

**STATE OF ILLINOIS
DEPT. OF FINANCIAL & PROFESSIONAL REGULATION
DIVISION OF FINANCIAL INSTITUTIONS**

IN THE MATTER OF)
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SDS WEST CORPORATION) NO. 07CC148
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By Certified Mail

To: SDS West Corporation 65 Enterprise Aliso Viejo, CA 92656 Bruce Hood, Registered Agent 820 Alabama St. Huntington Beach, CA 92688	William R. Mitchell Berger Kahn 2 Park Plaza – 6 th Floor Irvine, CA 92614
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ORDER

1. SDS West Corporation (SDS) is a California corporation that provides “debt settlement and restructure services.” SDS is not now, nor has it ever been, licensed in Illinois under the Debt Management Service Act (DMSA), 205 ILCS 665/1 - /22.

2. Section 2 of the DMSA provides, in part, as follows:
Debt management service means the planning and management of the financial affairs of a debtor for a fee and distributing it, directly or indirectly, to the debtor’s creditors in payment or partial payment of the debtor’s obligations or soliciting financial contributions from creditors.

3. Section 3 of the DMSA provides as follows:
It shall be unlawful for any person to operate a debt management service or engage in that business as herein defined except as authorized by this Act and without first having obtained a license as hereinafter provided.

4. Section 12 of the DMSA provides as follows:
A licensee may not charge a debtor any fees or penalties except the following: (1) an initial counseling fee not to exceed \$50 per debtor counseled, provided the average counseling fee does not exceed \$30 per debtor for all debtors counseled; and (2) additional fees at the completion of the initial counseling services which shall not exceed \$50 per month, provided the average monthly fee does not exceed \$30 per debtor for all debtors counseled.
5. 38 Ill. Adm. Code 140.60 provides, in part, as follows: “(b) a licensee shall not charge any fee in excess of those provided in Section 12 of the Act.”
6. Section 16 of the DMSA provides, in part, as follows: “(c) The Director may set by rule monetary penalties for violation of this Act.”
7. 38 Ill. Adm. Code 140.140 provides, in part, as follows:
 - a) The Director may penalize a licensee, or other person doing business without the required license, in an amount not exceeding \$10,000 per violation, when in the opinion of the Director:
 - 1) the licensee, or other person, is violating or is about to violate any provision of the Act or any rule or condition imposed in writing by the Department;

b) The Director may penalize a licensee, or other person, prior to a hearing.

8. Section 20 of the DMSA provides, in part, as follows:
 - (a) The Director may issue a cease and desist order to any licensee, or other person doing business without the required license, when in the opinion of the Director, the licensee, or other person, is violating or is about to violate any provision of the Act or any rule or condition imposed in writing by the Department.
 - (b) The Director may issue a cease and desist order prior to a hearing.

(g) If it is determined that the Director had the authority to issue the cease and desist order, he may issue such orders as may be reasonably necessary to correct, eliminate, or remedy such conduct.

9. On June 13, 2006, SDS entered into a debt settlement agreement (the "Lucas Agreement") with Robert and Cheryl Lucas, who are consumers residing in Illinois. The Lucases tendered fees to SDS, and SDS has been negotiating with the Lucases' creditors in an attempt to reduce the Lucases' debt. SDS's services have included arranging for payment of the Lucases' debt. A copy of the Lucas Agreement is attached to this order as Exhibit 1.

10. The SDS website states that SDS offers a "debt mediation program." A copy of a page from the SDS website is attached as Exhibit 2.

11. Since June 13, 2006, at the latest, SDS has been engaged in debt management services as defined by Section 2 of the DMSA.

12. The Lucas Agreement provides for an open-ended compensation structure that sets no dollar limits on either the monthly or total fees, which is a violation of Sec. 12 of the DMSA.

NOW THEREFORE IT IS HEREBY ORDERED:

1. SDS shall immediately **CEASE AND DESIST** from (a) offering debt management services to Illinois residents, (b) accepting fees in excess of those allowed by the DMSA, (c) and entering into new debt settlement agreements with Illinois residents. This cease and desist order takes effect upon completion of service of the Order.

2. SDS is ordered to **PRODUCE DOCUMENTS** to the Department consisting of any and all debt management service contracts with Illinois consumers since January 1, 2005. The documents shall be produced by February 15, 2008, and delivered to the Consumer Credit Supervisor at the Illinois Department of Financial and Professional Regulation – Division of Financial Institutions, 122 S. Michigan Ave. – 19th Floor, Chicago, Illinois 60603.

3. SDS shall pay a **FINE** of \$120,000, apportioned as follows:

a. Five thousand dollars (\$5,000) per month for engaging in the business of debt management service without a license since, at the latest, June 13, 2006, in violation of Sec. 3 of the DMSA, for a total fine of \$100,000 (20 months at \$5,000 per month);

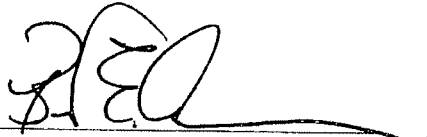
b. Twenty thousand dollars (\$20,000) for establishing a fee structure that violates Sec. 12 of the DMSA.

The fine shall be due on February 15, 2008, payable to the Illinois Department of Financial and Professional Regulation, Attn: Consumer Credit Supervisor, 122 S. Michigan Ave. – 19th Floor, Chicago, Illinois 60603.

4. SDS shall pay **RESTITUTION** to the Illinois consumer named in the Agreement attached as Exhibit 1, of all compensation, fees or charges received by SDS in excess of those allowed by Sec. 12 of the DMSA. The restitution payment shall be due on February 15, 2008, made by money order, payable to the consumer, and delivered to the Consumer Credit Supervisor at the Illinois Department of Financial and Professional Regulation – Division of Financial Institutions, 122 S. Michigan Ave. – 19th Floor, Chicago, Illinois 60603.

Pursuant to Section 20(c) of the DMSA, service by certified mail shall be deemed complete when the notice is deposited in the U.S. Mail. Pursuant to Section 9(d) of the DMSA, SDS may request, in writing, within ten (10) days after the date of service, a hearing on the Order.

Dated this 11th day of January 2008

A handwritten signature in black ink, appearing to read 'Brent E. Adams', written over a horizontal line.

Brent E. Adams, Acting Director
Division of Financial Institutions
Department of Financial & Professional Regulation

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DEBT SETTLEMENT AGREEMENT

This debt settlement agreement ("Agreement") is made this 13 day of June 2006 between SDS West Corporation, located at 65 Enterprise, Aliso Viejo, CA 92656, and ("Client"). The parties agree as follows:

REDACTED

1. Services. SDS West Corporation (herein referred to as SDS) agrees to provide debt settlement and restructure services to Client under the terms and conditions of this Agreement (the "Service"). This Service consists of negotiating with creditors on behalf of Client for reduction of unsecured debt and formulation of a payment plan. SDS will use its best efforts to settle the Program Debt, as defined below. SDS will timely respond to all Client inquiries. SDS will keep confidential and not disclose to any third party the personal financial information provided by Client.

On acceptance of Client into the program, SDS will provide a "Welcome Packet" containing a Schedule of Program Debt, a Payment Schedule, a Fund Transfer Schedule, along with further information about the program.

2. Client Obligations. Client accepts the following obligations:

(a) Client shall inform SDS of any additional debtor, co-signer or guarantor of any of Program Debt. Client is responsible for notifying such additional debtor, co-signer or guarantor.

(b) Client will provide a written list of all unsecured debts that he or she wants SDS to settle and restructure. SDS has the right in its sole discretion to exclude certain debts, and will consult with Client to develop a mutually agreeable list of debts (the "Program Debt"). A Schedule of Program Debt is incorporated into this contract by reference. This Schedule will contain the name of the creditor, account number and outstanding balance. Debts added to the Program Debt after signing this Agreement will be subject to additional fees. All information provided by Client must be truthful and accurate; SDS is under no obligation to verify information supplied by Client, but may do so at its sole discretion;

(c) Client will forward all correspondence from creditors to SDS, including collection letters. If creditors telephone Client, Client will refer them to SDS. Client will not discuss his or her financial situation with creditors or discuss settlement. If the creditor continues to make contact, Client will contact SDS and provide creditor's name, telephone number and name of contact person;

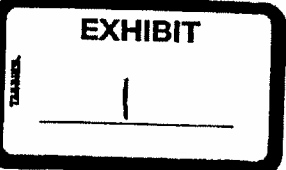
(d) Client will timely respond to all calls and requests for documentation from SDS and will promptly advise SDS of any change in address or telephone number;

(e) Client will follow the terms of the 'Funds Transfer Schedule' setting aside funds required for fees, settlement reserves and NoteWorld trust account maintenance. All monies authorized will be drafted by NoteWorld. Of the fees drafted 15% will go towards program debt fees. Approximately 40%-53% of those funds will go towards settlement reserves. The remaining funds are itemized fees for services provided by SDS and a monthly maintenance fee for your trust account. The number of months that funds are to be set aside and the amount to be set aside each month will be determined by SDS from the information contained on the Schedule of Program Debt, The Payment Schedule, which documents the results, is incorporated into this Agreement by reference. The monies set aside are to be used for Program Debt payment until the Program Debt is settled or upon termination.

(f) Client shall make no further charges to any account listed on the Schedule of Program Debt. Client will not continue to incur debt or open new charge accounts, except that Client may retain and use one charge card for emergency purposes only. Client will immediately inform SDS of such emergency use. This account shall not be included in the SDS program.

(g) Client will not refinance any real or personal property, except for the sole purposes of lowering interest rate or obtaining funds to settle a debt. Client will inform SDS of his or her intent to refinance prior to doing so.

EXHIBIT



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3. Compensation. In consideration for the Service provided by SDS West, Client shall pay to SDS West a Service Fee equal to 15% of the Program Debt. Approximately 5% to 15% of the estimated settlement amount, including the Service Fee will be paid upon acceptance into the program. The percentage varies based on types of creditors enrolled into the program and is in accordance with the payment schedule provided. All Service Fees owed to SDS West will be paid as defined in the Payment Schedule. Client agrees that he or she will not make or request changes to the Funds Transfer Schedule for the first 90 days following commencement of Client's participation in the program or the first three payments, whichever comes first. Client shall not instruct the bank holding any account from which NoteWorld is authorized to withdraw funds to refuse payment or to demand reimbursement without the express written concurrence of SDS West. Any such instruction is a material breach of this agreement and is grounds for immediate termination. The Payment Schedule will specify the amount of the monthly service fees to SDS West, settlement reserves and trust account maintenance payment. Client authorizes NoteWorld to initiate debit of Client's checking or savings account, in accordance with the Electronic Payment Authorization, for the payment of the Service Fees, Settlement reserve and Trust account maintenance. The Electronic Payment Authorization is incorporated by reference into this Agreement. Once the fee is paid, it is not refundable. SDS West will accept no more than two insufficient funds (NSFs) or payment reschedules in any 12-month period after the first 90 days; excessive NSFs or payment reschedules are grounds for termination. There is a minimum of \$25 fee for each NSF and/or bank charge fees for NSF. There is also a \$25 fee for payment reschedule. No payment reschedule shall be authorized within 5 days of the payment date. If a client removes an account from the program before fees are paid in full, 7% of the fee for the account removed will be credited to Client's remaining program fees. If Client removes an account after fees have been paid in full, no credit will be applied.

4. Settlement Process. At such time as SDS has received the first payment, SDS will commence the Service. SDS will advise Client of all good faith offers made by creditors and debt collectors, and of their acceptance of any offers made by SDS. SDS will not settle any account without the approval of Client, who has absolute discretion to accept or reject any settlement offer. On Client's approval of the settlement of a particular creditor account, SDS will notify NoteWorld to issue either an overnight check to creditor or a wire transfer from your NoteWorld Trust account. For each transaction, NoteWorld will charge a \$15 fee to process payment.

Term Settlements. SDS may negotiate what is known as a term settlement on your behalf. This is a settlement in which we negotiate a lower percentage than what is owed and make payment arrangements with your creditor over time. Once this is negotiated and arrangements are made with your creditor SDS considers this account settled. We will take no further action with this creditor on your behalf. If you fail to meet the conditions of this settlement SDS will assume no responsibility or liability for your failure to comply with the terms of the settlement agreement. We have fulfilled our obligation by negotiating a settlement on your account and you are now responsible for meeting the terms of that settlement.

(a) In the event Client comes into a lump sum of money and wishes to settle all accounts before designated completion date, Client must pay the SDS fee along with the lump sum when settling the accounts.

(b) In the event a settlement offer is reached and client does not have required reserves available (as per Funds Transfer Schedule) one warning will be given. If for a second time Client does not have required reserves available for settlement of an account client may be cancelled from the program due to breach of contract. NO service fees will be refunded.

5. Monthly Summary of Account. SDS will provide Client with a monthly summary to inform Client of the status of Client's account. Client has the choice to receive the monthly summary online or through the mail.

6. Term. This Agreement will terminate when each of the credit accounts representing the Program Debt is satisfied or upon termination by either party as provided below.

7. ACKNOWLEDGMENTS AND DISCLAIMERS. Client acknowledges and agrees that:

(a) The outcome of the negotiation Service SDS provides to Client is uncertain and cannot be guaranteed. Client understands that each situation is unique and that results will vary.

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The Superior Debt Solution

- (b) Balance Transfers, cash advances and accounts that are in summons or judgment status will settle at higher percentages.
- (c) The performance of the Service will have an adverse effect on Client's credit rating and SDS is not responsible for the actions of the creditors in response to settlement efforts.
- (d) The Service does not include the modification, correction or improvement of Client's credit reports. SDS cannot guarantee how national credit reporting agencies will report a settlement. Upon settlement of an account, SDS will send proof of settlement to Client, who may forward it to credit reporting agencies.
- (e) In the event a creditor or debt collector pursues legal remedies against Client, neither this Agreement nor the Service includes legal representation. In the event SDS elects to provide legal representation or other assistance, such representation or assistance will be provided through an outside source.
- (f) SDS will retain legal counsel in the performance of the Service, but such counsel represents SDS and not the individual client.
- (g) Neither this Agreement nor the Service includes any tax representation, such as audit and verification, debt retirement, or Internal Revenue Service tax negotiation.
- (h) The discharge of indebtedness may be considered taxable income; Client should seek the advice of a tax professional.

8. Termination. Either party may terminate this Agreement upon 5 days written notice to the other party. SDS may immediately terminate this Agreement if Client fails to timely return documents, fails to timely respond to SDS or fails to set aside money in accordance with the Fund Transfer Schedule. There is a \$75.00 processing fee for cancellations after 5 days and prior to the date of first payment.

9. Arbitration. All disputes or claims between the parties related to this Agreement shall be submitted to binding arbitration in accordance with the rules of American Arbitration Association within 30 days from the dispute date or claim. Any arbitration proceedings brought by Client shall take place in Orange County, California. Judgment upon the decision of the arbitrator may be entered into any court having jurisdiction thereof. The prevailing party in any action or proceeding related to this Agreement shall be entitled to recover reasonable legal fees and costs, including attorney's fees which may be incurred.

10. Choice of Law. The laws of the State of California will govern this agreement without regard to the conflict of laws provisions thereof.

11. Integration. This Agreement and the Schedule are the complete and exclusive statement of the agreement and supersedes any proposal, prior agreement, oral or written, and any other communications relating to the settlement of debt.

12. Amendment. This Agreement may not be changed, amended, terminated, rescinded or discharged, except by a writing document executed by the parties hereto, except as provided in Paragraph 3 above relating to NSFs and reschedules, and no waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party claimed to have given such waiver.

(*) Severability. If any of the above provisions are held to be invalid or unenforceable, the remaining provisions will not be affected.

Client Name (Print): Robert A. Lucas

Client Signature: REDACTED

Date: 6-13-06

Spouse Name (Print): Cheryl L. Lucas

Spouse Signature: REDACTED

Date: 6-13-06



The Superior Debt Solution

August 30, 2007



WELCOME TO SDS WEST CORPORATION

Eliminate late fees... Eliminate collection calls... Eliminate your debt!


Pay as little as 50% of what you owe and become debt-free in as little as 3 years.

Our debt mediation program can help you pay less and become debt-free fast, find out for yourself.

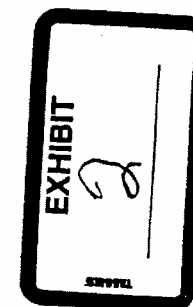
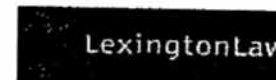
[Click here](#) for a free debt review.



Approved Affiliates



SDS West is an associate member of (TASC) The Association of Settlement Companies. This trade association has developed a standardized **industry disclosure** for consumers.



CERTIFICATE OF SERVICE

I, Susan J. Gold, Acting Deputy General Counsel of the Illinois Department of Financial and Professional Regulation, hereby certify that on January 11, 2008, I caused a true copy of the foregoing Final Order to be served on the party named below, by causing the same to be sent via certified mail to the following:

SDS West Corporation
65 Enterprise
Aliso Viejo, CA 92656

Bruce Hood, Registered Agent
820 Alabama St.
Huntington Beach, CA 92688

William R. Mitchell
Berger Kahn
2 Park Plaza – 6th Floor
Irvine, CA 92614


Susan J. Gold