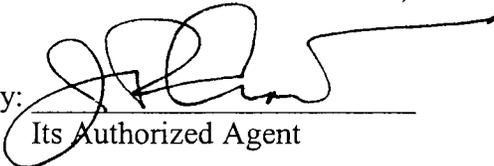
WILLIAM H. SORRELL  
ATTORNEY GENERAL

by:   
Elliot Burg  
Assistant Attorney General

Office of the  
ATTORNEY  
GENERAL  
Montpelier,  
Vermont 05609

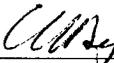
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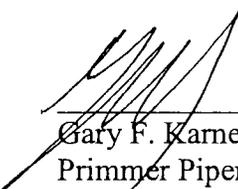
DEBT SETTLEMENT USA, INC.

by:   
Its Authorized Agent

JOHN F. CRAVEN, PRESIDENT  
Name and Title of Authorized Agent

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Elliot Burg  
Assistant Attorney General  
Office of Attorney General  
109 State Street  
Montpelier, VT 05609  
For the State of Vermont

  
\_\_\_\_\_  
Gary F. Kamedy, Esq.  
Primmer Piper Eggleston & Cramer PC  
150 South Champlain Street  
P.O. Box 1489  
Burlington, VT 05402-1489  
For Debt Settlement USA, Inc.

Office of the  
ATTORNEY  
GENERAL  
Montpelier,  
Vermont 05609

**Exhibit 1**

**Important Information on Refunds to Consumers**

Dear \_\_\_\_\_:

I am writing to inform you that Debt Settlement USA has entered into a legal settlement with the Vermont Attorney General's Office. The Attorney General alleges that Debt Settlement USA violated Vermont law in several respects, including engaging in the business of debt adjustment without a required license.

Under the settlement, Debt Settlement USA is refunding to you all fees that you paid to Debt Settlement USA, as itemized on the enclosed sheet. If the amount of the enclosed refund appears to be less than the total of what you paid us, please let us know at once by telephone at [telephone number] or by email at [email address].

In addition, if, while we were working for you, you were sued by one of the creditors enrolled in your program, we are enclosing a payment in the amount of an additional \$2,000, as required by the settlement. If you were sued during that time but did not notify us of that fact, you will need to provide us with documentation of the lawsuit (for example, a copy of the complaint), which you may fax to [fax number] or mail to [mailing address] or email to [email address].

Under the settlement, Debt Settlement USA has also agreed, at your option, to complete its negotiations with your creditors, at no charge to you, and to make all reasonable efforts to settle those debts for no more than 50 percent of the enrolled amount due. If you would like us to do that, please call or email us as directed above as soon as you can; otherwise, we will assume that you do not want us to continue our settlement efforts.

Finally, if you have any questions about the settlement, you may call the Vermont Attorney General's Office at (802) 828-5507.

Sincerely,

Office of the  
ATTORNEY  
GENERAL  
Montpelier,  
Vermont 05609

STATE OF VERMONT  
WASHINGTON COUNTY, SS.

FILED

2009 NOV 25 A 9 15

IN RE FINANCIAL FREEDOM )  
OF AMERICA, INC. )

Washington Superior Court  
Docket No. 897-11/09 WNCV

SUPERIOR COURT  
WASHINGTON COUNTY

ASSURANCE OF DISCONTINUANCE

WHEREAS Financial Freedom of America, Inc. ("Financial Freedom of America" or the "Company") is a Texas corporation with offices at 8140 Walnut Hill Lane, Suite 400, Dallas, Texas 75231, that is engaged in the business of assisting consumers ("clients") in negotiating and settling their unsecured, personal debts;

WHEREAS Financial Freedom of America offers, among other things, to negotiate with its clients' creditors reductions in the amounts due the creditors;

WHEREAS Financial Freedom of America provides debt settlement services to its clients for an "administrative fee" of 7.9 percent of the principal amount of the debt, a "negotiation fee" of 15 percent of the principal amount of the debt, and a "maintenance fee" of \$29.95 or \$39.95 per month;

WHEREAS Financial Freedom of America did business in Vermont from January to November 2006;

WHEREAS Financial Freedom of America provided services to 16 Vermont consumers, who paid a total of over \$42,000 to the Company;

Office of the  
ATTORNEY  
GENERAL  
109 State Street  
Montpelier, VT  
05609

WHEREAS the Attorney General asserts that the Vermont Debt Adjusters Act, 8 V.S.A. § 4861(2) and 8 V.S.A. ch. 133 is applicable to Financial Freedom of America's business and its services;

WHEREAS at no time relevant to this Assurance of Discontinuance did Financial Freedom of America possess a Vermont debt adjuster license;

WHEREAS Financial Freedom of America also did not (1) pay the fees or obtain the bond required by 8 V.S.A. §§ 4862 and 4864-4865; (2) include in its client contract the specific right-to-cancel disclosure required by 8 V.S.A. § 4869a(b); (3) make payments to creditors at least once every 30 days as required by 8 V.S.A. § 4870a; or (4) limit its fee for services to the \$50.00 initial setup fee plus ten percent of any payment received by the Company for distribution to creditors, as prescribed by 8 V.S.A. § 4872;

WHEREAS Financial Freedom of America imposed fees on its customers in advance of rendering services to them;

WHEREAS Financial Freedom of America represented that it could achieve particular results for its clients ("have up to 60% of your credit card bills completely wiped out"), for which it did not have prior reasonable factual substantiation as to the typicality of those results;

WHEREAS the Attorney General alleges that all of the above-described practices violated the Vermont Consumer Fraud Act's prohibition on unfair and deceptive trade practices, 9 V.S.A. § 2453(a);

WHEREAS the Attorney General also alleges that Financial Freedom of America violated the right-to-cancel provisions of 9 V.S.A. § 2454 and Vermont Consumer Fraud Rule 113 for telephonic sales;

AND WHEREAS the Attorney General and Financial Freedom of America are willing to accept this Assurance of Discontinuance pursuant to 9 V.S.A. § 2459;

THEREFORE the parties agree as follows:

1. Financial Freedom of America shall comply with all applicable federal and Vermont laws and regulations, including but not limited to the Vermont Debt Adjusters Act, 8 V.S.A. ch. 133, the Vermont Consumer Fraud Act, 9 V.S.A. ch. 63, and any regulations promulgated under either statute.

2. In the event that it obtains a license to engage in the business of debt adjustment in Vermont in the future, Financial Freedom of America shall further :

- a. Clearly and conspicuously disclose the risks (including the risk of being sued) associated with turning accounts over to the Company and not making payments to creditors; and
- b. Refrain from making any representations in any medium, directly or indirectly, about the results it can or will achieve for its clients without having prior reasonable factual substantiation that those representations reflect the typical experience of its clients.

3. Within thirty (30) days of signing this Assurance of Discontinuance, Financial Freedom of America shall refund to all of its Vermont clients all unrefunded fees paid by each of those clients to the Company. In the event that Financial Freedom of America is unable to make one or more refunds, for example because certain clients cannot be located, the Company shall, within sixty (60) days of signing this Assurance of Discontinuance, pay the total amount of those unpaid refunds to the State of Vermont, in care of the Vermont Attorney General's Office, as unclaimed funds.

4. Also within thirty (30) days of signing this Assurance of Discontinuance, Financial Freedom of America shall pay liquidated damages in the amount of \$2,000.00 (two thousand dollars) to any Vermont client who was sued by one or more creditors between the date of the consumer's sign-up with Financial Freedom of America and the date of the Company's settlement with the creditor.

5. Financial Freedom of America shall promptly complete, without charge and at the client's option, negotiations with all listed creditors of each of its Vermont clients, and shall make all reasonable efforts to settle the amount due each creditor at no more than fifty (50) percent of the enrolled amount of the debt. Financial Freedom of America shall document these efforts in writing, including a comparison with past settlements with the same creditor, and provide such documentation to the Attorney General's Office within sixty (60) days of signing this Assurance of Discontinuance. In the event of a dispute about the adequacy or promptness of Financial Freedom of America's efforts under this paragraph, the parties shall attempt in good faith to resolve the issue themselves. If they are unable to do so, either party may petition the Washington Superior Court in Montpelier, Vermont, for a ruling.

6. To implement the provisions of paragraphs 3 through 5, above, within ten (10) days of signing this Assurance of Discontinuance Financial Freedom of America shall send to each of its Vermont clients, by first class mail, postage prepaid, a letter in substantially the same form as Exhibit 1, enclosing an itemized list of the amounts and dates of all fees paid to the Company, and further enclosing any payments required by paragraphs 3 and 4, above, in the form of a check or checks. If the letter is returned as undeliverable, Financial Freedom of America shall make all reasonable efforts to find a valid mailing address for the

consumer in question and shall promptly resend the letter and any accompanying payment (if applicable) required by this Assurance of Discontinuance to the new address.

7. Financial Freedom of America shall pay to the State of Vermont, in care of the Vermont Attorney General's Office, the sum of thirty thousand dollars (\$30,000.00) in civil penalties and costs. Payment shall be according to the following schedule: fifteen thousand dollars (\$15,000.00) within forty-five (45) days of signing this Assurance of Discontinuance, and another fifteen thousand dollars (\$15,000.00) within ninety (90) days of signing.

8. Acceptance of this Assurance of Discontinuance by the Vermont Attorney General does not constitute approval of any business practices by Financial Freedom of America, nor shall the Company or anyone acting on its behalf state or infer otherwise.

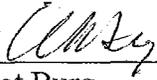
9. This Assurance of Discontinuance shall be binding on Financial Freedom of America, its officers, directors, owners, managers, successors and assigns. The undersigned authorized agent of Financial Freedom of America shall promptly take reasonable steps to ensure that copies of this document are provide to all officers, directors, owners, and managers of the Company.

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Date: 11/13/09

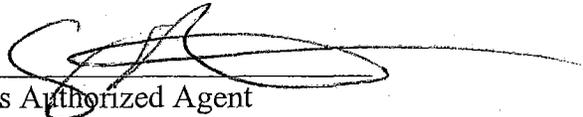
STATE OF VERMONT

WILLIAM H. SORRELL  
ATTORNEY GENERAL

by:   
Elliot Burg  
Assistant Attorney General

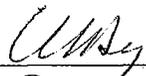
Date: 11/20/09

FINANCIAL FREEDOM OF AMERICA, INC.

by:   
Its Authorized Agent

Corey Butcher, President  
Name and Title of Authorized Agent

APPROVED AS TO FORM:

  
Elliot Burg  
Assistant Attorney General  
Office of Attorney General  
109 State Street  
Montpelier, VT 05609  
For the State of Vermont

  
Melissa Landau Steinman, Esq.  
Venable LLP  
575 7th Street, N.W.  
Washington, DC 20004-1601  
For Financial Freedom of America, Inc.

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ATTORNEY  
GENERAL  
109 State Street  
Montpelier, VT  
05609

Exhibit 1

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Under the settlement, Financial Freedom of America is refunding to you all fees that you paid to Financial Freedom of America, as itemized on the enclosed sheet. If the amount of the enclosed refund appears to be less than the total of what you paid us, please let us know at once by telephone at [telephone number] or by email at [email address].

In addition, if, while we were working for you, you were sued by one of the creditors you told us about, we are enclosing a payment in the amount of an additional \$2,000, as required by the settlement. If you were sued during that time but did not notify us of that fact, you will need to provide us with documentation of the lawsuit (for example, a copy of the complaint), which you may fax to [fax number] or mail to [mailing address].

Under the settlement, Financial Freedom of America has also agreed, at your option, to complete its negotiations with your creditors, at no charge to you, and to make all reasonable efforts to settle those debts for no more than 50 percent of the enrolled amount due. If you would like us to do that, please call or email us as directed above as soon as you can; otherwise, we will assume that you do not want us to continue our settlement efforts. (In that case, if you elected at the beginning of your program to use Global Client Solutions, Rocky Mountain Bank & Trust or Bank of Oklahoma to assist with the processing of your savings payments, they may continue to charge their usual fees. This will permit you to continue to accumulate funds for settlement for the debts still remaining on your program and will allow us to continue servicing your account and work towards settling your remaining debts.)

Finally, if you have any questions about the settlement, you may call the Vermont Attorney General's Office at (802) 828-5507.

Sincerely,

Office of the  
ATTORNEY  
GENERAL  
109 State Street  
Montpelier, VT  
05609