

FILED

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES

2014 JUL 17 AM 9:41  
PA DEPARTMENT OF  
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA	:	
DEPARTMENT OF BANKING AND	:	
SECURITIES, BUREAU OF	:	
COMPLIANCE AND LICENSING,	:	
Petitioner	:	
	:	
v.	:	Docket No.: 130055 (BNK-ORD)
	:	
CASHCALL, INC.,	:	
WS FUNDING, LLC, and	:	
JOHN PAUL REDDAM, jointly and severally,	:	
and other companies and	:	
corporations under their control,	:	
Respondents	:	
	:	

ORDER

AND NOW, this 17<sup>th</sup> day of July 2014, upon review of the proposed Consent Agreement and Order submitted to the Banking and Securities Commission in this matter, it is hereby **ORDERED** that the proposed Consent Agreement and Order attached as Appendix A is **APPROVED**.

**BY ORDER:**

Redacted

\_\_\_\_\_  
Todd Shamash, Commissioner  
Executed on behalf of the  
BANKING AND SECURITIES COMMISSION

FILED

2014 JUL 17 AM 9:41

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES

PA DEPARTMENT OF  
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND  
SECURITIES, BUREAU OF  
COMPLIANCE AND LICENSING,  
Petitioners

v.

CASHCALL, INC.,  
WS FUNDING, LLC,  
DELBERT SERVICES CORPORATION  
JOHN PAUL REDDAM, jointly and severally,  
and other companies and  
corporations under their control,  
Respondents

Docket No.: 130055 (BNK-CAO)

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Compliance and Licensing ("Bureau") enters into this Consent Agreement and Order ("Order"), subject to the approval of the Commission of the Department, with John Paul Reddam, CashCall, Inc., its subsidiary WS Funding, LLC, Delbert Services Corporation, and other companies and corporations under their control (collectively "Respondents"). This Order is a settlement of allegations brought by the Department under Pennsylvania law, specifically the Consumer Discount Company Act ("CDCA"), 7 P.S. §§ 6201-6219, and the Act of January 30, 1974, P.L. 13, No. 6, known as the Loan Interest and Protection Law ("LIPL"), 41 P.S. §§ 101-605.

The Parties to the above-captioned matter, jointly and severally, in lieu of litigation, and without admitting wrongdoing, but intending to be bound upon approval of the Commission,

voluntarily agree to the terms of this Order. This Order does not constitute evidence or admission regarding any issue of law or fact alleged by the Department. Nothing contained in this Order shall be construed as an admission or denial by Respondents of any liability, wrongdoing or legal or factual issue, and this Order may not be used as evidence of liability or for any other purpose in any action against Respondents.

#### PARTIES

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the CDCA and LIPL.
2. The Bureau is delegated the responsibility to administer and enforce the CDCA and LIPL on behalf of the Department.
3. The Bureau operates from its offices at 17 North Second Street, Suite 1300, Harrisburg, Pennsylvania 17101.
4. Cash Call, Inc. is a corporation organized pursuant to the laws of California, and is wholly-owned by John Paul Reddam, a resident of the State of California.
5. WS Funding, LLC is a limited liability company organized pursuant to the laws of Delaware, and is wholly owned by CashCall, Inc.
6. CashCall, Inc. and WS Funding, LLC are located at 1 City Boulevard West, Suite 1900, Orange, California 92868.
7. Delbert Services Corporation is organized pursuant to the laws of the state of Nevada, and is wholly owned by John Paul Reddam, its sole director.
8. Delbert Services Corporation's street address is 7125 Pollock Dr., Las Vegas, Nevada 89119.

### FACTUAL ALLEGATIONS

9. The Bureau alleges that in early 2010, WS Funding, LLC entered into agreements with Western Sky Financial, LLC ("Western Sky"), pursuant to which WS Funding, LLC did the following:

- a. purchased all loans from Western Sky;
- b. established a bank account in the name of Western Sky in the amount of \$100,000 and maintained at the full value of two days purchased notes from which Western Sky would debit the cost of purchased notes;
- c. all collections;
- d. provided customer service including underwriting review, marketing services, lead purchase, web site hosting and support, e-mail and text correspondence with customers, and mailings; and
- e. paid for any audits and on-site inspections.

10. The Bureau alleges that the loans Cash Call, Inc. agreed to advertise, solicit, and service were consumer loans in amounts below \$25,000 and at interest rates in excess of that allowed by the LIPL and the CDCA.

11. The Bureau alleges that CashCall, Inc. did not hold a license under the CDCA at the time it advertised, marketed, solicited, serviced, sold and assigned loans in the amount of \$25,000 or less, at interest in excess of that allowed by the LIPL and the CDCA.

12. The Bureau alleges that CashCall, Inc. assigned an unknown number of these loans to Delbert Services Corporation.

13. The Bureau alleges that thereafter Delbert Services Corporation engaged in collection of interest in amounts in excess of that allowed by the LIPL and the CDCA without a license.

14. The Bureau alleges that the Department received in excess of 100 complaints against CashCall, Inc.

15. Respondents voluntarily agree to this Order to avoid the cost and uncertainty of litigation, but without admitting wrongdoing or liability, and for the purpose of maintaining good will with the Commonwealth. Respondents consent to the personal and subject matter jurisdiction of the Commonwealth of Pennsylvania, and any and all branches, divisions, departments or units thereof, for the limited purposes of entering into and carrying out the terms of this Order and not for any other purposes. Nothing contained in this Order shall be construed as an admission or denial by Respondents of any liability, wrongdoing or legal or factual issue, and this Consent Order may not be used as evidence of liability or for any other purpose in any action against Respondents.

16. Effectiveness. Although this Order has been executed by the parties, the parties stipulate and agree that the Order shall become effective on the date that the Banking and Securities Commission, as defined in 71 P.S. §733-1122-A, adopts the Order as final, with the exception of those temporary provisions specifically agreed to pending Commission adoption of this Order; such date is referred to herein as the "Effective Date."

17. Respondents shall not apply for a license before the Department within three years of the Effective Date. Respondents, on behalf of themselves and any company or corporation under their control now or in the future, represent that it is not their present intention to apply for a license before the Department. Respondents acknowledge that this stated intention

not to apply for a license is consideration upon which the Department based its agreement to the terms and conditions of this Order. Accordingly, any license application would be a breach of this agreement in the event such application is filed within three years of the Effective Date.

18. For the purposes of this Order, the term "Covered Loan" shall mean a loan made by or in association with Western Sky to a Pennsylvania Borrower. "Pennsylvania Borrower" shall mean any individual who, while residing in the Commonwealth of Pennsylvania, entered into a loan made by or in association with Western Sky, or the First Bank of Delaware and subsequently purchased by one or more Respondents.

#### AUTHORITY OF THE DEPARTMENT

19. Section 202 of the LIPL establishes that the "legal rate of interest" under Pennsylvania Law is "the rate of interest of six per cent per annum." 41 P.S. § 202.

20. Section 3 of the CDCA prohibits any "principal, employee, agent or broker," in the Commonwealth of Pennsylvania from engaging "in the business of negotiating or making loans or advances of money on credit, in the amount or value of \$25,000 or less" or "hold[ing] himself out as willing or able to arrange for or negotiate such loans without a license. 7 P.S. § 6203; *Cash America Net of Nevada, LLC v. Dep't of Banking*, 8 A.3d 282 (Pa. 2010).

21. Section 13 of the CDCA permits licensees to "charge, contract for, receive or collect interest or discount at a rate not to exceed . . . nine dollars and fifty cents (\$ 9.50) per one hundred dollars (\$ 100) per year for the first forty-eight (48) months of the term of the contract plus six dollars (\$ 6) per one hundred dollars (\$ 100) per year for any remainder of the term of the contract." 7 P.S. § 6213. The section also permits licensees "to charge, contract for, receive or collect on any contract a service charge of one dollar and fifty cents (\$ 1.50) for each fifty dollars (\$ 50), or fraction thereof, provided that the total service charge shall not exceed one

hundred fifty dollars (\$ 150) on any contract plus a service charge of \$1.50 for each \$50.00 up to \$150.00." *Id.*

22. Section 502 of the LIPL provides that a "person who has paid a rate of interest for the loan or use of money at a rate in excess of that provided for by this act or otherwise by law or has paid charges prohibited or in excess of those allowed by this act or otherwise by law may recover triple the amount of such excess interest or charges in a suit at law against the person who has collected such excess interest or charges: Provided, that no action to recover such excess shall be sustained in any court of this Commonwealth unless the same shall have been commenced within four years from and after the time of such payment. Recovery of triple the amount of such excess interest or charges, but not the actual amount of such excess interest or charges, shall be limited to a four-year period of the contract." 41 P.S. § 502.

23. Section 505(b) of the LIPL provides that any "person who violates a provision of this act shall be subject to a fine levied by the department of ten thousand dollars (\$ 10,000) per offense." 41 P.S. § 505.

#### ALLEGED VIOLATIONS

24. The Bureau alleges that Respondents violated the CDCA when they engaged in certain activities in the Commonwealth, specifically the acts of advertising, marketing, soliciting, purchasing, and taking assignment of short-term lending in Pennsylvania over radio, television, print, and through the internet and U.S. Mail, without a license. 7 P.S. § 6203.

25. The Bureau alleges that Respondents violated the LIPL when they engaged in the collection of interest on consumer loans in excess of 6%. 41 P.S. § 202.

26. Respondents dispute and deny the Bureau's allegations and that any law was violated.

RELIEF

27. Cease and Desist. Immediately upon the execution of this Order and pending adoption of this Order by the Commission of the Department, Respondents agree they shall refrain from, and cease and desist from the following as a measure of good faith:

(a) selling any loan product to any Pennsylvania resident within the Commonwealth of Pennsylvania unless and until they have been properly licensed in accordance with the terms of Paragraph 17;

(b) selling or assigning to any third party any individual, batch, or portfolio of Covered Loans;

(c) targeting Pennsylvania residents within the Commonwealth of Pennsylvania with advertisements, offers, or solicitations for loans with interest rates greater than the "legal rate of interest" under Section 202 of the LIPL unless and until they have been properly licensed in accordance with the terms of Paragraph 17; and

(d) engaging in any advertising, offers or solicitations of loans by any means whatsoever with interest rates greater than the "legal rate of interest" under Section 202 of the LIPL that can be seen by Pennsylvania residents within the Commonwealth of Pennsylvania (except for national advertising via cable television or other mass media) in their own names or in the name of any other lender without disclosing that the loans are not available to Pennsylvania residents unless and until they have been properly licensed in accordance with the terms of Paragraph 17.

28. Payment. Respondents, jointly and severally, agree to pay the Department the sum of one million dollars (\$1,000,000) over a two year period as set forth herein.

29. Within ten (10) days of execution of this Order and pending adoption of this Order by the Commission of the Department, Respondents shall place in an escrow account, for the benefit of the Department, a lump sum of three hundred thousand dollars (\$300,000) which will be released to the Department on the condition of the approval of this Order by the Commission. In the event the Commission does not finalize this Order, all monies escrowed will be returned in full to the Respondents.

30. Respondents, will pay the remaining \$700,000 in seven (7) equal payments of \$100,000 directly to the Department on a quarterly basis beginning three months after the Effective Date.

31. The Department represents that it will use these funds to provide restitution to any Pennsylvania Borrower that paid the principal of the loan and interest in excess of 6% to the Respondents at any point in time, based on criteria established solely by the Bureau, and for the payment of investigative and litigation costs as appropriate, again based on criteria established solely by the Bureau.

32. Resetting of Interest Rate. Within thirty (30) days of the Effective Date of this Order, for each Covered Loan with an outstanding principal balance owned by Respondents as of the Effective Date, Respondents will permanently modify the interest rate at which they are or will be collecting on all outstanding balances going forward to 6% annual interest. If Respondents reacquire any Covered Loan with an outstanding principal balance that had heretofore been assigned or sold to an unaffiliated third party, Respondents will permanently modify the interest rate at which they are or will be collecting on any outstanding balance going forward to 6% annual interest within 30 days of such reacquisition. Respondents shall notify each Pennsylvania Borrower whose interest rate is so modified that the interest rate on his or her

loan has been modified to 6% before the next scheduled payment due date of the loan following the Effective Date, or within 14 days of the Effective Date, whichever comes last. Any payment made to a Respondent by a Pennsylvania Borrower in regard to a Covered Loan in excess of 6% interest after the Effective Date will be credited to principal. For the avoidance of doubt, these interest rate modifications will affect the amortization schedule only and all monthly payments will remain at the same amount as they were prior to the modification.

33. Within 14 days of the Effective Date, Respondents shall request removal of all reports made by Respondents in regard to Pennsylvania Borrowers to any credit reporting agency.

34. Should the Department ascertain that Respondents either (i) offer loans of \$25,000 or less to Pennsylvania residents and charge interest in excess of the "legal rate of interest" under Section 202 of the LIPL (6% as of the date of execution) after the Effective Date and prior to obtaining an appropriate license in accordance with the terms of Paragraph 17; or (ii) failed to undertake or comply with any of their obligations set forth in this Order, the Bureau expressly reserves the right to seek enforcement in the Commonwealth Court or otherwise as provided by law.

35. Respondents represent that they are financially sound and have no present intent to file for bankruptcy protection under Title 11 of the United States Code within 90 days of the execution date of the Order.

#### FURTHER PROVISIONS

36. Consent. The parties hereby knowingly, willingly, voluntarily and irrevocably consent to the entry of this Order, agree that they understand all of the terms and conditions

contained herein, and waive any right to hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

37. Pennsylvania Residents' Rights. This Order shall not limit or impair the rights of Pennsylvania residents under the LIPL. See 41 P.S. §§:501-507.

38. Entire Agreement. This Order contains the whole agreement between the parties. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the parties.

39. Binding Nature. The Department and Respondents intend to be and are legally bound by the terms of this Order. This Order shall be enforceable in a court of competent jurisdiction by the Department and Respondents, the jurisdiction of which Respondents consent to for the purposes of enforcing this Order only, and for no other purposes. This Order shall be binding upon and inure to the benefit of Respondents' present and future owners, members, directors, principals, officers, managers, agents, employees, successors, and assigns; agents in active concert or participation with any of the foregoing who are involved in the conduct of business that is the subject of the conduct at issue in the above docketed proceeding; and any corporation, company, business entity, and other entity or device through which the Respondents may now or hereafter act or conduct the business that is the subject of the above docketed proceeding. For the avoidance of doubt, this Order shall not be binding or inure to the benefit of any third-party debt buyers unaffiliated with a Respondent, or such a debt buyers' agents, employees, officers, or related persons, that are unaffiliated with a Respondent.

40. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

41. Other Enforcement Action.

a. The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against Respondents in the future regarding all matters not at issue in the above-docketed proceeding.

b. Respondents acknowledge and agree that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

42. The Department will not bring an enforcement action of any kind against Respondents; their present or future owners, members, directors, principals, officers, managers, agents, employees, successors, or assigns; agents in active concert or participation with any of the foregoing who are involved in the conduct of business that is the subject of the conduct at issue in the above docketed proceeding; and any corporation, company, business entity, or other entity or device through which the Respondents may now or hereafter act or conduct the business that is the subject of the above docketed proceeding for any conduct arising out of or related to any matters at issue in the above-docketed proceeding, including but not limited to the servicing, advertising, marketing, soliciting or collecting of consumer loans to Pennsylvania residents in amounts less than \$25,000 with interest rates in excess of 6% per annum which occurred prior to the Effective Date, or for any future servicing or collections of loans to Pennsylvania Borrowers existing as of the execution date of this Order, including collections on any loan to a Pennsylvania resident made by or in association with the First Bank of Delaware that was subsequently purchased by the Respondents, provided that any such servicing or collection of any Covered Loan shall be performed in compliance with the terms of Paragraph 32, herein. As provided in

Paragraph 41(a), the Department retains the right to bring enforcement actions for any other matter or against any other party (including, but not limited to, any third-party debt buyers unaffiliated with a Respondent, or such a debt buyers' agents, employees, officers, or related persons, that are unaffiliated with a Respondent), including for any action in violation of Respondent's obligations under this Order.

43. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

44. Counterparts. This Order may be executed in separate counterparts and by facsimile or email.

45. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

WHEREFORE, in consideration of the foregoing, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Compliance and Licensing, and CashCall, Inc., WS Funding, LLC, Delbert Services Corporation, and John Paul Reddam, jointly and severally, do hereby execute this Consent Agreement and Order.

FOR THE COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES  
BUREAU OF COMPLIANCE AND LICENSING:

Redacted

---

Ryan Walsh, Chief, Compliance Division  
Bureau of Compliance and Licensing  
Department of Banking and Securities

Date: June 18, 2014

FOR CASHCALL, INC.

Redacted  
Signature: \_\_\_\_\_  
John Paul Reddam

Title: President

Date: 6-18-14

FOR WS FUNDING, LLC

Redacted  
Signature: \_\_\_\_\_  
John Paul Reddam

Title: president

Date: 6-18-14

FOR DELBERT SERVICES CORPORATION

Redacted  
Signature: \_\_\_\_\_  
John Paul Reddam

Title: owner

Date: 6-18-14

JOHN PAUL REDDAM, INDIVIDUALLY

Redacted  
Signature: \_\_\_\_\_  
John Paul Reddam