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**STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
DIVISION OF MORTGAGE LENDING**

In re:  
CM Capital Services, LLC fka  
Consolidated Mortgage Company, LLC  
Respondent.

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**STIPULATED SETTLEMENT AGREEMENT**

The licensing and regulation of mortgage brokers, mortgage bankers and escrow agencies in the State of Nevada is governed by Chapter 645B, Chapter 645E and Chapter 645A of the Nevada Revised Statutes (hereinafter "NRS"), respectively, and the regulations promulgated thereunder. The State of Nevada, Department of Business and Industry, Division of Mortgage Lending (hereinafter the "Division") has the general duty to exercise supervision and control over mortgage brokers, mortgage bankers and escrow agencies pursuant to these chapters. Pursuant to that authority, the Division hereby enters into the following Stipulated Settlement Agreement (hereinafter "Agreement") with CM Capital Services, LLC formerly known as Consolidated Mortgage Company, LLC (hereinafter the "Respondent") as follows:

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**RECITALS**

WHEREAS, Respondent is a Nevada limited liability company. Currently, Respondent's status with the Nevada Secretary of State is "active."

WHEREAS, Respondent was first registered with the Financial Institutions Division in 1977 and was subsequently licensed by the Division as a mortgage broker (License No. 284), pursuant to Chapter 645B of NRS. At all relevant times herein mentioned, Respondent operated and continues to operate within the State of Nevada as a licensed mortgage broker

1 and the Division classifies Respondent's license as "active".

2 WHEREAS, at all relevant times herein mentioned, Respondent conducted mortgage  
3 broker activity out of its licensed office located at 1291 Galleria Drive, Suite 220, Henderson,  
4 Nevada 89014.

5 WHEREAS, pursuant to NRS 645B.060, and with limited exceptions, the Division is  
6 charged with conducting "...such other examinations, periodic or special audits, investigations  
7 and hearings as may be necessary and proper for the efficient administration of the laws of this  
8 State regarding mortgage brokers and mortgage agents..." See, NRS 645B.060(2)(d).

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10 WHEREAS, pursuant to NRS 645B.060, the Division conducted a regularly scheduled  
11 examination of Respondent's books and records commencing in January 2009 and in which  
12 several prior complaints received against Respondent were reviewed.

13 WHEREAS, pursuant to NRS 645B.670 as it existed at the time of most of the  
14 violations noted herein, and with limited exceptions, "(f)or each violation committed by a  
15 mortgage broker, the Commissioner may impose upon the mortgage broker an administrative  
16 penalty of not more than \$10,000, may suspend, revoke or place conditions upon his license,  
17 or may do both, if the mortgage broker...(d)oes not conduct his business in accordance with  
18 law or has violated any provision of this chapter, a regulation adopted pursuant to this chapter  
19 or an order of the Commissioner...." See, NRS 645B.670(2)(c). (The administrative penalty  
20 provisions were raised to \$25,000 upon enactment of Assembly Bill 523 of the 2009 (75<sup>th</sup>)  
21 Legislative session.)

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23 WHEREAS, after settlement negotiations, the Division and Respondent (collectively,  
24 the "Parties") wish to resolve the issues arising out of the January 2009 examination without  
25 the necessity of the filing of a complaint for a formal hearing.

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27 NOW, THEREFORE, in consideration of the representations, covenants and conditions  
28 set forth herein, IT IS HEREBY STIPULATED AND AGREED by the Parties that the purported

1 violations of NRS discovered during the January 2009 examination shall be settled on the  
2 following terms and conditions:

3 LICENSURE CONDITIONS

4 1. Respondent shall not make or arrange any unfunded equity loan. For purposes of  
5 this Agreement, an 'unfunded equity loan' is a mortgage loan that is not fully funded with  
6 money at the time of disbursement of the loan proceeds to the debtor, pursuant to NRS  
7 645B.175 (3)(a), which states in relevant part: "All money received by a mortgage broker and  
8 his or her mortgage agents from an investor to acquire ownership of or a beneficial interest in  
9 a loan secured by a lien on real property must not be released to the debtor or the debtor's  
10 designee unless the amount released is equal to the total amount of money which is being  
11 loaned to the debtor for that loan, less the amount due the mortgage broker for the payment of  
12 any fee or service charge."  
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14 Respondent shall not place a debtor in a loan as an investor unless the debtor has fully  
15 funded his investment position with money.

16 2. Unless otherwise permitted by NRS 645B.340, Respondent's loan documents must  
17 include the requirements that Respondent obtain the vote of 51% of the holders of the  
18 beneficial interests in its loans for actions requiring the investors' direction or approval.  
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20 Respondent shall obtain the written vote of investors when a vote is required by its  
21 documents, and keep and maintain complete written records of all votes taken. Respondent  
22 shall provide an accounting of any vote taken upon the written request of an investor.

23 3. Respondent shall not release moneys out of a construction control account except  
24 upon the written consent of the debtor. Such consent may be included within the written  
25 construction control agreement, promissory note or other document executed by the borrower.  
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27 Respondent agrees that moneys in a construction control account are moneys  
28 belonging to the debtor, and such moneys shall only be released in accordance with the

1 construction control agreement or other documents executed by the debtor. Respondent shall  
2 not release moneys from a construction control account to persons who do not have  
3 contractual or legal rights to receive those moneys.

4 In the event the documents executed by the debtor permit the Respondent to release  
5 moneys from the construction control account to the Respondent in event of the debtor's  
6 default, Respondent agrees that the moneys so released shall be placed into the investors'  
7 collection trust accounts as moneys belonging to the investors; provided, however, that any  
8 investor may agree in writing that his or her portion of such moneys can be released directly  
9 into Respondent's general operating account in order to reimburse Respondent for costs  
10 incurred on behalf of such investor or to cover the anticipated costs relating to the default,  
11 including foreclosure fees and costs. Respondent shall keep accurate records of all moneys  
12 released from construction control accounts and all consents given by investors to release  
13 such moneys directly into Respondent's general operating account.

15 Respondent agrees that moneys in an interest reserve account are moneys belonging  
16 to the investors for the particular loan for which they are held. Respondent shall only release  
17 moneys from an interest reserve account to the investor to whom the moneys are owed in  
18 such loan unless the investor waives in writing his right to receive such moneys or otherwise  
19 gives written permission to Respondent to release such moneys to another person, including  
20 Respondent.

22 Respondent shall not utilize any power of attorney provided by an investor, or act as an  
23 attorney-in-fact for any investor, for the purpose of obtaining the written waiver of an investor  
24 or written permission given by an investor pursuant to this subsection 3.

25 4. Respondent shall not utilize a fact sheet or other material that advertises or solicits  
26 for investments that contain any materially inaccurate or misleading information, or fails to  
27 include material information and will not make any untrue statement of material fact and/or  
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1 omit to state material facts which are necessary for investors to make proper investment  
2 decisions.

3 In all advertisements directed to potential investors, including print and electronic  
4 media, Respondent will disclose its full name, address and telephone number on the face of  
5 the advertising materials or, in the case of electronic media, either displayed on the face of  
6 such media or on a "disclaimer" link thereon. Respondent will not utilize any 'infomercial,'  
7 'wealth building' program or other similar form of media marketing that does not specifically  
8 disclose the foregoing and that it is a program sponsored by Respondent; and in the case of  
9 electronic media, the disclosure shall be on the face of the material or disclosed on a  
10 "disclaimer" link located thereon. In any telemarketing directed to potential investors by  
11 Respondent, Respondent shall disclose its full name, address, and telephone number.  
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13 Respondent will establish on its website, or otherwise distribute to each of Respondent's  
14 investors, a newsletter or other document or information that provides a status report for each  
15 loan transaction made or arranged by Respondent for that investor that has not been paid off or  
16 the obligation otherwise satisfied. Such newsletter or other document shall be updated and  
17 posted or distributed no less frequently than monthly. Respondent may require that an investor  
18 obtain a password or other means for logging in to such investor's personal account in order to  
19 obtain the information required herein.  
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21 Respondent will promptly respond to investor telephone calls or written communications or  
22 inquiries upon the receipt thereof. In the event Respondent cannot adequately answer or resolve  
23 the investor's issue at the time of its initial response, Respondent must advise the investor thereof  
24 and resolve the issue within a reasonable time period thereafter or give a written statement of  
25 why such issue cannot be fully resolved.  
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27 5. Respondent shall provide a disclosure and authorization form to each investor to  
28 determine if such investor wishes his or her name, address, telephone number and email

1 address, as applicable ("Identifying Information"), shared with other investors. Respondent shall  
2 share such identifying information between those investors who authorize such sharing.  
3 Otherwise Respondent shall have no obligation to disclose the Identifying Information of any  
4 investor to other investors except as otherwise may be required by law.

5 6. Respondent shall neither request nor accept from any investor a waiver of any  
6 disclosure required by this Agreement.

7 7. Respondent agrees to submit to the Division no later than February 28, 2011 a  
8 financial statement providing evidence of solvency and which has been prepared by an  
9 independent public accountant who holds a permit to engage in the practice of public accounting  
10 in Nevada.  
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#### 12 LIMITED LIABILITY COMPANIES (LLC'S)

13 In order to assist members of LLC's that are managed by Respondent:

14 a. Promptly upon the Division's execution of this Agreement, Respondent shall offer to  
15 resign as the manager of every LLC that owns properties taken back from debtors through  
16 foreclosure or a deed in lieu of foreclosure or similar proceeding and in which Respondent (or  
17 an affiliate or affiliates of Respondent) does not own more than 50% of the membership  
18 interests in the LLC. Said resignation shall not become effective, however, until Respondent is  
19 notified in writing of the name, address, telephone number and email address of a new  
20 manager appointed by the remaining members of the LLC. Respondent shall be entitled to  
21 conclusively rely on the certification of the new manager regarding any vote to change  
22 managers and such new manager's appointment as manager of the LLC.  
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24 b. Respondent shall not intentionally interfere with any vote undertaken by the  
25 remaining members of the LLC in their selection of a new manager. Respondent agrees to  
26 assist in the orderly and timely transfer of management duties, including the delivery to the  
27 successor manager of all applicable documents related thereto and to the LLC, without a  
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1 transfer charge to the new manager or members, and as reasonably instructed to do so in  
2 writing by the successor manager.

3 c. Regardless of whether or not Respondent (or an affiliate or affiliates of Respondent)  
4 owns more than 50% of the membership interests in the LLC, upon the Division's execution of  
5 this Agreement, Respondent waives any:

6 (i) Mandatory arbitration provision contained in its LLC operating agreements,  
7 whether or not Respondent is the manager thereof.

8 d. Upon the transfer to a new manager of an LLC, Respondent shall provide such  
9 information in Respondent's control or possession to any manager of such an LLC in order to  
10 assist any member in preparing letters to appropriate taxing authorities regarding outstanding  
11 tax matters such as determining loss for tax purposes. Respondent shall provide such  
12 information without charge.  
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14 e. Respondent shall neither maintain nor place LLC moneys into its general operating  
15 account, but shall instead deposit such moneys into a separate account for those LLC's that it  
16 manages. The vesting of such account(s) shall be in a manner that provides each LLC with  
17 the maximum amount of federal deposit insurance for which it qualifies.  
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#### 19 PENALTY

20 1. Respondent shall, pursuant to NRS 645B.670 and/or NRS 622.400, pay to the  
21 Division an administrative penalty in the amount of Two Hundred Thousand Dollars  
22 (\$200,000.00).

23 2. For purposes of NRS 622.400, Respondent does not contest that it has violated the  
24 provisions of chapter 645B of NRS. Respondent shall also pay to the Division the sum of  
25 \$10,065.00 for its costs of investigation incurred herein and the sum of \$4,935.00 for attorney  
26 fees incurred herein.  
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28 Said payments shall be made upon Respondent's execution of this Agreement.





1 award it attorney's fees. It is specifically agreed that reasonable attorney's fees for the State-  
2 employed attorneys shall be \$142.55 per hour.

3 13. Failure to declare a breach or the actual waiver of any particular breach of this  
4 Agreement or its material terms, by either party, shall not operate as a waiver by such party of  
5 any of its rights or remedies as to any other breach.

6 14. Other than the administrative penalty, costs of investigation and attorney fees set  
7 forth herein, each side shall pay its own costs and fees, including attorney's fees.

8 15. If any provision contained in this Agreement is held to be unenforceable by a court  
9 of law or equity, this Agreement shall be construed as if such a provision(s) did not exist and  
10 the unenforceability of such provision(s) shall not be held to render any other provision(s) of  
11 this Agreement unenforceable.

12 16. This Agreement constitutes the entire agreement of the parties, and it is intended  
13 as a complete and exclusive statement of the promises, representations, negotiations, and  
14 discussions of the parties.

15 17. The parties agree that this Agreement is solely for the limited purposes described  
16 herein and shall not be used for any other purposes whatsoever by any third party.

17 18. **NOTICE TO RESPONDENT:** By executing this Agreement, you hereby agree that  
18 you are waiving certain rights as set forth herein. As Respondent, you are specifically  
19 informed that you have the right to request that the Division file an administrative complaint  
20 against you and at any hearing on such a complaint, you would have the right to appear and  
21 be heard in your defense, either personally or through your counsel of choice. If the Division  
22 were to file a complaint, at the hearing, the Division would have the burden of proving the  
23 allegations in the complaint and would call witnesses and present evidence against you. You  
24 would have the right to respond and to present relevant evidence and argument on all issues  
25 involved. You would have the right to call and examine witnesses, introduce exhibits, and  
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1 cross-examine opposing witnesses on any matter relevant to the issues involved.

2 You would have the right to request that the Commissioner of the Division issue subpoenas to  
3 compel witnesses to testify and/or offer evidence on your behalf. In making this request, you  
4 may be required to demonstrate the relevance of the witness's testimony and/or evidence.  
5 Other important rights you have are listed in NRS Chapter 645B and NRS Chapter 233B.

6 Respondent waives its rights to have an administrative complaint filed and its rights to a  
7 hearing in this matter.

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9 19. Respondent understands and agrees that this Agreement may be used to show  
10 that past violations have occurred should any future disciplinary action be taken by the  
11 Division.


12 20. In consideration of the execution of this Agreement, Respondent, for itself, its  
13 owners, heirs, executors, administrators, successors, and assigns, hereby release, remise,  
14 and forever discharge the State of Nevada, the Department of Business and Industry of the  
15 State of Nevada, the Division, and each of their members, agents, attorneys (including any  
16 and all employees of the Nevada Attorney General), and employees in their individual and  
17 representative capacities, from any and all manner of actions, causes of action, suits, debts,  
18 judgments, executions, claims, and demands whatsoever, known and unknown, in law or  
19 equity, that Respondent ever had, now has, may have, or claim to have against any or all of  
20 the persons or entities named in this section, arising out of or by reason of the Division's  
21 examination of Respondent, and all other matters relating thereto.

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23 21. Respondent hereby indemnifies and holds harmless the State of Nevada, the  
24 Department of Business and Industry of the State of Nevada, the Division, and each of their  
25 members, agents, and employees, and employees of the Nevada Attorney General in their  
26 individual and representative capacities against any and all claims, suits, and actions brought  
27 against said persons and/or entities by reason of the Division's examination of Respondent,  
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1 this Agreement, and all other matters relating thereto, and against any and all expenses,  
2 damages, and costs, including court costs and attorney fees, which may be sustained by the  
3 persons and/or entities named in this section as a result of said claims, suits, and actions.

4 IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed  
5 and intend to be legally bound thereby. This Agreement shall be deemed to be an order of  
6 the Commissioner.

7 Dated this 21<sup>ST</sup> day of JAN, 2011.

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9 CM Capital Services, LLC  
10 By:   
11 Title: CEO

12 Dated this 10<sup>th</sup> day of February, 2011.

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14 State of Nevada  
15 Department of Business and Industry  
16 Division of Mortgage Lending  
17 By:   
18 Joseph L. Waltuch, Commissioner

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