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NORTH CAROLINA DEPARTMENT OF INSURANCE  
RALEIGH, NORTH CAROLINA

STATE OF NORTH CAROLINA  
COUNTY OF WAKE

BEFORE THE COMMISSIONER  
OF INSURANCE

IN THE MATTER OF  
THE LICENSURE OF  
STELLAR RECOVERY, INC.  
CA# 1033751 and 1044829

VOLUNTARY SETTLEMENT  
AGREEMENT

NOW COME Stellar Recovery, Inc., its officers, and the North Carolina Department of Insurance [hereinafter "Department"] and hereby enter into the following Voluntary Settlement Agreement [hereinafter "this Agreement"].

WHEREAS, the Department has the authority and responsibility for the enforcement of the provisions of Article 70 of Chapter 58 of the General Statutes of North Carolina applicable to collection agencies and the collection agency business; and

WHEREAS, Stellar Recovery, Inc. is a Florida corporation with its principal place of business located in Jacksonville, Florida. Stellar Recovery, Inc. also has an office in Kalispell, Montana. The Montana and Florida offices each hold a permit to operate as a collection agency in North Carolina issued pursuant to N.C.G.S. § 58-70-5; and

WHEREAS, this Agreement does not constitute an admission by Stellar Recovery, Inc. of any fact or non-compliance with any state or federal law, rule or regulation. The acceptance of this Agreement by the Department is not acceptance or approval by the Department of any of Stellar Recovery, Inc.'s business practices and Stellar Recovery, Inc. will not make any representation to that effect. Stellar Recovery, Inc. enters into this Agreement for settlement purposes only and denies the Department's allegations. This Agreement is made without any trial or adjudication of any issue of fact or law; and

WHEREAS, in February 2015, the Department learned that Stellar Recovery, Inc.'s webpage for consumer payments disclosed that Stellar charges a \$9.50 processing fee [hereinafter, "convenience fee"] for payments made online or by telephone. The webpage did not list any states in which the convenience fee did not apply; and

WHEREAS, N.C.G.S. § 58-70-115 provides, in pertinent part, that:

No collection agency shall collect or attempt to collect any debt by use of any unfair practices. Such practices include, but are not limited to, the following:

... *Collecting or attempting to collect from the consumer all or any part of the collection agency's fee or charge for services rendered*, collecting or attempting to collect any interest or other charge, fee or expense incidental to the principal debt unless legally entitled to such fee or charge.

N.C.G.S. § 58-70-115(2)(Emphasis added); and

**WHEREAS**, it is the Department's position that N.C.G.S. § 58-70-115(2) prohibits collection agencies from assessing or collecting processing fees, also known as "convenience fees" from consumers; and

**WHEREAS**, the term "consumer" is defined under N.C.G.S. § 58-70-90(2) as "an individual, aggregation of individuals, corporation, company, association, or partnership that has incurred a debt or alleged debt;" and

**WHEREAS**, N.C.G.S. § 58-70-130(c) provides that "The specific and general provisions of Part 3 of this Article shall constitute unfair or deceptive acts or practices proscribed herein or by N.C.G.S. § 75-1.1 in the area of commerce regulated thereby . . .;" and

**WHEREAS**, in response to the Department's requests, Stellar Recovery, Inc. provided the Department with spreadsheets listing transactions in which it charged convenience fees to North Carolina residents. The spreadsheets showed that Stellar Recovery, Inc. charged a \$9.50 convenience fee to North Carolina residents for each ACH debt and credit card payment made online or by telephone until April 30, 2015; and

**WHEREAS**, Stellar Recovery, Inc. represents to the Department that Stellar Recovery, Inc. revised its collection software in September 2013 to prohibit its collection agents from collecting the convenience fee in North Carolina and other states in which such fees are prohibited, but continued to charge the convenience fee to North Carolina residents making payments through Stellar Recovery, Inc.'s Web Payment Portal. Stellar Recovery, Inc. further represents that effective December 31, 2014, Stellar Recovery, Inc. ceased charging convenience fees to North Carolina residents for new payments made through the Web Payment Portal. However, Stellar Recovery, Inc. continued collecting convenience fees on payments scheduled to be collected after December 31, 2014 under existing payment arrangements until April 30, 2015, when Stellar Recovery, Inc. manually deleted any pending convenience fees associated with previously arranged web portal payments on pre-existing payment agreements; and

**WHEREAS**, while denied by Stellar Recovery, Inc., the Department alleges that Stellar Recovery, Inc. committed unfair practices in violation of N.C.G.S. § 58-70-115(2) by collecting convenience fees from North Carolina consumers; and

**WHEREAS**, based upon the information which Stellar Recovery, Inc. has provided to the Department regarding the convenience fees which it collected from North Carolina consumers and the representations which Stellar Recovery, Inc. has made to the Department regarding those fees, the Department agrees not to pursue other regulatory action against Stellar Recovery, Inc. for those prior alleged violations of N.C.G.S. § 58-70-115(2) in consideration of Stellar Recovery, Inc.'s agreement to the terms stated in this Agreement; and

**WHEREAS**, Stellar Recovery, Inc. and its officers agree to permanently cease and desist collecting convenience fees or any other fees from North Carolina consumers which are prohibited by N.C.G.S. § 58-70-115(2) or any other applicable laws; and

**WHEREAS**, Stellar Recovery, Inc. agrees to pay a civil penalty of seventy six thousand eight hundred and seventy eight dollars (\$76,878.00) for its alleged violations of N.C.G.S. § 58-70-115(2); and

**WHEREAS**, the Department requested, and Stellar Recovery, Inc. has further agreed, to promptly and fully reimburse all convenience fees collected from any North Carolina consumer from whom Stellar Recovery, Inc. collected convenience fees between January 1, 2012 to April 30, 2015 upon receipt of a written request from the consumer for such refund made within one year of the execution of this Agreement; and

**WHEREAS**, pursuant to N.C.G.S. § 58-2-70(g), the Commissioner of Insurance and the Department have the express authority to negotiate "a mutually acceptable agreement with any person as to the status of the person's license or certificate or as to any civil penalty or restitution"; and

**WHEREAS**, the parties to this Agreement have reached a mutually agreeable resolution of this matter as set out in this Agreement.

**NOW THEREFORE**, in consideration of the promises and agreements set out herein, the Department, Stellar Recovery, Inc. and its officers hereby agree to the following:

1. Immediately upon signing this agreement, Stellar Recovery, Inc. shall pay a civil penalty of seventy six thousand eight hundred and seventy eight dollars (\$76,878.00) to the Department. The form of payment shall be via certified check, cashier's check or money order. The check or money order for the payment shall be payable to the "North Carolina Department of Insurance." Stellar Recovery, Inc. shall remit payment or confirmation of payment by certified mail, return receipt requested, to the Department along with a copy of this signed agreement. The signed Agreement and penalty must be received by the Department no later than October 30, 2015. The civil penalty shall be subject to disbursement in accordance with the provisions of Article IX, Section 7 of the North Carolina Constitution for the benefit of public schools.
2. Stellar Recovery, Inc. and its officers shall permanently cease and desist from collecting any convenience fees or other fees from North Carolina consumers

prohibited by N.C.G.S. § 58-70-115(2) or any other applicable laws, and shall otherwise comply with all provisions of Article 70 of Chapter 58 of the General Statutes of North Carolina and Title 11 of the North Carolina Administrative Code that are applicable to Stellar Recovery, Inc.

3. Stellar Recovery, Inc. shall promptly and fully reimburse all convenience fees collected from any North Carolina consumer from whom Stellar Recovery, Inc. collected fees between January 1, 2012 through April 30, 2015 upon receipt of a written request from the consumer for such refund made within one year of the execution of this Agreement. Stellar Recovery, Inc. shall track all refunds made to North Carolina consumers pursuant to this agreement and provide a list of the names, dates and amounts reimbursed to North Carolina residents to the Department within 14 months of the execution of this Agreement.
4. This Agreement shall be binding upon Stellar Recovery, Inc., its officers, agents, subsidiaries and subdivisions, as well as its successors, assigns and/or purchasers of all or substantially all of Stellar Recovery's assets.
5. Except relating to the convenience fee issues being resolved by this agreement, this Agreement does not in any way affect the Department's disciplinary power in any future or follow-up examination of Stellar Recovery, Inc., or in any cases or complaints involving Stellar Recovery, Inc. In the event that Stellar Recovery, Inc. fails to comply with this Agreement or otherwise fails to comply with the laws and rules applicable to Stellar Recovery, Inc., the Department may take any administrative or legal action it is authorized to take.
6. The parties to this Agreement agree that this Agreement shall have the full force and effect of an Order of the Commissioner of Insurance. Stellar Recovery, Inc. understands that N.C.G.S. § 58-70-40(c)(6) provides that a collection agency's permit may be revoked if a partner or proprietor or officer of the collection agency has violated or refused to comply with an Order of the Commissioner.
7. Stellar Recovery, Inc. enters into this Agreement freely and voluntarily and with knowledge of its' right to have an administrative hearing on this matter. Stellar Recovery, Inc. has consulted with an attorney prior to entering into this Agreement.
8. This Agreement, when finalized will be a public record and will not be treated as confidential. Any and all permits issued by the Department to Stellar Recovery, Inc. shall reflect that Regulatory Action has been taken against those permits following the execution of this Agreement. The Department may disclose the contents of this Agreement to third parties upon request or pursuant to any law or policy providing for such disclosure.
9. This Agreement shall become effective when signed by the parties.

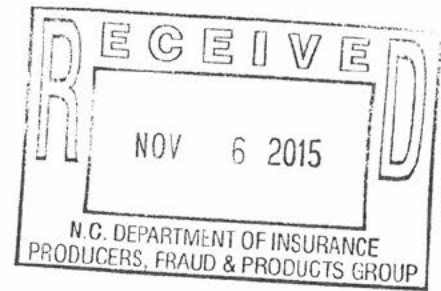
10. By signing below, Stellar Recovery, Inc. and its officers agree to comply with all of the terms of this Agreement.

North Carolina Department of Insurance

By: [REDACTED]

Angela K. Ford  
Senior Deputy Commissioner

Date: November 6, 2015



Stellar Recovery, Inc.

By: [REDACTED]

Bob Peterson  
as Director of Stellar Recovery, Inc.

Date: 9-3-2015

Stella [REDACTED]

By: [REDACTED]

Garrett Schöneck  
as Chief Executive Officer of Stellar Recovery, Inc.

Date: 11/5/15