

**STATE OF FLORIDA,  
OFFICE OF THE ATTORNEY GENERAL  
DEPARTMENT OF LEGAL AFFAIRS**

**IN THE INVESTIGATION OF  
EMERGENCY DEBT RELIEF, INC.,  
FRANKLIN VALINHO AND JOSEPH VALINHO**

**AG Case No. L05-3-1033**

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**ASSURANCE OF VOLUNTARY COMPLIANCE**

The Office of the Attorney General, Department of Legal Affairs, State of Florida (“the Attorney General”), investigated the business practices of EMERGENCY DEBT RELIEF and its current officers, directors, and employees (hereinafter referred to as “EDR”), along with FRANKLIN VALINHO and JOSEPH VALINHO, individually and as former officers and directors of EMERGENCY DEBT RELIEF, INC. (hereinafter referred to as “VALINHOS”), pursuant to the Florida Deceptive and Unfair Trade Practices Act, Chapter 501, Florida Statutes.

This Assurance of Voluntary Compliance, (hereinafter referred to as “AVC”), is solely intended to resolve the investigation into whether Emergency Debt Relief, including its former and current officers, directors, and employees, engaged in any unlawful and deceptive trade practices.

The Attorney General, by the signature of his Deputy Attorney General, affixed hereto, does in this matter accept this AVC in termination of this investigation, pursuant to Section 501.207(6), Florida Statutes, and by virtue of the authority in the Office of the Attorney General by said statute.

**I. FINDINGS OF FACT**

1. Emergency Debt Relief, Inc. and its current officers, directors and employees (hereinafter referred to as “EDR”) and the VALINHOS have not admitted to any wrongdoing, and

their entry into this AVC shall not be interpreted to constitute an admission that they have engaged in any violations of any law or regulation. The VALINHOS do not currently have any ownership or financial interests in EDR and are no longer in operational control of EDR.

2. Currently, EDR does not market or offer any debt settlement programs to new or prospective clients.
3. EDR and the VALINHOS enter into this AVC freely and acknowledge that they understand the provisions of this AVC and are prepared to abide by its terms.
4. This AVC is remedial in nature and shall not be construed as the payment of a fine, penalty, punitive assessment or forfeiture.
5. Entry of this AVC is in the public interest.
6. The EDR company debt relief website and email solicitations made the following representations:
  - a. The company could get consumer payments to creditors cut by up to 50%.
  - b. Avoid the embarrassment of bankruptcy.
  - c. Settle average debts for 35% to 45%.
  - d. Get debt-free in as little as 12 to 48 months.
  - e. Eliminate your debts.
  - f. "Get on your way to being debt-free."
  - g. The #1 Alternative to Bankruptcy.
  - h. Eliminate pesky collectors' calls.
  - i. Eliminate your stress from debt.

- j. EDR's Worry Less. Live More. program can eliminate debts FASTER than debt consolidation and provide its clients the best of all possible worlds: reduce total dollar amount owed and reduce the payback period while allowing the client to control their money.
  - k. EDR provides services that Consumer Credit Counseling and Debt Consolidation programs do not. EDR combines the advantages of both systems in a program that individualizes the review and implementation of a debt settlement program. Simply lowering your interest rate or exchanging unsecured debt is the foundation of Consumer Credit Counseling Services and Debt Consolidation.
  - l. Emergency Debt Relief works to settle your debt once and for all.
  - m. Emergency Debt Relief educates our clients and utilizes a national payment processing company to help you save and to settle your debts.
  - n. "You can begin your journey to financial freedom by depositing as little as \$200.00 per month into your settlement account that you control. It's guaranteed."
  - o. "Our average settlement is 35% to 45%. Wow! What would you do with all of that extra money?"
  - p. Don't let a collector looking for some extra money derail you from your noble goal of becoming debt free. You are not required or obligated to speak to a collector.
7. The EDR company made the following representations in the course of training its

employees:

How To Satisfy Your Client.....Every time!

- a. **ISSUE:** “There are some issues that you (the employee) may encounter such as *Client cannot afford the program*. **EXPLANATION:** One reason for this is that the client may not or does not understand the program and may still be paying his or her creditors. If this is the case, the client can not afford to do both and by continuing to pay his or her creditors at what may be terms and conditions that the client can no longer afford, they may be putting themselves into further debt. This is what the EDR program or debt settlement model was set up to avoid. As such, you may need to further explain and reinforce how the debt settlement (EDR) program works.”
- b. It takes too long to see progress or to get debts settled . In the past, different fee structures were being used. Client may also be confused about how the program works.
- c. Educate Client on how the negotiation and settlement process works. Specifically, that the Client needs to have about 50% accumulated before our negotiators can finalize the settlement. Creditors want a lump-sum, not monthly payments.
- d. This program may have an adverse affect on the consumer’s credit score and some of their accounts are likely to be “charge off.” However, resolved accounts are generally viewed as being more favorable than unresolved accounts or bankruptcy.

8. Consumers were told that their debts would be reduced by a percentage (depending on the negotiation with the creditor or collector) and that the payment and satisfaction of that reduced settlement amount would eliminate that particular debt.
9. The fee charged by Emergency Debt Relief, Inc. was 18% of the customer's total enrolled program debt at the time of enrollment.
10. In many instances, and as set forth in the Client Services Agreement, the first two months a customer is enrolled in a program, 100% of the monthly settlement payment is applied to Emergency Debt Relief, Inc.'s fee.
11. Once collected, Emergency Debt Relief, Inc.'s fees are non-refundable.
12. Most of EDR's clients were enrolled in a program whereby the 18% negotiated and contracted for fee was paid by the client over the entire term of their program.
13. Emergency Debt Relief, Inc.'s fees are electronically debited from the consumer's checking or savings account.
14. Emergency Debt Relief utilizes an incentive compensation plan for its employees, for those who sell EDR plans to consumers.
15. The company slogan is "Worry Less. Live More."
16. EDR's eligible clients are consumers who are suffering financial hardships and are unable to make their minimum monthly payments to creditors.

## **II. DEFINITIONS**

For purposes of this Assurance of Voluntary Compliance, the following definitions apply:

1. "Debtor" means any person indebted to a creditor.
2. "Debt negotiation" means the business or practice of receiving, in return for consideration, or the scheduled receipt, of a debtor's monies, or evidences thereof,

for the purpose of distribution among certain specified creditors in payment, or partial payment, of the debtor's obligations; or the business or practice of acting or offering or attempting to act as an intermediary between a debtor and his creditors for the purpose of settling, negotiating, or in any way altering the terms of payment of any debt of a debtor.

3. “Credit-related products, programs or services” means any product, program or service which is advertised, offered for sale, or sold to consumers as a method by which consumers may establish or obtain any extension of credit or credit device, including but not limited to, credit cards, loans or financing, or as a method to consolidate or liquidate debts.
4. “Material” means likely to affect a person’s choice or conduct regarding goods, services, or a charitable contribution.
5. “Clearly and conspicuously” means the following:
  1. In print communications, the message shall be in a type size and location sufficiently noticeable for an ordinary consumer to read and comprehend, in print that contrasts with the background against which it appears;
  2. In communications disseminated orally, the message shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend;
  3. In communications made through an electronic medium (such as television, video, radio, and interactive media such as the Internet, online services and software), the message shall be presented simultaneously in both audio and visual portions of the communication;
  4. In any communication presented solely through visual or audio means, the

message may be made through the same means in which the communication is presented;

5. Any audio message shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend; and
6. Any visual message shall be of a size and shade, with a degree of contrast to the background against which it appears and shall be sufficiently noticeable for an ordinary consumer to read and comprehend.

Regardless of the medium used to disseminate the message, it shall be in understandable language and syntax. Nothing contrary to, inconsistent with, or in mitigation of the message shall be used in any communication.

### **III. PROHIBITION AGAINST MATERIAL MISREPRESENTATIONS**

**EDR**, their successors, assigns, officers, agents, servants, and employees, whether acting directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, marketing, promoting, offering for sale, or sale of any debt negotiation service, shall not misrepresent, or assist others in misrepresenting, expressly or by implication, orally or in writing, any fact material to a consumer's decision to accept a debt negotiation service, including but not limited to EDR's ability to have a positive effect on the debtor's credit report or credit history.

### **IV. REQUIRED DISCLOSURES**

**EDR**, their successors, assigns, officers, agents, servants, and employees, whether acting directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, marketing, promoting, offering for sale, or sale of any good or service, shall be required to clearly and conspicuously make the following up-front disclosures on its websites, advertisements, offerings, solicitations, or other initial and subsequent communications with

consumers, including email solicitations, internet postings, and direct mail marketing through US Mail, private courier, or facsimile.

- a. EDR does not maintain any records of monies paid by clients to financial institutions, nor does EDR maintain care or custody of the actual funds.
- b. Global Client Solutions, LLC, (“GCS”), or any other independent third party administrator, will establish a settlement account (“Account”) in the client’s name at Rocky Mountain Bank and Trust (“Bank”). To fund this Account, the client authorizes GCS to electronically debit their current checking or savings account for the amounts specified in the Direct Debit Form and transfer those funds into the client’s new settlement Account. The settlement Account is also used to pay for Bank fees, including but not limited to, \$7.50 per month for maintenance of the Account and \$.15 per debit transaction.
- c. EDR’s fee equals 18% of the client’s total debt at time of enrollment. EDR’s fee is already included in the monthly payment that the client will be depositing into the settlement Account. This means that a portion of each monthly payment will be sent to EDR by GCS to pay for EDR’s fee.
- d. The client understands that all EDR fees paid are earned and are non-refundable.
- e. The client needs to have sufficient funds available to settle a debt before EDR will finalize negotiations with any of the client’s creditors.
- f. EDR is a debt NEGOTIATION program and is not a debt-consolidation or credit counseling program.
- g. EDR is a for-profit company and EDR charges a fee for its services.  
  
Monies paid to EDR are for EDR’s fees only and not for payment of debts.



- h. EDR will not make monthly payments to creditors on consumer's behalf.
- i. All of EDR's fees are included in the amount that will be transferred each month from the consumer's bank account to consumer's settlement Account.
- j. No settlement can be finalized until the consumer has saved and deposited enough money into the settlement Account to pay off that debt.
- k. EDR may not notify the consumer's creditors and inform them that the consumer is enrolled in the program until the consumer has sufficient funds to settle the debt.
- l. Creditors and collectors may continue to contact the consumer while the consumer is in the EDR program.
- m. Creditors may raise interest rates as a result of the consumer being late or missing payments. EDR does not negotiate with creditors to reduce interest charges, penalties, or late fees.
- n. For debts enrolled in the program, creditors may continue to charge interest, penalties and late fees until a debt is settled and that these charges will increase the total amount of indebtedness.
- o. Enrolling in the EDR program will not stop creditors from taking any action they are legally entitled to take in their efforts to collect a debt. The consumer may get sued while in the program and that legal action (if taken) could result in a judgment or a garnishment of wages.
- p. The consumer's credit is negatively affected each time they are late on payments to creditors, or each time a payment is missed entirely. If the consumer does not make payments to creditors while in the EDR program, their credit will be negatively affected and that this effect will include late,

unpaid or charged-off entries being posted to their credit report.

- q. Enrollment in or completion of the EDR program does not act to improve the consumer's credit score. Their credit report may reflect a zero balance when a debt is settled, but that it may also include the notation "settled for less than full amount."

#### **V. PROHIBITION AGAINST MATERIAL OMISSIONS**

**EDR**, their successors, assigns, officers, agents, servants, and employees, whether acting directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, promotion, offering for sale or sale of debt negotiation services or credit-related products, programs or services, shall disclose, clearly and conspicuously, prior to the time a consumer purchases a service, all information material to a costumer's decision to purchase any debt negotiation services or credit-related products, programs, or services, including but not limited to the following information:

- A. While the consumer is using the product, program or services, late fees, penalties, and interest will continue to accrue on the consumer's debt until the consumer's creditors accept a settlement offer and the settlement is paid;
- B. While the consumer is using the product, program or services, the consumer's creditors may still sue to collect on his debts, and further, once a judgment has been obtained, the creditors may garnish the consumer's wages;
- C. While the consumer is using the product, program or services, the consumer's creditors may raise the interest rates applicable to his debt;
- D. To the extent that EDR may be able to obtain a favorable settlement with a consumer's creditor of the consumer's debt, the consumer is required to treat that debt savings as income for purposes of federal and state income taxes; and

E. A debt settled for less than the full amount of the amount owed may result in a negative notation on the consumer's credit report.

## **VI. MONETARY TERMS**

1. In order to compensate affected consumers, EDR and the VALINHOS shall make a one time payment of One Hundred Fifteen Thousand Dollars (\$115,000.00) at the time of the execution on the Assurance of Voluntary Compliance as consumer restitution. Reimbursement to affected consumers shall be made at the discretion and control of the Attorney General.

The consumer restitution funds shall be made payable to the Legal Affairs Revolving Escrow Trust Fund. If the allowed consumer restitution claims total less than \$115,000, then any excess balance of restitution funds shall be paid to the Legal Affairs Revolving Trust Fund.

2. (a) In addition to the lump-sum consumer restitution identified in paragraph 1, EMERGENCY DEBT RELIEF, INC. shall continue to process any and all complaints requesting a refund of EDR fees from any consumer to whom EMERGENCY DEBT RELIEF, INC. has not already paid a refund of EDR fees. EMERGENCY DEBT RELIEF, INC. shall process these in good faith, and in compliance with the standards articulated in this Assurance of Voluntary Compliance.

(b) For a period of 60 days from the date of execution of this Agreement, EDR and the VALINHOS shall implement a Restitution Fund. This Restitution Fund shall be the sole source of restitution or refund for consumers who have not requested a refund as of the date of the execution of this Agreement. A fund shall be established in the amount of One Hundred and Fifteen Thousand Dollars (\$115,000.00) for the payment of refunds of EDR fees to such consumers. Consumer complaints requesting a refund of EDR fees can be made to the Florida Attorney General's Office and will be forwarded to EDR at Emergency Debt Relief, Inc., ATT: Warren Jay Stamm, Corporate Counsel, 134 Industrial Park Road, Greensburg, PA 15601.

Alternatively, consumer complaints requesting a refund of EDR fees can be made directly to EDR at Emergency Debt Relief, Inc., ATT: Warren Jay Stamm, Corporate Counsel, 134 Industrial Park Road, Greensburg, PA 15601. Payment of such refund of EDR fees shall be made within 30 days of receipt of the consumer complaints requesting a refund of EDR fees.

EMERGENCY DEBT RELIEF, INC. shall prepare a report containing the names, address, and telephone number of all such consumers who make a complaint requesting a refund of EDR fees, and the date and amount refunded to the consumers to counsel for the Florida Attorney General within 30 days of the exhaustion of the 60 day period referred to herein. Said report shall also include the name, address, and telephone number of all consumers who made a complaint requesting a refund of EDR fees to whom refunds were not provided by EDR, and an explanation of the reasons thereof. Upon review of this report by the Florida Attorney General, the Florida Attorney General shall have sole discretion as to whether additional refunds should be made to consumers who did not receive refunds through the decision of EDR. The Florida Attorney General may direct any such additional refunds to be made within 60 days of the conclusion of the 60 day period referenced above. Upon conclusion of this period, the period for receipt or process of additional complaints requesting a refund of EDR fees shall be concluded. Any remaining funds in the \$115,000.00 Restitution Fund established by this paragraph shall be refunded to EMERGENCY DEBT RELIEF, INC. and the VALINHOS. In no event shall the aggregate amount of refunds for the 60 day period exceed the \$115,000.00 provided for herein.

3. In lieu of civil penalties, EDR shall also pay the State of Florida the sum of Sixty Thousand Dollars (\$60,000.00) pursuant to Section 501.2101, Florida Statutes, by making payment to the Department of Legal Affairs Revolving Trust Fund, for attorney's fees and investigative costs. Payment will be made at the time of execution of the Assurance of Voluntary Compliance.

## **VII. COMPLIANCE MONITORING**

**EDR**, their successors, assigns, officers, agents, servants, and employees, whether acting directly or through any corporation, subsidiary, division, or other device, for the purpose of monitoring and investigating compliance with any provision of this AVC, shall provide a written report sworn under penalty of perjury to the Attorney General one hundred twenty (120) days after the date of execution of this AVC setting forth in detail the manner and form in which EDR has complied and is complying with this AVC.

## **VIII. RECORD-KEEPING PROVISIONS**

**EDR**, their successors, assigns, officers, agents, servants, and employees, whether acting directly or through any corporation, subsidiary, division, or other device, for a period of one (1) year from the date of entry of this Order, while engaging in conduct related to the subject matter of this

AVC, shall create and retain the following records:

- A. Accounting records that reflect the cost of goods or services sold, revenues generated, and the disbursement of such revenues;
- B. Personnel records accurately reflecting: the name, address, email (if any) and telephone number of each person employed in any capacity by such business, including as an independent contractor; that person's job title or position; the date upon which the person commenced work; and the date and reason for the person's termination, if applicable;
- C. Customer files containing the names, addresses, phone numbers, dollar amounts paid, quantity of items or services purchased, and description of items or services purchased, to the extent such information is obtained in the ordinary course of business;
- D. Complaints requesting a refund (whether received directly, indirectly or through any third party) and any responses to those complaints requesting a refund;

- E. Copies of all sales scripts, training materials, advertisements, website printouts, or other marketing materials; and
- F. All records and documents necessary to demonstrate full compliance with each provision of this Assurance of Voluntary Compliance.

### **IX. FUTURE VIOLATIONS**

1. EMERGENCY DEBT RELIEF, INC., shall not effect any change in the form of doing business or organizational identity as a method of avoiding the terms and conditions set forth in this Assurance of Voluntary Compliance. This provision should not be construed to prevent EMERGENCY DEBT RELIEF, INC., from changing its form of doing business so long as any successor or alternate company created by the principals of EMERGENCY DEBT RELIEF, INC. are bound by the provisions of this agreement.

2. The VALINHOS, shall not effect any change in the form of doing business or organizational identity as a method of avoiding the terms and conditions set forth in this Assurance of Voluntary Compliance. This provision should not be construed to prevent the VALINHOS, from changing their form of doing business so long as any successor or alternate company created by the VALINHOS are bound by the provisions of this agreement.

### **X. ACCEPTANCE**

1. This Assurance of Voluntary Compliance shall become effective upon its execution by Office of the Attorney General.

2. The receipt or deposit by the Office of the Attorney General of any monies pursuant to the Assurance of Voluntary Compliance does not constitute acceptance by the Attorney General, and any monies received will be returned if this Assurance of Voluntary Compliance is not executed by the Office.

**FOR EMERGENCY DEBT RELIEF, INC.:**

**IN WITNESS WHEREOF**, Emergency Debt Relief, Inc. has caused this Assurance of Voluntary Compliance to be executed by \_\_\_\_\_ as an Officer/Director of Emergency Debt Relief, Inc., as a true act and deed in Duval County, Florida, this \_\_\_\_ day of \_\_\_\_\_ 2006.

**BY MY SIGNATURE**, I hereby affirm that I am acting in my capacity and within my authority as Officer/Director of Emergency Debt Relief, Inc., and that by my signature I am binding the corporation to this Assurance of Voluntary Compliance.

(Signature): \_\_\_\_\_,

STATE OF FLORIDA  
COUNTY OF DUVAL

**BEFORE ME**, an officer duly authorized to take acknowledgments in the State of Florida, personally appeared \_\_\_\_\_, as Officer/Director of Emergency Debt Relief, Inc., who acknowledged before me that he executed the foregoing Assurance of Voluntary Compliance for the purposes therein stated, on this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

\_\_\_\_\_  
NOTARY PUBLIC

\_\_\_\_\_  
(print, type or stamp commissioned name of Notary Public)

Personally known \_\_\_\_ or Produced Identification \_\_\_\_\_ (check one)

Type of Identification Produced: \_\_\_\_\_

**FOR FRANKLIN VALINHO:**

(Signature): \_\_\_\_\_,  
FRANKLIN VALINHO, individually

STATE OF FLORIDA  
COUNTY OF DUVAL

**BEFORE ME**, an officer duly authorized to take acknowledgments in the State of Florida, personally appeared FRANKLIN VALINHO who acknowledged before me that he executed the foregoing Assurance of Voluntary Compliance for the purposes therein stated, on this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

\_\_\_\_\_  
NOTARY PUBLIC (print, type or stamp commissioned name of Notary Public)

Personally known \_\_\_ or Produced Identification \_\_\_\_\_ (check one)  
Type of Identification Produced: \_\_\_\_\_

**FOR JOSEPH VALINHO:**

(Signature): \_\_\_\_\_,  
JOSEPH VALINHO, individually

STATE OF FLORIDA  
COUNTY OF DUVAL

**BEFORE ME**, an officer duly authorized to take acknowledgments in the State of Florida, personally appeared JOSEPH VALINHO who acknowledged before me that he executed the foregoing Assurance of Voluntary Compliance for the purposes therein stated, on this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

\_\_\_\_\_  
NOTARY PUBLIC (print, type or stamp commissioned name of Notary Public)

Personally known \_\_\_ or Produced Identification \_\_\_\_\_ (check one)  
Type of Identification Produced: \_\_\_\_\_



**FOR THE OFFICE OF THE ATTORNEY GENERAL**

Accepted this \_\_\_ day of \_\_\_\_\_, 2006.

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DEPUTY ATTORNEY GENERAL  
OFFICE OF THE ATTORNEY GENERAL  
The Capitol, PL-01  
Tallahassee, Florida  
32399-1050  
(850) 487-1963