

FILED

STATE OF VERMONT  
WASHINGTON COUNTY, SS.

2009 OCT -9 A 11:03

SUPERIOR COURT  
WASHINGTON COUNTY

IN RE LIBERTY BANC )  
MORTGAGE GROUP, INC., d/b/a )  
LIBERTY SETTLEMENT GROUP )

Washington Superior Court  
Docket No. 767-10-09 Wncw

ASSURANCE OF DISCONTINUANCE

WHEREAS Liberty Banc Mortgage Group, Inc. ("Liberty Settlement Group") is a California corporation with offices at 2101 Business Center Drive, Suite 220, Irvine California, that is engaged in the business of assisting consumers ("clients") in negotiating and settling their unsecured personal debts;

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

WHEREAS Liberty Settlement Group provides debt settlement account processing, negotiations, settlement, and customer service (collectively, "services") to its clients for a fee of 17 percent of the total amount of the debt enrolled with the company;

WHEREAS Liberty Settlement Group began doing business in Vermont in or around October 2007;

WHEREAS Liberty Settlement Group provided services to four Vermont consumers, who paid a total of over \$8,000 to the company;

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 Liberty Settlement Group's business and its services;

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

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

WHEREAS Liberty Settlement Group 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 creditors, as prescribed by 8 V.S.A. § 4872;

WHEREAS Liberty Settlement Group imposed fees on its customers in advance of rendering services to them;

WHEREAS Liberty Settlement Group represented that it could achieve particular results for its clients (“You can become debt free within 12-24 months in most cases ...,” and “Liberty negotiates with your creditors to eliminate 50%-70% of your unsecured debt.”), 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 Liberty Settlement Group 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 Liberty Settlement Group are willing to accept this Assurance of Discontinuance pursuant to 9 V.S.A. § 2459;

THEREFORE the parties agree as follows:

1. Liberty Settlement Group 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, Liberty Settlement Group 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, Liberty Settlement Group shall refund to all of its Vermont clients all unrefunded fees paid by each of those clients to the company. In the event that Liberty Settlement Group 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, Liberty Settlement Group 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 Liberty Settlement Group and the date of the company's settlement with the creditor.

5. Liberty Settlement Group 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, to be paid over a reasonable period of time by each respective consumer. Liberty Settlement Group 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 Liberty Settlement Group'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 Liberty Settlement Group 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, Liberty Settlement Group 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. Upon signing this Assurance of Discontinuance, Liberty Settlement Group shall pay to the State of Vermont, in care of the Vermont Attorney General's Office, the sum of twenty thousand dollars (\$20,000.00) 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 of Liberty Settlement Group, nor shall the company or anyone acting on its behalf state or infer otherwise.

9. This Assurance of Discontinuance shall be binding on Liberty Settlement Group, its officers, directors, owners, managers, successors and assigns. The undersigned authorized agent of Liberty Settlement Group shall promptly take reasonable steps to ensure that copies of this document are provided 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 Liberty Settlement Group stemming from the conduct described in this document.

Date: 9/4/09

STATE OF VERMONT

WILLIAM H. SORRELL  
ATTORNEY GENERAL

by: Elliot Burg  
Elliot Burg  
Assistant Attorney General

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

Date: 9-29-09

LIBERTY BANC MORTGAGE GROUP, INC.,  
d/b/a LIBERTY SETTLEMENT GROUP

by: [Signature]  
Its Authorized Agent

Ryan T. McDonnell CEO/President  
Name and Title of Authorized Agent

APPROVED AS TO FORM:

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

[Signature]  
General Counsel  
~~[Redacted]~~  
~~[Redacted]~~  
~~[Redacted]~~  
Liberty Banc Mortgage Group, Inc.  
2101 Business Center Drive  
Suite 220  
Irvine, CA 92612

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