



NEWS RELEASE

Troy King

Alabama Attorney General



Alabama Securities Commission

FOR IMMEDIATE RELEASE

February 24, 2010

For More Information, contact:

Joy Patterson [AG] (334) 242-7491

Suzanne Webb [AG] (334) 242-7351

Dan Lord, [ASC] (334) 353-4858

ATTORNEY GENERAL, SECURITIES COMMISSION OBTAIN ORDER FOR PERMANENT SHUTDOWN OF ONE OF THE LARGEST DEBT SETTLEMENT SCHEMES IN THE NATION

Approximately \$12 million in assets seized

(MONTGOMERY)—The Attorney General's Office and the Alabama Securities Commission announced the permanent shutdown of one of the largest debt settlement schemes in the nation, which had been operated in Prattville by a local attorney. Autauga County Circuit Judge Ben Fuller granted the agencies' request for a permanent injunction to stop deceptive and illegal activities by Keith Anderson Nelms and his companies, Allegro Law LLC and Allegro Financial Services LLC. The Court's summary judgment ruling establishes a permanent receiver and makes provisions for the receiver to protect and recover remaining resources for the benefit of the companies' clients.

Attorney General Troy King and Securities Commission Director Joe Borg filed a lawsuit seven months ago which halted operations and froze the defendants' assets while the Court reviewed allegations regarding Allegro's unlicensed business, its ineffectiveness in reducing the debts of its clients, and its false representation of the services provided. The Court's ruling now permanently prohibits Allegro and Nelms from engaging in any further deceptive trade practices and from operating a debt settlement or debt management business in Alabama.

"Now the Court has put an end to Allegro Law's illegal operation, and has stopped it from continuing to exploit the clients it purported to serve," said Attorney General King. "People who were in desperate circumstances came to Allegro for help, and instead they suffered greater harm. With this ruling, Allegro will not be allowed to cause further damage, and steps are being taken to restore as much money as possible to the victims whose trust was betrayed. My office will not permit any person or business to operate massive scams within our state."

Joseph Borg, Director of the Alabama Securities Commission said, "This action continues our determination to enforce compliance with the law in the debt management industry. With the continuing financial crisis affecting Alabama citizens, those who have credit issues must carefully investigate and understand the debt management solutions being offered. Before any Alabamian enters into a contract with a debt resolution company, check their license with the Alabama Securities Commission's Registration Office (800-222-1253) to make sure they are licensed as required under Alabama law and be certain you fully understand what the terms of the contract are."

Nelms is a resident of Montgomery whose law practice and financial services company were located in Prattville. After some of Nelms' activities came under scrutiny by the Alabama Bar Association, he pleaded guilty to violating numerous rules of professional conduct and was suspended from the practice of law in Alabama.

In the order, the Court agreed with the State's assertion that Nelms and Allegro violated the Deceptive Trade Practices Act and the Sale of Checks Act. Approximately \$12 million in assets will be held for approximately 15,000 Allegro customers nationwide, of which about 175 are Alabama residents. These assets have been in the care of a receiver who has

now been appointed to permanently oversee the protection of the funds to insure that the funds are handled appropriately and in the clients' best interest. The distribution and scheduling of any potential refunds will be determined in the future. Clients will be contacted by the receiver, Louis Colley, and may also contact him by mail at Allegro Law Receivership, P. O. Box 680840, Prattville, AL 36068, by telephone toll free at 1-888-361-3303, or on the web at www.Allegrolawreceivership.com.

Under the Sale of Checks Act, any person engaging in a debt payment services business must obtain a license from the Commission prior to conducting business in Alabama. The defendants operated in violation of the law by failing to obtain a license as required by the Sale of Checks Act before engaging in the debt payment services business nationwide from their Alabama office.

The Alabama Deceptive Trade Practices Act is designed to protect consumers by prohibiting business from committing a variety of deceptive practices including engaging in any "unconscionable, false, misleading, or deceptive act or practice in the conduct of trade or commerce." Defendants were found to have violated the Deceptive Trade Practices Act by engaging in various deceptive business practices, including making false, misleading, and deceptive representations to consumers.

Nelms advertised that debt payment services provided through a business run by an attorney would provide superior results and would be handled in a more ethical and professional manner than debt payment services offered by a business not run by an attorney. In reality, Allegro promoted a risky practice known as debt settlement, in which consumers stop making monthly payments to their creditors, hoping to encourage creditors to write off the debt, reclassify it as less collectible, and agree to settle for a greatly reduced payment. Instead, as the Court's order states, "defendant's debt settlement program failed to reduce consumers' debt in most cases, negatively affected consumers' credit ratings, and subjected customers to increased lawsuits and collection activities by creditors." Furthermore, consumers sent monthly payments to Allegro which they believed would be used to pay their debts, but which were instead used to pay Allegro's massive upfront fees. The Court states that "it was deceptively unclear to Allegro consumers that Allegro Law would collect its fees in full before any funds were used to pay creditors." The Court also found that Allegro engaged in deceptive trade practices by representing that it was providing customers with legal services, when in fact Allegro simply referred the cases to be handled by a third party that was not a law firm but which represented itself to clients as if it were.

The Court concluded that Allegro customers were deceived in the following ways: "(1) consumers were led to believe that Allegro Law, LLC was a law firm providing legal services, when in fact, consumers were not provided legal services; (2) consumers believed that Allegro was located in New York, when it was located in Prattville, Alabama; (3) consumers were not aware that they would be charged a fee of 16 percent of their total debt enrolled in the program and that 100 percent of their monthly bank drafts would go toward payment of that fee until the fee was paid in full; (4) consumers were deceived about the effectiveness of Allegro's program and the certification of Allegro's services; and (5) consumers were directed to stop making payments to creditors, which resulted in increased interest rates, late fees, further damage to their credit ratings, and additional and increased collection activities by their creditors."

Attorney General King and Securities Commission Director Borg commended those who worked hard to bring this case to a successful conclusion, noting in particular Assistant Attorney General Noel Barnes, Deputy Attorney General Rushing Payne, and Special Agents Kyle Clark and Bob Caviness of the Attorney General's Office, and Assistant Attorney General Jane Brannan and Special Agent Chip Harrison of the Securities Commission.

--30--