

# **SOUTH BROOKLYN LEGAL SERVICES**

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October 26, 2009

Donald S. Clark, Secretary  
Federal Trade Commission  
Room H-135 (Annex T)  
600 Pennsylvania Avenue, NW  
Washington, DC 20580

RE: Telemarketing Sales Rule -  
Debt Relief Amendments, R411001

Dear Secretary Clark,

South Brooklyn Legal Services is a not-for-profit law office that has provided free civil legal services to low-income people in Brooklyn since 1968. Each year, SBLS's 50 attorneys and paralegals represent over 5,000 clients in a wide range of issues, including consumer law. In the past three years, SBLS and other legal services offices have received numerous complaints from low income debtors who have lost substantial sums of money to debt settlement companies.

The Federal Trade Commission (FTC) correctly questions the fundamental soundness of debt settlement. The horrible experiences of SBLS's clients (discussed in Part 1 of these comments) illustrate that debt settlement is a fraudulent industry that further impoverishes financially strapped consumers. The ease with which debt settlers skirt state laws (discussed in Part 2) supports the FTC's proposal prohibiting fee collection until debts are settled.

## **PART 1**

### **Introduction: Why the Debt Settlement Business Model Fails.**

The debt settler business model is both simple and simplistic. The debtor, rather than paying a portion of his or her bill each month to the credit card company, pays that money into an escrow account at the debt settlement company. Once that escrow account equals about 40 - 50% of the balance owed on the credit card (typically in 24-36 months), the debt settlement company negotiates a settlement for 40 -50 % of the value of the existing debt.

This business model does not work. The debt settlement company takes its large fee (anywhere from 5 - 18% of the value of the original debt) from the debtor's initial deposits.

Further preventing the accumulation of any escrow savings are monthly maintenance fees that rival gym membership dues. Meanwhile, the debtor has defaulted on his or her credit cards, triggering debt collection calls, law suits and further credit score destruction.

## Who Turns To Debt Settlement: Eight Case Studies

The eight debt settlement victims discussed in these comments range in age from 32 to 75 years. Half are employed (median income \$50,000) or seeking employment following job loss, while the other half are retired or disabled (median income \$10,000). All are living from check to check with no savings. The median credit card debt is about \$33,000, with \$60,000 being the highest and \$13,000 the lowest. Four are “judgment proof” meaning they have no assets and creditors cannot garnish their only sources of income (Social Security or Supplemental Security Income.<sup>1</sup>) None of them have any realistic prospect of paying off their debt. They face a lifetime of minimal credit card payments, bankruptcy, or default. Their individual stories follow.

- **Patricia H** works part time as a teacher and a phlebotomist, while her husband, Lloyd is an underemployed union carpenter. Saddled with a high mortgage, the two relied extensively on their credit cards for unexpected home repairs, utilities, and even food to support their three children. At the suggestion of an aide to a congresswoman, they signed up with the Allegro located in Alabama. For four months they made monthly payments of \$886 to Allegro via its support office, Americorp, located in New York. After two law suits, they learned that none of the \$3,544 they had paid had been used to settle a single debt. That same month, Allegro was shut down by the Alabama Attorney General for fraud.<sup>2</sup> Patricia and Lloyd now await the creation of a claims process by the Alabama court so they can attempt to retrieve some of the \$3,544 they lost.
- **Alfredo C** is a 61 year old hotel worker and foster care parent of three. Although he paid his credit cards regularly, high interest rates prevented him from reducing his balance. With \$34,000 in debt, he followed a friend’s advice and turned to Allegro Law. For eleven months, he paid \$642 only then to be sued by one creditor. About that time, Allegro was closed down for fraud. Alfredo’s only solace in losing more than \$5,500 is that he is not alone. Over 13,500 New Yorkers have been equally swindled by Allegro.<sup>3</sup>
- Sixty nine (69) year old **Louise M** lives off a \$500 Social Security check and \$400 in wages as an early intervention assistant to special needs children. In 2007, Louise was “cold called” by American Debt Arbitrators (ADA) located in Florida. It works with Financial Consulting Services (FCS) located in Arizona. One of their selling points was that Louise could settle her debt in a few years and actually pay less each month into their

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<sup>1</sup> 42 U.S.C. § 407(a).

<sup>2</sup> See Order Granting Preliminary Injunction and Appointing Receiver, Alabama v. Allegro Law, LLC, No. CV-09-125F (Ala. Cir. Ct. Autauga County Jul 31, 2009).

<sup>3</sup> Alabama v. Allegro Law, No. 09-CV-00729 (M.D. Ala. July 31, 2009) (defendant’s motion seeking federal court removal alleges 90% of Allegro’s 15,000 clients reside in New York.)

escrow than what she was paying to the credit card companies (\$400 vs \$415.) Thirteen months into the program, Louise's bank account was frozen by a creditor and she could not pay her rent. She then had to find a legal aid lawyer to prevent her eviction. A complaint to the New York Attorney General spurred ADA/FTC to return only a portion of what Louise had lost. In the end, Louise lost \$2,411 in fees plus \$1,559 in her bank account. No credit card debt was settled.

- **Wanda C**, a fifty year old office receptionist, gradually fell into debt when she lost her rent stabilized apartment in 2003 following her father's death. In 2007, she began paying \$437 a month to Debt Choice and the Palmer Firm in hopes of settling her seven credit cards. She stayed in the program for two years even after being sued. Only when she had to go to court by herself to unfreeze her bank account (a creditor restrained it) did she abandon the program. By that time, she had paid more than \$8,000 in fees and settled only one debt that netted her a paltry \$600 in savings.
- **Roberto M**, a 53 year Army Veteran and former triple A outfielder, fell into debt when he lost his maintenance job and needed a major dental procedure. Saddled with credit card bills, he turned to Morgan Drexen located in California, which works with the law firm of Eric A. Rosen in New York. After one creditor sued Roberto M and another froze his bank account, Roberto M realized that he had been scammed. By that point, Roberto M had paid \$2,361 in fees. While Roberto M complained, the law firm justified its taking with a bogus time sheet of purported work. It's purported work included a \$440 charge for 2 hours and 20 minutes of work on a debt validation letter, which any tenth grader could compose in 15 minutes.<sup>4</sup>
- **Barbara B** lives on \$761 a month in Supplemental Security Income disability benefits. Facing \$30,000 in credit card debt, she called the Freedom Debt Network (located in New York) which works with the law firm of Jason D. Hass located in Arizona. Over eight months, she borrowed money from her 19 year old son (who works as a stocker at a large retailer) and paid \$3,930 to settle the accounts. One account was settled for 90% of what was owed when she entered the program, while another settled for 30% of what she owed. Taking into account the savings on the settled account (\$1,125), the end result was Barbara B had lost \$3,206 while increasing her debt. Despite complaints to the Arizona Bar, only \$185 was returned.
- **Mary B** is a 75 year old widow. Her income is \$780 in Social Security and \$5 per day if she volunteers at an after-school program. For years, Mary diligently made \$190 in monthly minimum payments on her two credit card bills.. Then in 2006, she received a "cold call" from American Debt Arbitrators (ADA) in Florida which works with Nationwide Asset Services (NAS) in Arizona. The caller told Mary that her credit was bad and that he could improve it by settling her two credit card debts for 50% of what she owed. Mary signed up. Eight months and \$1,600 later, Mary began receiving threatening calls from debt collectors. She then learned the settlement company had not contacted her credit card issuers. Worse, the debt settlement company had pocketed

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<sup>4</sup> The Rosen Law firms accounting sheet is attached as page 1 of Appendix 1. A sample debt verification letter is posted for public use on the FTC website.

<http://www.ftc.gov/os/comments/debtsettlementworkshop/536796-00030.pdf>

\$1,330 of the \$1,600 she deposited as “set-up” “initiation” and “monthly maintenance” fees.

- **Valerie R**’s credit card problems began after her husband died and her income fell dramatically. Scared by aggressive debt collector calls and unable to afford bankruptcy (about \$1,500 - \$2,000), she turned to “Debt Choice,” a debt settlement company in California that runs ads on late night T.V. After a brief discussion with Debt Choice (which teams with the Palmer Firm in California), she agreed to a \$300 a month payment plan. Valerie R never realized that the first \$1,333 she deposited would be taken for Debt Choice’s set-up fee, or that \$65 would be taken each month as “maintenance fees.” Five months into the program, Valerie was still receiving harassing creditor calls and had been sued. Despite complaints, the Palmer Firm refused to return \$1,000 in fees.

### **Common Debt Settlement Practices: The Deceptive Sales Pitch**

All of SBLS’s eight clients believed their debt settlement companies would have their credit cards paid off in a few years. Louise M was told by ADA/FCS that credit card companies were charging hidden fees that she should not pay and that it could settle her debt for half of what she owed in 12 to 18 months. (Later, the contract she signed estimated pay off would take 20-25 months.)<sup>5</sup> Similarly, Patricia H was told she could settle her debt in 24- 36 months. The contract she later signed estimated 36 to 48 months.<sup>6</sup> Under current law, such misrepresentations are not covered by the Telemarketing Sales Rule for in-bound calls. Here, six of the eight SBLS clients received deceptive sales pitches after calling debt settlement companies (the other two received cold calls currently covered by the TSR.)

### **Contracts That Spell Danger But That No One Reads**

The debt settlement contracts of the eight clients contain three fee provisions - settlement, monthly maintenance, and set-up - the latter of which is particularly pernicious as it is collected immediately. For example, Financial Consulting Services, National Asset Services, and American Debt Arbitration are three different companies that share identical websites and fee structures.<sup>7</sup> They charge a set-up fee of \$399, another set-up fee (called an “enrollment fee”) equal to three months of monthly payments over six months, a \$49 monthly maintenance fee, and a \$7.20 monthly bank fee.<sup>8</sup> Their “enrollment fee” has no relationship to either the anticipated cost of executing the debt settlement plan or the value the customer receives. Rather it seems based simply on these companies’ desire and ability to take money. For example, Mary B had a total of \$16,000 in debt on two credit cards and paid \$900 in enrollment fees. On the other hand,

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<sup>5</sup> A portion of ADA’s contract with the 20-25 month provision is attached as pages 2-3 of Appendix 1.

<sup>6</sup> See Allegro’s “about us,” page 4 of Appendix 1.

<sup>7</sup> See websites <http://fcsdebt.com/index.html>; <http://www.nationwideasset.com/>; and <http://www.adafla.com/>. (last visited Oct. 26, 2009.)

<sup>8</sup> *Supra* note 5.

Louise M had less debt (\$12,000), more credit cards (3) yet paid more (\$1,200) as her enrollment fee.

As is the Industry standard, Financial Consulting Services, National Asset Services, and American Debt Arbitration impose a settlement fee of 29% of the savings on each settlement. This settlement fee (again standard) is on realized savings *at the time of settlement*, not at the time the debtor signs up, i.e. if a \$2,000 debt at sign-up increases to \$2500, and then is settled for \$1500, the settlement fee is 33% of \$1,000, not 33% of \$500.

Other debt settlement company fees are as follows. Debt Choice and the Palmer Firm (two entities in different states splitting one fee): 8% set-up (due immediately), \$65 monthly and a 33% settlement fee on realized savings *at the time of settlement*, not at the time the debtor signs up.<sup>9</sup> Morgan Drexen and the Eric A. Rosen law firm (again, two entities in two different states splitting one fee): set-up 5% (due immediately); monthly \$48, and a 25% settlement fee of realized savings at time of settlement.<sup>10</sup> Debt Freedom and the Jason Hass Group (same relationship as above): set-up 15% (collected in first ten (10) months), \$39 monthly, and \$9.50 monthly bank fee.<sup>11</sup> Allegro law: 16% set-up collected over 18 months, (but collectable “immediately” if client terminates services before then), and monthly \$59.99.<sup>12</sup>

### **Debt Settlement Worksheet Plans Seem Reasonable**

The most understandable part of any debt settlement contract is the worksheet that breaks down how much debt is owed, how much money is needed to settle that amount (usually 40% - 50% of the debt plus fees), and how long it will take to arrive at that goal based on a monthly payment. For example, Barbara B’s worksheet with the Hass Group/Debt Freedom Network notes a debt of \$30,000, a settlement target of 55% or \$16,500, of which 15% (\$4,500) would be collected as a fee and 40% (\$12,000) would be paid to settle the debts, while \$39 would be taken monthly from her 36 monthly payments of \$497.33.<sup>13</sup> (If made, those payments would fill the trust with \$16,427 in three years.) Similar worksheets are used by Allegro and American Debt Arbitration and its affiliates.<sup>14</sup>

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<sup>9</sup> A Debt Choice/ Palmer Firm contract is attached at pages 5-9 of Appendix 1.

<sup>10</sup> A Morgan Drexen/ Eric A. Rosen law firm contract is attached at pages 10-13 of Appendix 1.

<sup>11</sup> A Debt Freedom/Jason Hass Group contract is attached at pages 14-16 of Appendix 1.

<sup>12</sup> An Allegro contract is attached at pages 17-27 of Appendix 1.

<sup>13</sup> The Debt Freedom/Hass worksheet is attached at page 30 of Appendix 1.

<sup>14</sup> The Allegro and FCS/ADA worksheets, are attached at pages 31-32 of Appendix 1.

## The Plan Never Works

On paper, the worksheet plan seems reasonable, especially when one takes into account that the target settlement rate of 40% is based on “industry standards.”<sup>15</sup> The problem is that set-up fees are taken immediately and creditors never wait 36 months before pursuing debt collection.

Such was the case of Barbara B. She learned about her set-up fee provision (15% of her \$30,000 debt or \$4,500 collected over 10 months) after being sued four months into the program by HSBC. Despite having “personal and long standing relationships with individual creditors and collection agencies,” Hass got rid of the suit by settling with HSBC for 90% of what was owed (\$2,400.) The settlement then fell apart because Barbara had no cash on hand to pay HSBC, all but \$100 of her payments to Hass over four months (\$1,965) had been taken as set-up fees.

Similarly, Patricia H paid Allegro \$3,544 over four months. Then Discover sued her. Although Allegro sold itself as attorneys who would represent her with “the highest professional and ethical standards,” a non-lawyer sent Patricia a form letter advising her to answer Discover’s complaint on her own. The letter further advised that “once a creditor files a lawsuit . . . , frequently we [Allegro] must offer a settlement amount above our usual scale . . . .” Attached was a release for Patricia to sign that allowed Allegro to settle for up to the full amount of the debt owed and, if there was not enough money in her escrow (there wasn’t, Allegro had taken most of it in fees) to enter Patricia H into a monthly payment plan. Not understanding the document but fearful about the suit, Patricia H signed. Allegro never contacted Discover, despite the authorization, and judgment was entered against Patricia H for the full amount. Shortly thereafter, Allegro was shut down by the Alabama Attorney General, leaving Patricia with a \$3,544 loss.

Louise M fared worse. For eight months she methodically paid \$400 to ADA/FCS. Then HSBC sued her. She then learned that \$2,200 of the \$3,600 she had paid to ADA/FCS had been taken in fees. Having no money with which to settle, the creditor obtained a judgment for the full amount and then froze Louise M’s bank account preventing her from paying her rent. Subsequently, Louise’s landlord brought a non-payment housing case against her.

The other SBLS clients, as discussed above, fared equally poorly. Their experiences are consistent with other, more empirical studies. Following a 2004 action against a giant network of debt settlement companies, the FTC contracted with a auditor to determine how many customers had completed debt settlement programs and gotten out of debt. The answer: less than two percent – 638 out of 44,844 debt settlement consumers.<sup>16</sup> Similarly, the New York Attorney General alleges in complaints against Nationwide Assets Services/American Debt Arbitrators (fleecers of Mary B and Louise M.) and a large Texas company that only 1/3 percent and 1

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<sup>15</sup> See DebtChoice Contract, “payments are based on historical and industry standards” attached at page 33 of Appendix 1. See also Allegro Contract, *Supra* note 12, at paragraph #4.(amount needed to settle the account is based on “industry standards and metrics.”

<sup>16</sup> Federal Trade Commission, Debt Services Operations Settle FTC Charges, (March 30, 2005), available at <http://www.ftc.gov/opa/2005/03/creditcouncil.shtm>.

percent of consumers benefitted from the defendants' programs.<sup>17</sup>

### **Settling a Few Credit Card Debts Is of No Value**

The debt settlement industry may argue that these studies fail to take into account the value of settling some, but not all, of a customer's credit cards debt. As noted above, Barbara B gained no benefit from her first settlement (90% of what she owed HSBC) since she had no money with which to consummate the deal. Nor did she benefit from another settlement (40% of a \$10,310 Chase account) since she again lacked the \$4,124 the settlement called for. She did save \$1,125 on a third settlement. In the end, the program cost her about \$3000 even when savings and refunds are taken into account.

Another example is Wanda C. When she signed up with the Debt Choice/the Palmer Firm, she owed money to seven credit card companies, including \$2,399 to Citibank. Nineteen (19) months into the program her first and only settlement occurred with Citibank for \$1,263. Because the debt had ballooned to \$2,971, that constituted a \$1,708 savings for which Palmer took 33% or \$578 as a settlement fee.<sup>18</sup> In other words, Wanda paid \$1,841 to settle an original debt of \$2,399. Obtaining that \$558 savings had a huge emotional cost for Wanda while hurting her credit. Over the nineteen months she'd been in the program she was sued twice. No one at the Palmer firm or its affiliated lawyer defended her in any of those actions. After a creditor froze her bank account, she had to go to court on her own to get the account released to pay her rent. Two years and over \$8,000 in payments after starting the program, she had saved only \$558. When she complained, only \$1,700 was refunded.

### **Greater Disclosure Will Not Deter Consumers from Signing Up with Debt Settlers**

SBLS applauds the disclosure requirements set forth in Proposed Section 310.3(a)(1)(viii). However, a review of the contracts of our eight clients reveals that most debt settlement companies already disclose many of the proposed requirements, albeit some do so in fine print.

### **Contracts Already Reveal How Long And How Much Money Is Needed For Debt Settlement To Work.**

The proposed rule would require debt settlers to make clear how long it will take to settle the entire account. Most already do this. For example, Debt Choice advised Valerie R that "on average it takes a little over five years to resolve referred accounts."<sup>19</sup> Similarly, Allegro told Patricia H that it would take three to four years to settle her accounts and that "settlements usually occur 1 at a time; ex. [sic] May settle with one on the 8<sup>th</sup> month and another on the 14<sup>th</sup>

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<sup>17</sup> Press Release, N.Y. Attorney Gen., Attorney General Cuomo Sues Debt Settlement Companies for Deceiving and Harming Consumers (May 20, 2009), *available at* ([www.oag.state.ny.us/media\\_center/2009/may/may19b\\_09.html](http://www.oag.state.ny.us/media_center/2009/may/may19b_09.html)).

<sup>18</sup> A copy of the settlement agreement obtained by the Palmer group is attached at pages 34-36 of Appendix 1.

<sup>19</sup> *Supra* note 9, paragraph #8.

month.”<sup>20</sup>

The proposed rule likewise requires the debt settler to disclose how much money must be accumulated before an account is settled. Again, they largely already do this. For example, Allegro told Alfredo C that he needed \$23,088.42 to settle his \$34,000 debt. The Hass Group told Barbara B she needed \$16,500 to settle her \$30,000 debt.<sup>21</sup>

### **Other Proposed Disclosures Are Already Found in Contracts**

Finally, the proposed rule requires disclosures that debts will increase, creditors may not negotiate, credit scores will worsen, and that there are tax consequences. While some debt buyers hide this in the small print, most do not. For example, Debt Choice/The Palmer Firm states that creditors may “not negotiate with the Law Firm.”, creditors may initiate law suits, and that credit card debt will increase while credit scores worsen. Further “law[s] may require you to treat the amount of cancelled debt as income for purposes of . . . taxes.”

Allegro’s disclaimers are equally frank.<sup>22</sup> They cover everything in the proposed disclaimer, including: “[a]ny money a consumer saves . . . must be treated as income for tax purposes . . .”; “late fees, penalties, and interest will continue to accrue”; and “[c]reditors may still sue . . . and garnish the consumer’s wages.”

In summary, SBLS believes the additional disclosures, while good, are unlikely to stop financially strapped consumers from signing up with debt settlement firms. Because debt settlement companies fail to help people out of debt, the FTC must adopt Proposed Section 310.4(a)(5) - the outright prohibition of debt settlers collecting fees prior to settling a debt.

## **PART 2:**

### **Because Current Enforcement Against Unlawful Debt Settlers Is Inadequate, The FTC Must Ban Fee Collection Prior to Settlement**

There are three parties that can use current law to police debt settlers: private citizens, state attorney generals, and the FTC. As discussed below, only the FTC is capable of effectively regulating debt settlement practices, but only if the proposed rule Section 310.4(a)(5) limiting fees is promulgated.

#### **Few Private Actions against Debt Settlers**

Traditionally, private attorneys have helped regulate consumer practices by bringing litigation under both federal and state statutes. However, almost all debt settlement contracts

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<sup>20</sup> *Supra* note 6.

<sup>21</sup> *Supra* notes 13 and 14.

<sup>22</sup> *Supra* note 12.

contain arbitration clauses which strip federal and state courts of jurisdiction.<sup>23</sup> Arbitration is an unappealing forum as costs can be high (\$400 an hour for an arbitrator's time), and decisions are secret and of little precedential value.<sup>24</sup> Moreover, the effectiveness of injunctive or declaratory relief in an arbitration class action is questionable.<sup>25</sup> Hence, the actions of debt settlers are rarely challenged in a public forum. Indeed, SBLS is aware of only nine suits by private actors against debt settlement companies.<sup>26</sup>

### The Shortcomings of State Regulation

Most states regulate debt management programs by either limiting their fees, precluding for-profits, requiring a hefty surety bond, or a combination of all three. A non-exhaustive list of such state laws is attached.<sup>27</sup> Using such laws, Attorney Generals and private litigants have fought debt settlement companies with good results in each action. Indeed, SBLS has found no fewer than 44 actions by 15 State agencies or Attorney Generals against debt settlement companies.<sup>28</sup>

Why then, is state regulation insufficient? The problem is that state enforcement actions only regulate a debt settlement company within the boundaries of the state. If the debt settlement company happens to reside within the enforcing state, the state can usually close it

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<sup>23</sup> See *Picard v. Credit Solutions, Inc.*, 564 F.3d 1249, 1256 (11<sup>th</sup> Cir. 2009) (vacating district court's judgment with instructions to refer plaintiff's claim for arbitration); *Rex v. CSA-Credit Solutions Of Am.*, 507 F.Supp. 2d 788, 800 (W.D. Mich 2007) (debt settler's motion to compel arbitration granted); *Packard v. Credit Solutions of Am.*, No. 100,231 (Kan. Ct. App. July 31, 2009) (finding arbitration clause strips state court of jurisdiction), available at <http://www.kscourts.org/cases-and-opinions/opinions/ctapp/2009/20090731/100231.htm>.

<sup>24</sup> NAT'L CONSUMER LAW CTR., CONSUMER ARBITRATION AGREEMENTS §§ 1.3.4, 1.3.6 (4th ed. 2004).

<sup>25</sup> *Id.* § 10.1a. (5th ed. 2007 & Supp. 2008).

<sup>26</sup> See *Picard v. Credit Solutions, Inc.*, 564 F.3d 1249 (11<sup>th</sup> Cir. 2009); *Yunker v. Rise Above Debt Relief*, No. 09-CV-1204-01-JTM-KMH (D. Kan. filed June 30, 2009); *Bradley v. Morgan Drexen*, No. 09-CV-109-RHW (E.D. Wash. filed Apr. 10, 2009); *Chase Bank USA v Allegro Law, LLC*, No. 08-CV-04039 (E.D.N.Y. filed Oct 3, 2008); *Boyken v. Am. Debt Arbitration*, No. 07-CV-6348T(F) (W.D.N.Y. settled Jan 4, 2008); *Cowart v. Debt Relief Pros, Inc.*, No. 05-CV-718 (M.D. Fla. settled Nov. 26, 2007); *Cortese v. Edge*, 2007 WL 2782750 (E.D.N.Y. 2007); *Rex v. CSA-Credit Solutions Of Am.*, 507 F.Supp. 2d 788 (W.D. Mich. 2007); *Packard v. Credit Solutions of Am.*, No. 100,231 (Kan. Ct. App. July 31, 2009), available at <http://www.kscourts.org/cases-and-opinions/opinions/ctapp/2009/20090731/100231.htm>.

<sup>27</sup> See attached Appendix 2 of State Laws Regarding Debt Management.

<sup>28</sup> See attached Appendix 3 on State Enforcement Actions and Appendix 4 on Debt Settlement Company litigation.

down. Such was the case in Florida against Hess-Kennedy<sup>29</sup>, in Alabama against Allegro Law<sup>30</sup>, and in Maryland against the Brennan Firm.<sup>31</sup>

However, if the state enforcement action is against an out-of-state debt settler, that action protects and provides restitution only to that state's residents. The debt settler is thus able to operate elsewhere, no matter how outrageous its conduct. For example, Debt Relief of America (DRA), a Texas debt settlement company, was enjoined in 2007 from operating in West Virginia, as well as required to refund \$517,000 in fees to 366 West Virginians.<sup>32</sup> That left DRA with 49 states to operate in. Thanks to suits by attorney generals in South Carolina<sup>33</sup> and Colorado<sup>34</sup>, that number is now down to 47.

Another example is Credit Solutions of America, a for-profit debt settlement company located in Dallas, Texas. In May 2006, the Idaho Department of Finance received numerous complaints that CSA was taking substantial fees and not settling debts. An investigation revealed CSA was not licensed in Idaho. In January 2008, CSA settled a state action against it, agreeing to pay \$588,000 in restitution and to stop operating within Idaho without a license.<sup>35</sup>

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<sup>29</sup> For details about *State of Florida v. Hess et al*, (February 21, 2008), see the receiver's website: [http://www.lbfmiami.com/active\\_cases\\_recieverships\\_hess.html](http://www.lbfmiami.com/active_cases_recieverships_hess.html).

<sup>30</sup> For details about *State of Alabama v. Allegro et al*, CV-09-125-F (Autauga County, AL July 9, 2009), see <http://allegrolawreceivership.com/>.

<sup>31</sup> For details of *Maryland v Brennan*, see Press Release, Md. Attorney Gen., Richard A. Brennan Jailed for Contempt: Brennan Ordered to Pay More Than \$2.5 Million in Restitution (July 31, 2009), available at <http://www.oag.state.md.us/Press/2009/073109.htm>; Press Release, Md. Attorney Gen., Attorney General Settles with Companies Selling Debt Repayment Services, (Oct. 19, 2007), available at <http://www.oag.state.md.us/press/2007/101907.htm>; Attorney Grievance Commission, Maryland Attorneys Disciplinary Actions FY 2009, <http://www.courts.state.md.us/attygrievance/sanctions09.html> (last visited Oct. 26, 2009).

<sup>32</sup> Press Release, W. Va. Attorney Gen., Attorney General McGraw Reaches Settlement with Four Debt Relief Companies for 366 Consumers (May 16, 2007), [http://www.wvago.gov/pdf/press/2007\\_thFourDebtReliefCompaniesfor366Consumers.pdf](http://www.wvago.gov/pdf/press/2007_thFourDebtReliefCompaniesfor366Consumers.pdf).

<sup>33</sup> SCDCA v. Debt Relief of America, LP Docket No. 06-ALJ-30-0671-CC (settled February 2, 2007), available at [http://www.seconsumer.gov/licensing/credit\\_counseling/06-alj-30-0671-cc.htm](http://www.seconsumer.gov/licensing/credit_counseling/06-alj-30-0671-cc.htm)

<sup>34</sup> See Press Release, Colo. Attorney Gen., Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling (Mar. 12, 2009), available at [http://www.ago.state.co.us/press\\_detail.cfm?pressID=957.html](http://www.ago.state.co.us/press_detail.cfm?pressID=957.html).

<sup>35</sup> Press Release, Idaho Dep't of Finance, Department of Finance Settles With a Dallas, Texas Based Debt Settlement Company - \$588,000 in Consumer Restitution Ordered

Unable to comply with Idaho's fairly typical licensing requirements, CSA withdrew.

Thereafter, CSA continued (and continues) to operate with impunity in 49 other states. The harm has been great. The Texas Attorney General and Better Business Bureau received 140 and 1,600 Complaints about CSA from 2006 -2009.<sup>36</sup> More than 18,000 New Yorkers signed up with CSA from 2004 to 2009, paying over \$17 million in fees although CSA obtained no settlements for 90% of those customers.<sup>37</sup> This year (2009) five state Attorney Generals<sup>38</sup> and one private citizen<sup>39</sup> filed suit against CSA, each one using its own state laws seeking restitution and to enjoin CSA from operating within their state. Only one, Texas where CSA is incorporated, appears capable of closing CSA down.

In Summary, individual state enforcement actions can be costly to debt settlers, but they cannot stop debt settlers from operating in other states (unless the enforcing state and debt settlement company are in the same state.)

### **How Effective Are State Fee Limitations in Controlling Debt Settlers?**

As discussed above, debt settlers largely ignore local state rules that require licensing. For example, Arizona requires licensing of for-profits seeking to settle a debt for less than its face value.<sup>40</sup> Yet huge debt settlers located in Arizona, such as Freedom Debt Relief (30,000 customers and 500 employees) and Nationwide Asset Services, (both recently sued by New York) have not registered in Arizona,<sup>41</sup> never mind countless other states.

Colorado is the one exception to the rule that debt settlers will not register. Colorado passed a debt management act in 2008 that slightly departed from its template, the Uniform

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(Jan. 15, 2008), *available at*  
[http://finance.idaho.gov/PR/2008/Credit\\_Solutions\\_PressRelease.pdf](http://finance.idaho.gov/PR/2008/Credit_Solutions_PressRelease.pdf).

<sup>36</sup> Press Release, Attorney Gen. of Tx., Texas Attorney General Charges Four Debt Settlement Companies with Unlawful Conduct (May 20, 2009), *available at* <http://www.oag.state.tx.us/oagnews//release.php?id=2991>.

<sup>37</sup> See N.Y. Attorney Gen. Press Release, *supra* note 17.

<sup>38</sup> In 2009, Attorney General Actions were filed against CSA in Florida, Texas, Illinois, New York, and Missouri. See Appendix \_\_ [bad apples]

<sup>39</sup> Packard v. Credit Solutions of Am., No. 100,231 (Kan. Ct. App. July 31, 2009), *available at* <http://www.kscourts.org/cases-and-opinions/opinions/ctapp/2009/20090731/100231.htm>.

<sup>40</sup> ARIZ. REV. STAT. §§ 6-703, 6-715.

<sup>41</sup> For a list of registered debt management companies in Arizona, *see* [http://www.azdfi.gov/Lists/DM\\_List.html](http://www.azdfi.gov/Lists/DM_List.html).

Debt Management Services Act. Colorado's law limits set-up fees to 4% of the total debt without a \$400 cap (as recommended in the UDMSA).<sup>42</sup> Thus a \$30,000 debt in Colorado has a set-up value of \$1200 as opposed to \$400 in other states that have adopted the UDMSA (Utah, Rhode Island, Tennessee (effective July 1, 2010), and Nevada (effective July 1, 2010).<sup>43</sup> Colorado also allows monthly maintenance fees of up to \$50.

Following its enactment, Colorado aggressively enforced its licensing statute.<sup>44</sup> Debt settlers responded by registering in Colorado, rather than leaving because Colorado's 4% set-up fee provision is so profitable. Indeed, thirteen (13) of the 45 firms granted Colorado licenses are traditional debt settlers.<sup>45</sup> These include many sued for deceptive acts in other states, including Century Negotiations and Credit Answers, (both sued by Vermont), Credit Solutions of America (sued by Idaho, Illinois, Kansas, Texas, New York and Florida), and Nationwide Support Service (sued by Illinois). In short, Colorado's experience instructs that even a dramatic reduction in set-up fees to 4% will not deter debt settlers when those fees are collectable up-front and not capped (e.g. at \$400.)

### **With Its Proposed Rules, the FTC Can Better Protect Consumers than States Can**

As discussed above, stopping predatory debt settlement companies is difficult because states can only police activity within their state. The FTC, however, can shut down deceptive debt settlement companies regardless of where they operate when a rule or statute is violated. For example, in 2005, the FTC put three debt settlement companies out of business after they took over \$100 million in fees from over 44,000 customers.<sup>46</sup> The receiver reimbursed approximately \$24 million to the debt settlement victims who lived in many different states. The above action was based upon deceptive out-bound telemarketing that already is covered by the Telemarketing Sales Rule.

Compare the results of the FTC's 2005 action with a more recent action by Vermont against a debt settlement company engaged in conduct that violated not only Vermont law, but the FTC's proposed rule Section 310.4(a)(5) limiting fees. Century Negotiations (a Pennsylvania company) charged 15% in set-up fees in violation of Vermont's \$50.00 limit.

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<sup>42</sup> Press Release, Ill. Attorney Gen., Attorney General Madigan Sues Two Debt Settlement Firms (May 4, 2009), [http://www.illinoisattorneygeneral.gov/pressroom/2009\\_05/20090504.pdf](http://www.illinoisattorneygeneral.gov/pressroom/2009_05/20090504.pdf).

<sup>43</sup> Delaware passed a watered down version of the Uniform Debt Management Services Act in 2007 that places an 18% cap on set-up fees. DEL. CODE ANN. §§ 2401A - 2439A (2009).

<sup>44</sup> Colo. Attorney Gen. Press Release, *supra* note 34.

<sup>45</sup> Colorado's registry is *available at* <http://www.ago.state.co.us/UCCC/PDF/DMReport.pdf>.

<sup>46</sup> *Debt Services Operations Settle FTC Charges*, *supra* note 16.

Century Negotiations agreed to refund \$65,000 to 64 Vermont consumers and either to register or stop operating in Vermont.<sup>47</sup> So far, it has not registered.<sup>48</sup> If the FTC's proposed rule limiting fees were promulgated, the FTC could stop Century Negotiation from collecting up-front fees prior to settling debts throughout the United States, not just in Vermont.

### **The Resilience of Debt Settlers to State and FTC Actions Also Warrants the Passage of the Proposed Rules.**

As noted above, debt settlement companies appear undeterred by law enforcement actions. In addition to Credit Solutions of America (sued by six State Attorney Generals) and Debt Relief USA (three actions), there are no fewer than 60 debt settlement companies that have weathered state actions against them. See Appendix 4. Some of the more remarkable are as follows.

- In 2004 the FTC sued National Consumer Council and Walter Ledda, for swindling 44,000 debt settlement customers of \$100 million. Mr. Ledda agreed to pay \$1.3 million to settle the case. Today, Walter Ledda is the founder of a Morgan Drexen, a California debt settlement company that is banned from operating in North Carolina<sup>49</sup> and is subject to a class action law suit in Washington State.<sup>50</sup>
- In 2005, a private litigant brought a class action against Debt Relief Pros. The defendants settled the case for \$25,000, paid only \$5,000 to the plaintiff, and then reorganized itself into a new debt settlement company, Provident Debt Settlement.<sup>51</sup> Two years later, the Florida Attorney General sued Provident

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<sup>47</sup> Press Release, Vt. Attorney Gen., Debt Settlement Company Settles Consumer Claims (July 13, 2009), *available at* <http://www.atg.state.vt.us/news/Debt-Settlement-Company-Settles-Consumer-Claims.php>.

<sup>48</sup> Vermont's registry is available at <http://www.bishca.info/php/BANK/bank01.htm>

<sup>49</sup> N.C. State Bar, Cease and Desist Letter to Morgan Drexen (July 21, 2009), *available at* [http://www.ncbar.gov/programs/auth\\_notes.asp](http://www.ncbar.gov/programs/auth_notes.asp).

<sup>50</sup> Complaint filed April 2009 in Washington to enjoin unfair and deceptive business practices

<sup>51</sup> See Status Letter to Judge, Cowart v. Debt Relief Pros, Inc., No. 05-CV-718 (M.D. Fla. November 05, 2007).

- seeking to close it down for fraud and fee gouging.<sup>52</sup>
- In 2007, Maryland settled an action against the Brennan Firm for pocketing \$250,000 in client payments earmarked for debt settlement. Brennan agreed to conform its practices to Maryland's stringent debt settlement laws.<sup>53</sup> A year later, West Virginia sued a debt settlement call center that was steering consumers to Brennan.<sup>54</sup> Although Mr. Brennan was disbarred in early 2009.<sup>55</sup>, he continued to operate his debt settlement business in violation of various court orders. In July 2009, his business finally ended when he was jailed.<sup>56</sup>

The resilience of debt settlers speaks to the tremendous desire of consumers to get out of debt and the ease of making money off their desperation. Indeed, over a one year period 13,500 New Yorkers signed up with a debt settlement company in Alabama called Allegro Law.<sup>57</sup> Similarly, over a three year period, the debt settlement firm, Hess-Kennedy, enrolled over 20,000 customers who proceeded to deposit (and lose) \$100 million in monthly payments in hopes of settling their debts.<sup>58</sup> Similarly, 18,000 New Yorkers signed up with one debt settler over five years.<sup>59</sup>

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<sup>52</sup> *Florida v. Boyd* (DBO Future Financial and Provident Financial, 2008-CA-002909 (Cir. Ct. 4 th Cir. Duval Cty, Mar. 5, 2008) (Default Judgment entered July 200\_.))

<sup>53</sup> *Attorney General Settles with Companies Selling Debt Repayment Services*, *supra* note 31. The debt settler call center that referred callers to Brennan was the Consumer Credit Counseling of America, Inc. located in Andover, Massachusetts.

<sup>54</sup> Press Release, W. Va. Attorney Gen., Attorney General McGraw Reaches Agreement with Three More "Debt Settlement" Companies; Refunds of \$375K to 141 WV Consumers (Sept. 3, 2008), [http://www.wvago.gov/pdf/press/2008\\_ntCompaniesRefundsof375Kto141WVConsumers.pdf](http://www.wvago.gov/pdf/press/2008_ntCompaniesRefundsof375Kto141WVConsumers.pdf).

<sup>55</sup> Attorney Grievance Commission, Maryland Attorneys Disciplinary Actions FY 2009, <http://www.courts.state.md.us/attygrievance/sanctions09.html> (last visited Oct. 26, 2009).

<sup>56</sup> *Richard A. Brennan Jailed for Contempt: Brennan Ordered to Pay More Than \$2.5 Million in Restitution*, *supra* note 31.

<sup>57</sup> See *Chase Bank USA v Allegro Law, LLC*, No. 08-CV-04039 (E.D.N.Y. filed Oct 3, 2008); *Cowart v. Debt Relief Pros, Inc.*, No. 05-CV-718 (M.D. Fla. settled Nov. 26, 2007).

<sup>58</sup> See May 7, 2009 Claims Update from the Hess-Kennedy receiver regarding volume and value of claims.<http://www.hesskennedyreceiver.com/> Hess-Kennedy operated from 2005 to 2008.[http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GSH/\\$file/HessComplaint.pdf](http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GSH/$file/HessComplaint.pdf)

<sup>59</sup> N.Y. Attorney Gen. Press Release, *supra* note 17.

## **Conclusion**

SBLS's eight debt settlement victims lost over \$23,000 to six different debt settlement companies. Every one of these companies has been sued or investigated by some state seeking to deter their dangerous, harmful and completely deceptive business practices.<sup>60</sup> While Attorney General Cuomo has tried to protect them and other New Yorkers through his debt settlement investigations and two law suits, debt settlers are so numerous- the industry's two trade associations alone boast 325 members<sup>61</sup>- that no individual State can protect its citizens. The proposed rules are a sound approach to stopping predatory debt settlers. They should be promulgated.

Sincerely,

-s-

**Johnson M. Tyler, Esq.**

Unit Director

Matt Crawford, Law Graduate

Ashley Slobodkin, Law Graduate

Social Security/Consumer Rights

718-237-5548

[Johnsont@sbls.org](mailto:Johnsont@sbls.org)

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<sup>60</sup> See Appendix 4. For a Florida Attorney General investigation regarding the Jason Hass Group, see <http://www.wtsp.com/news/local/extras/story.aspx?storyid=113870&catid=13#>

<sup>61</sup> In early 2009, The Association of Settlement Companies (TASC) and the United States Organizations for Bankruptcy Alternatives (USOBA) reported 185 and 140 members, respectively. See <http://www.tascsite.org/article.php?id=28> and <http://data.opi.mt.gov/legbills/2009/Minutes/House/Exhibits/juh28a03.pdf>

## **APPENDIX 1**

Robert M. [REDACTED]

Action / Document Description	Total Pages	Time Billed	Amount Due
ATN to Client	3	0.90	\$166.50
Debt-Validation Letter to Debt-Collector on Client's Behalf	4	2.40	\$444.00
Financial Statement to client	10	3.00	\$555.00
Initial ATN Letter - Debt Collector	4	1.20	\$222.00
Initial ATN Letter to Creditors	4	2.40	\$444.00
Initial letter to Debt Collector to Cease Further Comm. with client	4	2.40	\$444.00
Letter to client-notifying them of the debt validation that was sent on their behalf	4	3.60	\$666.00
NSF Letter	9	2.70	\$499.50
	42	18.60	
Total Amount Due:			<u><u>\$3,441.00</u></u>

L.Mo. [REDACTED]

09/13/2007

Signed:

Date

Signed:

Date

**Enrollment and Fee  
Agreement**

Applicant: Louise Mo. [REDACTED]

Consultant: American Debt  
Arbitration

Co-Applicant:

Client ID:

1. PARTIES: This Agreement is entered into by and between L. Mo. [REDACTED] of 54 [REDACTED] (herein known as CLIENT) and American Debt Arbitration (Consultant) and and Financial Consulting Services, LLC. (Agency).
2. SCHEDULED MONTHLY COMMITMENT: Client agrees that regular monthly payments will begin on 10/1/2007, in the amount of \$400.00. Payments will be drafted by Consultant and or Special Purpose Account Custodian on the 5th day of each month for an estimated period of 20 to 25 months. Because each account is negotiated separately, it may be more or less time than the estimated number of months before all debts have been settled. Client agrees to pay a set-up fee of 399.00 before any regular monthly payments will be drafted.
3. SPECIAL PURPOSE BANK ACCOUNT, ENROLLMENT FEES/OTHER FEES: Client agrees that the regular monthly payments described in paragraph 2 will be drafted and deposited in a Special Purpose Bank Account owned by the client. The Client's Special Purpose Bank Account will be established by the Client at an FDIC Insured financial institution. Client may make additional deposits to this account to increase available settlement funds. Money in the Special Purpose Bank Account will be used to effect settlements and for the payment of fees. Client agrees that 50% of the first six (6) scheduled payments will be withdrawn from the Client's Special Purpose Account as an Enrollment Fee. Beginning with the seventh regular payment, Client agrees that a monthly administrative fee of \$49.00 will be deducted from Client's Special Purpose Account. Additionally, Client agrees that a bank service fee of \$7.20 will be deducted each calendar month from the Client's Special Purpose Account.
4. NEGOTIATED SETTLEMENT FEES: Client agrees to pay a settlement fee of 29% of the Savings on each settlement. This fee will be deducted from the Client's Special Purpose Bank Account balance upon settlement with each creditor and is included in the regular monthly payments. The Savings on each creditor claim shall be defined as the gross savings realized by the Client and calculated by deducting the negotiated settlement from the confirmed debt (including principal and unpaid interest and fees) owed as of the date of Client's initial telephone enrollment.

For example, assuming a settlement of a confirmed debt of \$1000.00 for \$450.00, netting a savings of \$550.00 and a fee of \$159.50, the client would have saved 39% of the confirmed debt.

In this example \$450.00 will be deducted from the Client's Special Purpose Bank Account, by the Creditor and a \$159.50 fee by Agency. The Client realized a net savings of \$390.50 on his confirmed debt of \$1,000, as well as elimination of future interest and penalties

5. If any Agency fees are not paid as agreed upon, Agency has the right to cancel its services to Client without notice and no refund will be due to Client.
6. Agency has the right, but not the obligation, to cancel its services to the Client if, without the permission of the Agency, Client directly or indirectly transacts negotiations or settlements with any creditors listed on the Creditors List. If notwithstanding this paragraph Client negotiates a settlement with any such Creditor, Agency shall be entitled to the fee provided for in Paragraph 4 with respect to such settlement.
7. Agency fees, once earned, take priority over all other disbursements from the Client's Special Purpose Bank Account.
8. Client authorizes Agency to negotiate settlements with the Creditors per the attached Special Limited Power of Attorney, and to pass information regarding the Client's Special Purpose Bank Account, to Client's Creditors, so that they may initiate electronic payments or any other appropriate form of payment to those creditors with whom a settlement has been reached, without any additional consultation with the Client. When a settlement with a creditor has been reached, consummated either by the Agency or by the Client, Agency's fees under paragraph 4 are fully earned, due and owing, and Agency is hereby authorized to initiate an electronic payment or other appropriate form of payment to the Agency for their fee from the Client's Special Purpose Account.
9. Client agrees to fully cooperate with Agency in obtaining all relevant information regarding Client's debts, including without limitation providing current creditor statements to Agency. Client acknowledges that failure to provide such information will constitute a breach of this agreement by Client which will give Agency the right to cancel this Agreement and / or void the consequences of its action. Client authorizes Agency and its ATTORNEY IN FACT to obtain a consumer credit report and verify his/her credit.

Information.

10. CANCELLATION: Client may give notice of cancellation to the commercial telephone seller in writing within five (5) business days after receipt of the written confirmation that Consultant received client's executed packet. Client's notification of cancellation can be sent to: American Debt Arbitration, 2449A McMullen Booth Road, Clearwater, FL 33759. Notice of cancellation given by the client need not take a particular form and is sufficient if it indicates, by any form of written expression, the name and address of the purchaser and the purchasers stated intention not to be bound by the contract. If cancellation notice is not received within five (5) business days as set forth above, Agency is hereby authorized by client to receive a cancellation fee of \$250.00, which Agency is hereby authorized to initiate an electronic payment or other appropriate form of payment to the Agency from the Client's special purpose account. Notice of cancellation by the Consultant shall be given by certified mail, return receipt requested, and shall be effective when mailed

L.M. 09/13/2007

Initial/Date

*[Signature]*

Initial/Date

Agreement  
(continued)

Applicant: Louise M. [REDACTED]

Consultant: American Debt  
Arbitration

Co-Applicant:

Client ID:

11. REFUND POLICY: Following the Client's return of all documents contained in its enrollment packet fully completed and signed, Client will be notified in writing by Consultant whether Consultant accepts Client's application. If Client's application is not accepted by Consultant, all fees paid by Client are refundable. If this Agreement is cancelled by the Client in writing within three (3) business days after receipt of the written confirmation that Consultant received client's executed packet, all fees are refundable

12. GUARANTEE: Agency guarantees that when the Client has completed the Program, the aggregate of all settlements made by the Agency including Agency settlement fees will not exceed the total amount of confirmed debt (including, unpaid interest and fees) owed as of the date of Client's initial telephone enrollment. Client hereby agrees and acknowledges that this guarantee will be null and void and have no effect if Client intentionally or negligently (a) fails to identify all of his/her Creditors and related information as of the date of signature on the form entitled "Creditors List" or (b) fails to adhere to his/her obligations described in this Enrollment and Fee Agreement or (c) skips or fails to make more than one (1) scheduled payment in any twelve (12) consecutive months or (d) removes a Creditor from his/her "Creditors List" after Client returns his/her signed "Creditors List" to Agency.

13. CREDITOR NEGOTIATION AND SETTLEMENT: Client understands and agrees that all negotiation and settlement services are provided by Financial Consulting Services, LLC, or its designee.

14. NSF CHECK POLICY: If Client's check/draft is dishonored or returned for any reason during the enrollment period he/she expressly authorizes Consultant to electronically debit his/her Special Purpose Bank Account for the amount of the check plus a processing fee not to exceed the state maximum applicable legal limit.

15. Client understands and agrees that neither Consultant nor Agency is acting as an attorney, nor providing legal advice, and that if Client decides that an attorney is needed to represent him/her in any matter, the selection of this attorney and payment of the associated legal fees are solely the responsibility of Client

16. If the Agency or Consultant fails to object to, or to take affirmative action with respect to any conduct of the Client that is in violation of the terms of this agreement, such failure shall not be construed as waiver of the Agency's or Consultants right to take action for past or future violations by the Client, and the Agency or Consultants may exercise any rights herein granted including the right to terminate this agreement as well as any additional rights at law.

17. Neither party shall have authority to alter, modify or change any portion of this Agreement, verbally or in writing. Any amendment or change to this Agreement must be in writing and signed by an officer of Agency. No representations are made and there is no guarantee or warranty written or implied that any mediation or negotiation by the Agency or its agents will succeed or produce any specific desired result except as stated in paragraph 12

18. ENTIRETY, GOVERNING LAW and VENUE: This agreement and the accompanying forms and the documents constitute the complete Agreement between the signing parties, which will become valid only upon the date of acceptance and approval by the Consultant and Agency and supersedes any agreement oral or written that may have been made before the effective date of such acceptance and approval. This Agreement is to be construed according to the laws of the State of Arizona without regard to Conflicts of Law Principles. Any controversy arising out of the interpretation of the terms and conditions of this Agreement will be submitted to binding arbitration in Maricopa County, Arizona according to the rules governing Commercial Disputed promulgated by the American Arbitration Association. Any decision rendered by the appointed arbitrator(s) can be converted to a judgment and filed in a Court of Competent Jurisdiction for appropriate enforcement.

American Debt Arbitration  
2449A McMullen Booth Road  
Clearwater, FL 33759  
Telemarketing License No: TC2785  
Salesperson(s) License No:

### ABOUT US

Allegro Law, LLC is an organization of consumer protection attorneys that use federal and state consumer laws to assist in negotiating settlement agreements between consumers and creditors. Our debt negotiation service is intended for consumers who can no longer afford to make the required minimum payments due on their unsecured debts, but wish to avoid bankruptcy. Our primary goal is to negotiate mutually acceptable resolutions to clients' outstanding debt.

### ABOUT THE DEBT NEGOTIATION SERVICE

Debt negotiation involves settling with creditors to pay off a percentage of your total debt at an agreed upon amount. We employ various negotiation strategies to achieve favorable results. This process is fluid, meaning that strategies adjust with changes to available client funds, creditor feedback, and settlement offers.

Initially, your creditors will be notified that you are being represented by Allegro Law, LLC (see sample letter). It is not uncommon for a debt collector to claim that they have not been contacted by Allegro Law, LLC regarding your account. We maintain copies of all letters sent to your creditors and/or debt collectors. Simply contact Customer Service to request that we re-send the letter and forward a copy so you can produce the letter if necessary.

Allegro Law, LLC does not make monthly payments to your creditors. Your payments are used toward fees required to establish your account and your escrow account until you have acquired sufficient funds to begin negotiations.

The Debt Settlement program takes approximately 36-48 months to complete depending on your total debt load and monthly payments. Creditor settlements usually occur one at a time, you may settle with the first creditor on the 8<sup>th</sup> month and the second on the 14<sup>th</sup> month. As a result your patience is a critical part of the programs' success. Allegro Law, LLC understands you want to resolve your debts as soon as possible.

Expediting settlements can be accomplished by increasing monthly payments or making a lump sum payment into your escrow account.

# **L LEGAL SERVICE AGREEMENT**

**A. IDENTIFICATION OF PARTIES.** This agreement is made by and between THE PALMER FIRM, P.C., hereafter referred to as "Law Firm" or "Attorney", and the undersigned, hereafter referred to as "Client(s)".

**B. LEGAL SERVICES TO BE PROVIDED.** The legal services to be provided by Law Firm to Client are specifically limited to those described as follows:

Client is engaging Law Firm solely for the purpose of negotiating in an attempt to settle certain debts with those of Client's unsecured creditors that Client elects to include in this engagement, hereinafter referred accounts. Both Client and Law Firm agree that no other legal services are included in this engagement, and that any future or additional legal representation requested of Law Firm by Client will be provided under a separate written Agreement, and only after Client has executed that Agreement.

## **C. RESPONSIBILITIES OF LAW FIRM.**

Law Firm shall perform the legal services called for under this agreement to the best of its abilities, keep Client reasonably informed of its progress and of developments, and respond promptly to Client's inquiries and communications. Law Firm shall also provide Client with monthly account statements showing all activity, and the current balance of the funds held by Law Firm in trust for Client. Law Firm reserves the right to remove, at any time and for any reason, any referred account from inclusion in this engagement. Law Firm will refund to Client any retainer fees received from Client for any such account.

## **D. RESPONSIBILITIES OF CLIENT.**

Client will be truthful and cooperative with Law Firm and keep Law Firm informed of any and all developments or communications from or regarding referred accounts. Client will promptly advise Law Firm of any change in Client's address, telephone numbers and whereabouts, and make all payments as specified in this Agreement on a timely basis. Client further agrees to promptly respond to any and all of Law Firm's requests for information or assistance as may be made during the course of this engagement.

**E. FEES.** As consideration for the services to be provided by Law Firm, Client agrees to pay all fees stated in this Agreement in accordance with the terms so specified. Client understands that Law Firm is not being retained on an hourly basis, and that this means that Law Firm will not place any portion of the retainer in a trust account and will use said retainer at its sole discretion. Client also understands that all fees are nonrefundable and that since Law Firm is not being retained on an hourly basis, Law Firm will not record or report to Client the amount of time Law Firm devotes to work on Client's matter.

The following fees are applicable and are due and payable by Client to Law Firm, but may be paid over time in accordance with the terms set forth herein below:

- 1. RETAINER:** Client shall pay, upon employing Law Firm, a one-time fee equal to eight percent (8%) of the total amount due on referred accounts on the date the Law Firm is retained. This is a fee paid to Law Firm to secure Law Firm's services, and that no part of this fee will be paid to any of Client's creditors included in this engagement. The total amount of the retainer shall be \$1,313 (Initial *[initial]*). Client and Law Firm agree that the amount of the retainer stated herein is based on the aggregate amount of the referred accounts as represented by Client to Law Firm and may be adjusted pending verification of the aggregate amount of referred accounts.

2. **SETTLEMENT FEE:** Client shall pay a contingency fee of thirty three percent (33%) of the difference between the amount of a referred claim at the time of settlement and the settlement amount, when and if each such claim is settled. (For example, assume that at the time of Law Firm's engagement one of Client's accounts is claimed by the creditor to have a balance of \$800.00, but by the time it can be settled the account has grown to \$1,000.00, and Law Firm negotiates with creditor to settle the debt for \$500.00, then the fee with respect to that account would be 33% of \$500.00 or \$166.65.)
3. **OTHER FEES, CHARGES & EXPENSES:** Client shall pay and agrees and authorizes Law Firm to deduct all of the following fees from the funds held by Law Firm in trust for Client.
  - a. **MAINTENANCE FEE:** A monthly service fee of \$65.00 for the administration, management and reporting of Client's funds held in trust by Law Firm. This fee also covers the preparation and mailing to Client of detailed monthly account statements and the subscription fee to Law Firm's monthly newsletter.
  - b. **ADDITIONAL FEE FOR ADDED ACCOUNTS:** A fee will be charged for any referred account Client elects to add under this engagement which was not included at the time this Agreement is executed. The fee for each additional account shall be the greater of eight percent (8%) of the account balance at the time added or \$25.00.
  - c. **RETURNED CHECK FEE:** A fee of \$25.00 will be deducted from the funds held in trust for each and/or electronic funds transfer that is returned unpaid by Client's bank for any reason.
  - d. **OVERNIGHT DELIVERY FEE:** A fee of \$15.00 may be charged to cover the cost of overnight or electronic delivery of settlement funds to a creditor.

**F. PAYMENT METHOD & TERMS.** Client shall make monthly deposits into Law Firm's trust account for the purposes of accumulating funds for settlement and as otherwise set out herein. Client agrees to make equal and consecutive deposits of **\$305**, on the **3rd** day of each month. The first deposit will be due on the selected date following the execution of this Agreement or **July 3, 2007**. All subsequent deposits and payments are due until this engagement has been completed by performance of the parties, or otherwise terminated.

As consideration for the receipt of credit from Law Firm, Client authorizes Law Firm to collect all payments due under this Agreement via automated bank account debit. Law Firm agrees that such charges will never exceed those specified in this Agreement, unless otherwise authorized by Client.

Client's Required Bank Account Information:

Bank Account Information: **(Please print clearly)**

Name of Bank	Banks Routing Number	Your Account Number
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Client certifies that any and all forms of payment submitted to Law Firm are Client's property, or that Client has been granted express authority from the rightful owner to use as payment to Law Firm. In the event Client fails to provide other or supplemental banking account information, Client authorizes and agrees that Law Firm shall have the right to charge any and all remaining installments of fees to any form of payment Client submits or provides to Law Firm.

**G. DISCLOSURES TO AND ACKNOWLEDGEMENTS BY CLIENT:**

The Law Firm makes the following disclosures to you so that you may be as fully informed as possible prior to retaining its services. Likewise, it asks that you, by signing this agreement acknowledge that you have read and understand all the terms of this agreement, including these disclosures.

1. The Law Firm has attorneys licensed to practice law in the state of Texas. The Law Firm may not practice law in any other state, unless permitted to do so by the applicable laws of such

other state. Any opinions expressed by the Law Firm are restricted to the laws of the states in which the Law Firm has licensed attorneys and Federal law and are expressed in light of the facts disclosed by Client at the time. The Law Firm has attorneys licensed in other states who serve as Of Counsel to the firm, to the extent that Clients referred accounts require representation in states other than those set out above.

2. No guarantees of any kind can be made or has been made regarding the outcome or likely outcome of the representation undertaken, including but not limited to, the percentage or amount of any settlement that may be obtained, if any. While we may estimate the amount needed for settlement, and the time needed to settle accounts, if any settlement is reached, any such estimate is just that, an estimate, and no guarantee can or is made regarding same.
3. Law Firm is not a Consumer Credit Counseling, Debt Consolidator or other Credit Service organization and will not pay referred accounts on a monthly basis, will not hold all of your payments for payment to creditors, and will not hold your payments to be paid pursuant to a repayment plan except to the extent set out herein. Likewise, Law Firm is not a Debt Relief Agency and does not provide bankruptcy services. Law Firm's services as set out herein are not suitable for everyone and you should consider carefully the services provided by these other types of services and agencies in deciding whether the Law Firm's service are appropriate for you.
4. Creditors holding referred accounts need not negotiate with the Law Firm to resolve the account and may proceed to enforce the account as provided by the Client's agreement with the creditor and by applicable law including filing or continuing to prosecute suits or arbitration proceedings, garnishing wages, seizing Client's property and otherwise executing upon judgments or orders obtained and all other remedies provided to them under any agreement or applicable law.
5. Creditors holding referred accounts will accrue late fees, penalties, interest, and/or additional costs during the term of this engagement and interest rates on such accounts may increase substantially and may, and Client should assume will, report Client's account negatively to the various credit reporting agencies which will have an adverse effect on your credit rating and credit score.
6. The Law Firm applies all of Client's initial payments to the Retainer Fee until it is paid in full. Subsequent payments are placed in a trust account for payment upon settlement of referred accounts. The Law Firm does not establish a separate trust account for each Client, rather all Client trust funds are held in one trust account. Funds held in trust for the Client remain the Client's property and may be withdrawn by Client, upon Client's written request, at any time and for any reason. The monthly Maintenance Fee and other fees set out in paragraph E. 3 above are deducted from the trust account as and when due and available.
7. No loan is contemplated hereby and the Law Firm does not advance funds to Client or creditors of Client. Referred accounts are paid only once, and then only upon agreement with the referred account holder and the Client.
8. The amount needed for resolution of any referred account, and the length of time needed to negotiate such resolution, or to otherwise complete this engagement is not known to Law Firm. While each Client's situation is different, on average it takes a little over five years to resolve referred accounts.
9. To the extent that a favorable settlement may be reached with respect to a referred account, federal and/or state law may require you to treat the amount of cancelled debt as income for purposes of federal and/or state taxes.
10. In determining whether or not to enter into this agreement, Client should consider the totality of the fees charged by the Law Firm as well as the average time involved to reach any settlement.

#### **H. AUTHORIZATIONS:**

Client authorizes Law Firm to take all steps it deems to be appropriate in any matter, including negotiation, compromise, and settlement, including, but not limited to, the following:

1. To employ such accountants, investigators, experts, or other agents as Law Firm deems

- appropriate.
2. To obtain credit information by ordering credit reports or accessing Client's credit information directly from a credit repository database.
  3. To send, deliver, transmit, or otherwise communicate with Client via any or all of the telephone, facsimile numbers, and electronic mail addresses Client has provided Law Firm for such purpose.
  4. To issue checks, drafts, electronic deductions, or other debits against Client's funds held in trust by Law Firm, including any and all deductions from said funds for the purpose of payment of fees due Law Firm under the terms of this Agreement.
  5. To destroy all items of correspondence, account statements, demand letters, solicitations and any other mail, and other documents by shredding or some other secure process during the course of representation and the entire contents of Client's file upon the passing of thirty (30) days after the conclusion or termination of this engagement.
  6. To make available to other attorneys employed by or serving as of counsel to the Law Firm in various states the Clients information and to request such counsels assistance to the extent necessary.

**I. AGREEMENT TO ARBITRATE ALL DISPUTES.** Client and Law Firm understand and agree that any dispute or controversy between the parties by either party against the other or the service providers, agents, employees, successors or assigns of the other arising from or related to the Law Firm and/or its agents or representatives, including the applicability of this arbitration clause, shall be resolved by neutral binding arbitration by the National Arbitration Forum, under the Code of Procedure in effect at the time the claim is filed. Rules and forms of the National Arbitration Forum may be obtained and all claims shall be filed at any National Arbitration office, www.arbitrationforum.com, or P.O. Box 50191, Minneapolis, Minnesota 55405. This Arbitration Agreement is made pursuant to a transaction involving interstate commerce, and shall be governed by the Federal Arbitration Act, 9 U.S.C. Section 1-16. Judgment upon the award may be entered in any Court having jurisdiction. THE PARTIES UNDERSTAND THAT THEY WOULD HAVE HAD A RIGHT OR OPPORTUNITY TO LITIGATE THROUGH A COURT AND HAVE A JUDGE OR JURY DECIDE THEIR CASE, BUT THEY CHOOSE TO HAVE ANY DISPUTES DECIDED THROUGH ARBITRATION. Copies of the Code of Procedure, Rules and Forms of the National Arbitration Forum, which serves as Arbitration Administrator, are available by calling (800) 474-2371.

**J. MISCELLANEOUS**

1. This agreement shall be deemed to have been made in and will be governed by and construed under the laws of the State of Texas.
2. If any part of this agreement is held invalid or unenforceable by a court of competent jurisdiction or other legally authorized governing body, the remaining provisions shall continue in full force and effect.
3. Client agrees that Law Firm may, at its sole discretion, amend or modify any documents, fees, or procedures that comprise its services. Any such amendments or modifications shall become effective when written notice of it is mailed to Client. Client's continuation of deposits into Law Firm's client trust account constitutes Client's acceptance of any and all amendments or modifications.
4. With the exception of any contract attachments, Client and Law Firm agree that this document constitutes the entire agreement, and supersedes any prior agreement whether written or oral between the parties.

**K. EFFECTIVE DATE OF AGREEMENT.** The effective date of this agreement will be the date when the second party to do so executes it. This Agreement shall become void if not fully executed, and all required payments have been made, within ten (10) days from the date any signatures are applied.

**L. POWER OF ATTORNEY.** I, the undersigned, do hereby authorize The Palmer Firm, P.C. its employees, agents, representatives and/or assignees with full power and authority to act on my behalf with regard to all matters involving any and all of my creditors or claimants, and also specifically instruct the recipient hereof to disclose any and all information relating to my account, including but not limited to releasing personal, confidential financial information. This document shall also serve as authorization to fax to The Palmer Firm, P.C. its employees, agents, representatives and/or assignees any document(s) relating to my account.

The foregoing is agreed to:

Print

Recipient Name

Signature Date

Signature Date

6-4-07

# THE LAW OFFICES OF ERIC A. ROSEN, P.A.

150 BROADHOLLOW ROAD, SUITE 204  
MELVILLE, NEW YORK 11747

## UNSECURED DEBT NEGOTIATION/SETTLEMENT ATTORNEY/CLIENT FEE AGREEMENT

File # 8939206101

The law firm of ERIC A. ROSEN, P.A. ("Attorneys") agrees to provide legal services to you, Robert M. [REDACTED] on the terms and conditions set forth in this Agreement.

**1. EFFECTIVE DATE** This Agreement will not take effect, and we will have no obligation to provide any legal services to Client, until Client returns a signed copy of this Agreement to Attorneys. The effective date of this Agreement, however, shall be retroactive to the date we first performed services, if prior to the date Client signs this Agreement.

**2. SCOPE OF LEGAL SERVICES** You are retaining us as your attorneys to represent you, and only you, with respect to the unsecured debts on the attached schedule (hereinafter referred to as your "Debt") entitled "Schedule of Debt," which is incorporated by reference into this Agreement. Attorney is dedicated to the principle of providing quality services to consumers at reasonable cost and with adherence to the highest ethical standards:

- a. Attorneys will review and analyze relevant documents to determine your legal rights and remedies pertaining to your Debt;
- b. Legal counsel will be available to consult with and advise you as to matters that may arise regarding this representation of you;
- c. Attorneys will contact and notify your creditors that we have been engaged as your attorney to represent you in matters pertaining to settlement of your scheduled Debts;
- d. Your creditors and their collection agencies will be advised that all communications and efforts to collect on your Debt are to be directed to Attorneys;
- e. Attorneys will advise your creditors of your desire to reach a fair and honorable settlement of your Debts. We will explain to your creditors that a settlement can only be offered when funds are available in your trust account, and that time is required for you to build up these funds;
- f. You will be provided with a monthly statement of your trust account activity during the course of our representation of you;
- g. You will be provided with a copy of all settlement letters.

Our representation will not include any matters other than the attempted negotiation and settlement of your Debts. In the event you wish that we perform any services for you that are not related to the settlement of your Debts, we require that you enter into a separate, written agreement with regard to such representation. We agree to take reasonable steps to keep you informed of the progress of the matter, and to respond to your inquiries. We will not represent your spouse or any other member of your family unless we have a separate signed written fee retainer agreement for legal services between them and us. Unless we enter into a different written agreement with you, this Agreement will govern all legal services we may perform for you.

**3. UTILIZATION OF OUTSIDE SERVICES, DISCLOSURE, AND CONSENT** You understand and agree that Attorneys may utilize the services of outside companies to assist Attorneys in performing the services under this Agreement. You hereby acknowledge that you understand that Attorneys may utilize these outside services and you consent to such utilization, including any necessary disclosure of confidential information to the outside service companies.

**4. UTILIZATION OF LOCAL COUNSEL** You authorize Attorneys with the discretion to select an attorney licensed in your jurisdiction ("local counsel") to assist Attorneys in providing services under this Agreement. Attorneys' use of local counsel will not increase the fees and charges you agreed to pay under this Agreement. If Attorneys needs to transfer your case from one local counsel to another, your consent to such transfer will be implied unless you object in writing within seven (7) days. By signing this Agreement, you are consenting to Attorneys sharing part of the contingent fee or any other fee paid to Attorneys under this Agreement with local counsel.

**5. FUTURE SERVICES** Attorneys will be providing those services described above for the negotiation and settlement of your debt. Those services do not include litigation or bankruptcy services. Representation as to such legal matters may be made available under a separate agreement. The separate agreement will address the terms and scope of such representation, as well as the additional charges for any additional services. You understand that such matters are always time sensitive and that you must notify Attorneys immediately and provide Attorneys with all necessary paperwork in order to allow Attorneys to effectively provide such representation.

**6. INSTALLMENT PAYMENTS** In order for Attorneys to perform the services described herein, you agree to pay monthly installments of \$537.00 , which will be automatically withdrawn from your account through the attached AUTOMATIC CHECK HANDLING (ACH) authorization or other automated system for payment. These monthly installments shall first be used to pay the fees described below in the section of this Agreement entitled "Fees, Costs and Expenses." The Attorneys earn the aforementioned fees immediately upon receipt of it. After all fees are paid, the balance of your monthly installments shall be accumulated in an account to be used for the settlement of your Debts and charges incurred under this Agreement and not for the payment of your monthly bills. These funds will only be paid to your creditors when a written settlement agreement has been entered into. By signing this Agreement, you further agree to execute an AUTHORIZATION FOR CHECK HANDLING /ACH to facilitate the transfer of funds directly from your bank account. Such authorization shall automatically terminate upon payment of all amounts required under this Agreement.

**7. FEES, COSTS, AND EXPENSES** You agree to pay the following fees, all of which will be collected from, and paid through your monthly installments as outlined above:

- a. An Engagement fee in the amount of \$2107.91 ;
- b. A \$10.00 per check handling fee for each settlement payment made to a creditor;
- c. A \$15.00 fee for any ACH payment not honored by your bank;
- d. A monthly fee of \$48.00 to cover costs and expenses for the following: facsimile transmissions, telephone charges, postage and file maintenance; and
- e. Upon settlement of an account listed as your Debt, a contingent fee equal to twenty-five percent (25%) of the difference between the full amount demanded by your creditor at the time of settlement and the amount for which that account has settled.

**8. CLIENT'S DUTY OF COOPERATION** You agree to be truthful with us regarding any information you provide to us, to cooperate with us in while we negotiate or attempt to settle your Debt, to keep us informed of developments that may affect your rights, to abide by the terms of this Agreement, and to keep us regularly informed of any changes in your address, telephone number, and current whereabouts. You agree generally to cooperate with us in all matters related to the preparation, presentation, and settlement of your Debt.

**9. SETTLEMENT FEES** Attorneys will discuss with you an approximate range of expected settlement of your Debt. You hereby agree to settlement within that range without your prior approval unless you provide Attorneys with written notice to the contrary. We expect that your creditors will continue to want payment during the time it takes you to accumulate enough funds to offer settlement. We will intercede on your behalf to prevent any illegal harassment of you, although we cannot guarantee that creditors will cease contacting you, or when they will cease contacting you.

You understand that the law does not set the contingent fees: the client and the law firm negotiate contingent fees. You further understand that Attorneys' settlement fee is a contingent fee and that this contingent fee was negotiated between you and Attorneys' and was not set by law. Any disbursements and costs you incur in connection with any settlement will not affect the amount of the contingent fee.

Client further understands that if a creditor with whom Attorneys have communicated offers to settle directly with you, and you agree to such a settlement at any time, that Attorneys will receive the contingent fee described above in the Section entitled "Fees, Costs and Expenses."

**10. OUTCOME AND EFFECTS** Attorneys cannot and do not predict or guarantee the outcome or resolution of your Debt. Any discussion or speculation about what may happen is made solely to provide you with an understanding of the range of possibilities based upon Attorneys' experience and knowledge regarding similar situations. You hereby acknowledge that prior to the implementation of this Agreement you will have taken part in a recorded interview outlining this Agreement's terms and effects.

#### **DISCLOSURES**

You understand that your Debt may continue to accrue interest until these matters are resolved and that creditors may impose other penalties as a result of delinquent payments, including, but not limited to: (1) forwarding the account(s) to a third party collector or law firm in order to collect on your Debt; and/or (2) the reporting of adverse information to credit bureaus; and/or (3) increasing the annual percentage rate on delinquent accounts; and/or (4) the filing of a lawsuit or arbitration claim and if a judgment is obtained, the creditor may garnish the consumer's wages; and/or (5) you may be liable for federal and state taxes on the amount your Debt is reduced; and/or (6) in those instances where Attorneys negotiate a reduced Debt amount, the following notations may appear on your credit report: "settled," "paid in full," and/or "settled for less than full amount." After carefully considering these possibilities, you wish to proceed with the terms and conditions of this Agreement.

**11. DISCLAIMER OF GUARANTEE** Nothing in this Agreement and nothing in our statements to you are intended to be, and shall not be construed as, a promise or guarantee regarding the outcome of your matter. We make no promises or guarantees regarding your Debt negotiation and/or settlement and its potential or expected outcome. We make no assurance that Attorneys will negotiate a reduced Debt amount. Any comments or statements by us about the outcome of your matter are expressions of opinion only and shall not be construed as promises or guarantees regarding the final resolution or outcome of your matter.

**12. CONFIDENTIALITY** You agree that Eric A. Rosen, P.A., its lawyers (including any associated and/or local counsel) and other employees may disclose such confidential client information as is necessary to facilitate the services Attorneys are providing, whether such disclosure is to the outside companies, any associated counsel, or your creditors.

**13. RETURN OF DOCUMENTS** Any documents requested from you shall, to the extent possible, be sent to us in the form of copies or faxes. Any original documents provided to us will be returned to you during, or at the conclusion of this engagement if such a request is made in writing. If no request is made, Attorneys will retain the file in accordance with the laws of the state in which you reside, after which time the file may be destroyed without further notice. You hereby consent to Attorneys retaining all records in electronic form only.

**14. ARBITRATION** You agree that any claim or dispute between you and Attorneys or against either parties' agents, employees, successors, or assigns shall be resolved by binding arbitration, whether such dispute is related to this Agreement or otherwise. The parties further agree that such arbitration will be filed with the American Arbitration Association, will be governed by the Association's rules of procedure, and that the decision rendered will be binding.

Further, both you and Attorneys hereby acknowledge, understand, and agree that arbitration of disputes under this Agreement has advantages and disadvantages when compared to subjecting such disputes to the court process and a jury trial, including, but not limited to:

- a. Arbitration may provide a faster resolution of any disputes than a court of law;
- b. Arbitration may provide a less expensive means of reaching a resolution of the parties' differences;
- c. Arbitration may provide a more informal means of resolution of disputes;
- d. Arbitration may allow less discovery than that allowed in a lawsuit;
- e. Arbitration is binding and appeals are limited.

By agreeing to this arbitration clause, both you and Attorneys give up the right to a trial by either party as against the other.

**15. TERMINATION** You may terminate this Agreement at any time by providing Attorney with fifteen (15) days written notice. Attorneys may terminate this agreement if timely payments are not made or if you unreasonably fail to cooperate in our representation of you. Termination will be effective fifteen (15) days after written notice is sent to your last known address.

**16. FEES ON TERMINATION** In the event of the termination of this Agreement by either party, any accrued fees and costs shall become immediately due and payable, including fees on settlement offers which originated during the term of this Agreement, regardless of when the settlement is accepted or even if the settlement offer is modified after termination of this Agreement.

**17. SEVERABILITY** If any provision of this Agreement is found to be invalid, that portion shall not affect the validity or enforceability of the remaining provisions, which will remain in full force and effect.

**18. ENTIRE AGREEMENT** This Agreement constitutes the full and complete agreement between the parties and supersedes any and all other agreements or understandings, whether written or oral, with respect to services provided for in this Agreement.

**19. AMENDMENT OF THIS AGREEMENT** Attorneys may make changes to this Agreement by providing you with a written notice of any change to this Agreement. Such change will become effective thirty (30) days following notification, unless you provide Attorneys with written notice of your objection prior to the effective date of the change. Except as provided above, no modification or amendment to this Agreement is valid unless set forth in a separate and distinct written agreement signed by the parties to this Agreement. No waiver of any term or condition of this Agreement will be valid or binding on a party unless agreed upon by such party in writing.

**20. LIEN FOR LEGAL SERVICES** You hereby grant us a lien on all claims or causes of action that are the subject of our representation under this Agreement. Our lien will be for any sums owing to us for any unpaid costs or attorney fees at the conclusion of our services. The lien will attach to any recovery you may obtain, whether by arbitration award, judgment, settlement, or otherwise.

**21. ATTORNEY'S AUTHORITY** In connection with the negotiation, reduction, and/or settlement of your debt covered by this Agreement, you hereby grant to us the power and authority to execute and endorse any and all claims, deposits, drafts, orders and other papers which you could properly execute or endorse, to receive on your behalf any sums or other things of value to which you may be entitled because of any judgment recovered or any settlement received, and to endorse and/or execute on your behalf any checks or drafts issued or made in connection with your matter.

You further grant us the power and authority to pay expenses in regards to your negotiated or settled Debt to third persons from funds collected or to be collected for the client because of Attorneys' representation. Attorney is authorized to enter into any and all settlement negotiations on your behalf as the Attorney deems appropriate, and to handle negotiations and settlement discussions regarding your Debt matter to the same extent as fully as Client could do so in person. This limited power of attorney further authorizes Attorney to place all funds which you may have deposited with us in the Attorney's trust account and from that trust account, make distributions and payments to the Attorney for the agreed to fees and expenses stated above, reimbursement to Attorney for any and all expenses incurred by the Attorney in handling your case, [payments to Client of Client's interest in the monies recovered as stated above], and payments to parties other than Client and Attorney for their services performed or other expenses incurred by Attorney on behalf of Client.

**22. GOVERNING LAW** This Agreement is made and entered into in Melville, New York. The enforceability, validity, construction and operation of this Agreement, and all of its terms, shall be determined according to the laws of the State of New York.

**23. NEGOTIATED AND INDIVIDUALIZED AGREEMENT** You understand and acknowledge that this is not a standardized contract on a "take-it-or-leave-it" basis, and is not a contract of adhesion, and that prior to entering into this agreement, you have the freedom to bargain for and negotiate any of the terms of this Agreement, or to consult with or retain any other attorneys of your choice.

**24. RECEIPT OF COPY OF THIS AGREEMENT** By signing below, you acknowledge that you have received a copy of this Agreement, that you have read the entire contents of this Agreement and that you understand and voluntarily agree with all of the provisions and terms of this Agreement as of the date Eric A. Rosen, P.A., first provided professional or legal services on your behalf.

**IWE EACH HAVE READ THE ABOVE AGREEMENT BEFORE SIGNING IT AND IWE ACKNOWLEDGE THAT IWE UNDERSTAND ITS TERMS AND CONDITIONS AND ARE ENTERING INTO THIS AGREEMENT FREELY AND VOLUNTARILY.**

AGREED AND ACCEPTED BY: Monday, January 7, 2008

SIGNATURE: [REDACTED]

Robert [REDACTED]  
NAME OF CLIENT

Address of the Client:  
[REDACTED]

Phone:

ACCEPTED BY: ERIC A. ROSEN, P.A.

ERIC A. ROSEN, PARTNER  
ATTORNEY AT LAW



UNSECURED DEBT NEGOTIATION/SETTLEMENT FEE AGREEMENT - File #

Page 4 of 4

**LAW OFFICE OF  
Jason D. Hass, P.L.C.**

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6420 E. Sandra Terrace  
Scottsdale, AZ 85254  
e-mail: info@jhasslaw.com

Phone: 800-365-1260  
Fax: 877-572-5050

This agreement ("Agreement") entered into 8 day of October, 2007 by and between  
B\_\_\_\_\_ ("Client") and The Law Office of Jason D. Hass.

1. **Subject Matter of Agreement:** Client agrees to retain Law Office to settle Client's debt through the process of debt negotiation. Such negotiation will be done with the creditors contained on Client's worksheet (Exhibit 1) attached hereto. Client agrees that the services provided in this Agreement shall extend only to the claimed indebtedness contained in Exhibit 1.
2. Client shall make available to Law Office all information and materials, reasonably necessary for Law Office to perform the negotiations with respect to the debts listed in Exhibit 1. Client understands that they will forward to Law Office all material received by creditors so that Law Office is adequately informed. Law Office and Client will be truthful in all contact with each other. Client agrees to cooperate with Law Office and comply on a timely basis with all requests for information and assistance in connection with Law Office's services. Failure to provide all materials will impede Law Office in the negotiation process. Law Office and Client agree that Law Office shall have no liability for failure to perform any of the services under this Agreement if Client fails to provide the information required.
3. Law Office bases their approximate savings on industry standards. Law Office will use its best efforts to reach a settlement offer with each creditor listed on Exhibit 1. Law Office has the right to reject any creditor listed by Client on Exhibit 1 in that event Law Office will not be entitled to any fees for the debt owed to this particular creditor. Law Office will not settle any debt without the express consent of the Client; Client will not unreasonably withhold such consent.
4. **Client Fee:** Client will pay Law Office the sum of 15% of the total debt as the charge for performing the service. The payments for Law Office's services are to be made in 10 monthly installments during the initial 10 months of the program. If during the initial 10 months of the program a debt is settled, the 15% fee corresponding to the debt will be immediately due and owing. The monies paid for that fee will be deducted from the end of the 10-month payment schedule. In the event that Law Office is unable to obtain a bona fide settlement offer on any certain debt listed in Exhibit 1, there will be no compensation earned by Law Office for that specific debt so long as Client has participated in good faith in the entire Law Office program and has not withdrawn from the program prior to the expiration term of the program. However, should Client elect to terminate this agreement for any reason, Law Office will be entitled to all payments received from Client prior to the date of termination.
5. **Method of Payment:** Law Office's fees will be paid by electronic funds transfer on a date mutually agreed upon by Client and Law Office. If at any time during the course of the fee schedule there is an NSF (Non Sufficient Funds), Law Office will have the right to attempt another transfer within ten (10) business days or on a day mutually agreed upon by both parties; and Client can be charged an additional \$25.00. If the funds are not available, Law Office will have the option to unilaterally cancel this Agreement.



**LAW OFFICE OF  
Jason D. Hass, P.L.C.**

---

6420 E. Sandra Terrace  
Scottsdale, AZ 85254  
e-mail: info@jhasslaw.com

Phone: 800-565-1260  
Fax: 877-572-5050

6. **Establishment of Client Account:** Client will establish a trust or controlled account at a bank, escrow company or other financial institution or service company reasonably acceptable to Law Office. Client will utilize these Accounts to make withdrawals from the Accounts in order to satisfy debt settlements negotiated by Law Office. Further, such Accounts may be used to satisfy the fees for services. Law Office will require Client to provide letters of direction or instructions to the entity maintaining such Accounts in order to effectuate approved settlements. Cost of the depository account will be borne by the individual client.
7. If Client fails to maintain the payment schedule agreed upon at the commencement of this Agreement, Law Office has the right to cancel the Agreement and retain all fees paid pursuant to the Agreement.
8. Law Office does not, and is not authorized to, provide financial or tax advice to Client. Law Office makes no guarantee on the way a settlement will be reported to the credit bureaus.
9. By signing this agreement, Client agrees that they have informed Law Office about all aspects of the accounts listed on Exhibit 1. Client confirms that with respect to the accounts entered on Exhibit 1, there are no garnishments, judgments, or pending judicial or quasi-judicial proceedings against them. Client agrees that failure to disclose any of the above to Law Office will give Law Office the right to remove those accounts from the program. Client further agrees that Law Office shall not be held responsible for any consequences, claims or liabilities if Client elects to communicate with any creditor and/or their collection department(s) listed on Exhibit 1 and Client assumes all risks associated with such communication. Client further waives and releases Law Office from any consequences, claims or liabilities resulting from such communication.
10. Client agrees to hold harmless Law Office for any liability arising out of the actions taken under the terms of this Agreement. This Agreement is merely for the purposes of debt negotiation and debt settlement, not legal services. This is not an attempt to limit liability for legal services if they should be rendered pursuant to a secondary agreement in a state in which this firm is licensed to practice law.
11. **Cancellation:** Client may withdraw from this Agreement for any reason whatsoever. Such withdrawal will become effective ten days after written notification is received by Law Office and Law Office will be entitled to any payments received from Client prior to the effective date of the withdrawal from the program.
12. **Venue/Jurisdiction:** All disputes under this Agreement shall be submitted to binding arbitration, which shall take place in Maricopa County, Arizona. This Agreement is executed and interpreted under the exclusive laws of the State of Arizona and the parties understand that they agree to be bound by the personal jurisdiction of Maricopa County, Arizona when addressing any disputes arising from this agreement. All costs and expenses, including collection fees and reasonable attorney fees, incurred by Law Office in order to remedy any breach of this Agreement by Client, will be borne by Client.

**Jason D. Hass, P.L.C.**

6420 E. Sandia Terrace  
Scottsdale, AZ 85254  
e-mail: info@jhasslaw.com

Phone: 800-565-1260  
Fax: 877-572-5050

13. **Severability:** If a provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect: 1. the validity or enforceability in that jurisdiction of any other provision of this Agreement; or 2. the validity or enforceability in other jurisdictions of that or any other provision of this Agreement.

14. The Agreement, Exhibit 1, and Fee Addendum are the complete terms and writings of this Agreement and there are no other agreements, understandings, writings, restrictions, representations or warranties, whether oral or written among the parties. This Agreement can only be modified by a document signed by the parties hereto.

**THE AGREEMENT IS SOLELY FOR THE PURPOSE OF DEBT NEGOTIATION AND DEBT SETTLEMENT AND NOT FOR LEGAL REPRESENTATION. LAW OFFICE DOES NOT PROVIDE LEGAL REPRESENTATION OUTSIDE OF JURISDICTION(S) WHERE THEY ARE LICENSED TO PRACTICE. NO LEGAL REPRESENTATION WILL BE PROVIDED UNLESS EXPRESSLY PROVIDED IN WRITING. THE LIMITED POWER OF ATTORNEY IS FOR DEBT NEGOTIATION ONLY AND DOES NOT INITIATE AN ATTORNEY-CLIENT RELATIONSHIP.**

Client has the right to cancel this Agreement within three (3) days of signing without incurring any penalty

[REDACTED]  
Client - Signature

Law Office Representative

[REDACTED]  
Client - Signature

 ALLEGRO LAW

Allegro Law, LLC  
223 Wall Street # 201  
Huntington, NY 11743  
Phone: (866)648-7878 Fax: (800)664-1335  
[www.allegrolaw.net](http://www.allegrolaw.net)

OP 20.2  
Effective Date: 3/19/2008  
Revision 0

Alfredo [REDACTED]  
[REDACTED]

**CONTRACT TO EMPLOY**

This Agreement made effective as of the 8 day of May, 2008 in Montgomery County, Alabama between Allegro Law, LLC, mailing address 847 S. McDonough St, Suite 100, Montgomery, AL 36106 herein referred to as "Firm" and Alfredo [REDACTED] hereafter referred to as "Client." Client and Firm in some instances referred to as the "Parties."

In consideration of the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. **Services:** Firm agrees to provide debt settlement services to Client under the terms and conditions of this agreement. Firm and their agents will negotiate with creditors on the Client's behalf for reduction of unsecured debt and also establish a payment schedule for the Client for the purposes of accumulating funds for settlement and payment of service fees. Firm shall respond promptly to Client and creditor inquiries and communications. Upon acceptance of Client into the program, Firm will provide a Debt Settlement Program Summary Estimate, an Estimated Debt Settlement Payout Schedule, a Payment Agreement, a List of Creditors included in the Program, including a description of creditors that are not eligible, along with further information about the program. Firm will advise Client of all good faith offers made by the creditors and debt collectors, and their acceptance of any offers made by Firm. Firm will not settle any account without the approval of the Client, who has absolute discretion to accept or reject any offer. This representation does not include defense of claims and allegations raised by third parties against Client. This agreement shall be construed as consummated in the State of Alabama and all services are performed in the State of Alabama.
2. **Compensation of Firm:** In consideration of the services to be performed by Firm, Firm shall receive from Client a non-refundable Processing Fee in an amount equal to \$59.99 per month. Also, there will be a one-time set-up fee of \$25.00 per account. In addition, there will be a fee in an amount equal to 16.00% of the total debt placed with the Firm. Your Payment Schedule shall be \$642.00 per month for a period of approximately 36 months with a Setup Fee of \$25.00 added onto the 1st payment, in accordance with the attached Estimated Debt Payout Schedule. In the event that the Client has accumulated a sufficient Set-Aside Amount, described further below, and allowed the Firm sufficient time, but in every case not less than 36 months, to attempt to reach a settlement on Client's behalf, and Client has fulfilled their obligations under the Payment Schedule during that period of time, and Firm is not able to negotiate a reasonable settlement for a particular debt, Firm will refund to Client that portion of the fees paid by Client in relation to that particular debt, exclusive of the non-refundable processing fee. In some states, State Law prohibits attorneys from maintaining escrow or trust accounts on behalf of a client when such accounts are used to pool money to be distributed to creditors.
3. **Responsibilities of Client:** Client shall be truthful and cooperative, make all payments and settlements agreed upon, notify Firm of any change of address, e-mail address, telephone numbers, change in income, ability to pay creditors, and of any developments affecting the

scope of this contract. Client will forward all correspondence from creditors to Firm. Client will not discuss his or her financial situation with creditors or discuss potential settlement options with creditors. Firm shall receive cleared funds monthly from Client to be placed into Firm's escrow account for the purpose of (a) establishing a Set-Aside Amount intended to be distributed to Client's creditors upon a settlement being successfully negotiated or until termination and (b) paying Processing Fees. The number of months that funds are to be set aside and the amount to be set aside each month will be determined by Firm and agreed upon by the Client. Additionally, Client shall not apply for any credit or extension of credit with existing creditors during this program. In addition, (a) Client will reasonably consider Firm's recommendations regarding any potential settlements; (b) Client will inform Firm of any credit account(s) that may have a cosigner, may be secured by personal property or wages, or any accounts that are not enrolled with Law Firm and are held by the same creditor of an enrolled account, prior to enrollment with Firm.

4. Client Set-Aside Amount. Client understands that in order to pay settlements negotiated with creditors by Firm, he or she needs to have funds available for payment. An estimate of the total amount of money necessary to fund potential settlements and a suggested monthly Set-Aside Amount is provided on the attached Estimated Debt Payout Schedule.

This amount is based on information Client has provided to Firm and projections by Firm based on industry standards and metrics. Such projection includes the fees paid to Firm. Client understands that most creditor balances go up during the course of a debt settlement program and individual results will vary for each Client. All bases for the assumptions statement are estimations only and are not intended to be guarantees of performance or savings. The suggested Set-Aside Amount is also based upon the creditor information provided by Client and is merely a suggestion of a minimum amount that may be required for settlement with Client's creditors. Client's actual amount needed to reach a settlement may vary. Client may set aside additional funds at any time. Firm does not make regular monthly payments to Client's creditors. Under the suggested client Payment Plan, the fees paid to Firm are collected in its entirety by Firm before any monies would be accumulated by Client and paid in negotiated settlement of enrolled debt.

5. Obligations of Both Parties Regarding Settlements. Firm will inform Client of the amount, and the terms and conditions of all reasonable, written settlements offers. Firm will not settle Client's account without approval of Client, who possesses the absolute right to accept or reject any settlement offer. Client will notify Firm IN WRITING by mail, email, or facsimile of any settlement offers made directly to Client, verbally or written, from any enrolled creditor. **CLIENT WILL MAKE ALL SETTLEMENT PAYMENTS AND AGREEMENTS DIRECTLY WITH CREDITOR. CLIENT POSSESSES THE ABSOLUTE RIGHT TO ACCEPT OR REJECT ANY SETTLEMENT.**

6. Information Use and Credit Report Authorization. Client authorizes Firm to request, receive and discuss any and all information about Client's debt, the causes of any financial hardship (including medical problems), and any other information, including Client's consumer credit reports, which is or becomes pertinent to settlement negotiations. Client authorizes Firm to run Client's credit report(s) as needed to assist the Client in attempting to reduce and/or resolve outstanding debts. Client agrees to indemnify and hold Firm harmless of any loss, liability, or damage by any reason thereof. This authority is assignable and transferable.

7. Power of Attorney: Client hereby gives Firm Client's power of attorney to execute all documents connected with the subject matter of the Agreement, including any documents necessary to retain local counsel for Client.

8. Payments: Client authorizes the Firm to deduct all payments due under the Payment Schedule, including all settlement funding, Fees or other applicable charges, via Electronic

Payment Authorization from Client's checking or savings account. The Firm requires a minimum notice of five(5) business days to change any scheduled electronic fund transfers from Client's bank account. There is a \$30.00 fee for each Non Sufficient Funds (NSF).

9. **Non-payment of Minimum Payments:** Client acknowledges that they have voluntarily discontinued making payments to their creditors because they can no longer afford to make their minimum payments on their unsecured debts as well as pay their necessary living expenses. Client acknowledges that non-payment of minimum payments to creditors will result in derogatory credit information being transmitted to the major credit reporting agencies, and will result in debt collection actions being taken against Client. Client also understands that the Fair Debt Collection Practices Act prohibits third party debt collectors from engaging in certain behavior. In the event that any negative effect is caused to Client's credit profile, Client hereby agrees to waive any claims against Firm and shall hold Firm, its principals, employees and agents harmless for all claims related to such damage to Client's credit.

10. **Termination:** Firm may cancel this contract if Client fails to make any payments as set forth in the Payment Schedule, if Client misrepresents or fails to disclose any material facts, fails to cooperate, if client acts contrary to Firm's advice, if client does not return Firm's phone calls in a timely manner, if Client fails to make two (2) consecutive monthly payments of fees, if anything else occurs that in Firm's judgment impairs an effective business relationship, or if otherwise breaches Client's duties hereunder. Client has the right to terminate Firm services for any reason upon three (3) days written notice. If Client chooses to terminate Firm services without cause, all fees are immediately due and payable, and non-refundable. However, if client is not 100% completely satisfied with Firm's services, and Client notifies Firm within the first 30 days of representation, Client shall receive a complete refund. Client is hereby notified that cancellation of this contract, whether by the Client or the Firm, terminates the terms and conditions of the contract prospectively from the date of cancellation. Client holds Firm harmless for any adverse consequences pertaining to the Client's debts enrolled as part of this contract, that may result from services performed under this contract prior to cancellation, including, but not limited to, the closing of any or all such debts.

11. **Hold Harmless:** Client agrees to hold Firm, its agents, administrators, executive directors, employees, officers and directors harmless of any liability or damage arising from Firm's administration of the Program or this Agreement, including, but not limited to, suits, garnishments, levies, repossessions, or the like.

12. **Entire Agreement:** This agreement embodies the entire understanding and agreement between both parties and all previous understandings, representations, statements, undertakings and agreements, written or oral, are canceled, withdrawn and/or have merged into this agreement. This Contract may be amended by Firm at any time upon 20 days notice of such an amendment. In the event any one or more provisions contained hereof for any reason be held invalid, illegal, or unenforceable in any respect, that invalidity, illegality, or unenforceability shall not affect any other provision within this Agreement, all of which shall remain in effect.

13. **Venue/Jurisdiction:** This agreement shall be governed by the laws of the State of Alabama. Any action to enforce this agreement, or otherwise institute litigation against any party whether in law, equity, tort, or contract shall only be brought in Montgomery County, Alabama.

14. **Client Disclosures.** Client agrees they have received and read the Process Verification, attached hereto. In addition, the Client agrees that:

14.1 Firm does not and will not provide any credit repair, tax, or investment advice. Client should seek the advice of an independent professional to obtain this type of advice.

14.2 Client results will vary based on individual circumstances. Any individual creditor may use a number of different criteria in determining that creditor's willingness to settle a debt or the amount acceptable in settlement, including, but not limited to, the amount of debt, the current status of the debt, the reasons you are seeking these services, the type of debt and the amount of your disposable income.

14.3 Firm does not guarantee the cessation of all telephone calls or correspondence related to collections.

14.4 The Agreement between Firm and Client does not include any representation for any cause of action or claim for damages brought against Client by creditor(s), which Client acknowledges is a possibility. It also does not include counter claims or appeals in which Customer is a party.

**14.5 LAW FIRM CANNOT MAKE AND HAS NOT MADE ANY GUARANTEES REGARDING RESULTS.**

14.6 Client's delinquent accounts may continue to accrue interest and late fees until the accounts are settled. Client also understands creditors may continue to impose other penalties as a result of delinquent payments, including but not limited to: the reporting of adverse information to credit bureaus, the filing of a lawsuit to collect subject debts if the creditor is unwilling to accept a settlement offer, or Client is unable to propose a settlement offer acceptable to the creditor. Furthermore, Client understands that negative information that will appear on Client's credit report as a result of participating in the Firm's debt settlement program will remain on credit reports following the completion of the program.

14.7 When a creditor settles Client's debt, a savings of \$600 or more off what Client owed may be reported by creditor to the IRS as Discharge of Indebtedness income.

14.8 Client acknowledges that Firm has not nor shall it take any actions to disrupt the relationship between Client and any creditors or persons with whom Client has any contractual or business relationship. Client further acknowledges that Firm has not provided Client with any advice or recommendations regarding the reduction or termination of payments to creditors. Client has engaged Firm for the sole purpose of negotiating a resolution of said creditors within the Agreement.

**15. Miscellaneous.**

15.1 Consent to Electronic Communication. Client acknowledges that, in connection with our work on this matter, Firm may correspond or convey documentation via internet e-mail unless Client expressly requests otherwise and that neither Client nor Firm has control over the performance, reliability, availability, or security of internet e-mail.

15.2 Privacy Policy. Client agree to the terms of Firm's Privacy Policy, attached hereto. This policy may change from time to time as set forth therein. Among other things, the policy includes important information on what information Firm collects about you, how Firm uses that information, and with whom Firm shares that information (for example, to provide you certain services, to protect Firm's rights and interests, to respond to legal process, to facilitate a merger, etc.). Also, to ensure the quality of Firm's services and for other lawful purposes, Firm may also monitor or record calls between the Parties (for example, Client conversations with customer service, sales departments or processing agents). If Client does not agree with the terms of Firm's Privacy Policy, Client should not purchase or use Firm's services.

15.3 Limitation of Obligation. Force Majeure – Firm and/or its associates shall not bear the responsibility of obligations if non-fulfillment is caused by Force Majeure (Acts of God - such as, but not limited to; a fire or hurricane.) The liability of obligation shall/may be

postponed until the Force Majeure or the resulting effects are eliminated.

15.4 Attachments. All attachments to this Agreement are herein incorporated by reference. In the event of a conflict between an attachment and the terms and conditions of this Agreement, the terms of this Agreement will control.

15.5 Assignment and Amendment. Client may not assign this Agreement, or any part of it, to any other party. Firm may modify this Agreement at any time, by providing Client with 20 days notice of such an amendment. If Client does not accept the terms of any superseding agreement and/or provisions, Client has the right to discontinue the services provided by Firm by providing written notice to Firm.

15.6 Providing Notice to Each Other Under the Agreement. Except as the Agreement specifically provides otherwise, notices must be provided in writing.

15.7 Signatures. By signing the Agreement, Client authorizes Firm to act as their agent, for the limited purpose of negotiating, obtaining, and discussing their financial information with creditors. Client also acknowledges receiving a copy of this Agreement and its attachments. A faxed signature on this Agreement shall be considered the same as an original.

16. Client acknowledges that it has read the attached Consumer Credit File Rights under State and Federal Law and understands the terms thereof.

17. Processing Company. Client agrees that Firm may use one or more third party processing companies, including Seton Corp., with its principal office located at 311 Crossways Park Drive, Woodbury, New York 11797 ("Service Company") for the purpose of providing to Client services under this Agreement.

Client acknowledges that it has read the foregoing Contract to Employ, understands the terms thereof and has had an opportunity to obtain legal counsel to consult with it regarding the terms and conditions contained herein and that the Client voluntarily signs here consenting to the terms and conditions and the imposition of the obligations and rights granted by virtue of this Contract to Employ. Client acknowledges that this is NOT a Debt Consolidation program, and that the services provided by Allegro Law, LLC are intended as a last resort for consumers who can no longer afford to make payments to their creditors as well as afford their necessary living expenses.

Client has informed Firm that they have voluntarily discontinued making payments to their creditors because they can no longer afford to make their minimum payments on their unsecured debts as well as pay their necessary living expenses. Client understands that their voluntary decision to stop making payments to their creditors will result in Client falling past due with respect to their enrolled debts and, as a result, creditors will report Client as late to the credit bureaus, which will have a negative impact on Client's credit.

YOU MAY CANCEL THIS AGREEMENT, WITHOUT ANY PENALTY OR OBLIGATION, AT ANY TIME BEFORE MIDNIGHT CENTRAL TIME OF THE 3rd BUSINESS DAY THAT BEGINS THE DAY AFTER YOU AGREE TO IT BY ELECTRONIC COMMUNICATION OR BY SIGNING IT BY RETURNING THE ATTACHED "NOTICE OF RIGHT TO CANCEL" FORM. IF YOU DO NOT REVOKE THIS AGREEMENT WITHIN THE THREE (3) DAY REVOCATION PERIOD, THEN THE TERMINATION PROVISIONS OF SECTION 10 SHALL APPLY.

Allegro Law, LLC is a limited liability corporation. Our attorneys are admitted for practice in Alabama only. For cases outside of Alabama Allegro Law, LLC lawyers will request assistance from an associate with one of our contracted affiliate attorneys located throughout the country. An associated attorney will be compensated through Allegro Law, LLC according to the work

performed; in full compliance with the Alabama Rules of Professional Conduct.

The hiring of a lawyer is an important decision that should not be based solely on advertisements. Before you decide, ask us to send you written information about our Attorney / Lawyer qualifications and experience.

This Firm does not provide information on services that relate to Bankruptcy to assisted persons.

I have read the Retainer Agreement and I accept the above terms.

Sign Electronically

Client

First Name :

Last Name :

Social Security :

Date of Birth :

Client IP Address :

Signed Date:

FCC Form 104

Or Sign and Return to Our Office

Allegro Law, LLC

223 Wall Street # 201

Huntington, NY 11743

Phone: (866)648-7878 Fax: (609)664-1338

[www.allegrolaw.net](http://www.allegrolaw.net)

Client Signature  
(Please Print)

Co-Client Signature  
(If Joint on Bank Account)

Co-Client Name  
(Please Print)

Allegro Law, LLC

By: ✓

Please Sign

5/24/08

Date

Social Security

Date

Co-Client

Social Security

**ALLEGRO LAW**

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223 Wall Street # 201  
Huntington, NY 11743  
Phone: (866)648-7878 Fax: (800)664-1335  
[www.allegrolaw.net](http://www.allegrolaw.net)

**Notice To Consumers**  
**IMPORTANT PLEASE READ**

While the hiring of an attorney is a strong strategy when dealing with debt collectors, you must realize that none of the creditors or third party debt collector's rights are affected by the hiring of an attorney.

(1) Creditors and credit reporting agencies will report the consumer as late and the consumer's credit score will be negatively impacted throughout the duration of the service; (2) late fees, penalties, and interest will continue to accrue on the consumer's debt until the consumer's creditors accept and receive a settlement or until the debt is charged off or sold; (3) a consumer's creditors may still sue to collect on the debts and garnish the consumer's wages in those states which permit wage garnishment for unsecured debt; (4) a creditor may raise the interest rate and/or lower the maximum credit limit on any debts included in the program, as well as unsecured debts not included in the program; (5) any money a consumer saves in negotiating a settlement with a creditor must be treated as income for tax purposes if the discharged amount is equal to or greater than \$600; and (6) a debt settled for less than the full amount owed is not the same as a debt that is paid in full in terms of reporting on the consumer's credit report.

**Authorization**

I hereby engage ATTORNEYS, its agents, subcontractors, and affiliates to manage the processing of my account during the term of this Retainer Agreement. These services will include receiving and depositing my funds, negotiating settlements, terms and conditions, extensions, and/or deferrals of my accounts. In addition, I authorize the review of my financial situation with creditors.

By signing this Authorization, I hereby acknowledge that I have read the Retainer Agreement and accept and consent to all of the terms set forth in the Retainer Agreement.

This agreement shall not be deemed effective until it is received by ATTORNEYS, signed and dated.

I have read the Authorization Agreement and I accept the above terms.

<b>Sign Electronically</b>	
<b>Client</b>	
First Name :	
Last Name :	
Social Security :	
Date of Birth :	
Client IP Address :	
Signed Date:	

FCCRA/AFN

<b>Or Sign and Return to Our Office</b>	
Allegro Law, LLC 223 Wall Street # 201 Huntington, NY 11743 Phone: (866)648-7878 Fax: (800)664-1335 <a href="http://www.allegrolaw.net">www.allegrolaw.net</a>	
<b>Client Signature</b>	<b>Date</b>
<b>Client Name (Please Print)</b>	
<b>Co-Client Signature (If Joint on Bank Account)</b>	<b>Date</b>
<b>Co-Client Name (Please Print)</b>	<b>Co-Client Social Security</b>
Allegro Law, LLC	
By:	

5/24/08

 ALLEGRO LAW

Allegro Law, LLC  
223 Wall Street # 201  
Huntington, NY 11743  
Phone: (866)648-7878 Fax: (800)664-1335  
[www.allegrolaw.net](http://www.allegrolaw.net)

Alfredo [REDACTED]

1855-9 [REDACTED]

**Payment Agreement**

First Payment Date: 06/07/2008

First Pay: \$667.00 incl Setup Fee of \$25.00

Recurring Debit Day: 7 starting on 07/07/2008

Recurring Pay: \$642.00 for program duration

I agree to remit to Allegro Law, LLC a first payment of \$667.00 on 06/07/2008 which includes a setup fee of \$25.00 then continue with a recurring payment in the amount of \$642.00 on day 7 of each month. If the recurring date does not fall on a business day, I will make my payment on the first business day prior to the recurring day.

I also understand that if the authorized payment is returned for any reason the Return fee of \$30.00 (subject to change) will be assessed to my account.

I also agree to remit my payments in one of the following accepted forms; Money Order, Bank Check, Wire Transfer, Western Union, MoneyGram, Military Allotment or Cash. I further understand that personal checks are not accepted.

I have read the Payment Agreement and I accept the above terms.

**Sign Electronically**

Client

First Name :


Last Name :

Social Security :

Date of Birth :

Client IP Address :

Signed Date:

R0044-R

**Or Sign and Return to Our Office**

Allegro Law, LLC  
223 Wall Street # 201  
Huntington, NY 11743  
Phone: (866)648-7878 Fax: (800)664-1335  
[www.allegrolaw.net](http://www.allegrolaw.net)

Client Signature

Client Name (Please Print)

Co-Client Signature  
(If Joint on Bank Account)

Co-Client Name  
(Please Print)

Allegro Law, LLC

By:

Social Security

Date

Co-Client  
Social Security

5/24/08

 ALLEGRO LAW

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[www.allegrolaw.net](http://www.allegrolaw.net)

Alfredo [REDACTED]

### Limited Power of Attorney

I/We, Alfredo [REDACTED] located [REDACTED] hereby appoint Allegro Law, LLC and its attorneys, as my attorney-in-fact, with full power to represent me in negotiating the validity, reduction, settlement, and payment as may be required, of accounts owed to my creditors.

I/We also authorize Allegro Law, LLC to request and receive confidential credit and account information from creditors, credit reporting agencies, and other third parties who are involved with my credit issues. I further authorize Allegro Law, LLC to release a copy of this Limited Power of Attorney to my creditors.

I have read the Limited Power of Attorney Agreement and I accept the above terms.

<b>Sign Electronically</b>	
Client	
First Name :	[REDACTED]
Last Name :	[REDACTED]
Social Security :	[REDACTED]
Date of Birth :	[REDACTED]
Client IP Address :	[REDACTED]
Signed Date:	[REDACTED]
FDDCA04001	
<b>Or Sign and Return to Our Office</b>	
Allegro Law, LLC 223 Wall Street # 201 Huntington, NY 11743 Phone: (866)648-7878 Fax: (800)664-1335 <a href="http://www.allegrolaw.net">www.allegrolaw.net</a>	
Client Signature:	[REDACTED]
Client Name (Please Print)	Social Security
Co-Client Signature (If Joint on Bank Account)	Date
Co-Client Name (Please Print)	Co-Client Social Security
Allegro Law, LLC	[REDACTED]
By:	[REDACTED]

5/24/08

 ALLEGRO LAW

Allegro Law, LLC  
223 Wall Street # 201  
Huntington, NY 11743  
Phone: (866)648-7878 Fax: (800)664-1335  
[www.allegrolaw.net](http://www.allegrolaw.net)

Alfredo

[REDACTED]

**PROCESS VERIFICATION**

This document serves as verification that I understand fully the debt negotiation process as explained below and also confirm I am able to address situations that may occur throughout the course of my enrollment with Allegro Law, LLC (AL).

1. I understand that a Referral Company will refer my file to Allegro Law, LLC, and that the Referral Company is a referral service, not the Law Firm itself.
2. I understand the representative with the Referral Company has only explained the Allegro Law Firm services, and is not licensed to provide me with legal advice. That the Referral Company does not charge me a fee for their services or debit my account.
3. Allegro Law, LLC is a debt negotiating firm that will attempt to negotiate work-out agreements between me and my creditors. All negotiations are handled by licensed attorneys and their support staff.
4. This is NOT a loan; nor is it a debt consolidation, debt adjustment, or credit counseling program. AL will NOT be making monthly payments on my behalf to my creditors. The monthly payments that I make to AL will accumulate to settle my accounts and satisfy attorney fees for services rendered. AL will not perform any services until receipt of my first payment. All fees are nonrefundable.
5. I understand that I have, or soon will, voluntarily discontinued making payments to my creditors because I can no longer afford to make my minimum payments on my unsecured debts as well as pay my necessary living expenses.
6. I understand that my voluntary decision to stop making payments to my creditors will result in me falling past due on my enrolled debts, and, as a result, my creditors will report me as late to the credit bureaus which will have a negative impact on my credit.
7. I have been advised not to open any new lines of credit or attempt to qualify for any new loans until legal services have been completed. It may take from 12-48 months for this service to be completed depending on my debt and financial situation.
8. I understand that AL cannot prevent me from receiving debt collection calls. I understand that debt collection calls will occur subsequent to retaining Firm.
9. I understand that although it has been proven that most creditors accept settlement offers that AL is required to disclose that there are inherent risks associated with debt negotiation services. These risks include the creditors sending these accounts to collections, charging late fees, judgments, wage garnishments, creditor phone calls and/or other measures in an attempt to collect moneys owed during the debt negotiation process.
10. I understand that I have entered into various contracts with several national banks and for reasons beyond my control I may default on such contracts. I have retained AL to assist in the renegotiation of those contracts. I am retaining AL because I cannot afford to make the minimum payments due on my unsecured debts and pay my necessary living expenses.
11. I understand that I cannot continue to use any of the accounts included in this process and that the creditors have the right to close the accounts, and they may continue to charge late fees and penalties until the accounts are settled.
12. I understand that I cannot have any credit cards, loans, insurance, or bank accounts (checking, savings, CD's etc.) related to or connected with any account and/or any creditor included with this process. I understand that creditors related to debts not included in this process may increase the interest rate or lower the credit limit on those debts as a result of non-payment of monthly minimums in regards to debts included in this process.
13. I understand that should I receive any time sensitive court documents, summons or legal documents of any kind related to the debt placed with the firm, I will forward them to AL within 48 hours of receipt and confirm AL has received said document(s).
14. I understand that there are costs involved with the setup and maintenance of the debt negotiation program which equates to 16.00% of my total debt and a \$50.00 monthly administration fee. In addition, there is a one time set-up fee of \$25.00. The combined total costs in my case equal \$642.00 which has already been included in the payment plan.
15. I understand that only unsecured debt qualifies for the debt negotiation program and none of the accounts included are Secured Debt, Payday Loans, Student Loans or Cash Advances.
16. I have not received correspondence from a law firm in relation to any of these accounts and none are in Judgment status or have received a Summons to appear in court.
17. I understand that my approximate initial payment(s) are (\$25.00) for approximately 1 month, and that my approximately ongoing monthly recurring payments thereafter are \$642.00 for approximately 36 months.
18. I have given the authorization to debit my account for the payments outlined above.
19. I understand that should I need to change stop or cancel any of debts I understand the request must be submitted IN WRITING no later than 5 business days prior to the payment date.
20. I have read and fully understand the above information.

I have read the Written Verification and I accept the above terms.

Client:	Sign Electronically
First Name :	[REDACTED]
Last Name :	[REDACTED]
Social Security :	[REDACTED]
Date of Birth :	[REDACTED]
Client IP Address :	[REDACTED]
Signed Date:	[REDACTED]
FDDCA/AL	
Or Sign and Return to Our Office	
Client Signature:	[REDACTED]
Client Name (Please Print)	[REDACTED]
Co-Client Signature	[REDACTED]
(If Joint on Bank Account)	[REDACTED]
Co-Client Name (Please Print)	[REDACTED]
Allegro Law, LLC 223 Wall Street # 201 Huntington, NY 11743 Phone: (866)648-7878 Fax: (800)664-1335 <a href="http://www.allegrolaw.net">www.allegrolaw.net</a>	Date: [REDACTED] 5/29/08 Social Security: [REDACTED] Co-Client Name: [REDACTED] Co-Client Social Security: [REDACTED]



Allegro Law, LLC  
223 Wall Street # 201  
Huntington, NY 11743  
Phone: (866)648-7878 Fax: (800)664-1335  
[www.allegrolaw.net](http://www.allegrolaw.net)

### Estimated Debt Settlement Payout Schedule

Client Name:

Produced on: 5/8/2008 7:57:17 PM

By: Brent Wahl

Phone: (800)338-7438 x

Fax: (800)926-1146

E-Mail: [btwahl@lfsdebt.com](mailto:btwahl@lfsdebt.com)

Total Debt:	\$34,309.48
Estimated Settlement To Creditors:	\$15,440.00
Estimated Fees:	\$7,674.16
Estimated Settlement Amount w/Fees:	\$23,113.42
Estimated Amount Saved:	\$11,196.06

#### Fee Payment Schedule

Setup Fee:	\$25.00 added to first payment
Estimated Balance of Fees:	\$7,674.16
Avg Estimated Monthly Finance of Fees:	\$304.97 / 18 months
Estimated Balance Needed for Program:	\$23,088.42 (includes monthly fees)
Estimated Monthly Payment:	\$642.00
Estimated Program Payments:	36

Read the Estimated Debt Settlement Payout Schedule.

#### Sign Electronically

Client

First Name :

Last Name :

Social Security :

Date of Birth :

Client IP Address :

Signed Date:

#### Or Sign and Return to Our Office

Allegro Law, LLC  
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Huntington, NY 11743  
Phone: (866)648-7878 Fax: (800)664-1335  
[www.allegrolaw.net](http://www.allegrolaw.net)

Client Signature: \_\_\_\_\_

Date

5/24/08

Client Name  
(Please Print)

Social Security

Co-Client Signature:

Date

(If Joint on Bank Account)

Co-Client  
Social Security

\*Disclaimer: The total debt information contained in this Exhibit A Payment Schedule is based upon information provided by the prospective client. Where information has not been provided or is unreliable, approximate balances have been agreed upon between the Client and representative providing the compilation. The prospective client acknowledges that any change between the approximated balance agreed upon for purposes of generating this Payment Schedule, and the actual current balance of any debt enrolled into the program may impact the balance and payment information contained herein.

6420 E. Sandra Terrace  
Scottsdale, AZ 85254  
e-mail: info@jhasslaw.com

Phone: 800-565-1260  
Fax: 877-372-3050

### Exhibit A

**Client Name:** BERNARDITA   **Total Debt:** \$ 30,000.00

**Estimated settlement to creditors (40%):** \$ 12,000.00

**Attorney Fee(15%):** \$ 4,500.00

**Total Amount with Fees (55%):** \$ 16,500.00

**Estimated amount you save (45%):** \$ 13,500.00

### Fee Payment Schedule

**Estimated Balance needed for settlement (55%):** \$ 16,500.00

**Down Payment:** \$ 0.00

**Estimated Balance after Down Payment:** \$ 16,500.00

**Estimated Total Program / Monthly Payments:** 36.

**Total monthly payment:** \$ 497.33

(includes \$39 monthly processing fee)

**Print Name:**  

**Signature:**  

**Date:** 10-16-07



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Huntington, NY 11743  
Phone: (866)648-7878 Fax: (800)664-1335  
[www.allegrolaw.net](http://www.allegrolaw.net)

### Estimated Debt Settlement Payout Schedule

Client Name: [REDACTED] Alfredo

Produced on: 5/8/2008 7:57:17 PM

By: Brent Wahl

Phone: (800)338-7438 x

Fax: (800)926-1146

E-Mail: [btwahl@lfsdebt.com](mailto:btwahl@lfsdebt.com)

Total Debt:	\$34,309.48
Estimated Settlement To Creditors:	\$15,440.00
Estimated Fees:	\$7,674.16
Estimated Settlement Amount w/Fees:	\$23,113.42
Estimated Amount Saved:	\$11,196.06

#### Fee Payment Schedule

Setup Fee:	\$25.00 added to first payment
Estimated Balance of Fees:	\$7,674.16
Avg Estimated Monthly Finance of Fees:	\$304.97 / 18 months
Estimated Balance Needed for Program:	\$23,088.42 (includes monthly fees)
Estimated Monthly Payment:	\$642.00
Estimated Program Payments:	36

[Read the Estimated Debt Settlement Payout Schedule.](#)

#### Sign Electronically

Client

First Name : [REDACTED]

Last Name : [REDACTED]

Social Security : [REDACTED]

Date of Birth : [REDACTED]

Client IP Address : [REDACTED]

Signed Date: [REDACTED]

#### Or Sign and Return to Our Office

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Huntington, NY 11743  
Phone: (866)648-7878 Fax: (800)664-1335  
[www.allegrolaw.net](http://www.allegrolaw.net)

Client Signature [REDACTED]

Date

5/24/08

Client Name  
(Please Print) [REDACTED]

Social Security [REDACTED]

Co-Client Signature

Date

(If Joint on Bank Account) [REDACTED]

Co-Client  
Social Security

\*Disclaimer: The total debt information contained in this Exhibit A Payment Schedule is based upon information provided by the prospective client. Where information has not been provided or is unavailable, approximate balances have been agreed upon between the Client and representative providing the compilation. The prospective client acknowledges that any change between the approximated balance agreed upon for purposes of generating the Payment Schedule, and the actual current balance of any debt enrolled, has the program may impact the balance and payment information contained herein.

Medical/Health	Medication	\$50.00
Personal	Child Care	\$0.00
Personal	Charitable Donation	\$0.00
Personal	Child Support	\$0.00
Personal	Beauty and Barber	\$0.00
Personal	Miscellaneous	\$0.00
Recreation	Entertainment	\$0.00
Fixed Payment	Student Loan 1	\$0.00
Fixed Payment	Student Loan 2	\$0.00
Fixed Payment	Other 2	\$0.00
Business	Contribution	\$0.00
Business	Business Expenses	\$0.00
Business	Citibank	\$0.00
Utilities	Water bill	\$0.00
Food	Eating Out	\$0.00
<b>TOTAL MONTHLY LIVING EXPENSES (B):</b>		<b>\$1,203.00</b>

#### Cash Flow

<b>TOTAL Monthly Living Expenses (B):</b>	<b>\$1,203.00</b>
---	-------------------

#### Current Monthly Cash Flow

Total of all Monthly Debt Payments (from Creditors List Page) (C):	\$415.00
<b>Total Monthly Expenses (B + C) (D):</b>	<b>\$1,618.00</b>
<b>Monthly Available Balance (A - D):</b>	<b>\$110.00</b>

#### Proposed Monthly Cash Flow

Total Monthly Debt Payments Not On Program (E):	
<b>Total Monthly Expenses (B + E):</b>	<b>\$1,203.00</b>
<b>Monthly Available Balance (A - F):</b>	<b>\$525.00</b>

Budget Worksheet

Applicant: Louise [REDACTED]

Consultant: American Debt Arbitration

Co-Applicant:

Client ID:

#### Debt Reduction Formula

Total current balance of unsecured debt to be on program	(G)	\$12,600.00
Target Settlement	(H)	\$7,560.00 - \$9,450.00
Total current monthly payments on unsecured debt to be on program (J)		\$415.00
Regular Monthly Payment agreed to	(I)	\$400.00
Estimated number of Months on Program		20 - 25

## **Debt Choice CLIENT AGREEMENT**

This agreement is made by and between Debt Choice, a California Corporation, and the client signed below (hereinafter known as "I"). **I hereby engage the professional services of Debt Choice to provide a third party review of my financial situation, guidance for a debt referral, and assistance with obtaining the debt referral.** I accept the sole and full responsibility to provide Debt Choice with true and accurate information concerning all of my assets, creditors and sources of income. I further understand that Debt Choice will rely solely on that information to evaluate my financial situation. I am seeking advice from Debt Choice because I am experiencing financial hardship and I am in need of alternative repayment options.

**I understand and have had explained to me that by signing this paperwork and receiving a debt evaluation that I am under no obligation to use the services of Debt Choice or the referred company.**

**I agree that making a payment, equal to the first program payment, to Debt Choice constitutes an agreement to use their service(s).** I understand that this fee is paid to Debt Choice and is not paid to my creditors. I further understand that any account I place into a program will be closed or frozen and that I will not have the ability to charge on or be extended further credit on those particular accounts. While enrolled in a debt management program I understand that my credit rating and the ability to obtain credit will likely be reduced. I also understand that Debt Choice will provide me with a third-party analysis for different repayment options, including required payments. Although payments are based on historical and industry standards, Debt Choice does not guarantee any specific settlement offer or payment from/to my creditors.

In the event that I choose to join a program recommended to me by Debt Choice, I hereby authorize Debt Choice to: (1) disclose any information concerning my financial condition and status, including but not limited to income, debts, credits, earnings, and/or location information to any creditor listed by me and (2) obtain whatever financial information concerning me from any creditor, as Debt Choice deems necessary.

**Indemnification.** I hereby agree to indemnify and hold Debt Choice, and its employees, officers or agents, harmless from any claim, suit, action, or demand made by Applicants creditors, or any other third party, which arises from the services provided by this Agreement, or any action by myself and/or any third party, in connection with any of the subject matter of this Agreement. Under no circumstances shall Debt Choices liability to me exceed the amounts paid by me directly to Debt Choice.

Name: **Valerie** [REDACTED]  
Social Security #: [REDACTED]  
Date of Birth: [REDACTED]  
Address: [REDACTED]  
City: [REDACTED] State: [REDACTED]  
 Customer Signature Date

Spouse/Co-App: \_\_\_\_\_  
Social Security #: \_\_\_\_\_  
Date of Birth: \_\_\_\_\_  
Home Phone#: (\_\_\_\_\_) \_\_\_\_\_  
Work Phone#: (\_\_\_\_\_) \_\_\_\_\_  
 Spouse/Co-Applicant Signature Date

Doc#690957M1050758  
**Debt Choice**  
**1675 Scenic Ave. Suite 250**  
**Costa Mesa, CA 92626**  
**(800) 721-5542**  
**<http://www.mydebtchoice.com>**



[www.fbaa.us](http://www.fbaa.us)



RECSIFS

January 23, 2009

Wanda [REDACTED]

Citi  
Account Number ending in:  
7784

Dear Wanda [REDACTED]

This letter confirms the terms of the settlement offer we discussed regarding the Citi account. If you make one payment of \$1263.00 on or before 02/23/09, the account will be settled in full. Previous delinquent history, if any, will remain on record with us.

If you fail to make this payment on or before 02/23/09, the entire remaining unpaid balance before this offer was made, less any payments, will continue to be due and owing.

If you have any questions regarding this settlement offer, please call us at the toll-free number shown below.

Citi  
PO Box 6000  
The Lakes NV 89163

Sincerely,

Internal Recovery Unit  
Citicorp Credit Services Inc. (USA)

Your Citi account is issued by Citibank (South Dakota), N.A., and is serviced by Citicorp Credit Services, Inc. (USA), an affiliate.

**Please See Reverse Side for Important Information**

Toll Free 1-800-846-8444  
Office Hours: Central Standard Time  
Monday - Thursday 8am - 6pm  
Friday 8am - 5pm  
Toll-free TDD number for the hearing impaired: 1-800-926-5818.

NOTE: The Internal Revenue Service requires us to provide them with information about amounts of \$600 or more that are discharged as a result of a cancellation of debt. If the amount we will discharge when the final payment of your settlement is received is \$600 or more, we will be required to notify the IRS of the amount. You will receive a copy of the Form 1099c that will be filed with the IRS.

# THE PALMER FIRM, P.C.

## Client Change Form

Client: \_\_\_\_\_ Acct #: \_\_\_\_\_

### Instructions for Completing Form

1. Complete the sections that apply to your situation
2. Sign and date the bottom of the form
3. Mail in the form to the above address ATTN: Client Services  
(Forms may also be faxed to (909) 581-7501)

**\*\*If adding new accounts, please include current statement or collection letter\*\***

### Section A- Removing or Adding an Account

Add	Remove	Original Creditor	Current Creditor (collection agency)	Account Number (include copy of current statement when adding an account)	Current Balance
<input type="checkbox"/>	<input type="checkbox"/>	Citi			\$2,349.32
<input type="checkbox"/>	<input type="checkbox"/>				\$

I understand that by adding an account to the program I am responsible for a 8% enrollment fee of the total debt added. I also understand that this enrollment fee is non-refundable, therefore, by removing an account an enrollment fee refund will not be given.

### Section B- Change of Name

Date of change: 6/19/07

New Name: First \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

### Section C- Change in Monthly Deposit or Date

By lowering the monthly deposit the client understands and agrees that the initial estimates given by The Palmer Firm are no longer accurate, and therefore the time spent in the program and estimated settlement amount may be increased considerably depending on the dollar amount now being deposited by the client.

New Monthly Deposit: \$ \_\_\_\_\_

Deposit Date: 5<sup>th</sup> \_\_\_\_\_ 10<sup>th</sup> \_\_\_\_\_ 15<sup>th</sup> \_\_\_\_\_ 20<sup>th</sup> \_\_\_\_\_ 25<sup>th</sup> \_\_\_\_\_ 30<sup>th</sup> \_\_\_\_\_

### Section D- Authorization for Third Party Contact

The client authorizes the following person(s) to contact The Palmer Firm on their behalf. The client gives The Palmer Firm permission to discuss all personal information with the following person(s). The client also gives the following person(s) the power to accept or deny settlements on the client's behalf.

Name: _____	Home Phone: _____
Street Address: _____	Cell Phone: _____
City, State, Zip: _____	Work Phone: _____
Email Address: _____	Fax Number: _____

Client Signature: \_\_\_\_\_

Date: 6/19/07

**The Palmer Firm, P.C.**

P.O. Box 1600  
Rancho Cucamonga, CA 91729-1600

January 23, 2009

Wanda [REDACTED]

Account Number [REDACTED]

Negotiator Raul Nolasco

EPIC Financial Management

To Accept the enclosed settlement terms please sign this form and fax back to (909) 581-7519 or mail to The Palmer Firm, P.C., P.O. Box 1600 Rancho Cucamonga, CA 91729-1600.

If you have any questions, please call Client Services at (800) 560-8520.

**Account Being Settled**

Original Creditor: Citi Bank

Current Creditor: CitiCard

Account No: [REDACTED]

Reference No: 0700812

Deadline: 2/23/2009 12:00:00 AM

A. Current Balance:	\$2,971.61
B. Settlement Amount:	\$1,263.00
C. Amount Available:	\$926.41
D. Amount Being Sent:	\$926.41
E. Amount Still Owed*:	(\$336.59)

**Settlement Fee Calculation**

F. Savings: (A-B)	\$1,708.61
G. Settlement Fee:	\$563.84
H. Settlement fee credit (PR only)	\$0.00
I. Overnight Delivery Cost:	\$15.00
J. Settlement Cost:	\$578.84
K. Amount Available:	(\$336.59)
L. Amount Being Sent:	(\$336.59)
M. Amount Still Owed**:	\$915.43

\*If a balance is shown, you still owe this amount to the creditor and their terms will be included as an attachment.

\*\*If a balance is shown, you still owe this amount to the The Palmer Firm, P.C. and it will be deducted from your SDA Account.

**ACCEPTANCE OF CREDITOR SETTLEMENT**

Be it known, that I the undersigned, as CLIENT or AUTHORIZED AGENT of CLIENT, do hereby accept the above CREDITOR SETTLEMENT negotiated on my behalf. Once a written Pre-Settlement Agreement is received, I authorize and acknowledge that:

1. A check be issued for the amount of the above SETTLEMENT AMOUNT made payable to the CREDITOR for the settlement of the above debt.
2. Debt Balance may accrue daily interest changing the SETTLEMENT AMOUNT. Client authorizes any change in the SETTLEMENT AMOUNT that may increase/decrease by \$10 due to interest accrued.
3. The above SETTLEMENT COST be deducted from my Settlement Deposit Amount (SDA).

X

Print Name

Signature

Date

A National Network of Consumer Attorneys

**MAILING ADDRESS:**

The Palmer Firm, P.C.  
P.O. Box 1600  
Rancho Cucamonga, CA 91729-1600

**PHONE NUMBER:**

(800) 560-8520

**HOURS:**

Monday thru Friday 7:00 am to 6:00 pm PST

**ROBERT PALMER (TX)**

**MIRUNA MIHAL (CA)**

**ASSOCIATED ATTORNEYS:**

COLLEEN LIBBY (AK)  
ANDERSON NELMS (AL)  
MATT HENRY (AR)  
EDUARDO J. CELAYA (AZ)  
GREGORY M. FITZGERALD (CA)  
JONATHAN HAGN (CO)  
MARK KRATTER (CT)  
MATTHEW M. CARRUCI (DE)  
CARL D. BERRY (FL)  
SAM BRANTLEY (GA)  
COLIN K. KURATA (HI)  
GREG MCCONVILLE (IA)  
MARTIN J. MARTELLE (ID)  
KEVIN E. STROUD II (IL)  
JOHN L. STEWART (IN)  
AMY HUTCHENS (KS)  
CURTIS D. BRITT (KY)  
REE J. CASEY (LA)  
JOCELYN A. THOMSEN (MA)  
TERRANCE J. SHANAHAN (MD)  
J. DANIEL HOFFMAN (ME)  
D. KEVIN DAVIS (MI)  
BRENDAN R. TUPA (MN)  
GREG S. KESSLER (MO)  
TOMMY DEFER (MS)  
HELGE NABER (MT)  
MICHAEL P. PEAVY (NC)  
KENNETH BULIE (ND)  
WANDA H. FOX (NE)  
ELIZABETH B. OLcott (NH)  
G. RICHARD MALGRAN (NJ)  
LARRY LESHIN (NM)  
DAVID M. CROSBY (NV)  
GLEN A. KURTIS (NY)  
CHRISTIAN HARDESTY (OH)  
MARTY D. MARTIN (OK)  
LISA JOHNSTON-PORTER (OR)  
JASON RETTIG (PA)  
PAUL GERARD MANNING JR. (RI)  
PETER H. ROSENTHAL (SC)  
JASON RAVNSBORG (SD)  
M. SEAN COLLINS (TN)  
KIMBERLY SOARD (TX)  
GREGORY J. ADAMS (UT)  
MICHAEL O. WELLS (VA)  
GREGG MEYER (VT)  
ROBERT MITCHELL (WA)  
SHERRY M. TERRELL-WEBB (WI)  
LISA A. GREEN (WV)  
GUY P. CLEVELAND (WY)

D6004/957

\*National network is an association of attorneys

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## **APPENDIX II**

### **STATE LAWS REGULATING DEBT SETTLEMENT**

Arizona, *see* ARIZ. REV. STAT. § 6-133 (2008) (criminalizing, as a felony, violations of ARIZ. REV. STAT. §§ 6-703 & 6-715 (2008) (prohibiting unlicensed debt management), with “each day of violation [constituting] a separate offense”);

Arkansas, *see* ARK. CODE ANN. § 5-63-302 (2008) (criminally prohibiting debt adjusting subject to exclusions contained in ARK. CODE ANN. § 5-63-305 (2008));

California, *see* CAL. FIN. CODE § 12102 (2008) (criminalizing operating as a prorater without a license as prohibited by CAL. FIN. CODE § 12200 subject to exclusions in CAL. FIN. CODE § 12100);

Colorado, *see* COLO. REV. STAT. §§ 12.14.5-201 to -242 (Uniform Debt-Management Services Act);

Connecticut, *see* CONN. GEN. STAT. § 36a-665 (2008) (criminalizing debt adjustment except for licensed non-profits pursuant to CONN. GEN. STAT. § 36a-656 (2008) and subject to exceptions contained in CONN. GEN. STAT. § 36a-663 (2008));

Delaware, *see* DEL. CODE ANN. tit. 11, § 910 (2009) (criminalizing debt adjustment except as permitted by licensees regulated by DEL. CODE ANN. §§ 2401A - 2439A (2009));

Florida, *see* FLA. STAT. § 817.806 (2009) (criminalizing, as a felony, violations of laws regulating debt management contained in FLA. STAT. §§ 817.801 to .806 (2009));

Georgia, GA. CODE ANN. § 18-5-1 *et seq.* (2009) (Georgia’s debt adjustment statute);

Hawaii, *see* HAW. REV. STAT. § 446-2 (2009) (criminalizing debt adjustment except as specifically permitted by HAW. REV. STAT. § 446-3 (2009));

Idaho, *see* IDAHO CODE ANN. § 26-2223(7) (2008) (requiring licensure for debt adjustment);

Illinois, *see* 205 ILL. COMP. STAT. ANN. 665/16 (LexisNexis 2009) (criminalizing, as a felony, debt management without a license);

Indiana, *see* IND. CODE ANN. § 28-1-29-13 (LexisNexis 2009) (criminalizing debt management without a license);

Iowa, *see* IOWA CODE § 533A.13 (2008) (criminalizing debt management without a license);

Kansas, *see* Kan. Stat. Ann. §§ 50-1116 *et seq.* (Kansas Credit Services Organizations Act); Id. § 21-4402 (criminalizing debt adjustment except by Kansas licensed attorneys and those registered pursuant to the Kansas Credit Services Organization Act).

Kentucky, *see* KY. REV. STAT. ANN. § 380.990 (2009) (criminalizing debt adjustment except as specifically permitted by KY. REV. STAT. ANN. § 380.030 (2009));

Louisiana, *see* LA. REV. STAT. ANN. § 14:331 (2009) (criminalizing debt adjustment for profit);

Maine, *see* ME. REV. STAT. tit. 32, § 6181 (2008) (prohibiting debt management without a license) (Technically, the license is called a “registration,” but a “registration may not be issued unless the administrator, upon investigation, finds that the financial soundness and responsibility, insurance coverage, consumer education programs and services component, character and fitness of the applicant and, when applicable, its partners, officers or directors, warrant belief that the business will be operated honestly and fairly within the purposes of this chapter.” ME. REV. STAT. tit. 32, § 6173(2) (2008));

Maryland, *see* MD. CODE ANN., FIN. INST. § 12-929 (2009) (criminalizing, as a felony, violations of the Maryland Debt Management Services Act, MD. CODE ANN., FIN. INST. §§ 12-901 to - 931 (2009));

Massachusetts, *see* MASS. GEN. LAWS ch. 180, 4A (limiting provision credit counseling services, including debt adjustment, to attorneys and nonprofit charitable corporations);

Michigan, *see* MICH. COMP. LAWS § 451.434 (2009) (criminalizing, as a felony, violations of the Michigan Debt Management Act, MICH. COMP. LAWS §§ 451.411 to .437 (2009));

Minnesota, *see* Minn. Stat. § 332B.02 *et seq.* (2009) (prohibiting unregistered debt management, *Id.* § 332A.03 );

Mississippi, *see*, MISS. CODE ANN. § 81-22-5 (2008) (prohibiting unlicensed debt management);

Missouri, *see* Mo. REV. STAT. § 425.020 (2009) (criminalizing debt management except for “reasonable compensation” as defined by Mo. REV. STAT. § 425.010(4) as being no more than \$50 as an initial fee plus \$35 per month);

Montana, *see* MONT. CODE ANNO. § 30-14-2004 (2007) (prohibiting unlicensed debt management services);

Nebraska, *see* NEB. REV. STAT. ANN. § 69-1215 (LexisNexis 2009) (criminalizing unlicensed debt management);

Nevada, *see* NEV. REV. STAT. ANN. § 676.320 (LexisNexis 2009) (criminalizing unlicensed debt management) (repealed by 2009 Nev. Stat. 376 § 65 (enacting Uniform Debt-Management Services Act) *but see* 2009 Nev. Stat. 376 § 66 (“Transactions entered into before July 1, 2010, and the rights, duties and interests resulting from them may be completed, terminated or enforced as required or permitted by a law amended, repealed or modified by this act as though the amendment, repeal or modification had not occurred.”));

New Hampshire, *see* N.H. REV. STAT. ANN. § 399-D:24 (LexisNexis 2009) (criminalizing, as a felony for entities, unlicensed debt adjustment and establishing civil penalties and remedies);

New Jersey, *see* N.J. STAT. ANN. § 17:16G-6 (2009) (prohibiting unlicensed debt counseling and limiting licensees to “nonprofit social service” agencies and “nonprofit consumer credit counseling” agencies);

New Mexico, *see* N.M. STAT. ANN. § 56-2-2 (2008) (criminalizing debt adjustment, except for persons excepted by N.M. STAT. ANN. § 56-2-4 (2008));

New York, *see* N.Y. GEN. BUS. § 457 (2009) (criminalizing debt management (called “budget planning” by N.Y. GEN. BUS. LAW § 455(1) (2009)) without a license as required by N.Y. BANKING LAW § 579 (2009));

North Carolina, *see* N.C. GEN. STAT. § 14-424 (2009) (criminalizing debt adjustment except by persons specifically permitted by N.C. GEN. STAT. § 14-426 (2009));

North Dakota, *see* N.D. Cent. Code 13-06-02 (2009) (criminalizing debt adjustment unless exempted under N.D. Cent. Code, § 13-06-03 (2009) which permits debt adjustment by, among others, “lawful practice of law in [North Dakota]” and “nonprofit or charitable corporations” but not for profit debt adjusters);

Ohio, *see* OHIO REV. CODE ANN. § 4710.99 (2009) (criminalizing debt adjustment not performed in conformance with OHIO REV. CODE ANN. § 4710.02 (2009));

Oregon, *see* OR. REV. STAT. § 697.990(3) (2007) (criminalizing failure to register to operate as a debt consolidating agency as required by OR. REV. STAT. § 697.612 (2007));

Pennsylvania, *see* 18 PA. CONS. STAT. § 7312 (2008) (criminalizing debt pooling except that conducted by Pennsylvania attorneys, certain uncompensated public welfare agencies, and nonprofits);

Rhode Island, *see* R.I. GEN. LAWS § 19-14.8-4 (2009) (prohibiting debt management without registration);

South Carolina, *see* S.C. Code § 37-7-101 *et seq.* (South Carolina Consumer Credit Counseling Act ); *Id.* § 37-7-117 (2008) (criminalizing debt adjustment, among other things, without being licensed as required by *Id.* § 37-7-102 (2008));

South Dakota, *see* S.D. CODIFIED LAWS § 37-34-2 (2009) (criminalizing debt adjustment except as permitted by S.D. Codified Laws § 37-34-3 (2009), which includes, among others, attorneys and those posting a bond with the attorney general);

Tennessee, *see* TENN. CODE ANN. § 47-18-104(a) & (b) (2009) (criminalizing engaging in the business of debt adjusting without complying with the provisions of TENN. CODE ANN. § 47-18-104(b)(39) (2009), which imposes multiple requirements including maximum compensation);

Texas, *see* TEX. FINANCE CODE § 394.204 (2009) (prohibiting engaging in a debt management service without registration);

Utah, *see* UTAH CODE ANN. § 13-42-104 (2008) (prohibiting debt management without registration);

Vermont, *see* VT. STAT. ANN. tit. 8, § 4874 (2009) (criminalizing, as a felony—“[violators] shall be imprisoned not more than two years or fined not more than \$ 1,500.00, or both”—debt adjustment without obtaining a license as required by VT. STAT. ANN. tit. 8, § 4862 (2009));

Virginia, *see* VA. CODE ANN. § 6.1-363.3 (2009) (prohibiting debt management without licensure);

Washington, *see* WASH. REV. CODE ANN. § 18.28.190 (LexisNexis 2009) (criminalizing debt adjusting in violation of the provisions of Wash. Rev. Code Ann. § 18.28.010 to .910 (LexisNexis 2009));

West Virginia, *see* W. VA. CODE ANN. § 61-10-23 (LexisNexis 2008) (criminalizing debt pooling except for limited exceptions); and

Wyoming, *see* WYO. STAT. ANN. § 33-14-103 (2008) (criminalizing debt adjustment in violation of WYO. STAT. ANN. § 33-14-102 (2008), which prohibits debt adjustment with the exception of that “incurred in the practice of law in this state”).

## APPENDIX III

### STATE ENFORCEMENT ACTIONS

#### **Alabama**

Alabama v. Allegro et al, No. 09-CV-00729 (M.D. Al., July 31, 2009).

#### **California**

People *ex rel.* DuFauchard v. U.S. Financial Management, Inc., 87 Cal.Rptr.3d 615 (Cal. Ct. App. 4th Dist. 2009).

Nationwide Asset Services, Inc. v. DuFauchard, 79 Cal. Rptr.3d 844 (Cal. Ct. App. 3rd Dist. 2008).

Complaint for Injunction, Civil Penalties and Ancillary Relief, California v. Freedom Debt Relief, LLC, No. 2008 WL 6610438 (Cal. Super. Ct. Oct 30, 2008)

#### **Colorado**

Press Release, Colo. Attorney Gen., Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling (Mar. 12, 2009), *available at* [http://www.ago.state.co.us/press\\_detail.cfmpressID=957.html](http://www.ago.state.co.us/press_detail.cfmpressID=957.html).

#### **Florida**

Press Release, Office of the Attorney Gen. of Fla., Attorney General McCollum Warns About Credit Repair Scams, Sues Debt Negotiation Companies (Feb. 21, 2008), *available at* <http://myfloridalegal.com/newsrel.nsf/newsreleases/88F8CB5271C651A1852573F600713592>.

Florida v. Hess, No. 08-00768608 (Fla. Cir. Ct. 17th Cir. settled Nov. 25, 2008); Press Release, Office of the Attorney Gen. of Fla., Attorney General Announces Settlement in Debt Relief Scheme that Victimized Thousands (Nov. 25, 2008), *available at* <http://myfloridalegal.com/newsrel.nsf/newsreleases/352C2D099A1FA7EE8525750C006DF6B4>; Hess Kennedy Receiver, <http://www.hesskennedyreceiver.com> (last visited Oct. 26, 2009).

Complaint, Florida v. Boyd, No. 2008-CA-002909 (Fla. Cir. Ct. 4th Cir. Mar. 5, 2008).

In the Investigation of Emergency Debt Relief, Inc., AG Case No. L05-3-1033 (2006), *available at* [http://myfloridalegal.com/webfiles.nsf/WF/MRAY-6P8HTL/\\$file/EDR\\_AVG.pdf](http://myfloridalegal.com/webfiles.nsf/WF/MRAY-6P8HTL/$file/EDR_AVG.pdf); *see also*

Press Release, Office of the Attorney Gen. Of Fla., Crist Reaches \$230,000 Settlement with Debt Relief Company (Apr. 27, 2006), *available at*  
<http://myfloridalegal.com/newsrel.nsf/newsreleases/EA12BA531A5B606A8525715D00602067>.

## **Georgia**

Press Release, Ga. Governor's Office of Consumer Affairs, Debt Relief USA to Pay Georgia Consumers over \$500,000 in Refunds (March 18, 2009), *available at*  
[http://consumer.georgia.gov/00/press/detail/0,2668,5426814\\_94800056\\_135944239,00.html](http://consumer.georgia.gov/00/press/detail/0,2668,5426814_94800056_135944239,00.html).

## **Idaho**

Press Release, Idaho Dep't of Finance, Department of Finance Reaches Settlement with Out-of-State Debt Settlement Companies (Sept. 19, 2008), *available at*  
<http://finance.idaho.gov/PR/2008/GSpressRelDebtStlmntCoSettlements9-08.pdf>

Press Release, Idaho Dep't of Finance, Department of Finance Settles With a Dallas, Texas Based Debt Settlement Company - \$588,000 in Consumer Restitution Ordered (Jan. 15, 2008), *available at* [http://finance.idaho.gov/PR/2008/Credit\\_Solutions\\_PressRelease.pdf](http://finance.idaho.gov/PR/2008/Credit_Solutions_PressRelease.pdf).

## **Illinois**

Press Release, Ill. Attorney Gen., Attorney General Madigan Continues Crackdown on Debt Settlement Industry (Sep. 30, 2009), *available at*  
[http://www.illinoisattorneygeneral.gov/pressroom/2009\\_09/20090930.html](http://www.illinoisattorneygeneral.gov/pressroom/2009_09/20090930.html).

Press Release, Ill. Attorney Gen., Attorney General Madigan Sues Two Debt Settlement Firms (May 4, 2009), [http://www.illinoisattorneygeneral.gov/pressroom/2009\\_05/20090504.pdf](http://www.illinoisattorneygeneral.gov/pressroom/2009_05/20090504.pdf).

## **Maryland**

Press Release, Md. Attorney Gen., Richard A. Brennan Jailed for Contempt: Brennan Ordered to Pay More Than \$2.5 Million in Restitution (July 31, 2009), *available at*  
<http://www.oag.state.md.us/Press/2009/073109.htm>; Press Release, Md. Attorney Gen., Attorney General Settles with Companies Selling Debt Repayment Services, (Oct. 19, 2007), *available at* <http://www.oag.state.md.us/press/2007/101907.htm>; Attorney Grievance Commission, Maryland Attorneys Disciplinary Actions FY 2009,  
<http://www.courts.state.md.us/attygrievance/sanctions09.html> (last visited Oct. 26, 2009).

## **New York**

Press Release, N.Y. Attorney Gen., Attorney General Cuomo Sues Debt Settlement Companies for Deceiving and Harming Consumers (May 20, 2009), *available at* ([www.oag.state.ny.us/media\\_center/2009/may/may19b\\_09.html](http://www.oag.state.ny.us/media_center/2009/may/may19b_09.html)).

### **North Carolina**

N.C. State Bar, Cease and Desist Letter to Morgan Drexen (July 21, 2009), *available at* [http://www.ncbar.gov/programs/auth\\_notes.asp](http://www.ncbar.gov/programs/auth_notes.asp).

Press Release, N.C. Dep’t of Justice, Cooper Joins National Crackdown on Scammers Getting Rich at Your Expense (July 1, 2009), *available at* <http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Cooper-joins-national-crackdown-on-scammers-gettin.aspx>.

North Carolina v. Hess Kennedy Chartered, LLC, No. 08CV002310, (N.C. Super. Ct. Wake County filed February 11, 2008); Press Release, N.C. Dep’t of Justice, Debt Relief Firms Ordered to Stop Taking Money in NC, says AG (Feb. 15, 2008), *available at* <http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Debt-relief-firms-ordered-to-stop-taking-money-in-.aspx>.

Press Release, N.C. Dep’t of Justice, AG Cooper Seeks to Stop Sham Credit Counselor (October 10, 2006), *available at* <http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/AG-Coo-per-seeks-to-stop-sham-credit-counselor.aspx>.

### **South Carolina**

Press Release, S.C. Dep’t of Consumer Affairs, Over \$700,000 Recovered for South Carolina Consumers from Debt Settlement Company (May 15, 2007), [http://www.sccconsumer.gov/press\\_releases/2007/debt\\_settlement.pdf](http://www.sccconsumer.gov/press_releases/2007/debt_settlement.pdf).

Lexington Law Firm v. S.C. Dep’t of Consumer Affairs, No. 26648 (S.C. Sup. Ct. 2009).

S.C. Dep’t of Consumer Affairs v. Debt Relief of Am., LP, No. 06-ALJ-30-0671-CC (S.C. Admin. Law. Ct. 2007).

S.C. Dep’t of Consumer Affairs v. Rescue Debt, Inc., No. 06-ALJ-30-0645-IJ (S.C. Admin. Law Ct. 2006).

## **Texas**

Press Release, Attorney Gen. of Tx., Texas Attorney General Charges Four Debt Settlement Companies with Unlawful Conduct (May 20, 2009), *available at* <http://www.oag.state.tx.us/oagnews/release.php?id=2991>.

Complaint, Texas v. CSA-Credit Solutions of Am., No. 09-000417 (Dist. Ct. Travis County, Mar. 26, 2009), *available at* [www.oag.state.tx.us/newspubs/releases/2009/032509csa\\_op.pdf](http://www.oag.state.tx.us/newspubs/releases/2009/032509csa_op.pdf); Press Release, Attorney Gen. of Tx., Texas Attorney General Charges Debt Settlement Company With Unlawful Conduct (Mar. 26, 2009), *available at* <http://www.oag.state.tx.us/oagNews/release.php?id=2900>.

Texas v. AmeriDebt, Inc., No. GV-304638 (Dist. Ct. Travis County, Nov. 19, 2003).

## **West Virginia**

Press Release, W. Va. Attorney Gen., Attorney General McGraw Sues Texas Debt Settlement Company (Apr. 14, 2009), [http://www.wvago.gov/pdf/press/2009\\_eralMcGrawSuesTexasDebtSettlementCompany.pdf](http://www.wvago.gov/pdf/press/2009_eralMcGrawSuesTexasDebtSettlementCompany.pdf).

Press Release, W. Va. Attorney Gen., Illinois Attorney Enjoined From Continuing Debt Settlement Business Until He Complies With Attorney General's Investigation (April 1, 2009), [http://www.wvago.gov/pdf/press/2009\\_ompliesWithAttorneyGeneralsInvestigation.pdf](http://www.wvago.gov/pdf/press/2009_ompliesWithAttorneyGeneralsInvestigation.pdf).

Press Release, W. Va. Attorney Gen., Attorney General McGraw Reaches Agreement with Three More "Debt Settlement" Companies; Refunds of \$375K to 141 WV Consumers (Sept. 3, 2008), [http://www.wvago.gov/pdf/press/2008\\_ntCompaniesRefundsof375Kto141WVConsumers.pdf](http://www.wvago.gov/pdf/press/2008_ntCompaniesRefundsof375Kto141WVConsumers.pdf).

Press Release, W. Va. Attorney Gen., Attorney General McGraw Reaches Settlement with Four Debt Relief Companies for 366 Consumers (May 16, 2007), [http://www.wvago.gov/pdf/press/2007\\_thFourDebtReliefCompaniesfor366Consumers.pdf](http://www.wvago.gov/pdf/press/2007_thFourDebtReliefCompaniesfor366Consumers.pdf)

## **Vermont**

Press Release, Vt. Attorney Gen., Two More Debt Settlement Companies Settle Consumer Claims (Oct. 15, 2009) (CreditAnswers LLC & Liberty Banc Mortgage Group), *available at* <http://www.atg.state.vt.us/news/two-more-debt-settlement-companies-settle-consumer-claims.php>.

Press Release, Vt. Attorney Gen., Debt Settlement Company Settles Consumer Claims (July 23,

2009) (Clear Your Debt), *available at*  
<http://www.atg.state.vt.us/news/debt-settlement-company-settles-consumer-claims1.php>.

Press Release, Vt. Attorney Gen., Debt Settlement Company Settles Consumer Claims (July 13, 2009) (Century Negotiations), *available at*  
<http://www.atg.state.vt.us/news/Debt-Settlement-Company-Settles-Consumer-Claims.php>.

Press Release, Vt. Attorney Gen., Debt Settlement Company Settles Consumer Claims (May 27, 2009) (Debt Remedy Solutions), *available at*  
<http://www.atg.state.vt.us/news/debt-settlement-company-settles-consumer-claims2.php>.

Press Release, Vt. Attorney Gen., Debt Settlement Company Settles Consumer Claims (Mar. 9, 2009) (Boston Debt Solutions), *available at*  
<http://www.atg.state.vt.us/news/debt-adjuster-sanctioned-for-violating-licensing-and-consumer-laws.php>.

## APPENDIX IV

### DEBT SETTLOR LITIGATION

Able Debt Settlement, Inc. of Irvine, Texas; Sued by West Virginia Attorney General on April 14, 2009, seeking injunctive relief and restitution. The complaint alleged that Able was charging more than the state law fee limit of 2% of the payments made by consumers and also that Able was not settling debts. See, West Virginia Attorney General Press Release, *Attorney General McGraw Sues Texas Debt Settlement Company* (April 14, 2009). Available at:

<http://www.wvago.gov/press.cfm?ID=472&fx=more>

On May 14, 2009, Able was enjoined from doing any business in West Virginia. See, West Virginia Attorney General Press Release, *Texas-Based Debt Settlement Company, Able Debt Settlement, is Enjoined from Doing Business in West Virginia* (May 15, 2009). Available at: <http://www.wvago.gov/press.cfm?ID=476&fx=more>

Accelerated Debt Relief of Murphy, TX; North Carolina Attorney General issued a cease and desist letter on July 1, 2009 ordering that the company stop violating North Carolina law. See, North Carolina Attorney General, Press Release *Cooper Joins National Crackdown on Scammers Getting Rich at Your Expense* (July 1, 2009). Available at:

<http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Cooper-joins-national-crackdown-on-scammers-gettin.aspx>

Allegro Law of Prattville, Alabama; *Chase Bank USA, N.A. v. Allegro Law, LLC et al*, No. 08-CV-04039 (E.D.N.Y. filed Oct 3, 2008)

Allegro Law of Prattville, Alabama; North Carolina Attorney General issued a cease and desist letter on July 1, 2009 ordering that the company stop violating North Carolina law. See, North Carolina Attorney General, Press Release *Cooper Joins National Crackdown on Scammers Getting Rich at Your Expense* (July 1, 2009). Available at:

<http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Cooper-joins-national-crackdown-on-scammers-gettin.aspx>

American Debt Arbitration of Clearwater, Florida; Private action filed in New York. *Boyken v. Am. Debt Arbitration*, No. 07-CV-6348T(F) (W.D.N.Y. settled Jan 4, 2008)

Americorp of Syosset, New York; Class action filed by two Georgia residents in *Simon V. Americorp, Intellidebt Corp, Elimidebt Management Systems*, 08-cv-03350-BBM, ((DMP law Suit) M.D. Ga. removed from state court October 29, 2008).

BC Credit Solution, LLC of Texas; On May 20, 2009, Texas Attorney General filed a lawsuit for unlawful misrepresentation. A copy of the complaint can be found here:  
[http://www.oag.state.tx.us/newspubs/releases/2009/052009bccredit\\_pop.pdf](http://www.oag.state.tx.us/newspubs/releases/2009/052009bccredit_pop.pdf)

Boston Debt Solutions, LLC of Framingham, Massachusetts; On March 9, 2009, Boston Debt Solutions reached a settlement with Vermont Attorney General in which the company will refund over \$9,000 in fees to consumers and pay the State of Vermont \$20,000 to settle claims that it operated without a license and violated Vermont Consumer Fraud Act. See, Vermont Attorney General News & Announcements, *Debt Adjuster Sanctioned for Violating License and Consumer Laws* (March 9, 2009). Available at

<http://www.atg.state.vt.us/news/debt-adjuster-sanctioned-for-violating-licensing-and-consumer-laws.php>

Century Negotiations, Inc., of Pennsylvania; A settlement with the Attorney General of Colorado resulted in a refund of \$53,796 to 51 Colorado consumers. Although unregistered when it contracted with Colorado consumers, Century Negotiations subsequently registered. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling Regulations* (Mar. 12, 2009). Available at:  
[http://www.ago.state.co.us/press\\_detail.cfm?pressID=957.html](http://www.ago.state.co.us/press_detail.cfm?pressID=957.html)

Century Negotiations, Inc. of North Huntingdon, Pennsylvania; On July 13, 2009, Century Negotiations reached a settlement with the Vermont Attorney General in which it agreed to refund over \$65,000 in fees to Vermont consumers and pay VT \$70,000 for operating without a license and violating Vermont Consumer Fraud Act. See, Vermont Attorney General News & Announcements, *Debt Settlement Company Settles Consumer Claims* (July 13, 2009). Available at: <http://www.atg.state.vt.us/news/Debt-Settlement-Company-Settles-Consumer-Claims.php>

Clearone Advantage, LLC dba Clearone Debt Relief of Maryland; A settlement with the Attorney General of Colorado resulted in a refund of \$5,535 to two Colorado consumers for failing to comply with the state's laws on cancellation rights, cautionary disclosures, advertising, and registration. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling Regulations* (March 12, 2009). Available at:

[http://www.ago.state.co.us/press\\_detail.cfm?pressID=957.html](http://www.ago.state.co.us/press_detail.cfm?pressID=957.html)

Clear Your Debt, LLC of Austin, Texas; On July 23, 2009, Clear Your Debt reached a settlement with the Vermont Attorney General in which it agreed to refund over \$20,000 in fees to Vermont consumers and to pay the State of Vermont \$40,000 for operating without a license and failing to comply with the Vermont Consumer Fraud Act. See, Vermont Attorney General News &

Announcements, *Debt Settlement Company Settles Consumer Claims* (July 23, 2009). Available at: <http://www.atg.state.vt.us/news/debt-settlement-company-settles-consumer-claims1.php>

Colonial Financial Solutions of Turnersville, New Jersey; North Carolina Attorney General issued a cease and desist letter on July 1, 2009 ordering that the company stop violating North Carolina law. See, North Carolina Attorney General, Press Release *Cooper Joins National Crackdown on Scammers Getting Rich at Your Expense* (July 1, 2009). Available at: <http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Cooper-joins-national-crackdown-on-scammers-gettin.aspx>

Commercial Credit Counseling Services, AKA Corporate Turnaround of Paramus, New Jersey; In October 2006, North Carolina Attorney General filed suit against Commercial Credit Counseling Services (that later changed its name to Corporate Turnaround), charging that it broke state laws against unfair business practices and debt adjusting. See, North Carolina Attorney General, News Releases & Advisories, *AG Cooper Seeks to Stop Sham Credit Counselor*. Available at: <http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/AG-Coo-per-seeks-to-stop-sham-credit-counselor.aspx>

Credit Answers, LLC of Texas; A settlement with the Colorado Attorney General resulted in a refund of \$82,809 to 27 Colorado consumers. The company failed to comply with the state law regarding program fees, cancellation rights, and cautionary disclosures. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling Regulations* (March 12, 2009). Available at: [http://http://www.ago.state.co.us/press\\_detail.cfm?pressID=957.html](http://http://www.ago.state.co.us/press_detail.cfm?pressID=957.html)

Credit Answers, LLC of Texas; A settlement with the Vermont Attorney General resulted in a refund of approximately \$13,000 for nine Vermont consumers for operating without a license and failure to comply with the Vermont Consumer Fraud Act. See, Vermont Attorney General News & Announcements, *Debt Adjuster Sanctioned for Violating License and Consumer Laws* (October 13, 2009). Available at: <http://www.atg.state.vt.us/news/two-more-debt-settlement-companies-settle-consumer-claims.php>

Credit Collections Defense Network, and Illinois attorney, Robert K. Lock, Jr. were temporarily enjoined from settling consumers' debts until they complied with West Virginia Attorney General McGraw's investigation. See, West Virginia Attorney General Press Release, *Illinois Attorney Enjoined From Continuing Debt Settlement Business Until He Complies with Attorney General's Investigation* (April 1, 2009). Available at: <http://www.wvago.gov/press.cfm?ID=471&fx=more>

Credit Solutions of America of Texas a/k/a Credit Solutions, Inc.; Private Action filed in United States District Court, Northern District of Alabama alleging violation of Credit Repair Organizations Act, breach of contract, and fraud.. Appealed to the Court of Appeals, Eleventh Circuit. *Picard v. Credit Solutions, Inc.*, 564 F.3d 1249 (11<sup>th</sup> Cir. 2009)

Credit Solutions of America of Texas; In January 2008. Credit Solutions of America reached a settlement with the Idaho Department of Finance in which it agreed to pay \$588,000 in restitution to Idaho consumers for operating without a license. See, *Idaho Department of Finance Settles with Credit Solutions of America, Inc.* (January 15, 2008). Available at:  
<http://spokane.bbb.org/article/idaho-department-of-finance-settles-with-credit-solutions-of-america-inc-3086>

Credit Solutions of America of Texas; In September 2009, the Attorney General of Illinois filed a complaint against CSA seeking a permanent injunction barring the company from operating in Illinois and seeking restitution. See, Press Release, Illinois Attorney General, *Attorney General Madigan Continues Crackdown on Debt Settlement Industry* (Sep. 30, 2009). Available at:

[http://www.illinoisattorneygeneral.gov/pressroom/2009\\_09/20090930.html](http://www.illinoisattorneygeneral.gov/pressroom/2009_09/20090930.html)

Credit Solutions of America of Texas. A private action was brought against CSA alleging violations of state law, use of deceptive practices, and failure to register in Kansas. *Packard v. Credit Solutions of Am.*, No. 100,231 (Kan. Ct. App. July 31, 2009).

Credit Solutions of America of Texas; Private action filed in United States District Court, Western District of Michigan alleging violation of the Credit Repair Organization Act, fraudulent inducement to contract, violation of state law, breach of fiduciary duty, negligence, and unauthorized practice of law. *Rex v. CSA-Credit Solutions Of Am.*, 507 F.Supp. 2d 788 (W.D. Mich. 2007)

Credit Solutions of America of Texas; Sued by Missouri Attorney General for violating state laws regarding fees. See, *Missouri Sues Credit Solutions of America*,  
<http://stlouis.bizjournals.com/stlouis/stories/2009/06/01/daily19.html> (June 2, 2009).

Credit Solutions of America of Texas; Sued by New York Attorney General for fraudulent business practices and false advertising. See, New York Attorney General, *Attorney General Cuomo Sues Debt Settlement Companies for Deceiving and Harming Consumers* (May 19, 2009). Available at: [http://www.oag.state.ny.us/media\\_center/2009/may/may19b\\_09.html](http://www.oag.state.ny.us/media_center/2009/may/may19b_09.html)

Credit Solutions of America of Texas; Sued by Texas AG on March 26, 2009; Complaint available here: [http://www.oag.state.tx.us/newspubs/releases/2009/032509csa\\_op.pdf](http://www.oag.state.tx.us/newspubs/releases/2009/032509csa_op.pdf)

David Huffman d/b/a Freedom Group of San Diego, California; Reached a settlement agreement with the West Virginia Attorney General in which it agreed to permanently discontinue debt settlement and any other kinds of debt relief services in West Virginia and to refund charges and fees to West Virginia consumers. See, West Virginia Attorney General Press Release, *Attorney General McGraw Reaches Settlement with Four Debt Relief Companies for 366 Consumers* (May 16, 2007). Available at: <http://www.wvago.gov/press.cfm?ID=343&fx=more>

DebtORSolution of Louisville, Kentucky; On May 20, 2009, Texas Attorney General filed a lawsuit for unlawful misrepresentation. A copy of the complaint can be found here: [http://www.oag.state.tx.us/newspubs/releases/2009/052009debtsolution\\_pop.pdf](http://www.oag.state.tx.us/newspubs/releases/2009/052009debtsolution_pop.pdf)

Debt Relief Pros of San Diego, California; Private Action filed in Florida. *Cowart v. Debt Relief Pros, Inc.*, No. 05-CV-718 (M.D. Fla. settled Nov. 26, 2007).

Debt Relief USA of Addison, Texas; A settlement with the Georgia Attorney General over allegations that it violated Georgia's Debt Adjustment Act resulted in a settlement of \$527,205.55 in fees to 330 Georgians and the agreement that Debt Relief would cease operating in Georgia until it complied with state law. See, Georgia Governor's Office of Affairs, *Debt Relief USA to Pay Georgia Consumers Over \$500,000 in Refunds* March 18, 2009). Available at: [http://consumer.ga.gov/00/press/detail/0,2668,5426814\\_94800056\\_135944239,00.html](http://consumer.ga.gov/00/press/detail/0,2668,5426814_94800056_135944239,00.html)

Debt Relief USA of Addison, Texas; Illinois Attorney General filed a lawsuit alleging that Debt Relief used deceptive marketing practices, charged excess fees, and did little or nothing to improve customers' financial standing. See, Illinois Attorney General Press Release, *Attorney General Madigan Sues Two Debt Settlement Firms* (May 4, 2009). Available at: [http://www.illinoisattorneygeneral.gov/pressroom/2009\\_05/20090504.pdf](http://www.illinoisattorneygeneral.gov/pressroom/2009_05/20090504.pdf)

Debt Relief USA of Addison, Texas; Suit filed on August 18, 2009 by Texas Attorney General alleging that Debt Relief engaged in false, deceptive, and misleading acts; Copy of the complaint available at: [http://www.oag.state.tx.us/newspubs/releases/2009/081809debtrelief\\_pop.pdf](http://www.oag.state.tx.us/newspubs/releases/2009/081809debtrelief_pop.pdf)

Debt Relief of America of Texas; A settlement with the Colorado Attorney General resulted in a refund of \$20,201 to 22 Colorado consumers. The company failed to comply with the state law regarding program fees, cancellation rights, and cautionary disclosures. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling Regulations* (March 12, 2009). Available at: [http://http://www.ago.state.co.us/press\\_detail.cfm?pressID=957.html](http://http://www.ago.state.co.us/press_detail.cfm?pressID=957.html)

Debt Relief of America, L.P. of Dallas, Texas; Settlement agreement with the West Virginia Attorney General in which Debt Relief agreed to permanently discontinue debt settlement and any other kinds of debt relief services in West Virginia and to refund charges and fees to West Virginia consumers. See, West Virginia Attorney General Press Release, *Attorney General McGraw Reaches Settlement with Four Debt Relief Companies for 366 Consumers* (May 16, 2007). Available at: <http://www.wvago.gov/press.cfm?ID=343&fx=more>

Debt Relief of America, LP of Texas; Sued by South Carolina Department of Consumer Affairs. A Consent Order was entered requiring Debt Relief to cease soliciting SC consumers, issue refunds, and pay a \$3,000 fine. Statement available at:

[http://www.sccconsumer.gov/licensing/credit\\_counseling/06-alj-30-0671-cc.htm](http://www.sccconsumer.gov/licensing/credit_counseling/06-alj-30-0671-cc.htm)

Debt Remedy Solutions, LLC of Texas; On May 27, 2009, Debt Remedy Solutions reached a settlement with the Vermont Attorney General in which is agreed to refund over \$30,000 in fees to Vermont consumers and pay the State of Vermont \$30,000 to settle claims of operating without a license and otherwise violated Vermont Consumer Fraud Act. A copy of the press release may be found here:

<http://www.atg.state.vt.us/news/debt-settlement-company-settles-consumer-claims2.php>

Debt Settlement USA, Inc. of Arizona; A settlement with the Idaho Attorney General resulted in consumer refunds of \$111,240 for operating without a license. See, Idaho Department of Finance News Release, *Department of Finance Reaches Agreement with Out-of-State Debt Settlement Companies* (September 19, 2008). Available at:

<http://finance.idaho.gov/PR/2008/GSpressRelDebtStlmntCoSettlements9-08.pdf>

Debt Solutions, Inc. of Boca Raton, Florida; Sued by Washington Attorney General in August 2004 for high-pressure sales tactics and misleading pitches, which resulted in a settlement in which Debt Solutions agreed to pay \$250,000 in civil penalties; Sued AGAIN by the Attorney General and FTC in March 2006 seeking civil penalties and injunctions for violations of federal and state consumer protection laws and the national Do Not Call rule. See, Washington State Office of the Attorney General, *Attorney General, FTC File Lawsuit Against Debt Solutions* (March 21, 2006). Available at: <F:\State Enforcement Actions-FTC Comments\state laws, debt settlement\washington\Attorney General, FTC File Lawsuit Against Debt Solutions.mht>

Dennis Connelly, an Individual; Sued by FTC in September 2006; Founded or helped to found Homeland Financial Services, National Support Services, United Debt Recovery, and Freedom First Financial; Settled for \$45,000. Settlement Agreement available at:

<http://www.ftc.gov/os/caselist/0523091/070921nationalsupportservconnellystlmt.pdf>

DMB Financial of Massachusetts; A settlement with the Idaho Department of Finance resulted in consumer refunds of \$60,796 to Idaho consumers in reparation for operating without a license. See, Idaho Department of Finance, *Department of Finance Reaches Agreement with Out-of-State Debt Settlement Companies* (September 19, 2008). Available at:

<http://finance.idaho.gov/PR/2008/GSpressRelDebtStlmntCoSettlements9-08.pdf>

Edge Solutions, Inc. of New York; A private action alleging violations of violations of the Credit Repari Organizations Act and the New York General Business Law. *Cortese v. Edge Solutions, Inc.*, 2007 WL 2782760 (E.D.N.Y. 2007).

Emergency Debt Relief of Florida, Owned by Franklin and Joseph Valinho; Settlement in April 2006 with the Florida Attorney General in which they agreed to reimburse consumers \$230,000. Assurance of Voluntary Compliance available at:

[http://myfloridalegal.com/webfiles.nsf/WF/MRAY-6P8HTL/\\$file/EDR\\_AVG.pdf](http://myfloridalegal.com/webfiles.nsf/WF/MRAY-6P8HTL/$file/EDR_AVG.pdf)

Federal Debt Relief System of Hollywood, California; North Carolina Attorney General issued a cease and desist letter on July 1, 2009 ordering that the company stop violating North Carolina law. See, North Carolina Attorney General, Press Release *Cooper Joins National Crackdown on Scammers Getting Rich at Your Expense* (July 1, 2009). Available at:

<http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Cooper-joins-national-crackdown-on-scammers-gettin.aspx>

FH Financial Service of Texas; On May 20, 2009, Texas Attorney General filed a lawsuit for unlawful misrepresentation. A copy of the complaint can be found here:

[http://www.oag.state.tx.us/newspubs/releases/2009/052009lhfinancial\\_pop.pdf](http://www.oag.state.tx.us/newspubs/releases/2009/052009lhfinancial_pop.pdf)

Fidelity Debt Consultants, Inc. of Clearwater, Florida; Settlement agreement with the West Virginia Attorney General in which it agreed to permanently discontinue debt settlement and any other kinds of debt relief services in West Virginia and to refund charges and fees to West Virginia consumers. See, West Virginia Attorney General Press Release, *Attorney General McGraw Reaches Settlement with Four Debt Relief Companies for 366 Consumers* (May 16, 2007). Available at: <http://www.wvago.gov/press.cfm?ID=343&fx=more>

Financial Freedom Resources, Inc. of Florida; A settlement with the Colorado Attorney General resulted in a refund of \$7,858 to 10 Colorado consumers. The company failed to comply with the state's law regarding program fees, cancellation rights, and cautionary disclosures. It is no longer in business. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling Regulations* (March 12, 2009). Available at: [http://www.ago.state.co.us/press\\_detail.cfm?pressID=957.html](http://www.ago.state.co.us/press_detail.cfm?pressID=957.html)

Four Peaks Financial Services of Arizona; On May 20, 2009, Texas Attorney General filed a lawsuit for unlawful misrepresentation. A copy of the complaint can be found here:

[http://www.oag.state.tx.us/newspubs/releases/2009/052009fourpeaks\\_pop.pdf](http://www.oag.state.tx.us/newspubs/releases/2009/052009fourpeaks_pop.pdf)

Freedom Debt Relief, LLC, dba Freedom Debt, Freedom Debt Help, Freedom Debt Reduction, Freedom Debt Relief USA, Freedom Financial Network and Debt Resolution Partners of California; A settlement with the Colorado Attorney General resulted in a refund of \$509,582 to 558 Colorado consumers. It failed to comply with the state law on cancellation rights, cautionary disclosures, and advertising and was not registered when it contracted with Colorado residents. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under*

*New Debt-Management And Credit Counseling Regulations* (Mar. 12, 2009). Available at:  
[http://www.ago.state.co.us/press\\_detail.cfmpressID=957.html](http://www.ago.state.co.us/press_detail.cfmpressID=957.html)

Freedom First Financial LLC of Wyoming; Suit by FTC in September 2006;  
<http://www.ftc.gov/os/caselist/0523091/0523091.shtm>

Global Financial Group of Henderson, Nevada; North Carolina Attorney General issued a cease and desist letter on July 1, 2009 ordering that the company stop violating North Carolina law. See,

North Carolina Attorney General, Press Release *Cooper Joins National Crackdown on Scammers Getting Rich at Your Expense* (July 1, 2009). Available at:  
<http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Cooper-joins-national-crackdown-on-scammers-gettin.aspx>

Hess Kennedy/Consumer Law Group of Florida; In 2008, the North Carolina Attorney General sued Kennedy-Hess, alleging 220 North Carolina consumers had paid \$516,856.78 to Hess Kennedy without seeing results. The firm was put into receivership. *State of North Carolina v. Hess Kennedy Chartered, LLC et al.*, Superior Court of North Carolina, Wake County No. 08CV002310 (February 11, 2008).

Hess Kennedy of Florida: In February 2008, the Florida Attorney General filed suit against Hess Kennedy. Laura Hess and her affiliated companies were permanently barred from engaging in debt settlement and/or management in Florida. A copy of the complaint is available at:  
[http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GSH/\\$file/HessComplaint.pdf](http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GSH/$file/HessComplaint.pdf)

Homeland Financial Services of California; Suit brought by FTC in Sept. 2006; Receivership page here: <http://www.robbevans.com/html/homeland.html>

Joanne Garneau, an Individual doing business as Prosper Financial Solutions; Sued by FTC in Sept. 2006; <http://www.ftc.gov/os/caselist/0523091/060921cmp0523091.pdf>

Jubilee Financial Services of California; Banned from advertising, marketing, or providing debt negotiation services, as part of a Federal Trade Commission settlement entered by the U.S. District Court for the Central District of Los Angeles. See, Federal Trade Commission Press Release, *Jubilee Financial Services Defendants Banned from Providing Debt Negotiation Services* (August 29, 2003). Available at:  
<http://www.ftc.gov/opa/2003/08/jubilee.shtm>

Lawgistix, LLC of Miramar Beach, Florida; North Carolina Attorney General issued a cease and desist letter on July 1, 2009 ordering that the company stop violating North Carolina law. See, North Carolina Attorney General, Press Release *Cooper Joins National Crackdown on Scammers Getting Rich at Your Expense* (July 1, 2009). Available at:  
<http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Cooper-joins-national-crackdown-on-scammers-gettin.aspx>

Liberty Banc Mortgage Group, Inc. d/b/a Liberty Settlement Group of California; A settlement with the Vermont Attorney General resulted in a refund of approximately \$8,000 for four Vermont consumers for operating without a license and failure to comply with the Vermont Consumer Fraud Act. See, Vermont Attorney General News & Announcements, *Debt Adjuster Sanctioned for Violating License and Consumer Laws* (October 13, 2009). Available at: <http://www.atg.state.vt.us/news/two-more-debt-settlement-companies-settle-consumer-claims.php>

Morgan Drexen of California; In May 2009, the North Carolina Attorney General and Morgan Drexen entered into an Agreement of Voluntary Compliance in which Morgan Drexen would cease operating in North Carolina. See,  
<http://www.ftc.gov/os/2009/07/090701shortchangestate.pdf>

On July 21, 2009, the North Carolina State Bar issued a Letter of Caution to Cease and Desist to Morgan Drexen and a Letter of Caution to debt settlement attorney, Richard Mossler of Indiana. Available at: [http://www.ncbar.gov/programs/auth\\_notes.asp](http://www.ncbar.gov/programs/auth_notes.asp)

Morgan Drexen of California; Private class action filed on April 10, 2009 in the United States District Court for the Eastern District of Washington to enjoin unfair and deceptive business practices. *Bradley v. Morgan Drexen et al.*, No. CV-09-109-RHW.

National Support Services LLC of California; Suit brought by FTC in September 2006 with a settlement reached on September 25, 2008. See,  
<http://www.ftc.gov/os/caselist/0523091/0523091.shtm>

Nationwide Asset Services, Inc. of Arizona; Desist-and-refrain order issued by the California Department of Corporations on August 28, 2006: See,  
[http://www.corp.ca.gov/OLP/pdf/oah/N2005120755\\_2.pdf](http://www.corp.ca.gov/OLP/pdf/oah/N2005120755_2.pdf)

Nationwide Asset Services of Arizona; New York Attorney General obtained a court order barring Nationwide from doing business in New York unless it posted a \$500,000 performance bond and a \$198,100 civil penalty. The order also provided for restitution for 181 consumers who finished program but paid more in fees and settlements than amount of actual debt. See New York Attorney General, *Attorney General Cuomo Obtains Court Order Barring Debt Settlement Company that Ripped Off Thousands of NY Consumers from Operating in NYS Unless it Meets Strict Requirements* (October 15, 2009). Available at:  
[http://www.oag.state.ny.us/media\\_center/2009/oct/oct15b\\_09.html](http://www.oag.state.ny.us/media_center/2009/oct/oct15b_09.html)

New Beginnings Debt Settlement, LLC of Florida; A settlement with the Colorado Attorney General resulted in a refund of \$110,000 to 86 Colorado consumers. It failed to comply with state law regarding program fees, cancellation rights, cautionary disclosures, and advertising and was not registered at the time it contracted with Colorado residents. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling Regulations* (Mar. 12, 2009). Available at:

[http://www.ago.state.co.us/press\\_detail.cfm?pressID=957.html](http://www.ago.state.co.us/press_detail.cfm?pressID=957.html)

New Horizons Debt Relief of Aliso Viejo, California; Settlement with the West Virginia Attorney General in which it agreed to permanently discontinue debt settlement and any other kinds of debt relief services in West Virginia and to refund all fees and West Virginia consumers. See, West Virginia Attorney General Press Release, *Attorney General McGraw Reaches Settlement with Four Debt Relief Companies for 366 Consumers* (May 16, 2007). Available at: <http://www.wvago.gov/press.cfm?ID=343&fx=more>

New Leaf Associates, LLC of Florida; Thomas Spiller dba Quantum Business Consultants of Florida, \$320,000 settlement reached with Florida Attorney General. Complaint at: [http://myfloridalegal.com/webfiles.nsf/WF/MRAY-6E3JUF/\\$file/NewLeafComplaint.pdf](http://myfloridalegal.com/webfiles.nsf/WF/MRAY-6E3JUF/$file/NewLeafComplaint.pdf)

New Life Debt Relief Corp. of California; A settlement with the Colorado Attorney General resulted in a refund of \$36,000 to 14 Colorado consumers. It failed to comply with state law regarding program fees, cancellation rights, and cautionary disclosures and was not registered at the time it contracted with Colorado residents. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling Regulations* (Mar. 12, 2009). Available at:

[http://www.ago.state.co.us/press\\_detail.cfm?pressID=957.html](http://www.ago.state.co.us/press_detail.cfm?pressID=957.html)

No More Mortgage of Orem, Utah; North Carolina Attorney General issued a cease and desist letter on July 1, 2009 ordering that the company stop violating North Carolina law. See, North Carolina Attorney General, Press Release *Cooper Joins National Crackdown on Scammers Getting Rich at Your Expense* (July 1, 2009). Available at: <http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Cooper-joins-national-crackdown-on-scammers-gettin.aspx>

Pacific Consolidation Services Inc. of Washington; Settlement with the FTC and Washington Attorney General in which Pacific Consolidation and its owners, Kenneth Schwartz and Jennifer Whalen, are permanently barred from engaging in any debt negotiation business. See, Washington State Office of the Attorney General, *'Debt Elimination' Defendants Settle FTC, AG Charges* (May 23, 2007). Available at: <http://www.atg.wa.gov/pressrelease.aspx?id=15298>

Paradigm Financial and Investments, Inc. of Fullerton, California; North Carolina Attorney General issued a cease and desist letter on July 1, 2009 ordering that the company stop violating North Carolina law. See, North Carolina Attorney General, Press Release *Cooper Joins National Crackdown on Scammers Getting Rich at Your Expense* (July 1, 2009). Available at: <http://www.ncdoj.gov/News-and-Alerts/News-Releases-and-Advisories/Press-Releases/Cooper-joins-national-crackdown-on-scammers-gettin.aspx>

PDL Assistance, Inc. dba PDL Eliminators of Alabama; A settlement with the Colorado Attorney General resulted in a refund of \$5,825 to 12 Colorado consumers. It failed to comply with state law regarding program fees, cancellation rights, cautionary disclosures, and

advertising. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling Regulations* (Mar. 12, 2009). Available at:  
[http://www.ago.state.co.us/press\\_detail.cfmpressID=957.html](http://www.ago.state.co.us/press_detail.cfmpressID=957.html)

Pemper Companies, Inc. dba Curadebt, Curadebt Systems and Banks, Schwarz & Levitz of California; A settlement with the Colorado Attorney General resulted in a refund of \$4,075 to four Colorado consumers. It failed to comply with state law regarding program fees, cancellation rights, cautionary disclosures, and advertising and was not registered when it contracted with Colorado residents. See, Colorado Attorney General Press Release, *Eleven Companies Settle With The State Under New Debt-Management And Credit Counseling Regulations* (Mar. 12, 2009). Available at:

[http://www.ago.state.co.us/press\\_detail.cfmpressID=957.html](http://www.ago.state.co.us/press_detail.cfmpressID=957.html)

Provident Financial Services, Inc., of Florida also known as Future Financial Direct, Inc. Provident was allegedly failing to negotiate, reduce, and consolidate consumer's debt as promised. Litigation is ongoing against the company's principal owners, Curtis Wood and Ryan Boyd. Florida AG obtained a default judgment in July. Slip Copy, Slip Copy, 2009 WL 3049868; Press Release here:

<http://myfloridalegal.com/newsrel.nsf/newsreleases/BD3AB29E6DDAF150852574E3004DFACD>

Richard Wade Torkelson, an Individual; Sued by FTC in Sept. 2006; Founded or helped to found Homeland Financial Services, National Support Services, and United Debt Recovery LLC. Settled for \$65,000. <http://www.ftc.gov/os/caselist/0523091/060921cmp0523091.pdf>

Rise Above Debt Relief, LLC of Tempe, Arizona; Private Action filed in United States District Court, District of Kansas. *Yunker v. Rise Above Debt Relief*, No. CV-1204-01-JTM-KMH (D. Kan. filed June 30, 2009).

SDS West Corporation of Aliso Viejo, California; Illinois Attorney General filed a lawsuit alleging that SDS West, along with its business partner, Nationwide Support Services of California, used deceptive marketing practices, charged excess fees, and did little or nothing to improve customers' financial standing. See, Illinois Attorney General Press Release, *Attorney General Madigan Sues Two Debt Settlement Firms* (May 4, 2009). Available at:  
[http://www.illinoisattorneygeneral.gov/pressroom/2009\\_05/20090504.pdf](http://www.illinoisattorneygeneral.gov/pressroom/2009_05/20090504.pdf)

United Debt Recovery LLC of Nevada; Action brought by FTC Sept. 2006. See,  
<http://www.ftc.gov/os/caselist/0523091/0523091.shtm>

United Debt Specialists, Inc. of Florida and United Debt Solutions, Inc. of Florida; Complaint filed in Circuit Court of the Fourth Judicial Circuit in and for Clay County, Florida: *State of Florida, Office of the Attorney General v. John J. Hacker and Christa L. Caparella*; Press Release at

<http://www.myfloridalegal.com/newsrel.nsf/newsreleases/88F8CB5271C651A1852573F600713592>; Complaint at  
[http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GRC/\\$file/HackerandCaparellaComplaint.pdf](http://myfloridalegal.com/webfiles.nsf/WF/MRAY-7C2GRC/$file/HackerandCaparellaComplaint.pdf)

Universal Nationwide LLC, doing business as Universal Debt Reduction of Sacramento, California; Desist-and-refrain order issued by the California Department of Corporations on August 28, 2006. See, [http://www.corp.ca.gov/OLP/pdf/oah/N2005120755\\_2.pdf](http://www.corp.ca.gov/OLP/pdf/oah/N2005120755_2.pdf)

USA Debt Co, LLC of Wyoming; Action brought by FTC Sept. 2006; See  
<http://www.ftc.gov/os/caselist/0523091/0523091.shtm>

U.S. Financial Management, Inc. of California; Forced to comply with Commissioner's subpoena. *People ex rel. DuFauchard v. U.S. Financial Management, Inc.*, 169 Cal.App.4th 1502, 87 Cal.Rptr.3d 615 (Cal.App. 4 Dist., 2009). Engaged in prorating without a license, and violation of Telemarketing Sales Rule U.S. district court judge has issued a temporary restraining order barring the defendants' illegal activities. See, May 5, 2004 FTC release:  
<http://www.ftc.gov/opa/2004/05/ncc.shtm>