



# STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL

LORI SWANSON  
ATTORNEY GENERAL

October 12, 2012

SUITE 1800  
445 MINNESOTA STREET  
ST. PAUL, MN 55101-2134  
TELEPHONE: (651) 297-2040

Diane Nordstrom  
OAH Docket Clerk  
Office of Administrative Hearings  
P.O. Box 64620  
St. Paul, MN 55164-0620

**Re: *In the Matter of CDS Client Services, Inc., et al.***  
**OAH File Nos. 1005-30026, 1005-30027, 1005-30028, 1005-30029, 1005-30030,  
**1005-30031****

Dear Diane:

I enclose for filing in the above-entitled matter the following documents, along with the Affidavit of Service:

1. Cease and Desist Order and Notice of Right to Hearing;
2. Notice and Order for Prehearing Conference; and
3. Notice of Appearance.

The prehearing conference is scheduled for November 9, 2012, at 11:30 a.m., by telephone with Administrative Law Judge Eric L. Lipman at the Office of Administrative Hearings.

Sincerely,

OLIVER J. LARSON  
Assistant Attorney General

(651) 757-1265 (Voice)  
(651) 297-1235 (Fax)

4 Enc.

cc: David Henson, CDS Client Services, Inc.  
Tom Lynch, Lynch Financial Solutions, Inc.  
Legal Services Support Group, LLC  
JEM Group, Inc.  
American Debt Services  
Harry Hedaya, Eclipse Financial Services, Inc.  
Mike Kaehler, Commerce Dept.

AG: #3099248-v1

TTY: (651) 282-2525 • Toll Free Lines: (800) 657-3787 (Voice), (800) 366-4812 (TTY) • www.ag.state.mn.us

STATE OF MINNESOTA  
OFFICE OF ADMINISTRATIVE HEARINGS  
FOR THE DEPARTMENT OF COMMERCE

In the Matter of CDS CLIENT SERVICES,  
INC. et al.

**CEASE AND DESIST ORDER AND  
NOTICE OF RIGHT TO HEARING**

TO:

Attn: David Henson  
CDS Client Services, Inc.  
2152 DuPont, Suite 101  
Irvine, CA 92612  
(Case No. 1005-30026)

Attn: Tom Lynch  
Lynch Financial Solutions, Inc.  
2967 Michelson Drive, Suite G 709  
Irvine, CA 92614  
(Case No. 1005-30027)

Legal Services Support Group, LLC  
8363 W. Sunset Road, Suite 100  
Las Vegas, NV 98113  
(Case No. 1005-30028)

JEM Group, Inc.  
19500 Jamboree Road  
Irvine, CA 92612  
(Case No. 1005-30029)

American Debt Services  
Suite 100  
900 E. Hamilton Ave.  
Campbell CA 95008  
(Case No. 1005-30030)

Attn: Harry Hedaya  
Eclipse Financial Services, Inc.  
5010 West Carmen Street  
Tampa, FL 33609  
(Case No. 1005-30031)

From American Debt Services at [GetOutOfDebt.org](http://GetOutOfDebt.org)

## **CEASE AND DESIST ORDER**

No person may operate as a debt settlement services provider or provide debt settlement services in the State of Minnesota in accordance with Minn. Stat. §§ 332B.02-.14 without first registering with the Minnesota Department of Commerce Pursuant to Minn. Stat. § 332B.03. Pursuant to the above referenced statutes, Commissioner Mike Rothman has determined the following:

### **STATEMENT OF FACTS**

1. CDS Client Services, Inc. (“CDS”), Lynch Financial Solutions, Inc. (“Lynch”), Legal Services Support Group, LLC (“LSSG”), JEM Group, Inc. (“JEM”), American Debt Services (“ADS”), and Eclipse Financial Services, Inc. (“Eclipse”) (collectively “RESPONDENTS”) are debt settlement services providers as defined by Minn. Stat. § 332B.02.

2. Respondent CDS has provided debt settlement services to resident of Minnesota. In particular, CDS has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay CDS’s fees for achieving such settlements. CDS is not licensed as a debt settlement services provider in Minnesota.

3. Respondent Lynch has provided debt settlement services to resident of Minnesota. In particular, Lynch has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay Lynch’s fees for achieving such settlements. Lynch is not licensed as a debt settlement services provider in Minnesota.

4. Respondent LSSG has provided debt settlement services to resident of Minnesota. In particular, LSSG has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay LSSG’s fees

for achieving such settlements. LSSG is not licensed as a debt settlement services provider in Minnesota.

5. Respondent ADS has provided debt settlement services to resident of Minnesota. In particular, ADS has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay ADS's fees for achieving such settlements. ADS is not licensed as a debt settlement services provider in Minnesota.

6. Respondent Eclipse has provided debt settlement services to resident of Minnesota. In particular, Eclipse has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay Eclipse's fees for achieving such settlements. Eclipse is not licensed as a debt settlement services provider in Minnesota.

7. On information and belief, Respondent JEM has provided debt settlement services to residents of Minnesota. On information and belief, JEM has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay JEM's fees for achieving such settlements. JEM is not licensed as a debt settlement services provider in Minnesota.

8. Respondents were or are all affiliated with Legal Helpers Debt Resolution, LLC ("Legal Helpers"), a respondent in a related matter brought by the Department, OAH Docket NoS. 8-1005-23074-2 AND 8-1005-23075-2. Respondents and Legal Helpers entered into a joint scheme pursuant to which Minnesota residents would sign up for debt settlement services purportedly provided by attorneys working for Legal Helpers, but which were in fact being performed by employees of the Respondents.

9. In addition to operating as debt settlement services providers without a license, Respondents CDS, Lynch, LSSG, ADS, and Eclipse, and on information and belief JEM, violated a host of Minnesota statutory provisions regulating the conduct of debt settlement providers, including the following:

- a. Charging fees in excess of those permitted by statute, as codified at Minn. Stat. § 332B.09;
- b. Failing to provide statutorily required disclosures codified at Minn. Stat. § 332B.06;
- c. Making misleading representations to debtors in violation of Minn. Stat. § 332B.11, subd. 1; and,
- d. Failing to respond to requests for information from the Department of Commerce in violation of Minn. Stat. § 45.027, subd. 1a.

## **VIOLATIONS**

### **Count I**

Respondents failed to register as debt settlement services providers prior to providing debt settlement services to Minnesota residents. By failing to register, Respondents violated Minn. Stat. § 332B.04, subd. 1 (2010).

### **Count II**

Respondents made false, deceptive, or misleading statements or omissions about the terms and conditions of their debt settlement services to Minnesota residents. By doing so, Respondent violated Minn. Stat. § 332B.11, subd. 1.

### **Count III**

Respondents failed to provide statutorily required disclosures prior to executing agreements to provide debt settlement services to the following Minnesota residents. By failing to provide such disclosures, Respondents violated Minn. Stat. § 332B.06.

### **Count IV**

Respondents claimed, demanded, charged, collected, or received fees in excess of those allowed under section Minn. Stat. § 332B.09 from Minnesota residents. By doing so, Respondents violated Minn. Stat. § 332B.09.

### **ORDER**

**NOW, THEREFORE, IT IS HEREBY ORDERED**, pursuant to Minn. Stat. § 45.027, subd. 5a and Minn. Stat. ch. 332B, that Respondents shall cease and desist from violating Minn. Stat. ch 332B, including engaging in the business of debt settlement or debt management services in the State of Minnesota, without the requisite registration pursuant to Minn. Stat. § 332B.03, and from engaging in any debt settlement or debt service management services in Minnesota until this Order is otherwise vacated or modified by the Commissioner.

### **NOTICE OF RIGHT TO HEARING**

IT IS FURTHER ORDERED, pursuant to Minn. Stat. § 45.027, subd. 5a, that Respondent may request a hearing in this matter. Such request shall be made in writing and served on the Commissioner, whereupon the Commissioner shall set a date for hearing within ten (10) days after receipt of the request unless Respondent and the Department agree to waive the 10-day time period. If no hearing is requested by Respondent within thirty (30) days of service of this Order and none is ordered by the Commissioner, this Order will become permanent and will remain in effect until modified or vacated by the Commissioner.

IT IS FURTHER ORDERED, that if a hearing is requested, this Order will remain in effect until modified or vacated or made permanent by further order of the Commissioner under Minn. Stat. § 45.027, subd. 5a. The administrative proceeding provided by Minn. Stat. § 45.027, subd. 5a, and subsequent appellate judicial review of that administrative proceeding, constitutes the exclusive remedy for determining whether the Commissioner properly issued this Order and whether this Order should be made permanent.

IT IS FURTHER ORDERED, that, notwithstanding Minn. Stat. § 45.027, subs. 5 or 5a, if Respondent requests a hearing under Minn. Stat. § 45.027, subd. 5a, Respondent may, within 15 days after service of this Order, bring an action in Ramsey County District Court for an injunction to suspend enforcement of this Order pending a final decision by the Commissioner under Minn. Stat. § 45.027, subd. 5a to vacate or make permanent this Order. The court shall determine whether to issue such an injunction based on traditional principles of temporary relief.

IT IS FURTHER ORDERED, that in the event a hearing is requested in this matter, it will be held before an Administrative Law Judge to be appointed by the Chief Administrative Law Judge for the State of Minnesota, Office of Administrative Hearings, Harold E. Stassen Office Building, 600 North Robert Street, St. Paul, Minnesota 55101, Telephone: (651) 361-7900. All parties have the right to represent themselves or be represented throughout the proceedings herein by legal counsel or a person of their choice if not otherwise prohibited as the unauthorized practice of law. The hearing will be conducted under the contested case procedures in Minn. Stat. §§ 14.57-14.69, and the Rules of the Office of Administrative Hearings, Minn. R. 1400.5100-1400.8401. Failure to attend a hearing in this matter may result in the allegations of this Order being taken as true. Any questions concerning the issues which were raised in this Order, or if you wish to discuss an informal disposition of this proceeding, may be

directed to Assistant Attorney General Oliver J. Larson at (651) 757-1265. Mr. Larson's address is as follows: Minnesota Attorney General's Office, 1800 Bremer Tower, 445 Minnesota Street, St. Paul, Minnesota 55101-2134.

MIKE ROTHMAN  
Commissioner

Dated: October 11, 2012

  
STEVEN E. CARLSON  
Deputy Commissioner

Minnesota Department of Commerce  
85 Seventh Place East, Suite 500  
St. Paul, MN 55101  
Telephone: (651) 296-2488



CS1200100

OAH Docket Nos. 1005-30026, 30027, 30028,  
30029, 30030, 30031

STATE OF MINNESOTA  
OFFICE OF ADMINISTRATIVE HEARINGS  
FOR THE DEPARTMENT OF COMMERCE

In the Matter of CDS CLIENT SERVICES,  
INC. et al.

**NOTICE AND ORDER FOR  
PREHEARING CONFERENCE**

TO:

Attn: David Henson  
CDS Client Services, Inc.  
2152 DuPont, Suite 101  
Irvine, CA 92612  
(Case No. 1005-30026)

Attn: Tom Lynch  
Lynch Financial Solutions, Inc.  
2967 Michelson Drive, Suite G 709  
Irvine, CA 92614  
(Case No. 1005-30027)

Legal Services Support Group, LLC  
8363 W. Sunset Road, Suite 100  
Las Vegas, NV 98113  
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JEM Group, Inc.  
19500 Jamboree Road  
Irvine, CA 92612  
(Case No. 1005-30029)

American Debt Services  
Suite 100  
900 E. Hamilton Ave.  
Campbell CA 95008  
(Case No. 1005-30030)

Attn: Harry Hedaya  
Eclipse Financial Services, Inc.  
5010 West Carmen Street  
Tampa, FL 33609  
(Case No. 1005-30031)

CDS Client Services, Inc. (“CDS”), Lynch Financial Solutions, Inc. (“Lynch”), Legal Services Support Group, LLC (“LSSG”), JEM Group, Inc. (“JEM”), American Debt Services (“ADS”), and Eclipse Financial Services, Inc. (“Eclipse”) (collectively “RESPONDENTS”) ARE HEREBY NOTIFIED that the Department of Commerce (“Department”) has initiated this action to determine whether Respondents committed the violations alleged below, subjecting them to disciplinary action and sanctions, including revocation, suspension, censure, or the imposition of civil penalties.

IT IS HEREBY ORDERED that a prehearing conference will be by telephone on November 9, 2012 at 11:30 a.m. (central time). Parties may use the following dial-in information for the call: telephone number: 888-742-5095, conference code: 566-872-4759#. **All mail sent to the Administrative Law Judge assigned to this matter should be directed to P.O. Box 64620, St. Paul, MN 55164-0620.**

The Chief Administrative Law Judge, Office of Administrative Hearings, has assigned this matter to the Honorable Eric L. Lipman, telephone number (651) 361-7842.

The hearing will be conducted under the contested case procedures set out in Chapters 14 and 45 of Minnesota Statutes and the Rules of the Office of Administrative Hearings, Minnesota Rules Chapter 1400. A copy of these materials may be purchased from the Minnesota Book Store, telephone (651) 297-3000, or are available at [www.revisor.leg.state.mn.us](http://www.revisor.leg.state.mn.us). Copies of the rules are also available at [www.oah.state.mn.us](http://www.oah.state.mn.us).

The attorney handling this case for the Department is Assistant Attorney General Oliver J. Larson, 1200 Bremer Tower, 445 Minnesota Street, St. Paul, Minnesota 55101-2130, (651) 757-1265. Mr. Larson may be contacted to discuss discovery or informal disposition of this matter.

IT IS FURTHER ORDERED that, pursuant to Minn. Stat. §§ 45.027, subd. 6, Respondent must show cause why it should not be subject to a civil penalties.

#### STATEMENT OF CHARGES

1. Respondents are debt settlement services providers as defined by Minn. Stat. § 332B.02.

2. Respondent CDS has provided debt settlement services to resident of Minnesota. In particular, CDS has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay CDS's fees for achieving such settlements. CDS is not licensed as a debt settlement services provider in Minnesota.

3. Respondent Lynch has provided debt settlement services to resident of Minnesota. In particular, Lynch has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay Lynch's fees for achieving such settlements. Lynch is not licensed as a debt settlement services provider in Minnesota.

4. Respondent LSSG has provided debt settlement services to resident of Minnesota. In particular, LSSG has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay LSSG's fees for achieving such settlements. LSSG is not licensed as a debt settlement services provider in Minnesota.

5. Respondent ADS has provided debt settlement services to resident of Minnesota. In particular, ADS has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay ADS's fees for achieving such settlements. ADS is not licensed as a debt settlement services provider in Minnesota.

6. Respondent Eclipse has provided debt settlement services to resident of Minnesota. In particular, Eclipse has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay Eclipse's fees for achieving such settlements. Eclipse is not licensed as a debt settlement services provider in Minnesota.

7. On information and belief, Respondent JEM has provided debt settlement services to residents of Minnesota. On information and belief, JEM has taken up-front and monthly funds from Minnesota residents, representing that the funds would be used to settle claims with creditors and to pay JEM's fees for achieving such settlements. JEM is not licensed as a debt settlement services provider in Minnesota.

8. Respondents were or are all affiliated with Legal Helpers Debt Resolution, LLC ("Legal Helpers"), a respondent in a related matter brought by the Department, OAH Docket No. 8-1005-23075-2. Respondents and Legal Helpers entered into a joint scheme pursuant to which Minnesota residents would sign up for debt settlement services purportedly provided by attorneys working for Legal Helpers, but which were in fact being performed by employees of the Respondents.

9. In addition to operating as debt settlement services providers without a license, Respondents CDS, Lynch, LSSG, ADS, and Eclipse, and on information and belief JEM, violated a host of Minnesota statutory provisions regulating the conduct of debt settlement providers, including the following:

- a. Charging fees in excess of those permitted by statute, as codified at Minn. Stat. § 332B.09;

- b. Failing to provide statutorily required disclosures codified at Minn. Stat. § 332B.06;
- c. Making misleading representations to debtors in violation of Minn. Stat. § 332B.11, subd. 1; and,
- d. Failing to respond to requests for information from the Department of Commerce in violation of Minn. Stat. § 45.027, subd. 1a.

## **VIOLATIONS**

### **Count I**

Respondents failed to register as debt settlement services providers prior to providing debt settlement services to Minnesota residents. By failing to register, Respondents violated Minn. Stat. § 332B.04, subd. 1 (2010).

### **Count II**

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### **Count III**

Respondents failed to provide statutorily required disclosures prior to executing agreements to provide debt settlement services to the following Minnesota residents. By failing to provide such disclosures, Respondents violated Minn. Stat. § 332B.06.

### **Count IV**

Respondents claimed, demanded, charged, collected, or received fees in excess of those allowed under section Minn. Stat. § 332B.09 from Minnesota residents. By doing so, Respondents violated Minn. Stat. § 332B.09.

### ADDITIONAL NOTICE

1. A Respondent's failure to appear at the prehearing conference, settlement conference, or the hearing, or failure to comply with any order of the Administrative Law Judge, may result in a finding that the Respondent is in default, that the Department's allegations contained in the Statement of Charges may be accepted as true, and that Respondent may be subject to discipline by the Commissioner, including revocation, suspension, censure, or the imposition of civil penalties.

2. If any party has good cause for requesting a delay of the prehearing conference or hearing, the request must be made in writing to the Administrative Law Judge at least five days before the prehearing conference or hearing. A copy of the request must be served on the other party.

3. Any party intending to appear at the hearing or prehearing conference must file a Notice of Appearance form and return it to the Administrative Law Judge within 20 days of the date of service of the Statement of Charges. A copy must be served on the Department's attorney. A Notice of Appearance form is attached.

4. At the hearing, all parties have the right to be represented by legal counsel, by themselves, or by a person of their choice if not otherwise prohibited as the unauthorized practice of law. The parties are entitled to the issuance of subpoenas to compel witnesses to attend the hearing. The parties will have the opportunity to be heard orally, to present evidence and cross-examine witnesses, and to submit evidence and argument. Ordinarily, the hearing is tape-recorded. The parties may request that a court reporter record the testimony at their expense.

5. Persons attending the hearing should bring all evidence bearing on the case, including any records or other documents. Be advised that if data that is not public is admitted

into the record, it may become public data unless an objection is made and relief is requested under Minn. Stat. § 14.60, subd. 2.

6. Requests for subpoenas for the attendance of witnesses or the production of documents at the hearing shall be made in writing to the Administrative Law Judge pursuant to Minn. Rule 1400.7000. A copy of the subpoena request shall be served on the other parties. A subpoena request form is available at [www.oah.state.mn.us](http://www.oah.state.mn.us) or by calling (651) 361-7900.

7. This case may be appropriate for mediation. The parties are encouraged to consider requesting the Chief Administrative Law Judge to assign a mediator so that mediation can be scheduled promptly.

8. The Office of Administrative Hearings conducts contested case proceedings in accordance with the Minnesota Rules of Professional Conduct and the Professionalism Aspirations adopted by the Minnesota Supreme Court. A publication entitled *A Guide to Participating in Contested Case Proceedings at the Office of Administrative Hearings* is available at [www.oah.state.mn.us](http://www.oah.state.mn.us) or by calling (651) 361-7900.


9. Any party who needs an accommodation for a disability in order to participate in this hearing process may request one. Examples of reasonable accommodations include wheelchair accessibility, an interpreter, or Braille or large-print materials. If any party requires an interpreter, including a foreign language interpreter, the Administrative Law Judge must be promptly notified. To arrange for an accommodation or an interpreter, contact the Office of Administrative Hearings, P.O. Box 64620, St. Paul, Minnesota 55164-0620, or call (651) 361-7900 (voice) or (651) 361-7878 (TTY).

10. Under Minn. Stat. § 45.027, subd. 6, Respondents may be subject to civil penalties not to exceed \$10,000 per violation upon a final determination that Respondents

violated any law, rule or order related to the duties and responsibilities entrusted to the Commissioner.

MIKE ROTHMAN  
Commissioner

Dated: October 11, 2012

  
STEVEN E. CARLSON  
Deputy Commissioner

Minnesota Department of Commerce  
85 Seventh Place East, Suite 500  
St. Paul, MN 55101  
Telephone: (651) 296-2488

AG: #3082128-v1



CS1200100

OAH Docket Nos. 1005-30026, 30027, 30028,  
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STATE OF MINNESOTA  
OFFICE OF ADMINISTRATIVE HEARINGS  
FOR THE DEPARTMENT OF COMMERCE

In the Matter of CDS CLIENT SERVICES,  
INC. et al.

**APPEARANCE**

CDS Client Services, Inc.  
2152 DuPont, Suite 101  
Irvine, CA 92612  
Attn: David Henson  
(Case No. 1005-30026)

Lynch Financial Solutions, Inc.  
2967 Michelson Drive, Suite G 709  
Irvine, CA 92614  
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8363 W. Sunset Road, Suite 100  
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(Case No. 1005-30030)

Eclipse Financial Services, Inc.  
5010 West Carmen Street  
Tampa, FL 33609  
Attn: Harry Hedaya  
(Case No. 1005-30031)

TO: Honorable Eric L. Lipman, Office of Administrative Hearings, P.O. Box 64620, St. Paul, Minnesota 55164-0620.

PLEASE TAKE NOTICE that the party named below will appear at the prehearing conference in this matter:

Department of Commerce  
Market Assurance Division  
85 East Seventh Place, Suite 500  
St. Paul, MN 55101  
(651) 296-2488  
Toll free: (1-800) 657-3602

PLEASE TAKE FURTHER NOTICE that the attorney named below will appear on behalf of the Department of Commerce:

Oliver J. Larson  
Assistant Attorney General  
Attorney Reg. No. 0392946  
1200 Bremer Tower  
445 Minnesota Street  
St. Paul, Minnesota 55101-2130  
(651) 282-9992

Dated: 10-11-12



\_\_\_\_\_  
Oliver J. Larson

