

THE HONORABLE ROBERT J. BRYAN

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON

ROSITA H. SMITH, individually and on behalf of all)
similarly situated Washington State Residents)

Plaintiff,)

v.)

LEGAL HELPERS DEBT RESOLUTION, LLC, a)
Nevada limited liability company; LEGAL)
SERVICES SUPPORT GROUP, LLC, a Nevada)
corporation; JEM GROUP, INC., a Nevada)
corporation; MARSHALL BANKS, LLC, a)
California company; JOANNE GARNEAU,)
individually and on behalf of the marital community)
of JOANNE GARNEAU and ARTHUR)
GARNEAU; JASON SEARNS, individually and on)
behalf of the marital community of JASON)
SEARNS and JANE DOE SEARNS; THOMAS G.)
MACEY, individually and on behalf of the marital)
community of THOMAS G. MACEY and JANE)
DOE MACEY; and JEFFREY ALEMAN,)
individually and on behalf of the marital community)
of JEFFREY ALEMAN and JANE DOE ALEMAN;)
JEFFREY HYSLIP, individually and on behalf of)
the marital community of JEFFREY HYSLIP and)
JANE DOE HYSLIP; and JOHN AND JANE DOES)
1-25,)

Defendants.)

CLASS ACTION

No. 3:11-cv-5054-RJB

**DECLARATION OF DARRELL W.
SCOTT IN SUPPORT OF
PLAINTIFF'S MOTION FOR
PRELIMINARY APPROVAL OF
CLASS ACTION SETTLEMENT**

DARRELL W. SCOTT makes the following declaration:

DECLARATION OF DARRELL W. SCOTT IN SUPPORT OF PLAINTIFFS'
MOTION FOR PRELIMINARY APPROVAL OF CLASS ACTION
SETTLEMENT: 1
CASE NO. 3:11-CV-5054-RJB

LAW OFFICES
THE SCOTT LAW GROUP
A PROFESSIONAL SERVICE CORPORATION
926 W. SPRAOUE AVENUE
SUITE 680
SPOKANE, WA 99201
(509) 435-3966

1 1. I am counsel for named plaintiff, Rosita Smith, in the above-captioned action. I
2 am over the age of 18 and competent to testify. I provide the following information of my own
3 personal knowledge.

4 2. I am an attorney practicing in The Scott Law Group, P.S., a law firm I founded in
5 2004. The Scott Law Group is devoted to the appropriate use of class action procedures and
6 mass tort devices in the representation of individuals who have suffered a common wrong. Our
7 work has primarily involved class representation of consumers in unfair business practice,
8 product liability, or employment-related litigation. Prior to forming The Scott Law Group in
9 2004, I chaired the Class Action and Mass Tort Litigation Practice Group at Lukins & Annis,
10 P.S.

11 3. Since 2009, The Scott Law Group has been deeply involved in efforts to protect
12 Washington consumers through enforcement of Washington's Debt Adjusting Act, chapter 18.28
13 RCW. In that connection, I have served as class counsel in the following certified class actions
14 representing Washington consumers in civil actions against debt adjusting companies for
15 violation of Washington's Debt Adjusting Act:

- 16 • *Carlsen v. Global Client Solutions et al.*, U.S. District Court, Eastern District of
17 Washington, Cause No. CV-09-246-LRS. This action resulted in the landmark
18 opinion, *Carlsen v. Global Client Solutions*, 171 Wn.2d 486 (2011), which first
19 interpreted key provisions of Washington's Debt Adjusting Act and declared that
20 act applicable to business practices of modern-day debt settlement companies.
This case ultimately resolved itself through class settlement and was given final
approval by Judge Lonny R. Suko on June 5, 2012.
- 21 • *Carlsen v. Freedom Debt Relief*, U.S. District Court, Eastern District of
22 Washington, Cause No. CV-09-055-LRS. This action resulted in certification of
23 questions to the Washington Supreme Court regarding key provisions of
24 Washington's Debt Adjuster Act. The action resolved itself through class
settlement on the eve of hearing before the Washington Supreme Court. The class
settlement was given final approval by Judge Lonny R. Suko on July 13, 2011.
- 25 • *Wheeler v. Noteworld et al.*, United States District Court, Eastern District of
26 Washington, Cause No. CV-10-202-LRS. This action was resolved as to its

1 primary defendant through class settlement approved by Judge Lonny R. Suko on
2 March 20, 2012.

- 3 • *Johnson v. James Wojcik et al.*, Spokane County Superior Court Cause No.
4 09-2-03638-6. This action resulted in order of summary judgment and judgment
5 in favor of the Washington class.
- 6 • *Parkinson v. Freedom Fidelity Management, Inc. et al.*, U.S. District Court,
7 Eastern District of Washington, Cause No. CV-10-345-RHW. This action was
8 certified as a class action by Judge Robert H. Whaley on January 12, 2012. The
9 case remains pending.

10 4. In addition to these certified class action matters, I am counsel in a number of
11 other pending class action matters brought against debt adjusting companies and on behalf of
12 Washington consumers that are presently in their pre-certification stage. These include:
13 *Casselberry v. Bay View Law Group et al.*, United States District Court, Eastern District of
14 Washington, Cause No. CV-11-395-RHW; *Harrod v. Belmont Media LLC et al.*, Superior Court,
15 State of Washington, Spokane County, Cause No. 12-2-00935-4; *Callow v. CDS Client Services*
16 *et al.*, Superior Court, State of Washington, King County, Cause No. 11-2-21818-0 KNT;
17 *Madden v. Century Negotiations, Inc. et al.*, Superior Court, State of Washington, King County,
18 Cause No. 11-2-41757-3; *Brown v. Consumer Law Associates et al.*, U.S. District Court, Eastern
19 District of Washington, Cause No. 11-00194-LRS; *Koschney v. Linder et al.*, Superior Court,
20 State of Washington, Spokane County, Cause No. 12-2-01406-4; *Peters v. Jackson Hunter*
21 *Morris & Knight*, Superior Court, State of Washington, Spokane County, Cause No.
22 12-2-2046-3; *Gordon v. Lloyd Ward & Associates, P.C. et al.*, Superior Court, State of
23 Washington, Spokane County, Cause No. 12-2-01551-6; and *Atkar v. Pollock*, Superior Court,
24 State of Washington, Spokane County, Cause No. 12-2-01149-9;

25 5. The Scott Law Group has also been successful at achieving private mass-tort
26 settlements, pre-certification, that require debt adjusting companies to discontinuance unfair debt
adjusting practice and to refund fees to Washington consumers. These actions have included:

- 1 • Fast Track Debt Relief: November, 2010
- 2 • Morgan Drexen: September, 2010
- 3 • Rise Above Debt Relief: July, 2010
- 4 • Franklin Debt Relief: June, 2010
- 5 • Silver Bay Financial: May, 2010

6 6. In addition to this experience pertaining to Consumer Protection Act claims
7 arising out of violation of Washington's Debt Adjusting Act, I have also served as class counsel
8 in a variety of other matters over the course of the past twenty years. These include *In re W.R.*
9 *Grace & Co et al*, in the United States Bankruptcy Court, District of Delaware (asbestos property
10 damage claims); *Barbanti v. W.R. Grace*, Superior Court, State of Washington, Spokane County
11 (asbestos property damage claims); *Rob 'N I, Inc., et al. v. Uniform Code Council, Inc.*, Superior
12 Court, State of Washington, Spokane County (unfair business practice claims); *Dean v. CED, et*
13 *al.*, Superior Court, State of Washington, King County (building product liability claims); *Toner*
14 *et al. v. IRCA*, Superior Court, State of Washington, King County (building product liability
15 claims); *St. John v. American Home Products*, Superior Court, State of Washington, Spokane
16 County (diet drug product liability claims); *Delay v. Hurd Millwork Company, Inc.*, Superior
17 Court, State of Washington, Spokane County (building product liability claims); *Ferguson v.*
18 *Riverside School District*, United States District Court, Eastern District of Washington (indoor
19 air quality injunctive claims); *In re Chattaroy*, *In re Marshall*, *In re Nine Mile*, *In re Midway*, *In*
20 *re Golden Cirrus*, and *In re Ponderosa*, collectively denominated *In re Firestorm*, Superior
21 Court, State of Washington, Spokane County and Lincoln County (wildland fire property
22 damage claims).

23 7. The Scott Law Group has developed substantial specialized resources necessary
24 to serve the Court in the capacity as class counsel. These resources include a closely-working
25 team of complex litigation professionals experienced in the special organizational and
26 management needs of class action practice including the preparation and dissemination of

1 various forms of class notice; prosecution of certified litigation classes; coordination of class
2 actions in the context of Multi-district Litigation or the pendency of related state and federal
3 actions; design and employment of databases for such purposes as document management and
4 analysis or carrying out of claims administration tasks; the design and implementation of cost
5 effective class claims facilities; and the actual maintenance of close and ongoing communication
6 with class members throughout the course of litigation. The experience of this litigation team is
7 reflected in the matters for which I have served as class counsel.

8 8. Over the course of litigating unfair business practice claims against debt
9 settlement companies, our firm has tracked efforts by the debt adjusting industry to reinvent
10 itself as paralegal services to law firms. This stratagem is designed to seize advantage of
11 perceived loopholes in state debt adjuster statutes and recently revised Federal Trade
12 Commission Telemarketing Sales Rules that govern the conduct of debt adjusters. The
13 above-captioned action concerns this new breed of debt adjusting enterprise.

14 9. The Scott Law Group first began its investigation into Legal Helpers Debt
15 Resolution in roughly August of 2010, having been alerted to the debt adjusting industry's new
16 "attorney model" for evading new Federal Trade Commission rules that would take effect in
17 October of 2010. The emergent model involved interposing a law firm between the consumer
18 and the debt adjusting company performing services, thus creating a false appearance that the
19 debt adjusting services were being performed by a law firm.

20 10. In the following months consumers from various state, as well as attorneys from
21 other law firms representing debtors, contacted our office to report unfair and deceptive business
22 activities of LHDR and its debt adjusting company affiliates. One of these consumers was
23 Rosita Smith, named plaintiff in this action.

24 11. Following review of Rosita Smith's contracting documents and solicitation
25 materials, I personally met with Rosita Smith in her home town of Aberdeen, Washington, heard
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1 her familiar story, and ultimately discussed with her the importance and potential value of
2 pursuing her claim on behalf of all Washington consumers. Rosita Smith agreed to bring her
3 claim as a class action and agreed to serve as a representative of the class, if permitted by the
4 Court. Rosita Smith has, since than date, served as a model putative class representative,
5 keeping herself engaged and informed at each step of this litigation.

6 12. Numerous other Washington consumers have also contacted our firm,
7 communicating complains regarding LHDR, alerting us to LHDR's ongoing business activities,
8 and offering what support they could to assist in this litigation. Our firm has now interviewed
9 ninety-one Washington consumers regarding their experiences with LHDR and had opportunity
10 to review their contracting materials and solicitation materials. Further, we have secured
11 detailed accounting records relevant to each proposed class member, evidencing debt adjusting
12 fees they were charged and the circumstances under which those fees were charged. We have
13 acquired, analyzed, and indexed through a litigation database, in excess of six hundred individual
14 exhibits potentially bearing on Defendants' liability. We have also engaged in substantial legal
15 research into statutory and decisional law relevant to debt adjusting activities carried out in
16 concert with attorneys. As of June 11, 2012, The Scott Law Group had invested \$375,247 in
17 lodestar time pursuing this action and it had incurred \$4,222 in litigation expense.

18 13. These efforts, together with our recent experience in consumer protection
19 litigation involving the debt adjusting industry, gave me confidence that this case had matured
20 such that it was positioned for settlement, should the parties find common ground upon which
21 settlement might rest. Extended settlement efforts, initially involving a highly regarded mediator
22 located in San Francisco, and afterward through continuing communications between the parties,
23 resulted in the class settlement that is now before the Court.

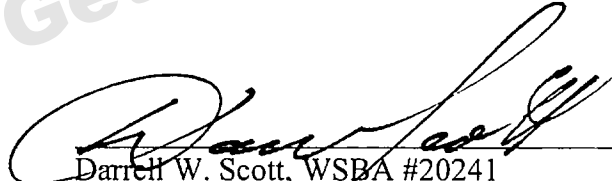
24 14. I have had opportunity to meet with Rosita Smith at her home to discuss at length
25 and in detail the proposed class settlement. Rosita Smith fully supports Court approval of the
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1 proposed class settlement, as do I, as reflected by our signatures to the Class Settlement
2 Agreement.

3 15. The proposed Class Settlement is, in my estimation, fair, adequate, and
4 reasonable. I have no hesitation in recommending its approval to the Court. I would have no
5 hesitation in continuing to pursue this action on behalf Washington consumers if I believed that
6 the settlement was, in any respect, unfair, inadequate, or unreasonable.

7 16. I declare under penalty of perjury under the laws of the State of Washington and
8 the United States of America that the foregoing is true and correct.

9 Executed at Spokane, Washington, this 18th day of July, 2012.

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12 _____
13 Darrell W. Scott, WSBA #20241
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CERTIFICATE OF SERVICE

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2 I, Toby J. Marshall, hereby certify that on July 25, 2012, I electronically filed the
3 foregoing with the Clerk of the Court using the CM/ECF system which will send notification of
4 such filing to the following:

5 Jerry Kindinger, WSBA #5231
6 Email: kindinger@ryanlaw.com
7 Bryan C. Graff, WSBA #38553
8 Email: graff@ryanlaw.com
9 RYAN, SWANSON & CLEVELAND, PLLC
10 1201 Third Avenue, Suite 3400
11 Seattle, Washington 98101-3034
12 Telephone: 206.464.4224

*Attorneys for Defendants Legal Helpers Debt Resolution, LLC, Jason and
13 Jane Doe Searns, Thomas G. and Jane Doe Macey, Jeffrey and Jane
14 Doe Aleman, and Jeffrey and Jane Doe Hyslip*

15 Richard Epstein, *Admitted Pro Hac Vice*
16 Email: richard.epstein@gmlaw.com
17 Rebecca Bratter, *Admitted Pro Hac Vice*
18 Email: rebecca.bratter@gmlaw.com
19 GREENSPOON MARDER PA
20 200 East Broward Blvd., Suite 1500
21 Ft. Lauderdale, Florida 33301
22 Telephone: 954.491.1190

*Attorneys for Defendants Legal Services Support Group, LLC, JEM Group Inc.,
23 and Joanne and Arthur Garneau*

24 Todd Nunn
25 Email: todd.nunn@klgates.com
26 K&L GATES LLP
925 Fourth Avenue, Suite 2900
Seattle, Washington 98104-1158
Telephone: 206.623.7580

1 Whitney J. Baran
2 Email: whitney.baran@klgates.com
3 K&L GATES LLP
4 618 West Riverside Avenue, Suite 300
5 Spokane, Washington 99201-0602
6 Telephone: 509.624.2100

Attorneys for Defendant Marshall Banks, LLC

DATED this 25th day of July, 2012.

7 TERRELL MARSHALL DAUDT & WILLIE PLLC

8 By: /s/ Toby J. Marshall, WSBA #32726
9 Toby J. Marshall, WSBA #32726
10 Email: tmarshall@tmdwlaw.com
11 936 North 34th Street, Suite 400
12 Seattle, Washington 98103-8869
13 Telephone: 206.816.6603

Attorneys for Plaintiff