

ATTORNEY GENERAL OF THE STATE OF NEW YORK
WATERTOWN REGIONAL OFFICE

In the Matter of

Assurance No. #25-070

Investigation by LETITIA JAMES,
Attorney General of the State of New York, of

MONTEREY FINANCIAL SERVICES, LLC,

Respondent.

ASSURANCE OF DISCONTINUANCE

The Office of the Attorney General of the State of New York ("OAG") commenced an investigation pursuant to Executive Law § 63(12), General Business Law article 15-a, and General Business Law § 601 into the business practices of Monterey Financial Services, LLC ("Monterey" or the "Company"), while evaluating consumer lending products for purchase or servicing, and collection practices. This Assurance of Discontinuance ("Assurance") contains the findings of the OAG's investigation and the relief agreed to by the OAG and Monterey whether acting through their respective directors, officers, employees, representatives, agents, affiliates, or subsidiaries (collectively, the "Parties").

OAG's FINDINGS

1. In the course of its investigation, the OAG found that Monterey engaged in deceptive, unfair, and abusive practices in connecting with its loan servicing and debt collection services.

Monterey's Business

2. Monterey is a limited liability company doing business in the State of New York.

3. Monterey first filed with the New York State Secretary of State on February 27, 2017, with a principal place of business in Oceanside, California. Monterey does business under the names Monterey Collections, Monterey Collection Services, and Monterey Collection Agency. Monterey Financial is wholly owned by Monterey Holdings, LLC.

4. Monterey does not initiate finance agreements with consumers. Instead, Monterey has agreements with merchants and specialty finance companies to purchase consumer receivables, provide servicing, and/or to provide debt-collection services in New York and nationwide. Monterey routinely purchases and/or services these contracts for its vetted and approved clients, handling consumer complaints, problems with payments, customer attempts to terminate the contract, and final dispositions.

5. As part of its purchasing and servicing of consumer receivables, Monterey has substantial control and oversight over the instruments utilized by its clients.

6. The OAG's investigation found that Monterey maintains a close business relationship with many of its clients, helping to ensure that the financial products meet the standards acceptable to Monterey for ultimate purchase.

7. The OAG finds that in many circumstances, Monterey preapproves specific terms and language contained in consumer contracts that are utilized by its clients prior to the point of sale. In other instances, Monterey reviews and approves already-executed consumer contracts prior to Monterey's purchase and/or servicing of same.

8. In certain circumstances, Monterey preapproves contracts in template forms, utilized then by its clients at multiple retail stores at the point-of-sale with individual consumers.

9. Monterey also performs reviews of consumer complaints as part of due diligence compliance monitoring of client accounts prior to purchasing and/or servicing client contracts. Additionally, Monterey receives and fields complaints directly from consumers.

Monterey's Purchase and Servicing of Lease Agreements in New York

10. At issue in this Assurance are consumer contracts which purport to be "consumer financing," but are in fact consumer lease agreements originated by Bristlecone Holdings, LLC and its subsidiaries and affiliates, and Nextep Funding, LLC (collectively "Clients") in the State of New York, which were assigned to Monterey for servicing or purchase (the "Lease" or "Leases").

11. Monterey represents to the OAG that it has not purchased any new financing lease agreements originating in New York State since 2017.

12. Monterey knowingly purchased and serviced Leases for financed products such as furniture, pets, auto repairs and other consumer goods and services. The products and services were generally worth between \$300-\$3,500.

13. The Leases purchased and/or serviced by Monterey were marketed to consumers as "financing" options and the OAG found that they were not clearly identified as "leases."

14. At times, Leases were offered where applicants might not qualify for traditional retail installment contracts.

15. At times, the OAG found that the financing offer misrepresented material terms and conditions of the Lease and were offered through an in-store sales process that materially interfered with the consumers' ability to understand the agreements. As such, consumers may have been unaware that they entered into a Lease rather than a traditional retail installment or loan agreement. For instance, consumers who entered into Leases to finance the purchase of their pets were

provided documentation indicating that they were the owner of the pet, when in reality they would not become owners until the terms of the Lease had been met.

16. The terms of the Leases varied depending on Monterey's client, but they generally required consumers to make a first upfront payment at the time of purchase, and then subsequent monthly payments thereafter.

17. Because consumers often had difficulty reviewing the financing terms contained in the Contract at the point of sale, they did not become aware of the terms of the program until after the financing agreement was consummated and an initial payment had been made.

18. At the end of the Lease, the customer was required pursuant to the terms of the Lease to make a final residual payment to purchase the product or a disposition fee to return or surrender the product.

19. Despite requiring the payment of one of these two fees in all Leases, neither fee was represented in the total payments owed in the financing offer produced at the point of sale.

20. Monterey advised consumers to surrender pets to pet shelters.

21. In certain instances, Monterey purchased or serviced Leases where the merchant furnished labor, time, or effort ancillary to a product in the Lease, such as auto repairs, which does not involve the delivery of a specific end product ("Services"). Services, however, by their very nature, cannot be returned.

22. Other items were inappropriate for Leases because they had no residual value upon which to secure the financing terms of the Lease.

23. While other products leased could, in theory, have residual values, the Lease agreement failed to account for the actual residual or fair market value at the end of the Lease.

24. Although they purport to offer an alternative to “buying” the item at the end of the Lease, in reality Monterey has no capability to receive surrendered goods and has never repossessed consumer “leased” items. Monterey does not maintain space for storing repossessed items.

25. Moreover, Monterey also imposed barriers to returning leased goods and services, even though returning the items is a precondition for termination of the Lease. These barriers are practically and financially insurmountable for many consumers.

26. As such, consumers rarely exercise their ability to dispose of the property at the end of the Lease rather than purchase the property.

27. Indeed, as a servicer of the Lease, Monterey offered no free option for consumers to exit the Lease after a certain introductory period. Instead, they are required to pay either an early termination fee or a disposition fee (in instances where all payments have been made under the Lease terms).

28. This contrasts with a traditional retail installment contract where a consumer at any time could pay off the balance of the principle and conclude the financing relationship. With no ability to surrender the property either, Monterey’s practices box consumers into continuing to pay the unexpected and undisclosed financial terms.

29. As a result, consumers rarely terminate their agreements. One Monterey executive described terminations as “incredibly, incredibly rare” and occurring “less than one percent of the time.”

30. Monterey never enforces the purchase option fee and never sends accounts to collections for failure to pay the disposition or purchase fee.

Monterey's Collection Practices in New York

31. Monterey also has performed collection services for clients in the State of New York. Monterey performs collections on contracts owned by themselves, and also on contracts owned by other entities.

32. Whether providing servicing or collection services, Monterey uses calls, texts, emails, and/or letters to consumers to solicit payments. Monterey also reports the status of debts to credit reporting agencies ("CRAs").

33. In attempting to collect payments, Monterey employees often represent or imply that consumers could have their property repossessed for failure to pay.

34. At times, the Company has advised consumers that unpaid debt would be referred to the "legal department" for further action, when indeed no such department existed and Monterey did not take any legal action against consumers.

35. Monterey, in certain instances, charges various fees to consumers in connection with collecting on and servicing leases, loans and retail installment contracts. For instance, Monterey charges various fees to consumers to make a payment by phone. In certain instances, these fees are not specifically identified in consumer agreements or specifically identified to consumers on the phone before incurring the fee.

36. Such pay-to-pay fees are likely to cause substantial injury to consumers.

37. Monterey reviewed consumer complaints outlining confusion as to the nature and terms of the Leases, including whether the agreements were in fact Leases, whether the consumers owned the financed products or services, and whether there was a final disposition or purchase fee due.

38. Monterey's actions with regard to purchasing and servicing the Leases and Monterey's practices with regard to collecting on certain other consumer contracts, as described herein, are in violation of New York Executive Law § 63(12), General Business Law §§ 349, 350 and 601, and Personal Property Law Article 11.

39. Monterey's practices with regard to collecting on certain consumer contracts, as described herein, also violate the Fair Debt Collections Practices Act, 15 U.S.C. § 1692 *et seq.*, Regulation F, 12 C.F.R. § 1006; and Section 5536(a)(1)(A) of the Consumer Financial Protection Act of 2010.

40. Monterey neither admits nor denies the OAG's Findings, above.

41. Monterey has agreed to this Assurance in settlement of the violations described above and to avoid the time, expense, and distraction of litigation.

42. The OAG finds the relief and agreements contained in this Assurance appropriate and in the public interest. THEREFORE, the OAG is willing to accept this Assurance pursuant to Executive Law § 63(15), in lieu of commencing a statutory proceeding for violations of the outlined laws based on the conduct described above during 2016 through present.

IT IS HEREBY UNDERSTOOD AND AGREED, by and between the Parties:

RELIEF

1. General Injunction: Monterey shall not engage, or attempt to engage, in conduct in violation of any applicable laws, including but not limited to New York Executive Law § 63(12), General Business Law §§ 349, 350 and 601, and Personal Property Law Article 11; TILA, 15 U.S.C. §§ 1602 *et seq.*, and the Fair Debt Collections Practices Act, 15 U.S.C. § 1692 *et seq.*, Regulation F, 12 C.F.R. § 1006; and Section 5536(a)(1)(A) of the Consumer Financial Protection Act of 2010, and are prohibited from:

- a. Advertising, marketing, promoting, offering for sale, selling, originating, purchasing, transferring, servicing, or collecting on any lease in the State of New York that relates to Services, pets, or goods having no calculable residual value¹ or assisting others in advertising, marketing, promoting, offering for sale, selling, originating, purchasing, transferring, servicing, or collecting on leases in the State of New York that relate to Services, pets, or goods having no calculable residual value;
- b. Receiving any remuneration or other consideration from, holding any ownership interest in, providing services to, or working in any capacity for any person engaged in or assisting others in advertising, marketing, promoting, offering for sale, selling, originating, purchasing, transferring, servicing, or collecting on leases in the State of New York that relate to Services, pets, or goods having no calculable residual value;
- c. Misrepresenting or assisting others in misrepresenting:

¹ The use of the term "goods having no calculable residual value" in section 1(a) and 1(b) of the Relief provisions in this Assurance, shall not include goods that may be ancillary to and/or an accessory of the primary product subject to the lease and have de minimis value; and the inclusion of such good as part of any lease shall not be prohibited by this the Assurance.

- i. The costs related to a lease originated in the State of New York, including any costs to purchase or return the goods or services financed; The terms or conditions of a lease originated in the State of New York;
 - ii. That a lease originated in the State of New York is equivalent to an interest-free loan or includes an interest-free loan component;
 - iii. The nature, limitations, and requirements of Monterey's return and termination policies for a lease originated in the State of New York; and
 - iv. Any other fact material to consumers concerning a lease originated in the State of New York, such as any other costs or fees or any other material restrictions, limitations, or conditions.
- d. Representing that a consumer who has entered into a lease in the State of New York has purchased or owns the good or service;
- e. Purchasing, servicing, or collecting on any lease in which the terms and conditions of the full-term costs of a lease originated in the State of New York were obscured during the application or contracting process;
- f. Purchasing, servicing or collecting on any lease originated in the State of New York with an initial term of less than four months;
- g. Charging consumers any undisclosed and/or unreasonable fees to make payments, or failing to provide a charge-free pathway to payment; and
- h. Misrepresenting that consumers will have legal action taken against them or have goods or services repossessed in the event the consumer defaults on a lease originated in the State of New York; and

- i. Expressly agrees and acknowledges that any such aforementioned conduct is a violation of the Assurance, and that the OAG thereafter may commence the civil action or proceeding contemplated, *supra*, in addition to any other appropriate investigation, action, or proceeding.

2. Programmatic Relief:

- a. Monterey shall, for any lease originated in the State of New York after the effective date of this Assurance, which Monterey purchases or services:

- i. Ensure that every lease agreement identifies clearly and prominently

1. That it is a lease;
2. The retail value of the goods;
3. The full-term cost of the lease;
4. Any disposition fee or purchase fee;
5. How to terminate the lease; and
6. The methods for returning the leased goods.

- ii. Ensure that every lease agreement contains a return policy that permits consumers to return goods either to the retailer or to a designated third-party;

- iii. In instances where the retailer or third-party refuses to accept the physical return, then Monterey, at no cost to the consumer, shall permit the consumer to receive all benefits of a return, including allowing the consumer to keep the good(s) and canceling the lease;

- iv. Cancel all Leases owned by Monterey and originated in the State of New York before the effective date of this Assurance; and disclaim any ownership interest in the leased products or services subject to the Leases;
- v. Cease to collect on any debt originating from a Lease (including any fees), disclaim any ownership interest in the leased good, inform the consumer by last known email or physical address that the consumer has no further obligation with regard to the Lease, and not sell, assign, or otherwise transfer any right to collect payment on these Leases to any other party. The gross estimated value for the contracts discussed above is represented by Monterey to be approximately \$2.4 million;
- vi. For any Lease which Monterey has furnished negative tradeline information to any Consumer Reporting Agency ("CRA"), promptly request the CRA to delete the negative tradeline;
- vii. Provide to the OAG a final list of all affected consumers qualifying for debt cancellation and credit adjustments under provisions 2(iv)-(vi) of this Assurance, including each such consumer's mailing address, email address, and phone number, and the amount of debt cancellation or forgiveness that Monterey will provide to each such consumer to comply with the aforementioned provisions;
- viii. Maintain a compliance management system that is reasonably designed to ensure that Monterey's activities in connection with purchasing, servicing, and collecting on leases originated in the State of New York after the effective date of this Assurance, comply with all state and federal laws;

- ix. On an annual basis for the following two (2) years, generate reports on consumer complaints or disputes Monterey receives relating to leases originated in the State of New York after the effective date of this Assurance, compliance with this Assurance, or compliance with the laws outlined herein. Such report must include, at a minimum, a root-cause analysis, identification of potential issues, and descriptions of corrective actions taken;
- x. Retain all documents and records necessary to demonstrate full compliance with this Assurance, and all applicable laws referenced herein;
- xi. Retain business records showing, for each lease purchased or serviced and originated in the State of New York after the effective date of this Assurance, the consumer's name, address, phone number, email address; the date(s) on which the lease was executed; the date Monterey purchased the lease; the type of goods and the retail value of the goods that were the subject of the lease; amount the consumer paid to Monterey pursuant to the lease, and the date(s) of each payment; dates and details of any return consumer attempted; date and terms of any settlement; and all information furnished to a CRA about the consumer; and
- xii. For any lease originated in the State of New York, ensure all disclosures are included in the lease agreement as required by law, including the total of payments, as required by 12 C.F.R. § 1013.4(e).

- b. Monterey will implement the relief described in this paragraph within 180 days of signing of this Assurance, and continue to implement the relief in an ongoing manner.
 - c. Acceptance of this Assurance by the OAG is not an approval or endorsement by OAG of any of Monterey's policies practices or procedures, and Monterey shall make no representation to the contrary.
3. Monterey Oversight/Monitoring:
- a. *Certification of Compliance:* Monterey shall provide the OAG with a certification affirming its compliance with the Programmatic Relief requirements set forth in this Assurance, to be submitted to the OAG within 180 days after the effective date of this Assurance. This certification shall be in writing and be signed by Monterey. Thereafter, a certification of compliance shall be submitted to the OAG on an annual basis for the following two (2) years. In any case within this period where the circumstances warrant, the OAG may require Monterey to file an interim certification of compliance upon thirty (30) days notice.
 - b. Monterey expressly agrees and acknowledges that a default in the performance of any obligation under this paragraph is a violation of the Assurance, and that the OAG thereafter may commence the civil action or proceeding, in addition to any other appropriate investigation, action, or proceeding, and that evidence that the Assurance has been violated shall constitute prima facie proof of the statutory violations described herein, pursuant to Executive Law § 63(15).

Monetary Relief

- a. *Monetary Relief Amount:* Monterey shall pay to the New York Attorney General \$175,000 as monetary relief (the "Monetary Relief Amount"). Payment of the Monetary Relief Amount shall be made in full within 21 business days of the effective date of this Assurance.
- b. Payments shall be made by wire transfer and, if possible, shall reference Assurance No. #25-070.

MISCELLANEOUS

Subsequent Proceedings.

4. Monterey expressly agrees and acknowledges that the OAG may initiate a subsequent investigation, civil action, or proceeding to enforce this Assurance, for violations of the Assurance, or if the Assurance is voided, and agrees and acknowledges that in such event:
 - a. the OAG may use statements, documents or other materials produced or provided by Monterey prior to or after the effective date of this Assurance;
 - b. any civil action or proceeding must be adjudicated by the courts of the State of New York, and Monterey irrevocably and unconditionally waives any objection based upon personal jurisdiction, inconvenient forum, or venue; and
 - c. evidence of a violation of this Assurance shall constitute prima facie proof of a violation of the applicable law pursuant to Executive Law § 63(15).
5. If a court of competent jurisdiction determines that Monterey has violated the Assurance, the Respondent shall pay to the OAG the reasonable cost, if any, of obtaining such determination and of enforcing this Assurance, including without limitation legal fees, expenses, and court costs.

Effects of Assurance:

6. This Assurance is not intended for use by any third party in any other proceeding.
7. All terms and conditions of this Assurance shall continue in full force and effect on any successor, assignee, or transferee of Monterey. No party may assign, delegate, or otherwise transfer any of its rights or obligations under this Assurance without the prior written consent of the OAG.
8. Nothing contained herein shall be construed as to deprive any person of any private right under the law.
9. Any failure by the OAG to insist upon the strict performance by Monterey of any of the provisions of this Assurance shall not be deemed a waiver of any of the provisions hereof, and the OAG, notwithstanding that failure, shall have the right thereafter to insist upon the strict performance of any and all of the provisions of this Assurance to be performed by Monterey.

Communications:

10. All notices, reports, requests, and other communications pursuant to this Assurance must reference Assurance No. #25-070, and shall be in writing and shall, unless expressly provided otherwise herein, be given by hand delivery; express courier; or electronic mail at an address designated in writing by the recipient, followed by postage prepaid mail, and shall be addressed as follows:

If to Monterey, to: Any person holding the title of CEO at Monterey, with copy to Richard M. Scherer, Jr., Esq., Lippes Mathias LLP, 50 Fountain Plaza, Suite 1700, Buffalo, NY 14202.

If to the OAG, to: Deanna R. Nelson, or in her absence, to the person holding the title of Assistant Attorney General In Charge, Watertown Regional Office, 317 Washington Street, 10th Floor, Watertown, NY 13601.

Representations and Warranties:

11. The OAG has agreed to the terms of this Assurance based on, among other things, the representations made to the OAG by Monterey and their counsel and the OAG's own factual investigation as set forth in Findings, above. Monterey represents and warrants that neither they nor their counsel have made any material representations to the OAG that are inaccurate or misleading. If any material representations by Monterey or their counsel are later found to be inaccurate or misleading, this Assurance is voidable by the OAG in its sole discretion.

12. No representation, inducement, promise, understanding, condition, or warranty not set forth in this Assurance has been made to or relied upon by the Monterey in agreeing to this Assurance.

13. Monterey represents and warrants, through the signatures below, that the terms and conditions of this Assurance are duly approved. Monterey further represents and warrant that Monterey Financial Services, LLC, by the signatory to this Assurance, is a duly authorized officer acting at the direction of the Board of Managers of Monterey Financial Services, LLC.

General Principles:

14. Unless a term limit for compliance is otherwise specified within this Assurance, Monterey's obligations under this Assurance are enduring. Nothing in this Assurance shall relieve Monterey of other obligations imposed by any applicable state or federal law or regulation or other applicable law.

15. Monterey agrees not to take any action or to make or permit to be made any public statement denying any finding in the Assurance or creating the impression that the Assurance is without legal or factual basis.

16. Nothing contained herein shall be construed to limit the remedies available to the OAG in the event that Monterey violates the Assurance after its effective date.

17. This Assurance may not be amended except by an instrument in writing signed on behalf of the Parties to this Assurance.

18. In the event that any one or more of the provisions contained in this Assurance shall for any reason be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, in the sole discretion of the OAG, such invalidity, illegality, or unenforceability shall not affect any other provision of this Assurance.

19. Monterey acknowledges that it has entered this Assurance freely and voluntarily and upon due deliberation with the advice of counsel.

20. This Assurance shall be governed by the laws of the State of New York without regard to any conflict of laws principles.

21. The Assurance and all its terms shall be construed as if mutually drafted with no presumption of any type against any party that may be found to have been the drafter.

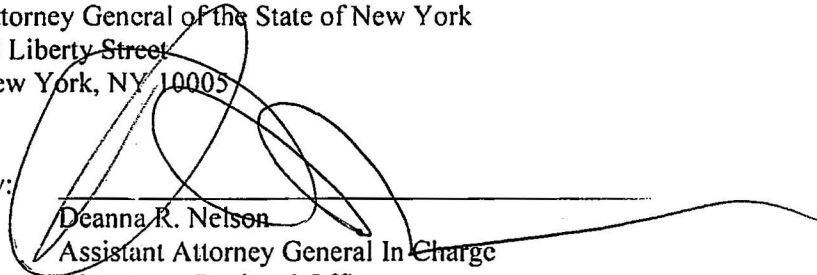
22. This Assurance may be executed in multiple counterparts by the parties hereto. All counterparts so executed shall constitute one agreement binding upon all parties, notwithstanding that all parties are not signatories to the original or the same counterpart. Each counterpart shall be deemed an original to this Assurance, all of which shall constitute one agreement to be valid as of the effective date of this Assurance. For purposes of this Assurance, copies of signatures shall be treated the same as originals. Documents executed, scanned and transmitted electronically and

electronic signatures shall be deemed original signatures for purposes of this Assurance and all matters related thereto, with such scanned and electronic signatures having the same legal effect as original signatures.

23. The effective date of this Assurance shall be ^{December} ~~November~~ 12, 2025.

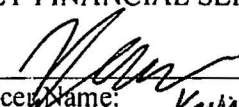
LETITIA JAMES
Attorney General of the State of New York
28 Liberty Street
New York, NY 10005

By:


Deanna R. Nelson
Assistant Attorney General In Charge
Watertown Regional Office

MONTEREY FINANCIAL SERVICES, LLC

By:


Officer Name: Kevin Weiss
Title: CEO

STATE OF California)
) ss.:
COUNTY OF San Diego)

On the 5 day of December in the year 2025 before me personally came Kevin Weiss (full name) to me known, who, being by me duly sworn, did depose and say that he/she/they reside(s) in 4095 Avenida de la Plata Oceanside, CA 92056 (full address); that he/she/they is (are) the president + CEO (title) of Monterey Financial Services, LLC, the corporation described in and which executed the above instrument; that he/she/they know(s) the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the board of directors of said corporation, and that he/she/they signed his/her/their names(s) thereto by like authority.

Sworn to before me this
5th day of December, 2025


NOTARY PUBLIC

