UNITED STATES DISTRICT COURT MIDDLE DISTRICT OF FLORIDA TAMPA DIVISION

Case No.
FEDERAL TRADE COMMISSION,

Plaintiff,
v.

INTEGRATED CREDIT SOLUTIONS, INC.; FLAGSHIP CAPITAL SERVICES CORP.; LIGHTHOUSE CREDIT FOUNDATION, INC.; MARY H. IWELCER; and J. STEVEN MCWHORTER,

and 53(b). The Complaint also names Jeffrey E. Poorman and Daniel M. Melgar, Sr. as Relief Defendants.
The FTC, Lighthouse, and Ms. Melcer, having been represented by counsel and acting by and through such counsel, have together consented to the entry of this Order by this Court to resolve and settle all matters of dispute between the FTC, Lighthouse, and Ms. Melcer, without adjudication of any issue of fact or law and without the Defendants admitting liability for any of the matters alleged in the Complaint. This Order only settles claims as to Lighthouse and Ms. Melcer, and shall not act as a bar to any claim by the FTC nor preclude the FTC from seeking any remedy against any other persons, including without limitation persons who maybe subject to portions of this Order by virtue of actions taken in concert or participation with Defendants or Relief Defendants or persons in any type of indemnification or contractual relationship with Defendants or Relief Defendants. NOW, THEREFORE, on the joint motion of the FTC, Lighthouse, and Ms. Melcer,
IT IS ORDERED, ADJUDGED, AND DECREED as follows:

FINDINGS

1. This Court has jurisdiction over the subject matter of this case and of the parties.
Venue in the Middle District of Florida is proper.
2. The Complaint states a claim upon which relief may be granted against
Defendants Lighthouse and Ms. Melcer under Sections 5(a) and 13(b) of the FTC Act, 15 U.S.C. $5 45(a) and 53(b).
3. The FTC has the authority under Sections 5(a) and 13(b) of the FTC Act, 15
U.S.C. $3 45(a) and 53(b), to seek the relief it has requested.

DEFINITIONS

For purposes of this Order, the following definitions shall apply:
1. "Individual Defendant" means Mary H. Melcer, individually, collectively, or in
any combination, and whether acting directly or through any heir, successor, assign, agent, entity, corporation, subsidiary, division, or other device, unless specified otherwise.
2. "Corporate Defendant" means Lighthouse Credit Foundation, Inc.
3. "Defendants" means Lighthouse and Ms. Melcer, individually, collectively, or in
any combination.
4. "Relief Defendants" means Jeffrey E. Poorrnan and Daniel M. Melgar, Sr.
5. "Assisting others" means knowingly providing any of the following goods or
services to another entity: (i) serving as an officer, director or consultant; (ii) performing customer service fknctions including, but not limited to, receiving or responding to consumer complaints; (iii) formulating or providing, or arranging for the formulation or provision of, any script or any other material for communicating with customers or potential customers; (iv) providing names resp(communicating)3d�(or2 2.-yi4<</MCID 11 >>BDCtT0a)Tj�-30C.01e.f.iu

7. "Debt management" means providing any service to a consumer relating to
managing his debts.
8. "Debt management plan" or "DMP" means a program in which (1) a consumer
pays one consolidated periodic payment to the program to cover the debts that are included in the program; and (2) the program disburses payments to the creditors of the consumer.
9. "Document" is synonymous in meaning and equal in scope to the usage of the
term in Rule 34(a) of the Federal Rules of Civil Procedure and includes writings, drawings, graphs, charts, photographs, audio and video recordings, computer records, and other data compilations fiom which the information can be obtained and translated, if necessary, through detection devices into reasonably usable form. A draft or other non-identical copy is a separate document within the meaning of the term.
10. "Enrollment fee" or "up-front fee" shall mean a fee or charge paid by a consumer
to any of the corporate defendants prior to the consumer enrolling in a DMP.
1 1. "Monthly payment" shall mean a fee or charge paid to Lighthouse for its services
in managing a DMP.
12. "Person" means any individual, group, unincorporated association, limited or
general parbership, corporation, or other business entity.
13. "Representatives" means Defendants' successors, assigns, officers, agents,
servants, employees and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise.
14. "State Settlements" shall mean the consent judgments entered by ICS in the
following matters: (a) The People of the State of California v. Integrated Credit Solutions, Inc.,

et al., (Super. Ct. of Cal., County of Monterrey; Case No. M71175; filed Aug. 26,2004); (b) Commonwealth of Massachusetts v. Integrated Credit Solutions, Inc.; and Flagship Capital Sewices Corp. (D. Mass.; Civ. Action No. 02-12431 (JLT); entered Apr. 27,2004); and (c) In re Integrated Credit Solutions, Inc., and Flagship Capital Services Corp. (Super. Ct, of Vermont, Washington County; Docket No. 238-4-04; filed Apr. 28,2004).
I. PROHIBITED BUSINESS ACTIVITIES

IT IS HEREBYTj�/T1_2 rfPORa9Td�(Ct,)T No. 238-4-04;

cycle;
E. Falsely or misleadingly representing or assisting others in falsely representing that
a consumer's monthly payment for credit counseling or to maintain a DMP is tax-deductible; and
F. Falsely or misleadingly representing or assisting others in falsely representing the
terms, benefits, performance, efficacy, or costs of goods or services.

11. REFUNDS and TERMINATION
IT IS FURTHER ORDERED that, in connection with the advertising, promoting,
marketing, offering, selling or distributing of any goods or services related to credit counseling or debt management, Defendants and persons in active concert or participation with them who receive actual notice of this Order shall:
A. Refund a consumer's enrollment fee or initial contribution and cancel the
enrollment, if the consumer requests, either verbally or in writing, a cancellation or a refund of his enrollment fee or initial contribution within seventy-two (72) hours of the consumer's enrollment date; and
I3. Cease collecting any monthly or other payments from the consumer no later than
24 hours after the consumer verbally or in writing asked to terminate his DMP.

111. CUSTOMER SERVICE

IT IS FURTHER ORDERED that in connection with the advertising, promoting, marketing, offering, selling or distributing of any goods or services related to credit counseling, or debt management, Defendants and persons in active concert or participation with them who

receive actual notice of this Order are hereby restrained and enjoined fi-om:
A. Failing to maintain and provide adequate staffing for a toll-free number and an
address that are specifically dedicated to handling consumers' credit counseling andor debt management questions, and requests for refunds or terminations. The toll-free number shall be staffed at least every Monday through Thursday between the hours of 8:30 a.m. to 10 p.m., and on Fridays fi-om 8:30 a.m. to 5:30 p.m., Eastern Time, national holidays excluded. Defendants' obligation to maintain the toll-free number shall continue as long as the Corporate Defendant remains in the business of servicing debt management plans or providing credit counseling; provided, however, that in the event that the Defendant ceases all business operations or servicing of debt management plans, the Corporate Defendant shall provide all current consumers with written notice containing either: (1) contact information for any and all entities to which Defendants' debt management plans have been transferred for further servicing; or (2) an advisory that consumers are no longer enrolled in Defendants' debt management plans and must pay their bills directly to their creditors or seek assistance elsewhere;
B. Failing to maintain and provide staff that are adequately trained and certified to
meet standards that are generally accepted in the credit counseling profession when providing credit counseling services; and
C. Failing to maintain and provide adequate procedures to ensure that consumers'
monthly consolidated payments are timely transferred to creditors.

IV. MONETARY RELIEF

IT IS FURTHER ORDERED that:

A. Judgment is

and payable.
E. Notwithstanding any

this Order, Lighthouse, Ms. Melcer, and their agents, employees, officers, corporations, successors, and assigns, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, are hereby restrained and enjoined from failing to create and retain the following records:
A. Accounting records that reflect the cost of goods or services sold, revenues
generated, and the disbursement of such revenues;
B. Personnel records accurately reflecting: the name, address, and telephone number
of each person employed in any capacity by such business, including as an independent contractor; that person's job title or position; the date upon which the person commenced work; and the date and reason for the person's termination, if applicable;
C. Customer files containing the names, addresses, phone numbers, dollar amounts
paid, quantity of items or services purchased, and description of items or services purchased, to the extent such information is obtained in the ordinary course of business;
D. Complaints and refund requests (whether or
any such phone 36ant any Tdseplaints

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IT IS FURTHER ORDERED that, in order that compliance with the provisions of this Order may be monitored:
A. For a period of three (3) years from the date of entry of this Order,
1. Defendant Ms. Melcer shall notify the FTC of the following:
a. any changes to her residence, mailing addresses, and
telephone numbers,

the emergence of a successor entity; the creation, or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order; the filing of a bankruptcy petition; or a change in the
corporate name or address, at least thirty (30) days prior to such change,
provided that, with respect to any proposed change in the corporation
about which Defendants learn less than thirty (30) days prior to the date
such action is to take place, Defendants shall notify the FTC as soon as is
practicable after obtaining such knowledge;
B. One hundred eighty (1 80) days after the date of entry of this Order, Defendants shall provide a written report to the FTC, sworn to

this Section.
2. For all Defendants:
a. A copy of each acknowledgment of receipt of this Order, obtained pursuant to Section VI1.D;
b. Any changes required to be reported under Subparagraph A of this Section.

3. For the purposes of this Order, Defendants shall, unless otherwise directed
by the Commission's authorized representatives, mail all written
notifications to the Commission to:
Associate Director, Division of Enforcement
Federal Trade Commission
601 New Jersey Ave., NW
Mail Drop NJ-2 122
Washington, DC 20580
Re: FTC v. Integrated Credit Solutions, et al.
4. For purposes of the compliance reporting and monitoring required by this
Order, the FTC is authorized to communicate directly with Defendants.

X. COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for purposes of monitoring and investigating compliance with any provision of this Order:
A. Within twenty (20) days of receipt of written notice from a representative of the
FTC, Defendants each shall submit additional written reports, sworn to under penalty of perjury; produce documents for inspection and copying; appear for deposition; andlor provide

entry during normal business hours to any business location in such defendant's possession or direct or indirect control to inspect the business operation.
B. In addition, the FTC is authorized to monitor compliance with this Order by all
other lawful means, including, but not limited to, the following:
1. obtaining discovery fkom any person, without further leave of Court, using
procedures prescribed by Fed.R.Civ.P. 30, 31,33,34,36, and 45; and
2. posing as consumers to (1) the Defendants, (2) the Defendants' employees,
or (3) any other entity owned, managed, or controlled in whole or in part
by any of the Defendants, without the necessity of identification or prior
notice; and
3. Defendants shall permit representatives of the FTC to interview any
employer, consultant, independent contractor, representative, agent, or
employee who has agreed to such an interview, relating in any way to any
conduct subject to this Order. The person interviewed may have counsel
present.
Provided that nothing in this Order shall limit the FTC's lawful use of compulsory
process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. IjIj 49 and 57b-1, to obtain any documentary material, tangible things, testimony, or information relevant to unfair or deceptive acts or practices in or affecting commerce (within the meaning of 15 U.S.C. Ij 45(a)(l)).

XI. TAXPAYER IDENTIFICATION NUMBERS

IT IS FURTHER ORDERED that the Defendants are hereby required, in accordance
with 3 1 U.S.C. 9 7701, to

XIV. RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for

purposes of construction, modification and enforcement of this Order.

IT IS SO ORDERED.

Dated:
UNITED STATES DISTRICT COURT JUDGE

STIPULATED AND AGREED TO BY:

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Benjamin K. Olson
D.C. Bar No. 477090
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ATTORNEYS FOR PLAINTIFF
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I . -

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