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SUPERIOR COURT OF CALIFORNIA
COUNTY OF MONTEREY

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

INTEGRATED CREDIT SOLUTIONS, INC., and
LIGHTHOUSE CREDIT FOUNDATION, INC.,

Defendants.

Case No. _____

**STIPULATED FINAL
JUDGMENT RE
LIGHTHOUSE CREDIT
FOUNDATION, INC.**

Judge: Honorable Robert
O'Farrell
Dept.: 14

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**STIPULATED FINAL
JUDGMENT RE
LIGHTHOUSE CREDIT
FOUNDATION, INC.**

Judge:
Dept.:

It appearing to this Court that Plaintiff, the People of the State of California, by and through the Attorney General and the District Attorneys for the Counties of Monterey and Santa Clara, and Defendant Lighthouse Credit Foundation, Inc. (hereafter “Lighthouse”), have resolved the matters in controversy between them; and that the parties have stipulated to entry of this Stipulated Final Judgment Re Lighthouse Credit Foundation, Inc. (hereafter the “Judgment”); and that good cause having been shown, now therefore, the Court:

ORDERS, ADJUDGES AND DECREES:

1. This Court has jurisdiction of the subject matter hereof and Lighthouse.
2. Nothing in this Judgment shall be construed as evidence or an admission by Lighthouse of any act or violation of law or of any liability, nor shall compliance with the Judgment constitute or be construed as any evidence or admission by Lighthouse of any fact, issue of law, or violation of law. Nothing in this Judgment shall prejudice, waive or impair any right, remedy or defense that the parties may have as to each other in any other or further legal proceedings unrelated to these

1 proceedings and unrelated to the facts alleged in the Complaint.

2 Injunctive Relief

3 3. Pursuant to Business and Professions Code sections 17203 and 17535 defendant
4 Lighthouse and its principals, officers, directors, employees, agents, representatives, and successors
5 in interest, and any parent, subsidiary or affiliated entities, and all persons, corporations, and other
6 entities acting in concert with or at the direction of Lighthouse, are permanently enjoined and
7 restrained from engaging in or performing, directly or indirectly, any of the following:

8 A. Marketing, selling, offering to sell or administering any debt management plan
9 or debt settlement plan to California consumers, unless Lighthouse either (1) has a
10 prorater license issued by the California Department of Corporations, or (2) operates as
11 a nonprofit community service organization in full compliance with Section 12104 of the
12 California Finance Code.

13 B. When operating as a nonprofit community service organization marketing,
14 selling, offering to sell or administering any debt management plan or debt settlement
15 plan to California consumers:

16 i. collecting, causing to be collected, or otherwise permitting a third
17 party to collect from California consumers enrolling in a debt management plan
18 or debt settlement plan any monies in excess of those permitted by Section
19 12104(d) of the California Finance Code, whether such monies are
20 characterized as fees, charges, donations, contributions or otherwise;

21 ii. soliciting, causing the solicitation of, or otherwise permitting any
22 third party to solicit on Lighthouse's behalf any monies from Californians
23 contacted about Lighthouse's credit counseling or debt management services,
24 other than the amounts permitted by Section 12104(d) of the California Finance
25 Code;

26 iii. failing to maintain a surety bond in the amount of \$25,000.00 issued
27 by an insurer licensed in California, as required by Section 12104(g) of the
28 California Finance Code; and

1 iv. requiring or otherwise permitting any third party to require that credit
2 counseling, debt management or debt settlement customers in California utilize
3 additional ancillary services, in violation of Section 12104(n)(6) of the
4 California Finance Code.

5 C. Failing to comply with the requirements of any applicable California law
6 relating to artificial or pre-recorded voice recordings, including but not limited to Section
7 1770(a)(22) of the California Civil Code, which prohibits the dissemination of any
8 artificial or prerecorded voice recordings intended to result or which result in the sale or
9 lease of goods or services to any consumer, unless the call is made to a person having an
10 established business relationship with the caller, or the call is made with an unrecorded,
11 natural voice, first informing the person answering the telephone of the caller's name and
12 address or telephone number and, if applicable, the telemarketing company's name and
13 address or telephone number, and obtaining the consent of that person to listen to the
14 prerecorded message.

15 D. Failing to comply with Section 17500.3 of the California Business and
16 Professions Code, by soliciting, causing the solicitation of, or otherwise permitting any
17 third party to solicit on Lighthouse's behalf the sale of Lighthouse's goods or services at
18 the residence of a prospective buyer, by means of outbound telemarketing calls, without
19 clearly, affirmatively and expressly revealing at the time the person initially contacts the
20 prospective buyer, and before making any other statement, except for a greeting, or asking
21 the prospective buyer any other questions, that the purpose of the contact is to effect a
22 sale, by doing all of the following: (1) stating the identity of the person making the
23 solicitation; (2) stating the trade name of the person represented by the person making the
24 solicitation; and (3) stating the kind of goods or services being offered for sale.

25 E. Disseminating, causing to be disseminated, or otherwise permitting a third party
26 to disseminate before the public in California any untrue or misleading statement about
27 Lighthouse or its products or services in violation of Section 17500 of California's
28 Business and Professions Code or the Telemarketing Sales Rule (16 C.F.R. § 310 et seq.),

1 including any statement that:

2 i. a person has previously received an approval letter or other written
3 communication from or on behalf of Lighthouse, unless such a statement is true
4 and is not misleading;

5 ii. a person has been “approved,” unless the product or service for which
6 the consumer has been approved is clearly stated and the statement is true and
7 is not misleading;

8 iii. consumer(s) may be able to consolidate their debt down to a certain
9 interest rate (e.g., “as low as” 1.5%, 5.5% or 6.5%) through Lighthouse’s debt
10 management program, unless Lighthouse can substantiate, at the time of the
11 representation, that the claimed interest rate concession (or a lower rate) has
12 been obtained by the majority of customers who commenced debt management
13 plans in the forty-five days immediately prior to the representation;

14 iv. any payment to Lighthouse for credit counseling or prorating services
15 is tax-deductible;

16 v. any payments to Lighthouse by persons enrolled in a debt
17 management plan represent the amount needed or used to pay for bank fees or
18 wire transfer fees, unless such a statement is true and is not misleading;

19 F. Selling or offering to sell any product or service to California consumers
20 through a “home solicitation contract or offer,” unless Lighthouse complies with Section
21 1689.5 et seq. of the California Civil Code.

22 Restitution

23 4. Pursuant to Business and Professions Code sections 17203 and 17535, Lighthouse shall
24 pay a total of \$422,400.00 in restitution to its California customers in the manner described herein:

25 A. “Eligible Customer” shall be defined for purposes of this Judgment as a person
26 who was a California resident prior to March 2003 and who while a resident of California
27 enrolled in a debt management program with Lighthouse and who paid monthly fees or
28 contributions to Lighthouse in excess of \$20.00 per month to service his or her debt

1 management program account at anytime since May 2000.

2 B. Lighthouse shall pay each Eligible Customer his or her pro rata share of the
3 total restitution of \$422,400.00, based on each Eligible Customer's share of the total
4 amount of monthly fees or contributions in excess of \$20.00 paid to Lighthouse as
5 reported in the spreadsheet provided to counsel for the People prior to entry of judgment.

6 C. The total amount of restitution set forth in this judgment is based on the August
7 2004 spreadsheet of Eligible Customer information provided by Lighthouse to counsel
8 for the People prior to entry of the Judgment. The People may seek to amend the total
9 amount of restitution owed under this Judgment if the spreadsheet does not accurately
10 represent either the number of Eligible Customers or the total amount of fees or
11 contributions in excess of \$20.00 paid by the Eligible Customers to Lighthouse. Should
12 the People file a motion to amend the Judgment, the spreadsheet shall be filed under seal,
13 given its status as a trade secret and in light of the private consumer information contained
14 therein.

15 D. Lighthouse shall divide the Eligible Customers into four chronological groups
16 (Groups I, II, III, and IV), such that each group collectively is owed a total of
17 approximately \$105,600.00. Group I shall contain the Eligible Customers who were the
18 first in time to conclude their participation in Lighthouse's debt management program,
19 and each successive group shall in order be the second in time to conclude, third in time
20 to conclude and fourth in time to conclude their participation in Lighthouse's debt
21 management program.

22 E. Lighthouse shall issue restitution checks or wire transfers to Groups I through
23 IV in succession on the 30th, 60th, 90th and 120th day respectively from entry of this
24 Judgment. Checks shall be mailed by first class United States mail and shall include a
25 copy of the letter attached hereto as Exhibit A. If Lighthouse elects to pay restitution by
26 wire transfer, then at least one week prior to initiating a wire transfer to any Eligible
27 Customer, Lighthouse shall send to that Eligible Customer by first class United States
28 mail a copy of the letter attached hereto as Exhibit B.

1 F. Each Eligible Customer shall receive the full amount of restitution to which he
2 or she is entitled under this judgment in a single check (with an expiration date of 90 days
3 from date of issuance) or wire transfer from Lighthouse.

4 G. Within 15 days of any check being returned as undeliverable or expiring (90
5 days after issuance) without being deposited, or within 15 days of any unsuccessful wire
6 transfer, Lighthouse shall attempt to determine the current address of the relevant Eligible
7 Customer by checking the United States Post Office National Change of Address System.
8 Where new address information is available, Lighthouse shall mail via first class United
9 States mail a check in the correct amount to the new address along with a copy of the
10 letter attached hereto as Exhibit A.

11 H. Lighthouse shall establish or designate a toll-free telephone number for use by
12 Eligible Customers in connection with the Restitution Program. The toll-free telephone
13 number shall be prominently displayed on all correspondence and notices issued by
14 Lighthouse regarding the restitution program. Lighthouse shall use its best efforts to
15 promptly and truthfully respond to Eligible Customers' questions. Callers to the toll-free
16 telephone number shall not be solicited for the sale of products or services. Lighthouse
17 shall maintain a log of the date and time of each call to the toll-free telephone number, the
18 Eligible Customer's name and telephone number (to the extent provided voluntarily by
19 the Eligible Customer), and subject matter of each call. The log shall be made available
20 for one year from the date of entry of this Stipulated Final Judgment for inspection by
21 counsel for the People and/or its agents upon 3 day written notice. Copies may be
22 provided if requested by counsel for the People in lieu of personal inspection.

23 I. On the 90th, 150th and 240th day from entry of this Judgment, Lighthouse shall
24 provide an accounting of the checks cashed, wire transfers completed, checks returned as
25 undeliverable, checks expired without being cashed, unsuccessful wire transfers, including
26 an updated version of the spreadsheet referenced in Paragraph 4.C. reflecting for each
27 Eligible Customer the status of their restitution payment. Copies of canceled checks and
28 records of electronic transfers shall be made available for one year from the date of entry

1 of this Stipulated Final Judgment for inspection by counsel for the People and/or its
2 agents upon 3 day written notice. Copies may be provided if requested by counsel for the
3 People in lieu of personal inspection.

4 J. On the 240th day from entry of this Judgment, one half of any remaining balance
5 of the \$422,400.00 in restitution that has not been paid to Eligible Customers shall be
6 deemed to be civil penalties and one half shall be deemed to be *cy pres* restitution for the
7 purpose of enhancing the investigation, prosecution, and enforcement of consumer
8 protection actions brought pursuant to the unfair competition statutes of the State of
9 California (Business and Professions Code section 17200 et seq.) by the California
10 Attorney General, district attorneys, and city attorneys authorized to bring such actions
11 pursuant to Business and Professions Code section 17206. The civil penalties shall be
12 paid in three equal amounts by bank checks made payable to “The Attorney General for
13 the State of California”, the “County of Monterey” and the “County of Santa Clara” and
14 delivered by express mail to the counsel for the People. The *cy pres* restitution shall be
15 paid to the Consumer Protection Prosecution Trust Fund previously created by the
16 Stipulated Final Judgment and Permanent Injunction, filed on September 21, 1989, in the
17 case of *People v ITT Consumer Financial Corporation* (Alameda County Superior Court
18 case number 656038-0) and the check shall be delivered by express mail to Robin
19 Wakshull, Santa Clara County District Attorney’s Office, 70 West Hedding Street, W.
20 Wing, San Jose, CA 95110.

21 K. Defendants shall meet and confer with counsel for the People as reasonably
22 required to monitor and audit the Restitution Program properly. Problems which arise
23 concerning the implementation of the Restitution Program may be resolved by agreement
24 between the parties without further Court order. In the event a dispute arises that cannot
25 be resolved between the parties, any party may petition the Court for resolution.

26 L. If requested in writing by counsel for the People after review of the records
27 regarding mailing and payments provided by Lighthouse, Lighthouse shall hire a mutually
28 agreed upon independent certified public accountant to audit Lighthouse’s performance

1 of the restitution program under this Judgment and to issue a written audit report to
2 counsel for the People. Costs of said audit shall be the responsibility of Lighthouse.

3 5. On entry of this Judgment AND PENDING THE DELIVERY OF THE LETTER OF
4 CREDIT REFERENCED HEREIN, Lighthouse shall transfer to Holland & Knight LLP's Client
5 Trust Account the dollar amount required by the Bank of America to secure an irrevocable letter of
6 credit in the amount of \$422,400.00. Within 14 calendar days of entry of this Judgment Lighthouse
7 shall deliver to the Attorney General's Office an irrevocable letter of credit from Bank of America
8 payable to the State of California in the amount of \$422,400.00, as security for payment of the
9 restitution amount in paragraph 4 above. As payments are made each month, the Letter of Credit
10 may be reduced by a corresponding amount according to the following procedure: at Lighthouse's
11 option, it may submit to the Attorney General's Office, attn. David Zonana, 455 Golden Gate
12 Avenue, San Francisco, CA 94109, a declaration from its President or Chief Financial Officer under
13 oath reporting the total amount of restitution checks cashed or deposited by Eligible Customers or
14 successfully wire transferred to Eligible Customers' accounts as of the 45th, 75th and/or 105th days
15 from entry of this Judgment; within five business days of receipt of such a declaration, the Attorney
16 General's Office shall either (a) send the bank issuing the Letter of Credit a letter authorizing a
17 corresponding reduction in the amount of the Letter of Credit or (b) reasonably object to the
18 adequacy or accuracy of the declaration in writing to Lighthouse.

19 6. On failure of Lighthouse to make any payment of restitution as scheduled, the full amount
20 of restitution owed, (\$422,400.00 less any restitution payments made to date) shall become due and
21 payable immediately, and the Attorney General's Office may immediately draw on the Letter of
22 Credit in the amount owed. The failure of the Attorney General's Office to exercise its right to
23 immediately draw on the Letter of Credit, or the acceptance by the Attorney General's Office of
24 Lighthouse's delinquent payments of restitution, shall not constitute waiver of any rights under the
25 Letter of Credit. On Lighthouse's satisfaction of its obligation under paragraph 4.A. through 4.L.
26 above, counsel for the People shall return the Letter of Credit to Lighthouse. After seven months
27 from the date of issue, the Letter of Credit will expire.

28 7. Lighthouse shall assist in the implementation of any restitution program set forth in any

1 judgment entered in this action regarding Integrated Credit Solutions, Inc. (hereafter “ICS”),
2 including, if requested by the People and ICS, making restitution payments to California consumers
3 on behalf of ICS, which would be recovered along with reasonable costs of administration by
4 Lighthouse by commensurately reducing its next contractual payment to ICS.

5 Civil Penalties, Costs and Fees

6 8. On entry of this Judgment, Lighthouse shall deliver to counsel for the People two bank
7 or certified checks, made out to the County of Monterey and the County of Santa Clara, in the
8 amount of \$25,000.00 each, in payment of civil penalties.

9 9. On entry of this Judgment, Lighthouse shall deliver to counsel for the People three
10 bank or certified checks, made out to the Attorney General of the State of California, the County
11 of Monterey and the County of Santa Clara, in the amounts of \$33,333.34, \$8,333.33 and
12 \$8,333.33 respectively, in payment of costs and attorneys fees.

13 10. Lighthouse shall pay all court costs associated with its appearance in this action,
14 including any fee for the filing of the stipulation for entry of judgment. Except as otherwise set
15 forth in this Judgment, each party to this Judgment shall bear its own costs and expenses of
16 litigation.

17 Other Provisions

18 11. The consent of the People's representatives to this Stipulated Final Judgment is expressly
19 premised upon the truthfulness, accuracy, and completeness of the data and other information
20 concerning Lighthouse’s financial condition, and Lighthouse’s advertising and sales of its credit
21 counseling and debt management programs within California that were provided by Defendant to
22 counsel for the People during the course of this investigation. Counsel for the People have relied
23 upon this data and the documents in negotiating and agreeing to the terms of this Stipulated Final
24 Judgment, and Defendant certifies that it has provided all such data in good faith and believes to the
25 best of its knowledge that such data is accurate in all material respects at the time all such data has
26 been provided.

27 12. Based upon the representations and stipulations of the parties in this case, the Court finds
28 that this Stipulated Final Judgment was entered into in good faith, and is, in all respects, fair, just,

1 and equitable resolution of the People's complaint as it relates to Lighthouse's conduct alleged in
2 the complaint herein.

3 13. Other than an action to enforce or collect on this Judgment, this Judgment shall bar
4 plaintiff from bringing any further civil action against Lighthouse arising out of or based on the
5 conduct alleged in the Complaint pertaining to Lighthouse's marketing and sale of debt
6 management services, which conduct occurred prior to the date of entry of this Judgment.

7 14. Neither Lighthouse nor anyone acting on its behalf shall state or imply or cause to be stated
8 or implied that the Attorney General, the District Attorneys of Monterey or Santa Clara County, or
9 any state agency or officer has approved, sanctioned, or authorized any practice, act or conduct of
10 the Lighthouse parties.

11 15. This Court shall retain jurisdiction over this matter for the purposes of enabling any party
12 to this Judgment to apply to the Court at any time, and after serving notice to all other parties, for
13 such further orders and directions as might be necessary or appropriate for the construction or
14 carrying out of this Judgment, for modification of the injunctive provisions of this Judgment, and
15 for the People to apply at any time for enforcement of any provisions of this Judgment and for
16 punishment for any violation of this Judgment.

17 16. This Judgment shall take effect immediately upon entry by the clerk, and the clerk is
18 ordered to enter this Judgment forthwith.

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21 DATE: August 26, 2004

Robert O'Farrell
JUDGE OF THE SUPERIOR COURT