COMMONWEALTH OF KENTUCKY
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
OFFICE OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2007AH-905

IN THE MATTER OF:
PRAJNA GROUP, INC. d/b/a
LIBERTY MORTGAGE FUNDING

SETTLEMENT AGREEMENT

BACKGROUND AND FACTUAL FINDINGS

1. Prajna Group, Inc., doing business in Kentucky under the assumed name of Liberty Mortgage Funding ("Liberty Mortgage"), is licensed by the Office of Financial Institutions ("OFI") to conduct business as a mortgage loan company. Liberty Mortgage's principal office is located at 9300 Shelbyville Road, Suite 400, Louisville, Kentucky 40222 and its mortgage loan broker license number is 19563.

2. On June 21, 2007, an investigation was conducted at the above location for the purpose of determining whether Liberty Mortgage was in compliance with the provisions of KRS 286.8 requiring that all loan officers and originators at Liberty Mortgage since July 1, 2004 be duly registered with OFI.

3. In the course of that investigation it was discovered that Liberty Mortgage had a number of individuals who had negotiated and/or originated mortgage loans on Kentucky properties without being registered with OFI.

4. As of July 1, 2004, no mortgage loan broker and no loan officer may originate mortgage loans in Kentucky unless they are registered with OFI and have been issued a certificate of registration.

5. Liberty Mortgage's employment of 21 unregistered mortgage loan officers to originate loans on Kentucky properties were violations of KRS 286.8-255.

AGREEMENT AND ORDER

In the interest of economically and efficiently resolving the issues raised in the foregoing Background and Factual Findings and in consideration of the full disclosure and compliance demonstrated by Liberty Mortgage and the high level of cooperation shown and access to information provided to the OFI by Liberty Mortgage, The Office of Financial Institutions and Liberty Mortgage Funding of Louisville, agree as follows:

1. A civil penalty of ten thousand five hundred dollars ($10,500) is imposed upon Liberty Mortgage for the violations of KRS 286.8-255 set forth above. However, the OFI agrees to suspend payment of this fine for a period of twenty-four (24) months from the date of execution of this Settlement Agreement. If it is determined by examination by the OFI of Liberty Mortgage that Liberty Mortgage has not committed any additional violations of KRS 286.8 between the date of execution of this Settlement Agreement and the expiration of the twenty-four (24) month period described in this paragraph, then the $10,500 civil penalty shall be waived upon expiration of the twenty-four (24) month period. If, however, it is determined by examination by the OFI of Liberty Mortgage that Liberty Mortgage has committed additional violations of KRS 286.8 at any time during this twenty-four (24) month period or if Liberty Mortgage has materially breached any of the terms or conditions of this Settlement Agreement, then the

$10,500 civil penalty will be immediately due and payable to the OFI. The imposition and/or suspension of this civil penalty shall not preclude the OFI from imposing additional civil penalties for any subsequent violation(s) of KRS 286.8.

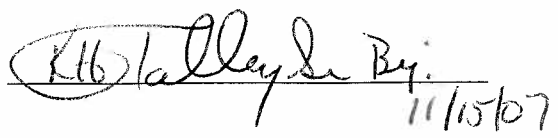
2. In addition, in lieu of the imposition of additional fines for the violations set forth herein, the parties hereby agree that Liberty Mortgage shall make and tender five (5) voluntary monetary contributions to State Regulatory Agency, LLC, in a total amount equal to ten thousand five hundred dollars ($10,500), to support the Nationwide Mortgage Licensing System, jointly sponsored by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators, with the first of said contributions in the amount of two thousand five hundred dollars ($2,500) being delivered to Bill Matthews, Nationwide Mortgage Licensing System, 1155 Connecticut Ave. NW, Fifth Floor, Washington, D.C. 20036-4306, on or before the date of execution of this Settlement Agreement (and in no event after October 31, 2007). A copy of this contribution check shall be simultaneously delivered to the Kentucky Office of Financial Institutions, Attn: William Owsley, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601. Additional monetary contributions in the amount of two thousand dollars ($2,000) each shall be made for four consecutive months thereafter, but in no event later than November 30, 2007, December 31, 2007, January 31, 2008, and February 29, 2008 (the "due dates"), respectively. Copies of each additional contribution check shall also be delivered on or before their respective due dates to the Kentucky Office of

Financial Institutions, Attn: William Owsley, at the address first shown above. Failure to make any of the above contributions by their respective due dates shall be considered a material breach of the terms and conditions of this Settlement Agreement.

3. In regard to this matter, Liberty Mortgage agrees to waive its right to demand a hearing, where it would be entitled to legal representation, to confront and cross-examine witnesses for the Office of Financial Institutions, and to present evidence on its own behalf. Further, Liberty Mortgage agrees to and acknowledges the jurisdiction of the Office of Financial Institutions over this matter and understands that this agreement is a matter of public record and may be disseminated as such.

4. Notwithstanding anything to the contrary in this Settlement Agreement, execution of this Settlement Agreement is without prejudice to the right of the Office of Financial Institutions to take enforcement action against Liberty Mortgage to enforce this Settlement Agreement, if it determines that Liberty Mortgage is not fully complying with any term or condition stated herein or if any representations made by Liberty Mortgage and reflected herein are subsequently discovered to be untrue. For purposes of this paragraph, a violation of this Settlement Agreement shall be deemed to be a violation of an order of the Executive Director of the Office of Financial Institutions.

IT IS SO ORDERED on this the 31st day of Oct, 2007.



Cordell G. Lawrence
Executive Director

Consented to:

This 31st day of October, 2007

Greg A. Jennings
General Counsel
Kentucky Office of Financial Institutions

This 31st day of October, 2007

Robert V. Lloyd, President/Owner
Prajna Group, Inc., d/b/a
Liberty Mortgage Funding

STATEMENT OF AUTHORIZATION

I, Robert V. Lloyd, state on behalf of Prajna Group, Inc., an Illinois corporation doing business in Kentucky as Liberty Mortgage Funding ("Liberty Mortgage"), that I have read the foregoing Settlement Agreement; that I know and fully understand its contents; that I am authorized to execute this Settlement Agreement on behalf of Liberty Mortgage, that Liberty Mortgage agrees freely and without threat of coercion of any kind to comply with the terms and conditions stated herein; and that Liberty Mortgage voluntarily agrees to enter into this Settlement Agreement, expressly waiving any right to a hearing on the matters described herein.

By:

Robert V. Lloyd
President/Owner
Liberty Mortgage Funding
9300 Shelbyville Road
Suite 400
Louisville, Kentucky 40222

COMMONWEALTH OF KENTUCKY)
)

COUNTY OF Jefferson)

On this the 31st day of Oct, 2007, before me Rob Lloyd, the undersigned officer, did Robert V. Lloyd personally appear and acknowledge himself to be the President and Owner of Prajna Group, Inc., doing business in Kentucky as Liberty Mortgage Funding, an Illinois corporation, and that he, as such President and Owner, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Robert V. Lloyd, President/Owner of Prajna Group, Inc., dba Liberty Mortgage Funding.

In witness whereof I hereunto set my hand.

Notary Public
Date Commission Expires: 9/15/08