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8
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
10 OF THE STATE OF CALIFORNIA

11
12 In the Matter of:) NMLS ID NO.: 1114719
13 THE COMMISSIONER OF BUSINESS)
OVERSIGHT,) CONSENT ORDER
14)
15 Complainant,)
16 v.)
17 PARAMOUNT CAPITAL GROUP, LLC,)
18 Respondent.)
19)
20)
21)
22)

23 The Commissioner of Business Oversight (Commissioner) and Paramount Capital Group,
24 LLC (Paramount) enter into this Consent Order (the Consent Order) with respect to the following
25 facts:

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I.

RECITALS

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3 A. The Commissioner has jurisdiction over the licensing and regulation of student loan
4 servicing in this state under the California Student Loan Servicing Act (CSLSA) (Fin. Code,
5 § 28100 et seq.) and title 10 of the California Code of Regulations (CCR) (Cal. Code Regs., § 2032
6 et seq.).

7 B. At all relevant times, Paramount is and was a limited liability company, duly formed
8 and incorporated under the laws of the state of Pennsylvania. Paramount’s principal place of
9 business is 300 Conshohocken State Road, Suite 240, Conshohocken, Pennsylvania 19428.

10 C. At all relevant times Mike Fadner is and was Paramount’s Chief Financial Officer
11 and, as such, is authorized to enter into the Consent Order on behalf of Paramount.

12 D. Starting July 1, 2018, the California Student Loan Servicing Act (SLSA) became
13 effective and required that all persons engaged in the business of servicing student loans in
14 California must be licensed, with limited exception.

15 E. Paramount applied to become a SLSA licensee with Department on August 27, 2019.

16 F. Pursuant to Financial Code section 28140, all licensees under the SLSA are required
17 to maintain a minimum tangible net worth of \$250,000.00 at all times.

18 G. Paramount’s audited financial statements for calendar year 2019 showed a tangible
19 net worth deficiency of \$572,685.00, meaning that Paramount failed to meet the tangible net worth
20 requirement for that year in violation of Financial Code section 28140.

21 H. Paramount has submitted audited financial statements as of December 31, 2019,
22 certified by RSM US LLP dated April 29, 2020 which show Paramount did not comply with the
23 tangible net worth requirements of Financial Code section 28140.

24 I. Now, it is the intention of Paramount and the Commissioner (the Parties) to resolve
25 this matter without an administrative hearing or other litigation.

26 J. The Commissioner finds that this action is appropriate, in the public interest, and
27 consistent with the purposes fairly intended by the policy and provisions of this law.
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1 NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set
2 forth herein, the Parties agree as follows:

3 **II.**

4 **TERMS AND CONDITIONS**

5 1. Purpose. This Consent Order resolves the issues before the Commissioner in a
6 manner that avoids the expense of a hearing and other possible court proceedings, protects
7 consumers, is in the public interest, and is consistent with the purposes, policies, and provisions of
8 the applicable law.

9 2. Final Order to Discontinue Violations. The Commissioner hereby orders and
10 Paramount agrees that in accordance with Financial Code section 28140, it will immediately
11 discontinue the violation set forth in paragraph G herein. Paramount agrees that the Order to
12 Discontinue Violations is hereby deemed a final order.

13 3. Approval of Pending Application, Issuance of SLSA License and Conditions for
14 Issuance of License. In consideration of Paramount's agreement to the issuance of the Order, and
15 other relief as provided for in the Consent Order, the Commissioner hereby acknowledges that
16 Paramount's student loan servicer application is ready to be approved, and the Commissioner
17 hereby agrees to approve it within five business days from the Effective Date of the Consent Order.
18 The Commissioner also agrees that it will issue a Student Loan Servicer License pursuant to
19 Financial Code section 28100 et. seq. (SLSA License). In consideration for the issuance of the
20 SLSA license, Paramount agrees to maintain a positive net worth in compliance with Financial
21 Code section 28140 going forward.

22 4. Waiver of Hearing Rights. Paramount acknowledges the Commissioner is ready,
23 willing, and able to proceed with the filing of an administrative enforcement action on the charges
24 contained in this Consent Order. Paramount hereby waives the right to any hearings, and to any
25 reconsideration, appeal, or other right to review which may be afforded pursuant to the SLSA, the
26 California Administrative Procedure Act, the California Code of Civil Procedure, or any other
27 provision of law. By waiving such rights, Paramount effectively consents to this Consent Order
28 becoming final.

1 5. Failure to Comply with Consent Order. Paramount agrees that if an examination of
2 Paramount’s audited financials for calendar year 2020 reflect a tangible net worth in violation of
3 Financial Code section 28140, the Commissioner may, in addition to all other available remedies it
4 may invoke under the SLSA, summarily suspend and/or revoke the SLSA license of Paramount
5 until Paramount is in compliance. Paramount expressly waives any notice and hearing rights to
6 contest such summary suspension, which may be afforded under the SLSA, the California
7 Administrative Procedure Act, the California Code of Civil Procedure, or any other provision of law
8 in connection therewith. Paramount also agrees that if it fails to comply with any other of the terms
9 of this Consent Order, the Commissioner may, in addition to all other available remedies it may
10 invoke under the SLSA, summarily suspend and/or revoke the SLSA license of Paramount until
11 Paramount is in compliance. Paramount waives any notice and hearing rights to contest such
12 summary suspension, which may be afforded under the SLSA, the California Administrative
13 Procedure Act, the California Code of Civil Procedure, or any other provision of law in connection
14 therewith.

15 6. Full and Final Settlement. Paramount hereby acknowledge and agree that the
16 Consent Order is intended to constitute a full, final, and complete resolution of Paramount’s
17 violations set forth in the Recitals (Violations), and that no further proceedings or actions will be
18 brought by the Commissioner based on the Violations or any other provision of law, excepting any
19 proceeding to enforce compliance with the terms of this Consent Order or action if such proceeding
20 is based upon discovery of new and further violations of the SLSA that do not form the basis for the
21 Consent Order or which Paramount knowingly concealed from the Commissioner.

22 6. Information Willfully Withheld. The Consent Order may be revoked and the
23 Commissioner may revoke the SLSA license issued to Paramount if the Commissioner later finds
24 out that Paramount knowingly or willfully withheld information used and relied upon in the
25 Consent Order.

26 7. Assisting Other Agencies. The Parties further acknowledge and agree that nothing in
27 the Consent Order shall limit the Commissioner’s ability to assist any other agency (city, county,
28 state, or federal) with any prosecution, administrative, civil, or criminal, brought by any such

1 agency against Paramount or any other person based upon any of the activities alleged in this matter
2 or otherwise.

3 8. Headings. The headings to the paragraphs of this Consent Order/ Settlement
4 Agreement are inserted for convenience only and will not be deemed a part hereof or affect the
5 construction or interpretation of the provisions hereof.

6 9. Binding. The Consent Order is binding on all heirs, assigns, or successors in interest.

7 10. Reliance. Each of the parties represents, warrants, and agrees that in executing this
8 Agreement it has relied solely on the statements set forth herein and the advice of its own counsel.
9 Each of the parties further represents, warrants, and agrees that in executing this Agreement it has
10 placed no reliance on any statement, representation, or promise of any other party, or any other
11 person or entity not expressly set forth herein, or upon the failure of any party or any other person
12 or entity to make any statement, representation or disclosure of anything whatsoever. The parties
13 have included this clause: (1) to preclude any claim that any party was in any way fraudulently
14 induced to execute this Agreement; and (2) to preclude the introduction of parol evidence to vary,
15 interpret, supplement, or contradict the terms of this Agreement.

16 11. Waiver, Amendments, and Modifications. No waiver, amendment, or modification
17 of this Consent Order /Settlement Agreement will be valid or binding unless it is in writing and
18 signed by each of the parties. The waiver of any provision of this Settlement Agreement will not be
19 deemed a waiver of any other provision. No waiver by either party of any breach of, or of
20 compliance with, any condition or provision of this Agreement by the other party will be considered
21 a waiver of any other condition or provision or of the same condition or provision at another time.

22 12. Full Integration. This Consent Order is the final written expression and the complete
23 and exclusive statement of all the agreements, conditions, promises, representations, and covenant
24 between the parties with respect to the subject matter hereof, and supersedes all prior or
25 contemporaneous agreements, negotiations, representations, understandings, and discussions
26 between and among the parties, their respective representatives, and any other person or entity, with
27 respect to the subject matter covered hereby.
28

1 13. Governing Law. This Consent Order will be governed by and construed in accordance
2 with California law. Each of the parties hereto consents to the jurisdiction of such court, and hereby
3 irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the
4 maintenance of such action or proceeding in such court.

5 14. Counterparts. This Consent Order/ Settlement Agreement may be executed in one or
6 more separate counterparts, each of which when so executed, shall be deemed an original. Such
7 counterparts shall together constitute a single document.

8 15. . Effect Upon Future Proceedings. If Respondents apply for any license, permit or
9 qualification under the Commissioner's current or future jurisdiction, or are the subject of any future
10 action by the Commissioner to enforce this Consent Order, then the subject matter hereof shall be
11 admitted for the purpose of such application(s) or enforcement proceedings(s).

12 16. Voluntary Agreement. Paramount enters into the Consent Order voluntarily and
13 without coercion and acknowledges that no promises, threats, or assurances have been made by the
14 Commissioner, or any officer or agent thereof, about the Consent Order.

15 17. Notice. Any notices required under the Consent Order shall be provided to
16 each party at the following addresses:

17 If to Respondent to: Mike Fadner, CFO
18 Paramount Capital Group, Inc.
19 300 Conshohocken State Road, Suite 240
20 Conshohocken, Pennsylvania 19428
21 Email: mfadner@paracap.com

22 If to the Commissioner to: Paul Yee, Senior Counsel
23 Department of Business Oversight
24 One Sansome Street, Suite 600
25 San Francisco, California 94104-4448
26 Email: paul.yee@dbo.ca.gov

27 18. Signatures. An electronic signature, or a faxed, photocopied, or scanned copy of an
28 original signature, shall be deemed the same as an original signature.

 19. Public Record. Paramount acknowledges that the Consent Order and Order shall be
 matters of public record.

1 20. Effective Date. The Consent Order shall become final and effective when signed by
2 all Parties and delivered by the Commissioner’s agent to Paramount via e-mail at
3 mfadner@paracap.com.

4 21. Authority to Sign. Each signatory hereto covenants that he/she possesses all
5 necessary capacity and authority to sign and enter into this Consent Order/ Settlement Agreement
6 and undertake the obligations set forth herein.

7 IN WITNESS WHEREOF, the parties hereto have approved and executed the
8 Consent Order on the dates set forth opposite their respective signatures.

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10 Dated: July 16, 2020

MANUEL P. ALVAREZ
Commissioner of Business Oversight

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12
13 By _____

MARY ANN SMITH
Deputy Commissioner
Enforcement Division

14
15
16 Dated: July 17, 2020

PARAMOUNT CAPITAL GROUP, LLC.
Respondent

17
18
19 By _____

MIKE FADNER, CFO
Paramount Capital Group, LLC