ATTORNEY GENERAL OF THE STATE OF NEW YORK

In the Matter of

PARAMOUNT CAPITAL GROUP, INC.
Assurance No.: 13-498

ASSURANCE
PURSUANT TO EXECUTIVE LAW
SECTION 63, SUBDIVISION 15

Pursuant to the provisions of the New York State Executive Law § 63(12), General Business Law § 349, Banking Law §§ 14-a, 491(6-a) & 492, Personal Property Law § 401, Penal Law § 190.40, General Obligations Law §§ 5-501(2) & 5-511(2), Eric T. Schneiderman, Attorney General of the State of New York, caused an inquiry to be made into certain business practices of Paramount Capital Group, Inc. ("Paramount"), relating to its financing of retail installment obligations. Based upon that inquiry, the Office of the Attorney General ("OAG") has made the following findings, and Paramount has agreed to modify its practices and assure compliance with the following provisions of this Assurance of Discontinuance ("Assurance").

I. BACKGROUND

1. Paramount is a Pennsylvania corporation whose principal offices are located at 300 Conshohocken State Road, Suite 240, Conshohocken, Pennsylvania 19428.

2. Paramount conducts business in New York and across the United States operating as a sales finance company in its purchase of retail installment obligations[1] (sometimes referred to as "RIOs").

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[1] A retail installment obligation (contract/agreement) is slightly different from a loan. Both are ways for one to obtain goods or services by agreeing to make payments over time. However, a loan is a transaction between a consumer and a bank or other lender for money, where one uses the money to purchase the

3. As a sales finance company, Paramount conducts its business through independent brokers and entities that solicit and/or acquire retail installment obligations specifically from medical/surgical providers and merchants. One such entity is MyMedicalLoan.com, LLC, d/b/a SurgeryLoans.com and d/b/a MedicalFinancing.com, a California corporation that, as a broker, acquirer or purchaser of RIOs, conducts business as a sales finance company ("SurgeryLoan").

4. Under New York law, entities that engage in the business of a "sales finance company," such as Paramount, must be licensed as either a lender or a sales finance company. Paramount, while doing business in New York through its purchases of RIOs, did not hold a license as either a lender or a sales finance company.

5. Paramount was charging New York consumers interest rates above 16%. While licensed lenders and sales finance companies are excepted from New York's civil usury law and permitted to assess annual percentage rates ("APR/s") of up to 25%, unlicensed entities, like Paramount, remain subject to New York's civil usury limit of 16%.

II. OAG INVESTIGATION AND FINDINGS

SurgeryLoan - Agent for Financing Medical Procedures

6. SurgeryLoan contracts with doctors who agree to: (i) enter into retail installment obligations with patients who are unable (or choose not) to pay in advance for

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goods (such as a car) or services and agrees to repay the loan balance plus interest. A retail installment obligation, on the other hand, is a transaction between the purchaser and seller of a good (such as a car dealer) or service, where one agrees to pay the seller for the good or service over time, paying both the value of the good or service plus interest. See http://www.consumerfinance.gov/askcfpb/817/what-retail-installment-sales-contract-or-agreement-loan.html. It is not unusual for these obligations to be "purchased" through a financing entity. Such a "purchase" actually funds the transaction, much like a loan.

their elective medical/surgical procedures; and (ii) sell such retail installment obligations to SurgeryLoan at a discount in exchange for up-front payments.

7. SurgeryLoan provides a web-based application platform that patients and providers may access. The application requests information regarding the patient's employment and credit history. SurgeryLoan, through its web-based platform, automatically sets the annual percentage rate ("APR") and RIO terms and automatically submits the completed application to sales finance companies, such as Paramount.

8. Paramount, as the sales finance company, determines whether and at what discounted amount it is willing to purchase the retail installment obligation from SurgeryLoan. For example, if a doctor charges $8,000 for a procedure, Paramount may only want to pay $6,000 for the retail installment obligation. The doctor may accept the lower payment of $6,000 (minus the "broker" fee paid to SurgeryLoan), but the consumer will still be borrowing and repaying the doctor's full charge of $8,000 (the "Amount Financed").[2]

9. If Paramount agrees to purchase the retail installment obligation, it sends the agreed upon sum of money to SurgeryLoan. SurgeryLoan deducts its "broker" fee, which ranges from 5 - 12 % of the doctor's payment, before sending the balance to the doctor.

10. Upon receipt of payment from SurgeryLoan, the doctor assigns the retail installment obligation he/she has entered into with the consumer to SurgeryLoan. SurgeryLoan in turn assigns the retail installment obligation to Paramount.

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[2] The definition of Amount Financed is set forth in the Retail Installment Agreement as "[t]he amount of credit provided to you or on your behalf." However, the sales finance company finances the RIO below that of the Amount Financed.

11. Beginning in 2009, SurgeryLoan resold or assigned at least 200 retail installment obligations for New York consumers to sales finance companies, such as Paramount. Many of such retail installment obligations were financed at APRs in excess of NY's civil and penal usury laws, some as high as 55%. Paramount purchased approximately 26 retail installment obligations from SurgeryLoan, for a total of $199,066.

Paramount - Sales Finance Company

12. While Paramount has been financing RIOs in New York since January 2008 (see paragraph 15 below), Paramount neither holds the required New York State-issued license as a lender nor as a sales finance company.

13. Paramount entered into a Master Agreement with SurgeryLoan, effective November 3, 2009. The agreement allows Paramount the option to purchase any retail installment obligation that is offered for sale by SurgeryLoan.

14. Paramount provided the OAG with information pertaining to its purchase of 28 retail installment obligations for NY consumers for medical surgical services in the period October 14, 2009 through October 3, 2011. The Amount Financed ranged from $2,000 to $13,000 with APRs greater than New York's usury ceiling of 16% for 26 of the 28 RIOs (usurious APRs ranged from 16.99% to 17.99%).

15. Paramount also provided the OAG information pertaining to its purchase of 56 non-medical retail installment obligations for NY consumers (involving professional driver training schools) in the period January 17, 2008 to March 18, 2013. The Amount Financed ranged from $2,750 to $5,710 with APRs of 19% for all RIOs.

16. Paramount conducted business as a sales finance company in violation of

NY laws. N.Y. Exec. Law § 63(12); N.Y. Gen. Bus. Law § 349; and N.Y. Bank. Law §§ 491(6-a) & 492(1).

17. Paramount charged APRs in excess of 16% in violation of New York law. N.Y. Bank. Law § 14-a; and N.Y. Gen. Oblig. Law §§ 5-501(2) & 5-511(1).

WHEREAS, OAG is willing to accept the terms of this Assurance pursuant to Executive Law § 63(15) and to discontinue its investigation;

WHEREAS, the parties each believe that the obligations imposed by this Assurance are prudent and appropriate;

WHEREAS, the Attorney General has determined that this Assurance is in the public interest.

IT IS HEREBY UNDERSTOOD AND AGREED, by and between the parties that:

III. PROSPECTIVE RELIEF

18. Paramount shall not engage in whole or in part, directly or indirectly, in the business of purchasing or otherwise acquiring retail installment obligations made by and between other parties, or any interest therein, with consumers in New York State without first complying with N.Y. Bank. Law § 492 (requiring licensing of sales finance companies).

19. Paramount, as an unlicensed sales finance company, shall not take or continue any legal action against, and will not refer or report to any credit rating agency, a New York consumer's failure to make payment under any retail installment obligation purchased or acquired and currently maintained by it.

20. Within 30 days of the Effective Date (as defined infra at paragraph 40) of

this Assurance, Paramount shall take all necessary steps to remove negative information entered against New York consumers on their credit records, based upon its attempted collection on retail installment obligations on or after January 17, 2008. Such steps shall include, and not be limited to, notifying all applicable consumer reporting agencies to delete all related references from their credit records.

21. Within 7 days of the Effective Date of this Assurance, Paramount shall:

a) identify all NY retail installment obligations executed in the period beginning January 17, 2008 to date with APRs in excess of 16% ("Usurious RIOs");

b) determine the credits, restitution and modifications to all Usurious RIOs required to reduce the APR to 16%; and

c) provide the OAG with a chart of Usurious RIOs, showing: (i) names of obligors; (ii) dates; (iii) Amounts Financed; and (iv) credits, restitution and modifications required to effect the APR reduction to 16%.

IV. MONETARY RELIEF

22. Within 7 days of receiving OAG approval of the notice set forth infra at paragraph 23, Paramount shall send a notice ("Notice"), approved by the OAG, to all obligors of Usurious RIOs: (i) explaining that the APR of the retail installment obligation has been reduced to 16% in accordance with this OAG Assurance; (ii) describing the credits and modifications to the Usurious RIO required to effect the APR reduction; and (iii) including restitution for the RIO that is paid in full and a refund of the security deposit, if applicable.

23. Within 7 days of the Effective Date of this Assurance, Paramount shall

submit to the OAG a form of Notice. The Notice's content, form and delivery mechanisms shall be subject to OAG approval.

V. REPORTS TO THE OAG

24. Within three months of the Effective Date of this Assurance, Paramount shall submit to the OAG a report documenting:

a) all of the NY consumers to whom the Notice was sent, including name, address, and the adjusted terms of each retail installment obligation (as set forth supra at paragraph 22;

b) all of the NY consumers to whom restitution was credited or paid, including restitution amounts and dates paid; and

c) all NY consumers for whom negative credit reports have been filed and all necessary steps taken to remove such negative credit reports (as set forth supra at paragraph 20).

VI. AFFIDAVITS OF COMPLIANCE

25. Paramount shall submit to the OAG, within 3 months after the execution of this Assurance an affidavit, subscribed to by an officer of Paramount authorized to bind Paramount, setting forth Paramount's compliance with the provisions of this Assurance.

VII. PENALTIES

26. Paramount shall pay $5,000 to the New York State Department of Law, within 30 days of the Effective Date of this Assurance.

VIII. MISCELLANEOUS

27. The OAG has agreed to the terms of this Assurance based on, among other

things, the representations made to the OAG by Paramount and their counsel and the OAG's own factual investigation as set forth in the Findings above. To the extent that any material representations are later found to be inaccurate or misleading, this Assurance is voidable by the OAG in its sole discretion.

28. No representation, inducement, promise, understanding, condition, or warranty not set forth in this Assurance has been made to or relied upon by Paramount in agreeing to this Assurance.

29. Notwithstanding any provision of this Assurance to the contrary, the OAG may, in its sole discretion, grant written extensions of time for Paramount to comply with any provision of this Assurance.

30. Paramount represents and warrants, through the signatures below, that the terms and conditions of this Assurance are duly approved, and execution of this Assurance is duly authorized. Paramount shall not take any action or make any statement denying, directly or indirectly, the propriety of this Assurance or expressing the view that this Assurance is without factual basis. Nothing in this paragraph affects Paramount's (i) testimonial obligations or (ii) right to take legal or factual positions in defense of litigation or other legal proceedings to which the OAG is not a party. This Assurance is not intended for use by any third party in any other proceeding and is not intended, and should not be construed, as an admission of liability by Paramount.

31. This Assurance may not be amended except by an instrument in writing signed on behalf of all the parties to this Assurance.

32. This Assurance shall be binding on and inure to the benefit of the parties to this Assurance and their respective successors and assigns, provided that no party,

other than the OAG, may assign, delegate, or otherwise transfer any of its rights or obligations under this Assurance without the prior written consent of the OAG.

33. In the event that any one or more of the provisions contained in this Assurance shall for any reason be held to be invalid, illegal, or unenforceable in any respect, in the sole discretion of the OAG such invalidity, illegality, or unenforceability shall not affect any other provision of this Assurance.

34. To the extent not already provided under this Assurance, Paramount shall, upon request by the OAG, provide all documentation and information necessary for the OAG to verify compliance with this Assurance. All notices, reports, requests, and other communications to any party pursuant to this Assurance must reference "**AOD # 13-498**", shall be in writing and shall be directed as follows:

If to Paramount to: Alan S. Fellheimer
Counsel
2 Liberty Place
50 South 16th Street
34th Floor
Philadelphia, PA 19102

If to the OAG to: Dorothea Caldwell-Brown
Assistant Attorney General
Office of the Attorney General
Health Care Bureau
120 Broadway
New York, New York 10271

35. Acceptance of this Assurance by the OAG shall not be deemed approval by the OAG of any of the practices or procedures referenced herein, and Paramount shall make no representation to the contrary.

36. Pursuant to EL § 63(15), evidence of a violation of this Assurance of Discontinuance shall constitute prima facie proof of violation of the applicable law in any

action or proceeding thereafter commenced by the OAG.

37. If a court of competent jurisdiction determines that Paramount has breached this Assurance, Paramount shall pay to the OAG the cost, if any, of such determination and of enforcing this Assurance, including without limitation legal fees, expenses, and court costs.

38. The OAG finds the relief and agreements contained in this Assurance of Discontinuance appropriate and in the public interest. The OAG is willing to accept this Assurance pursuant to N.Y. Exec. Law § 63(15), in lieu of commencing a statutory proceeding. This Assurance shall be governed by the laws of the State of New York without regard to any conflict of laws principles.

39. Nothing contained herein shall be construed as to deprive any person of any private right under the law.

40. This Assurance shall be effective on the date that it is signed by an authorized representative of the OAG ("Effective Date").

41. Any failure by the OAG to enforce this entire Assurance or any provision thereof with respect to any deadline or any other provision herein shall not be construed as a waiver of the OAG's right to enforce other deadlines and provisions of this Assurance.

IN WITNESS THEREOF, the undersigned subscribe their names:

Dated: , Pennsylvania
April , 2014

PARAMOUNT CAPITAL GROUP, INC.

By: _____
Name: [RYAN PAUL]
Title: [PRESIDENT / OWNER]

Dated: New York, New York
April 18 , 2014

ERIC T. SCHNEIDERMAN
Attorney General of the State of New York

LISA LANDAU
Health Care Bureau Chief

By: Dorothea Caldwell-Brown
DOROTHEA CALDWELL-BROWN
Assistant Attorney General
Health Care Bureau