

<p>DISTRICT COURT, CITY AND COUNTY OF DENVER, COLORADO</p> <p>1437 Bannock Street Denver, CO 80202</p> <hr/> <p>STATE OF COLORADO <i>ex rel.</i> JOHN W. SUTHERS, ATTORNEY GENERAL FOR THE STATE OF COLORADO, and LAURA E. UDIS, ADMINISTRATOR, UNIFORM CONSUMER CREDIT CODE,</p> <p>Plaintiffs,</p> <p>v.</p> <p>VERACITY CREDIT CONSULTANTS, LLC,</p> <p>Defendant.</p>	<p style="text-align: center;">▲ COURT USE ONLY ▲</p>
<p>JOHN W. SUTHERS Attorney General JEANINE M. ANDERSON, Atty. Reg. No. 28206* Senior Assistant Attorney General 1525 Sherman Street, 7th Floor Denver, CO 80203</p> <p>Phone Number: 303-866-2030 FAX Number: 303-866-5474</p> <p>*Counsel of Record</p>	<p>Case No.: 2010CV934</p> <p>Courtroom: 275</p>
<p>CONSENT DECREE</p>	

Plaintiffs, the State of Colorado *ex rel.* John W. Suthers, Attorney General for the State of Colorado, and Laura E. Udis, Administrator of the Colorado Uniform Consumer Credit Code (together, the “State”), and Defendant Veracity Credit Consultants, LLC (“Defendant” or “Veracity”), by and through respective counsel, hereby consent to the entry of final judgment in this matter, as embodied in this Consent Decree, to resolve fully and finally the claims and issues between the State and Veracity, without trial or hearing, and to avoid the additional time and expense associated with continuing litigation.

The Court, having considered this matter and being otherwise fully advised in the premises,

DOES HEREBY FIND, CONCLUDE, ORDER, DECREE, AND ADJUDGE as follows:

I. JURISDICTION AND VENUE

1. The District Court, City and County of Denver, Colorado, has jurisdiction over the parties and subject matter of this action.

2. The State's First Amended Complaint (the "Complaint"), dated June 8, 2010, states claims against Veracity pursuant to the Colorado Credit Services Organization Act (the "CCSOA"), the federal Credit Repair Organizations Act (the "CROA"), and the Colorado Consumer Protection Act (the "CCPA").

3. Venue is proper in the City and County of Denver, Colorado.

II. ADMISSIONS

Defendant admits the following:

4. By this action, the State seeks to enjoin Defendant from providing credit repair services to Colorado residents in violation of the CCSOA, the CROA, and the CCPA. Pursuant to these statutes, the State also seeks other appropriate relief, including consumer restitution, penalties, and costs and attorneys' fees.

5. This Consent Decree is for settlement purposes only, and does not constitute and shall not be interpreted to constitute an admission by Veracity or a finding that the law has been violated as alleged in the Complaint, or the facts as alleged in the Complaint are true, other than the jurisdictional facts as set forth in Paragraph 4 above.

Parties

6. John W. Suthers is the duly elected Attorney General of the State of Colorado. He is authorized under C.R.S. § 6-1-103 to enforce the CCPA by bringing civil actions against those that engage in deceptive trade practices. In such actions, the State may seek injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. §§ 6-1-110, 6-1-112, and 6-1-113. In addition, as the chief law enforcement officer of the State, Suthers is authorized under 15 U.S.C. § 1679h(c)(1) to enforce the CROA by bringing civil actions against those that violate the act. In such actions, the Attorney General may seek injunctive relief, consumer restitution, disgorgement, civil penalties, damages, punitive damages, and attorneys' fees and costs. 15 U.S.C. § 1679g.

7. Laura E. Udis ("Udis") is the Administrator of the Uniform Consumer Credit Code. She is authorized under C.R.S. § 12-14.5-110(2) to enforce the CCSOA by bringing civil actions against those that violate the act. In such actions, the Administrator may seek injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. § 12-14.5-110, 12-14.5-111, and 12-14.5-113.

8. Defendant Veracity is a Colorado limited liability company with its office and principal place of business located at 110 16th Street, Suite 1000, Denver, CO 80202. Veracity is a "credit services" and "credit repair" organization under C.R.S. § 12-14.5-103 and 15 U.S.C. § 1679a.

Release of Claims

9. The State acknowledges by its execution hereof that this Consent Judgment constitutes a complete settlement and release of all claims on behalf of the State of Colorado ex

rel. John W. Suthers, Attorney General for the State of Colorado, and Laura E. Udis, Administrator of the Colorado Uniform Consumer Credit Code (together, the “State”) against Defendant Veracity Credit Consultants, LLC, a Colorado limited liability company, its owners, employees, former employees, representatives, contractors and agents, (hereinafter referred to collectively as the “Defendant,” or “Veracity”) with respect to all claims, causes of action, damages, fines, costs, and penalties which were asserted or could have been asserted prior to the this date under the above-cited consumer protection and consumer credit statues and relating to or based upon the acts or practices which are the subject of the First Amended Complaint filed in this action on June 8, 2011. The State agrees that it shall not proceed with or institute any civil action or proceeding based upon the above-cited consumer protection and consumer credit statues against the Defendant, including but not limited to an action or proceeding seeking restitution, injunctive relief, fines, penalties, attorneys’ fees, or costs, for any communication disseminated prior to this date which relates to the subject matter of the First Amended Complaint filed in this action or for any conduct or practice prior to the date which relates to the subject matter of the First Amended Complaint filed in this action. Notwithstanding the foregoing, the State may institute an action or proceeding to enforce the terms and provisions of this Consent Decree or to take action based on future conduct by the Defendant. Defendant is entering into this Consent Judgment to resolve the First Amended Complaint filed by the Colorado Attorney General.

Background

10. The State brought this action against Veracity alleging, among other things, that Veracity was providing credit-repair services to residents of Colorado in violation of the CCSOA and the CROA. In particular, the State alleged that:

- (a) Veracity charged fees prior to full and complete performance of the services it agreed to perform, in violation of C.R.S. § 12-14.5-104(1) and 15 U.S.C. § 1679b(b);
- (b) Veracity failed to provide a complete and detailed description of services to be performed, including the total amount the consumer would have to pay, or become obligated to pay, for services, in violation of C.R.S. §§ 12-14.5-106 and 12-14.5-107 ;
- (c) Veracity’s client services agreement failed to contain information required by C.R.S. § 12-14.5-108 and 15 U.S.C. § 1679d(b);
- (d) Veracity’s client services agreement required consumers to waive their right to litigate claims, in violation of C.R.S. § 12-14.5-109 and 15 U.S.C. § 1679f;
- (e) Veracity made untrue or misleading representations regarding its services, in violation of 15 U.S.C. § 1679b(a)(3);
- (f) Veracity provided services to consumers before it had a signed and dated client services agreement and before the rescission period had expired, in violation of 15 U.S.C. § 1679d(a); and

(g) Veracity's contract did not provide the notice of "Rights Under Colorado and Federal Law" disclosure in at least ten point type, in violation of C.R.S. § 12-14.5-107(1)(a).

10. The State further alleged that Defendants' business practices violated various requirements of the CCPA. In particular, the State alleged that Veracity made misleading and untrue statements concerning average credit score increases and average lengths of time for its customers to qualify for mortgages, in violation of C.R.S. §§ 6-1-105(1)(e) and 6-1-105(1)(u).

III. INJUNCTIVE RELIEF

11. Veracity, and its officers, agents, servants, employees, affiliates, subsidiaries, heirs, successors, and assigns, as well as all other persons, corporations, associations, or other entities acting by, through, on behalf of, or in active concert or participation with Veracity, who have actual or constructive notice of this Consent Decree, shall be permanently enjoined from committing, and shall not in the future commit, any violations of the CROA, the CCSOA, or the CCPA, as they may be amended, either legislatively or by judicial interpretation by a court of competent jurisdiction and shall fully comply with the CROA, the CCSOA, and CCPA, and as they may be amended, either legislatively or by judicial interpretation by a court of competent jurisdiction, as detailed below.

IV. MONETARY RELIEF

12. Pursuant to C.R.S. §§ 12-14.5-210 and 6-1-113 and 15 U.S.C. § 1679g, judgment shall be entered in the State's favor, and against Veracity in the amount of \$4,491,091, to be held by the Colorado Attorney General in trust for payment of restitution to Colorado consumers.

13. Veracity has provided a sworn financial statement to the State. In reliance on the information contained in that statement, the State agrees that \$4,091,091 of the \$4,491,091 judgment against Veracity shall be suspended so long as it pays the sum of \$400,000 to the State in full, strict, and complete compliance with the following terms:

(a) Veracity shall pay \$50,000 no later than the 90th day after the Consent Decree is entered by the Court.

(b) Defendants shall pay the remaining \$350,000 in 35 monthly installments of \$10,000. The first monthly installment shall be paid on or before the one month anniversary from the date the initial \$50,000 payment is due, and each successive installment shall be paid on or before each subsequent monthly anniversary.

All such payments shall be deemed paid upon the State's receipt of the payment, and only upon such receipt. All such payments shall be made payable to the "Administrator of the Uniform Consumer Credit Code" to be held along with any interest thereon in trust to be used at the sole discretion of the Administrator of the Uniform Consumer Credit Code for consumer restitution, to reimburse the State for its reasonable costs and attorneys' fees, and for future consumer credit education and enforcement actions. Payments shall be delivered to Administrator, Uniform Consumer Credit Code, 1525 Sherman St., 7th Fl., Denver, CO 80203. In the event Veracity fails to pay the \$400,000, or any payment thereof, when due, in full, strict, and complete compliance

with the foregoing, then, upon the State's written notice to Veracity and the Court of such failure, subject to a 10-day opportunity to cure, the suspension of the \$4,091,091 portion of the judgment shall be immediately vacated and judgment shall enter forthwith against Veracity, and it hereby consents to such entry, for the full \$4,491,091 or portion thereof then remaining due and owing.

14. Due to the public interest nature of the State's claims in this matter, Veracity hereby agrees and stipulates that the monetary obligation imposed hereunder shall be considered a debt for a fine, penalty, or forfeiture, payable to and for the benefit of a governmental unit, and not compensation for actual pecuniary loss.

15. In the event Veracity files a petition for bankruptcy within one hundred days of its payments to the State and if the State must return any portion of the money it has collected pursuant to this Consent Decree to the bankruptcy estate, then a judgment shall enter against Veracity for \$4,491,091 in favor of the State.

V. NON-MONETARY RELIEF

16. Veracity shall comply with all provisions of the CCSOA and CROA and shall comply with the following provisions as they apply the Veracity's Client Services Agreement, disclosures, and general business practices :

- (a) Veracity's Notice of Cancellation shall include the statement "fifth working day after the date of the transaction," pursuant to C.R.S. § 12-14.5-108(1)(a).
- (b) Veracity's contract shall include the total of all payments to be made by the buyer, pursuant to C.R.S. § 12-14.5-108(1)(b).
- (c) Veracity's Notice of Cancellation shall include the statement "You may cancel this contract, without any penalty or obligation, within five (5) working days from the date the contract is signed," and the statement "If you cancel any payment made by you under this contract, it will be returned within ten (10) days following receipt by the seller of your cancellation notice," pursuant to C.R.S. § 12-14.5-108(2).
- (d) Veracity's contract shall provide the buyer with a statement in writing, before execution of the contract, containing all the information required by C.R.S. § 12-14.5-107, pursuant to C.R.S. § 12-14.5-106.
- (e) Veracity's contract shall provide the notice of "Rights Under Colorado and Federal Law" disclosure in at least ten-point type, pursuant to C.R.S. § 12-14.5-107(1)(a).
- (f) Veracity's contract shall provide a detailed description of the total amount the buyer will have to pay, or become obligated to pay, for the services, pursuant to C.R.S. § 12-14.5-107(1)(b) and 15 U.S.C. § 1679d(b).
- (g) Veracity's contract shall not require the buyer to resolve any claim or dispute by binding arbitration, pursuant to C.R.S. § 12-14.5-109(1) and 15 U.S.C. § 1679f.

- (h) Veracity's contract shall not require the buyer to waive the consumer's right to a jury trial, pursuant to C.R.S. § 12-14.5-109(1).
- (i) Veracity shall not begin services before it has an executed agreement with a buyer and the rescission period has expired, pursuant to 15 U.S.C. § 1679d(a).
- (j) Veracity shall annex a copy of the buyer's current credit report with the adverse entries and proposed modifications clearly marked, and shall provide an estimated length of time for performing the services it has agreed to perform, pursuant to C.R.S. § 12-14.5-108(c).
- (k) Veracity shall not charge a buyer before it has completed the services which it has agreed to perform for the buyer, pursuant to C.R.S. § 12-14.5-104(1) and 15 U.S.C. § 1679b(b).

Veracity shall provide the State with revised versions of its contracts and disclosures that comply with the CCSOA and the CROA within 30 days of the date on which the Court enters this Consent Decree. Within 10 days of the date on which the State receives the revised contracts and disclosures, the State will review Veracity's revised contracts and disclosures to determine whether the contracts and disclosures comply with the statutorily-mandated language and notify Veracity, in writing, of any deficiencies. Veracity then will have 10 days within which to make any required corrections.

17. Veracity shall not make misleading and untrue statements, including any misleading and untrue statements as to average credit score increases and average lengths of time for its customers to qualify for mortgages.

18. The Court will vacate or otherwise withdraw its April 14, 2011 Order Re: Plaintiffs' Motion for Partial Summary Judgment, in accordance with the Joint Motion to Withdraw Order Re: Plaintiffs' Motion for Partial Summary Judgment filed contemporaneously herewith.

VI. MISCELLANEOUS

19. It is the intent and purpose of this Consent Decree to resolve fully and finally the issues between the State and Veracity raised and alleged in this action, and only those issues. The omission from the Complaint or this Consent Decree of other acts, conduct, or transactions, which might constitute other violations of the CCSOA, the CROA, or CCPA, shall not be deemed approval by the State of such acts, conduct, or transactions.

20. This Consent Decree shall in no way limit, constrain, abridge, abrogate, waive, release, or otherwise prejudice the right of any consumer to bring any private action under the law.

21. This Consent Decree shall not be modified except in a writing signed by the parties or their authorized representatives and approved and entered by the Court.

22. This Consent Decree shall be governed by Colorado law without regard to choice of law rules. As with the CCSOA, the CROA, and CCPA, it shall be liberally construed in the State's favor and strictly construed against Veracity, who shall comply fully, completely, and strictly with all of its terms and provisions.

23. Any claims or causes of actions arising out of or based upon this Consent Decree shall be commenced in the District Court for the City and County of Denver, Colorado, and Defendants hereby consent to the jurisdiction, venue, and process of such Court. In the event of any such action or proceeding alleging or asserting a violation of or failure to comply with this Consent Decree, this Consent Decree shall be admissible in full.

24. This Court shall retain jurisdiction over this matter for the purpose of enabling any party to it to apply to the Court at any time for such further orders as may be necessary or appropriate for the construction, execution, or enforcement of, or compliance with or punishment for violations of, this Consent Decree.

25. Except as otherwise provided herein, each party shall bear its own costs and attorneys' fees in connection with this matter.

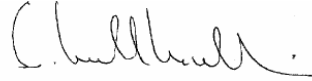
26. Veracity has had the opportunity to be represented by legal counsel and to consult with counsel for the State to negotiate a resolution of this matter. Veracity knowingly and voluntarily enters into this Consent Decree and waives any right to a formal hearing on the matters forming the basis of this Consent Decree and any right to appeal herefrom.

27. This Consent Decree represents the entire agreement between the parties hereto and a complete merger of prior negotiations and agreements, and is binding upon all officers, directors, employees, shareholders, managers, members, principals, heirs, agents, affiliates, successors, or assigns of the parties.

28. On the date this Consent Decree is signed by the Court, it shall be entered as and become a final judgment of the Court and such date shall be the Effective Date of this Consent Decree for all purposes hereunder.

SO ORDERED, ADJUDGED, and DECREED this 15th day of November, 2011.

By the Court:



R. MICHAEL MULLINS
District Court Judge

Administrator
Uniform Consumer Credit Code

Veracity Credit Consultants, LLC

By: s/ Laura E. Udis
LAURA E. UDIS

By: s/ Justin L. Yurek
JUSTIN L. YUREK

APPROVED AS TO FORM:

On behalf of Plaintiffs

On behalf of Defendant

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