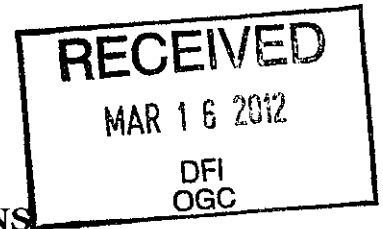


COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2011-AH-0182



DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

v.

FIRST LIBERTY FINANCIAL GROUP, LLC

RESPONDENT

AGREED ORDER

* * * * *

1. The Kentucky Department of Financial Institutions (“DFI”) is responsible for regulating and licensing mortgage loan brokers, mortgage loan companies, mortgage loan originators, and mortgage loan processors in accordance with the provisions set forth in KRS Chapter 286.8, the Mortgage Licensing and Regulation Act (the “Act”).

2. Respondent is currently licensed in Kentucky as a mortgage loan company, pursuant to the Act, and conducts business in Kentucky through its principal office as well as several licensed branch offices located within and without the Commonwealth. Respondent’s Nationwide Mortgage Licensing System and Registry number is 19756, and its primary license number is MC24715.

3. In July 2011, the DFI began an investigation of Respondent based upon evidence demonstrating that Respondent’s sole owner of record, Patrick W. Cason (“Cason”), had sold his controlling interest in Respondent without prior notice to and approval of the DFI.

4. During the course of its investigation, the DFI discovered that on February 22, 2011, Respondent received an infusion of cash in the amount of one million dollars (\$1,000,000.00). During both the DFI’s regular examination of Respondent completed

April 20, 2011 as well as in Compiled Financial Statements filed with the DFI for periods ending February 28, 2011, Respondent characterized this cash as a capital contribution of cash by Cason.

5. During the course of its investigation, the DFI discovered that the source of the \$1,000,000.00 was Kirk Duskocil, the owner of First Ohio Banc & Lending (“FOBL”), an Ohio mortgage loan company that is not licensed to conduct business in Kentucky. On February 22, 2011, Kirk Duskocil transferred \$1,000,000.00 of FOBL’s shareholder’s equity funds to the personal checking account jointly owned by himself and his spouse, Erin Duskocil. The funds were then wired from the Duskocils directly to Respondent’s account.

6. During the course of its investigation, the DFI also discovered that Respondent had – prior to the DFI’s investigation – already hired the bulk of FOBL’s employees with Kirk Duskocil’s consent, had already begun licensing numerous FOBL locations and other offices as branches under Respondent’s name, and had already transferred its payroll and other central operations to 6100 Rockside Woods Boulevard, Independence, Ohio 44131, the location of FOBL’s current primary office.

7. When questioned on August 29, 2011 by the DFI about this transfer of funds, Cason stated that he was in “negotiations” with Erin Duskocil to purchase a controlling interest in Respondent, but stated that no such sale had yet occurred.

8. On August 30, 2011, Cason and Erin Duskocil entered into a written Limited Liability Company Membership Interest Purchase Agreement. Pursuant and subject to the terms of this contract, Erin Duskocil purchased ninety percent (90%) of Cason’s sole ownership interest in Respondent in exchange for an agreed upon “Purchase Price” stated in the Agreement, for an additional agreed upon sum designated

as Respondent's "Retained Cash", and the sole right to retain all future income from certain designated "Accounts Receivable" that may be paid to Respondent after the closing date.

9. However, Cason had already been paid by the Doskocils the entire Purchase Price, as well as an advance of approximately forty percent (40%) of Respondent's Retained Cash by wire transfer on February 23, 2011, the day after the Doskocils' \$1,000,000.00 transfer to Respondent's equity account.

10. On September 13, 2011, the DFI made a written demand that Respondent, through its counsel, deliver within ten (10) days a completed application for change of control along with detailed explanations of these and other issues uncovered during the DFI's investigation.

11. On September 27, 2011, Respondent submitted its application for change of control from Cason to Erin Doskocil.

12. Respondent's application demonstrated that of the eight (8) proposed new owners and officers, seven (7) – including Erin Doskocil herself – were employed by FOBL as managers and/or underwriters immediately prior to becoming employed by Respondent. Moreover, the individual NMLS Form MU2s submitted for each such individual demonstrated that each had already been hired by Respondent between March and July 2011 and was already actively employed by Respondent prior to the commencement of the DFI's investigation.

13. Respondent's application demonstrated no experience or business expertise of any kind by Erin Doskocil in conducting a mortgage loan business, nor any past work experience in the business of a mortgage loan originator, mortgage loan processor or otherwise in the mortgage loan process.

14. Respondent's application for change of control characterized the Dorskocils' infusion of \$1,000,000.00 into Respondent's equity account as a verbal personal loan to Cason, but also stated that the purpose of the loan was to increase Respondent's net worth. The application further clarified that this oral loan would only have to be repaid on the condition that she did not acquire a majority interest in Respondent.

15. Based on these facts and other findings, the DFI entered an Order Denying Application For Change Of Control on October 27, 2011, in which the Commissioner included the following Conclusions:

- a. Respondent's proposed new owner, Erin Dorskocil, does not have sufficient experience and business expertise to be qualified to control a mortgage loan business for the purposes of the Act; and
- b. Respondent violated KRS 286.8-075 and 808 KAR 12:024 by engaging in transactions constituting a change of control without first applying for and obtaining the approval of the DFI;

16. On November 18, 2011, Respondent filed a Notice of Appeal and Request for Administrative Hearing, denying and disputing the DFI's factual findings and conclusions summarized herein. Respondent does not admit to the Conclusions recited therein, but desires to enter into this Agreed Order in lieu of proceeding with a formal hearing on the issues that comprise this matter.

17. The DFI possesses a range of administrative authority in addressing violations of the Act, including license revocation or denial, and/or the imposition of fines in an amount up to \$25,000 per violation. *See* KRS 286.8-046; 286.8-090.

18. In the interest of economically and efficiently resolving the issues described herein, the DFI and Respondent agree as follows:

- a. Respondent agrees to a fine assessment in the amount of forty thousand dollars (\$40,000.00) for the violation(s) alleged herein;
- b. Respondent agrees to and shall pay the total fine assessed herein in four (4) installment payments of ten thousand dollars (\$10,000.00) each, the first of which shall be due on the date Respondent executes the Agreed Order and returns it to the DFI, but in no event later than March 16, 2012. Each subsequent installment shall be due and paid by no later than the 15th of each month thereafter until paid in full. Said payments shall be in the form of a certified check or money order made payable to "Kentucky State Treasurer" and mailed to the Department of Financial Institutions, Attn: Michael T. Davis, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601;
- c. Respondent shall, by no later than the date upon which the Agreed Order is executed and returned to the DFI, cease the operations of, terminate any leases of, and surrender all licenses of any and all branches previously owned or affiliated with the Dorskocils and/or FOBL, including, but not limited to, the following locations: Hinkley, Ohio; Independence, Ohio; Chesterland, Ohio; Westlake, Ohio; Medina, Ohio; and Delray Beach, Florida;
- d. Respondent shall, by no later than the date upon which the Agreed Order is executed and returned to the DFI, unwind, cancel and otherwise reverse any and all monetary transfers, contracts and/or other transactions of any kind involving either Kirk Dorskocil, Erin

Doskocil or FOBL, including, but not limited to, the cancellation of Limited Liability Company Membership Interest Purchase Agreement referenced herein and the refund and return to the Doskocils of the Purchase Price, Retained Cash and all other payments, advances and/or other transfers that have been made between Respondent and/or Cason and FOBL and/or the Doskocils;

- e. Respondent shall not engage in any business transactions or other dealings, either directly or indirectly, with any individual – or business entity owned by or affiliated with such individual – that is or has been previously employed by FOBL or either of the Doskocils in a management, supervisory or equivalent position of control over any business endeavor owned by, operated by, or affiliated with FOBL and/or either of the Doskocils, and/or previously provided or purported to provide advertising, marketing, or consulting services to FOBL and/or either of the Doskocils;
- f. Respondent shall, by no later than the date upon which the Agreed Order is executed and returned to the DFI, provide to the DFI appropriate documentation, in a form suitable to the DFI, proving that Respondent has fully complied with the requirements of subparagraphs (c), (d), and (e) of this paragraph;
- g. Respondent shall be placed on probation for a period of two (2) years from the date of entry of this Order. During such time, Respondent shall remain subject, at Respondent's expense, to such

increased examinations, investigations, reporting, and/or other monitoring or oversight that may be deemed by the DFI to be necessary to ensure and verify Respondent's continued compliance with the terms of this Order and all statutory requirements set forth in the Act and the regulations set forth in 808 KAR Chapter 12;

- h. Respondent shall devote the time and resources necessary to ensure continual and full compliance with all statutory requirements set forth in the Act and the regulations set forth in 808 KAR Chapter 12; and
- i. Respondent shall be subject to the revocation of its license in the event that it, at any time during the period of probation as set forth herein, commits or engages in any act or conduct constituting a violation of any provision of this Order, of the Act or any of regulation set forth in 808 KAR Chapter 12.

19. Respondent waives its right to demand a hearing at which it would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on its own behalf, or to otherwise appeal or set aside this Order.

20. Respondent consents to and acknowledges the jurisdiction of the DFI over this matter and that this Agreed Order is a matter of public record and may be disseminated as such.

21. In consideration of execution of this Agreed Order, Respondent for itself, and for its successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, the DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner

of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Respondent ever had, now has, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.

22. By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties.

23. This Agreed Order shall constitute the Final Order in this matter.

IT IS SO ORDERED on this the 23rd day of March, 2012.

CHARLES A. VICE
COMMISSIONER

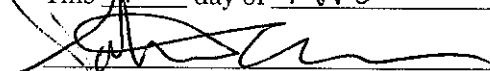
Consented to:

This 19 day of March, 2012.



N. Chris Thompson, Acting Director
Division of Non-Depository Institutions
Department of Financial Institutions

This 12th day of March, 2012.



Patrick Cason, President
Respondent
First Liberty Financial Mortgage, LLC

ACKNOWLEDGEMENT

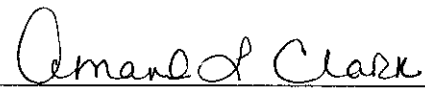
STATE OF KY)

COUNTY OF Daviess)

On this the 12th day of March, 2012, before me Amanda L. Clark, the undersigned, Patrick Cason, as President and authorized representative of First Liberty Financial Mortgage, LLC, did personally appear and entered into and executed the foregoing instrument for the purposes therein contained.

In witness whereof I hereunto set my hand.

My Commission Expires: 9-29-2013

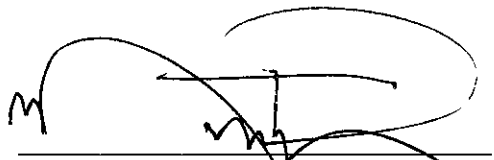


Notary Public

Certificate of Service

I, the undersigned, hereby certify that a copy of the foregoing Agreed Order was sent on this the 27th day of March, 2012, by certified mail, to the following:

Jason R. Bentley
MML&K Government Solutions
McBayer, McGinnis, Leslie & Kirkland, PLLC
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Counsel for Respondent



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Department of Financial Institutions
1025 Capital Center Drive, Ste. 200
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