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IN THE DISTRICT COURT OF GEARY COUNTY, KANSAS

STATE OF KANSAS, *ex rel.*,)
STEVE SIX, Attorney General,)
)
Plaintiff,)
)
v.)
)
LIBERTY ASSET MANAGEMENT, LLC,)
)
Defendant.)
)
(Pursuant to K.S.A. Chapter 60))

Case No. 09-CV-257

JOURNAL ENTRY OF CONSENT JUDGMENT

NOW on this 9 day of October, 2009, this Journal Entry of Consent Judgment comes before the Court pursuant to K.S.A. 50-632(b). Plaintiff, the State of Kansas, *ex rel.*, Steve Six, Attorney General, appears by and through Tai J. Vokins, Assistant Attorney General. Defendant appears by and through S. Lucky DeFries, Coffman, DeFries & Nothem, P.A.

The parties advise the Court of the following matters:

1. Steve Six is the Attorney General of the State of Kansas.
2. The Attorney General's authority to bring this action is derived from the statutory and common law of the State of Kansas, specifically the Kansas Consumer Protection Act, K.S.A. 50-623 *et seq.*

3. Defendant Liberty Asset Management, LLC is a limited liability company registered with the Kansas Secretary of State.
4. The Court has personal and subject matter jurisdiction over the parties for the sole purpose of entering into this Consent Judgment and any subsequent enforcement thereof.

PLAINTIFF'S ALLEGATIONS

5. Plaintiff alleges Defendant engages in consumer transactions that involve Defendant's (i) purchase of all of an individual's right, title, and interest in and to the individual's real property when the real property is, was, or likely will be in a foreclosure proceeding, (ii) simultaneous leasing of the real property back to the individual under a lease governed by the Kansas Residential Landlord and Tenant Act, K.S.A. 58-2540 *et seq.*, and (iii) granting the individual a right to repurchase the real property on terms stated in the lease or a separate option agreement (collectively a "Lease Option").
6. Plaintiff alleges Defendant is a supplier as that term is defined by K.S.A. 50-624(j) in connection with Lease Options.
7. Plaintiff alleges Defendant engaged in deceptive and unconscionable acts and practices in violation of the Kansas Consumer Protection Act, specifically K.S.A. 50-626(a), K.S.A. 50-626(b), K.S.A. 50-626(b)(2), K.S.A. 50-626(b)(3), K.S.A. 50-626(b)(8), K.S.A. 50-627(a), K.S.A. 50-627(b)(1), K.S.A. 50-627(b)(5), and K.S.A. 50-627(b)(6) in connection with Lease Options.

DEFENDANT'S DENIAL

8. Defendant denies all of the factual and legal allegations set forth herein but voluntarily agrees to this Consent Judgment to avoid the expense and interruption of business associated with a trial and adjudication on the merits.

PARTIES' AGREEMENT

9. Defendant agrees that, regarding any Lease Option executed after the date of this Consent Judgment, Defendant will:
- a. Not charge the option holder rent before (i) the real property is redeemed, or (ii) the lien or judgment held by the foreclosing plaintiff has been satisfied.
 - b. If the sheriff's sale has occurred and been confirmed by the applicable court at the time of executing the Lease Option, then Defendant will inform the option holder of Defendant's good faith belief of when the option holder's redemption period would expire absent its Lease Option with Defendant based solely on the redemption period stated in the journal entry of foreclosure and the date of the confirmed sheriff's sale, subject to modification and further order by the court.
 - c. Provide duplicate originals of all executed documents to the option holder at the time of execution.
 - d. Require the option holder to execute and provide each option holder a document entitled "Acknowledgment of Receipt of Transaction Documents" that indicates that the option holder was provided every document executed in connection with the Lease Option. Example of Acknowledgment of

Receipt of Transaction Documents form attached as Exhibit A.

- e. Provide option holders with the tax value of the real estate that is the subject of the Lease Option.
- f. Provide option holders a good faith estimate of the amount of equity available to Liberty Asset Management, LLC, in the event of a default of any lease option. This statement will be provided as a separate disclosure using the form called "Disclosure of Equity in the Event of Default." Example Disclosure of Equity in the Event of Default form attached as Exhibit B.
- g. Remove and not use any requirement for a monthly option payment as consideration for any option to repurchase without crediting that option payment towards the repurchase price.
- h. Remove all current termination provisions from every Option Agreement and replace it with the following:

Termination. If Buyer defaults under the Lease Agreement and the Lease Agreement is terminated under the Kansas Residential Landlord and Tenant Act, this Option Agreement shall be null and void and Seller shall forfeit all rights under this Agreement and Seller shall thereafter have no further obligations under this Agreement."

Nothing herein shall be construed as limiting Defendant's ability to terminate a lease under the Kansas Residential Landlord and Tenant Act or an Option Agreement under the termination clause set forth above and enter into a new lease agreement with the tenant/previous option holder.
- i. Remove all language from all contracts requiring any option holder to pay attorney fees for any purpose.

10. Defendant agrees its violation of paragraph 9 with respect to a Lease Option after the date of this Consent Judgment shall constitute a violation of this Consent Judgment and civil penalties may be imposed for each subsequent violation.
11. Defendant agrees that for each Lease Option for which unpaid rent is currently past-due (according to the terms of any outstanding lease agreement), it will not pursue to judgment any money owed by the lessees to Defendant.
12. Defendant agrees to provide a copy of this Consent Judgment to its current employees within five days of signing this Consent Judgment and will obtain from each such person a written acknowledgment of receipt thereof.
13. Defendant agrees to be permanently enjoined from entering into, forming, organizing or reorganizing into any partnership, corporation, sole proprietorship or any other legal structures, for the purpose of avoiding compliance with the terms of this Consent Judgment.
14. Defendant agrees to pay to the office of the Kansas Attorney General compensatory damages (consumer protection activity costs), expenses, and investigation fees of \$17,500.00. Payment shall be made payable to the Kansas Attorney General at the time of signing of this document.
15. Jurisdiction is retained by this Court for the purpose of enabling any of the parties to this Consent Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the modification of any of the provisions hereof, for the enforcement of compliance herewith, and for the punishment of violations thereof.

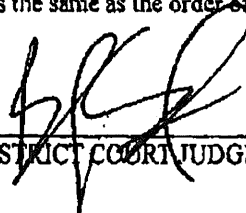
16. If any portion, provision, or part of this Consent Judgment is held to be invalid, unenforceable, or void for any reason, that portion shall be severed from the remainder and shall not affect the validity or enforceability of the remaining provisions, portions or parts.
17. Compliance with this Consent Judgment does not relieve Defendant of any obligation imposed by applicable federal, state, or local law, nor shall the Attorney General be precluded from taking appropriate legal action to enforce civil or criminal statutes under his jurisdiction.
18. The parties understand that this Consent Judgment shall not be construed as an approval of or sanction by the Kansas Attorney General of the business practices of Defendant nor shall Defendant represent the decree as such approval. The parties further understand that any failure by the State of Kansas or by the Attorney General to take any action in response to any information submitted pursuant to the Consent Judgment shall not be construed as an approval of or sanction of any representations, acts or practices indicated by such information, nor shall it preclude action thereon at a later date.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that the agreement of the parties contained herein is adopted and approved by the Court and any monies owed hereunder by Defendant immediately become a judgment upon filing.


IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant pay to Plaintiff compensatory damages (consumer protection activity costs), expenses, and investigation fees of \$17,500.00.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that pursuant to the Kansas Consumer Protection Act, and the provisions of K.S.A. 50-632(b), the Court hereby approves the terms of the Consent Judgment and adopts the same as the order of the Court.

IT IS SO ORDERED.


DISTRICT COURT JUDGE

Prepared and Approved by:



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Defendant:
Liberty Asset Management, LLC



Daniel V. Drake, Managing Member