PRESTON DuFAUCHARD
California Corporations Commissioner
WAYNE STRUMPFER
Deputy Commissioner
ALAN S. WEINGER (CA BAR NO. 86717)
Lead Corporations Counsel
JUDY L. HARTLEY (CA BAR NO. 110628)
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Attorneys for Complainant

BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Accusation of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. EMERALD MORTGAGE CORP., Respondent.	OAH CASE NO. L-2006110490 File No.: 603-B544 SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between Emerald Mortgage Corp. ("Emerald") and the California Corporations Commissioner ("Commissioner") and is made with respect to the following facts:

RECITALS

A. Emerald is a corporation in good standing, duly formed and existing pursuant to the laws of the State of California, and authorized to conduct business in the State of California.

B. Emerald currently holds a broker's license under the California Finance Lenders Law ("CFLL"). Emerald has its principal place of business at 18425 Burbank Boulevard, Suite 404, Tarzana, California 91356.

State of California – Department of Corporations

C. Markus S. Shepherd ("Shepherd") is the president of Emerald and is authorized to enter into this Settlement on behalf of Emerald.

D. On October 19, 2006, Emerald was personally served with a Notice of Intention to Issue Order Revoking Finance Lenders License, Accusation, and accompanying documents issued by the Commissioner on October 17, 2006 ("Accusation"). Emerald has filed a Notice of Defense with the Commissioner. A two-day hearing is currently scheduled to commence on May 29, 2007.

E. It is the intention and desire of the parties to resolve this matter without the necessity of a hearing and/or other litigation.

NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set forth herein, the parties agree as follows:

TERMS AND CONDITIONS

1. This Settlement Agreement is entered into for the purpose of judicial economy and expediency, and to avoid the expense of a hearing, and possible further court proceedings.

2. Emerald admits the allegations contained in the Accusation. The admissions of Emerald are solely for the limited purposes of these proceedings and any future proceeding(s) that may be initiated by or brought before the Commissioner against Emerald. It is the intent and understanding between the parties that this Settlement Agreement, and particularly the admissions of Emerald herein, shall not be binding or admissible against Emerald in any action(s) brought against Emerald by third parties.

3. Emerald hereby agrees to the issuance by the Commissioner of an order revoking its finance lenders license. The revocation shall become effective immediately upon the execution of this Stipulation by both parties. A copy of the revocation order is attached and incorporated as Exhibit A.

4. Emerald acknowledges its right to an administrative hearing under Financial Code section 22714 in connection with this matter, and hereby waives its right to a hearing, and to any reconsideration, appeal, or other rights which may be afforded pursuant to the CFLL, the California Administrative Procedure Act, the California Code of Civil Procedure, or any other provision of law in connection with this matter.

State of California – Department of Corporations

5. Shepherd acknowledges that the allegations made in the Accusation, while made against Emerald, could be cause to deny future license applications and/or amendments to any existing and/or future license applications under the Commissioner's jurisdiction if such license application(s) and/or amendment(s) include Shepherd as a reportable individual, i.e., officer, director, person owning or controlling, directly or indirectly, 10 percent or more of the outstanding equity securities. The Commissioner, by entering into this Settlement Agreement, is not making any representations or promises regarding the processing of any future license applications and/or amendments to any existing and/or future license applications under the Commissioner's jurisdiction if such license application(s) and/or amendment(s) include Shepherd as a reportable individual.

6. The parties hereby acknowledge and agree that this Settlement Agreement is intended to constitute a full, final and complete resolution of this matter. The parties further acknowledge and agree that nothing contained in this Settlement Agreement shall operate to limit the Commissioner's ability to assist any other agency, (county, state or federal) with any prosecution, administrative, civil or criminal, brought by any such agency against Emerald and others based upon any of the activities alleged in this matter or otherwise.

7. The Commissioner shall cause this Settlement Agreement to be filed with the Office of Administrative Hearings within five business days of its execution.

8. Each of the parties represents, warrants, and agrees that it has received independent advice from its attorney(s) and/or representatives with respect to the advisability of executing this Settlement Agreement.

9. Each of the parties represents, warrants, and agrees that in executing this Settlement Agreement it has relied solely on the statements set forth herein and the advice of its own counsel and/or representative. Each of the parties further represents, warrants, and agrees that in executing this Settlement Agreement it has placed no reliance on any statement, representation, or promise of any other party, or any other person or entity not expressly set forth herein, or upon the failure of any party or any other person or entity to make any statement, representation or disclosure of anything whatsoever. The parties have included this clause: (1) to preclude any claim that any party was in any way fraudulently induced to execute this Settlement Agreement; and (2) to preclude the

State of California – Department of Corporations

introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this Settlement Agreement.

10. This Settlement Agreement is the final written expression and the complete and exclusive statement of all the agreements, conditions, promises, representations, and covenants between the parties with respect to the subject matter hereof, and supercedes all prior or contemporaneous agreements, negotiations, representations, understandings, and discussions between and among the parties, their respective representatives, and any other person or entity, with respect to the subject matter covered hereby.

11. In that the parties have had the opportunity to draft, review and edit the language of this Settlement Agreement, no presumption for or against any party arising out of drafting all or any part of this Settlement Agreement will be applied in any action relating to, connected, to, or *involving this Settlement Agreement. Accordingly, the parties waive the benefit of California Civil* Code section 1654 and any successor or amended statute, providing that in cases of uncertainty, language of a contract should be interpreted most strongly against the party who caused the uncertainty to exist.

12. This Settlement Agreement may be executed in one or more counterparts, each of which shall be an original but all of which, together, shall be deemed to constitute a single document.

13. Each signator hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Settlement Agreement.

Dated: 3/22/07

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
ALAN S. WEINGER
Lead Corporations Counsel

Dated: 3-19-07

EMERALD MORTGAGE CORP.

By _____
MARKUS S. SHEPHERD, President

Dated: 3-19-07

By_____
MARKUS S. SHEPHERD an individual
(as to paragraph 5 only)

APPROVED AS TO FORM AND CONTENT:

POTHIER & ASSOCIATES

By_____
ROSE POTHIER, Attorneys for
EMERALD MORTGAGE CORP. and MARKUS S. SHEPHERD

PRESTON DuFAUCHARD
California Corporations Commissioner

By_____
JUDY L. HARTLEY
Senior Corporations Counsel

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BEFORE THE DEPARTMENT OF CORPORATIONS

STATE OF CALIFORNIA

In The Matter of the Accusation of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. EMERALD MORTGAGE CORP., Respondent.	OAH NO. L-2006110490 File Nos. 603-B544 ORDER REVOKING FINANCE LENDERS LICENSE

Pursuant to the Settlement Agreement entered into between Emerald Mortgage Corp. ("Emerald") and the California Corporations Commissioner ("Commissioner") on January 2007, attached and incorporated herein as Exhibit A, the finance lenders license issued by the Commissioner to Emerald is hereby revoked effective immediately.

Pursuant to the terms of the Settlement Agreement, Emerald admits the following for purposes of this action and any future proceedings initiated by or brought before the California Corporations Commissioner only:

EXHIBIT A

State of California - Department of Corporations

1. Emerald, a California corporation, was a broker licensed by the Commissioner pursuant to the California Finance Lenders Law of the State of California (California Financial Code § 22000 et seq.) ("CFLL"). Emerald had been licensed as a broker under the CFLL since July 5, 2005. Emerald's principal place of business was 18425 Burbank Boulevard, Suite 404, Tarzana, California 91356.

2. California Financial Code section 22101 provides that an application for a CFLL license shall be in the form and contain the information that the Commissioner may by rule require. California Financial Code section 22101 and California Code of Regulations, title 10, section 1422, requires corporate applicants to disclose to the Commissioner in the application all officers, directors, any person owning or controlling, directly or indirectly, 10% or more of the applicant, and all person(s) who would be in charge of the business.

3. On April 5, 2005, Emerald filed its application for a broker license with the Commissioner pursuant to California Financial Code section 22101 (File No. 603-B544 hereinafter the "application"). The application identified Markus Shepherd ("Shepherd") as the president, secretary, sole director, sole shareholder and person in charge of Emerald. As required by California Code of Regulations, title 10, section 1422, the application included a Statement of Identity and Questionnaire ("SIQ") for Shepherd. Section 1422 requires CFLL applications to include an SIQ for all officers, directors, any person owning or controlling, directly or indirectly, 10% or more of the applicant, and all person(s) who would be in charge of the business. Shepherd executed the application under penalty of perjury as president of Emerald.

4. On July 21, 2006, the Department of Corporations ("Department") received information that Emerald had a new officer and/or owner and that this new officer/owner may not qualify for such positions under the CFLL. Pursuant to California Financial Code section 22108 and California Code of Regulations, title 10, section 1422, all CFLL licensees are required to amend their application(s) if there is any change in any of the persons required to be identified in the application(s). Additionally, California Code of Regulations, title 10, section 1409 requires CFLL licensees to maintain a current list of officers and directors with the Commissioner, and in the event of any change, to file with the Commissioner the same information on such new persons as is

State of California - Department of Corporations

required for an original license.

5. On September 19, 2006, the Commissioner commenced an examination of the books and records of Emerald. The examination disclosed that on October 14, 2005, Jonathan R. Bates ("Bates") had acquired 50% of the outstanding shares of Emerald and had also been appointed as a director and senior vice-president of Emerald.

6. A review of the Department's files on Emerald revealed that Emerald had not disclosed Bates to the Commissioner until on March 20, 2006, more than 5 months after Bates became an owner and officer of Emerald. Emerald made this disclosure by way of its Annual Report, Schedule K, filed with the Commissioner pursuant to California Financial Code section 22159. Emerald had listed Bates on its Schedule K as an "EVP" (executive vice-president) only. Emerald did not file any other documents in regards to Bates with the Commissioner at that time, such as the required SIQ, which would have alerted the Commissioner's staff that this was a new officer.

7. The Department's records further disclosed that Emerald finally filed an SIQ for Bates on July 7, 2006. The SIQ, however, failed to disclose required details of the criminal actions revealed in the SIQ and Emerald was instructed to re-submit with the proper detailed disclosures. Emerald never re-submitted the SIQ. In the SIQ, Bates identified the date of the most recent criminal action against him (later learned to be grand theft auto) as August 27, 1996. Further investigation revealed that this criminal action against Bates had not been filed until August 27, 1997, a full year later than disclosed, and the conviction had not occurred until December 1, 1997. Bates conviction is grounds for the Commissioner to revoke the CFLL license of Emerald pursuant to California Financial Code sections 22109 and 22714, as the conviction is less than 10 years old.

8. Based on the above, Emerald (i) failed to maintain a current list of officers and directors with the Commissioner in violation of California Code of Regulations, title 10, section 1409, (ii) violated California Financial Code section 22108 and California Code of Regulations, title 10, section 1422 by failing to timely and adequately amend its application to disclose Bates, (iii) has an unqualified owner/officer in Bates, and (iv) filed a false Annual Report and SIQ as the Annual Report only disclosed Bates as an officer and the SIQ gave a 1996 date for the most recent criminal

State of California - Department of Corporations

conviction of Bates.

Dated: January , 2007
Los Angeles, California

WILLIAM P. WOOD
California Corporations Commissioner

By_____
Patricia R. Speight, Special Administrator
California Finance Lenders Law

State of California - Department of Corporations