Defendants.

General Counsel

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KENNETH H. ABBE (~al. Bar No. 172416) r. - FILES, BARBARA Y.K.

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liJ ll plaintiff , the Federal Trade commissidn co commission" or

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11 "FTC") commenced this action by filing a complaint seeking a I 19 permanent injunction and other relief pursuant to Section 13(b) II 20 11 of the Federal Trade Commission Act (\\FTC ~ct"), 15 U.S.C. ,.21,. § 5.3, (b) . .The Complaint, alleges that Innovative Systems II 22 11 Technology, Inc. dba Briggs & Baker ("IST")

plaintiff Commission, represented by the attorneys whose names appear hereafter, have agreed to the entry of this Order and have requested that the Court enter the same to resolve all matters in dispute in this action without trial or adjudication of any issue of law or fact herein. The parties having requested the Court to enter this Order, the Court hereby finds and orders as follows: FINDINGS

1. This Court has jurisdiction of the subject matter of
this case and of the parties consenting hereto;
2. Venue is proper as to all parties in the Central
District of California;
3. The activities of Defendants are in or affecting
. . commerce, as defined in Section 4 of the FTC Act,.:l5 U.S.C. 5 44; .. .2
. , ; .. .

admitting liability for any allegation or charge made in the Commissionrs Complaint, without coercion, and acknowledge that they understand the provisions of this Order and are prepared to abide by them;
9. This Order is remedial in nature and shall not be
construed as the payment of a fine, penalty, punitive assessment, or forfeiture;
10. Entry of this Order is in the public interest; and
11. On March 5, 2004, Baker filed a voluntary petition for relief the provisions of

ORDER
Definitions
"Defendants" means Todd A. Baker and Debt Resolution Specialists, Inc., and each of them, by whatever names each might be known by, including but not limited to "Briggs & Baker" or "DRS";
1. "Baker1' means Todd A. Baker, by whatever names he might
be known; and
2. "DRS" means Debt Resolution Specialists, Inc., by
whatever names it might be known.
"Consumer debt services" means debt negotiation, debt settlement, debt consolidation, debt management, credit counseling, or credit repair services; provided, however, that "consumer debt services" shall not include debt collection services as an agent of a creditor or the employee of the agent of a creditor for the purpose of arranging or assisting a creditor to arrange for payment by the debtor totthe creditor.
"Credit counseling" means providing financial advice to a consumer about the consumer's finances or credit.

"Credit repair" means any service that is sold, provided or performed (or promoted with representations that it is sold, provided or performed) for the express or implied purpose of:
1. improving any consumerrs credit record, credit history,
or credit rating; or

2. providing advice or assistance to any consumer

"Debt management plan," "debt management

formulation or proviiion of, any marketing material; (3) providing names of, or assisting in the generation of, potential customers; (4) hiring, recruiting,or training personnel; (5) advising or consulting others on the .. commencement or management of a business; or (6) performing marketing services of any kind.
"Material" means likely to affect a person's choice of., or conduct regarding, goods or services.
"Assets" means any legal or equitable interest in, right to, or claim to, any real or personal property, including,' without limitation, chattels, goods, instruments, equipment, fixtures, general intangibles, leaseholds, mail or other deliveries, inventory, checks,' notes, accounts, credits, contracts ,:: .receivables', . .. >,shares of stock, and all cash,: wherever located.
"Document" is equal in scope and synonymous in meaning to the usage of the term in Federal Rule of Civil Procedure 34(a), and includes writings, drawings, graphs, charts, photographs, audio and video recordings, computer records, and any other data compilations from which information can be obtained. A draft or non-identical copy is a separate document within the meaning of the term.
The terms "Person" or "Consumer" mean a natural person, organization, or other legal entity, including a corporation, partnership, proprietorship, association, cooperative, or any other group or combination acting as an

entity.
0. "Baker Bankruptcy Case" means the case commenced upon the filing of the joint voluntary petition by Todd Baker and
Marie Baker on March 5, 2004, for relief under the
liquidation provisions of Chapter 7 of the Bankruptcy Code,
11 U.S.C. SS 101, et seq., in the United States Bankruptcy Court for the Central District of California, San Fernando Division, Case No. SV 04-11635-KL. On October 8, 2004, the Court granted Baker's motion to convert his Chapter 7 petition to a petition for relief under the provisions of Chapter 13 of the Bankruptcy Code, 11 U.S.C. § 101, of San

ownership interest, share, or stock in, or serving as an officey, director, trustee, or general manager of, any business entity engaged in whole or in part in, the advertising, marketing, promoting, offering for sale, or sale of any debt negotiation services.

11. PROHIBITED MISREPRESENTATIONS
IT IS FURTHER ORDERED that in connection with the
advertising, promoting, offering for sale, sale of consumer debt services, Defendants, and their agents, servants, employees, and all other persons or entities in active concert or participation with them who receive actual nnkice of this Order
by personal service or otherwise, whether acting directly or
through any corporation, limited liability~company, subsidiary, division, or other device, are hereby permanently restrained and enjoined from misrepresenting, or assisting others in misrepresenting, expressly or by implication, any

sale in or

Paragraph this Judgment shall be

participate in any distribution in the Baker Bankruptcy Case paid on account of such allowed general unsecured claim, pursuant to Section 726 or 1129 of the Bankruptcy Code, 11 U.S.C. §§ 726 and 1129, and in accordance with any approved Chapter 7 trustee's final report or confirmed plan and the priorities of the Bankruptcy Code.
E. in the event of a conversion of the Baker Bankruptcy
Case from a Chapter 13 case to a case under Chapter 7 or Chapter 11 of the Bankruptcy Code, Baker further stipulates and agrees to, within ten (10) days of the date of entry of this Order or, if later, ten (10) days of the date of the bankruptcy court's entry of the order converting the Baker Bankzuptcy Case, file an agreed judgment in the Baker Bankruptcy Case, substantially in the form attached hereto as Appendix B.; determining ,.tha:t the Judgment ordered by Paragraph III(A) of this Order, including the conditions set forth in Paragraph IV of this Order, will be nondischargeable, pursuant to Section 523 of the Bankruptcy Code, 11 U.S.C. § 523.
F. Provided that the bankruptcy court in the Baker
Bankruptcy Case enters an order approving the Reaffirmation Agreement referred to in Paragraph III(C) of this Order (in the event the Baker Bankruptcy Case remains a Chapter 13 case) or the agreed judgment referred to in Paragraph III(E) of this Order determining the Judgment ordered by Paragraph III(A) of this Order to be nondischargeable (in the event that the Baker Bankruptcy Case is converted to a case under Chapter 7 or ll),

and subject to the conditions set forth in Paragraph IV of this Order, the Judgment against Defendants shall be suspended until further order of the District Court. Nothing in this Paragraph III(E) or elsewhere in this Order shall be read to modify the FTCrs entitlement to participate in any distribution in the Baker Bankruptcy Case under Paragraphs I11 (B) and 111 (D) of this Order. G. Baker agrees that, if he fails to meet the obligati~ns
set forth in this Order, the facts as alleged in the Complaint filed in this matter shall be taken as.true without further'proof in any subsequent litigation filed by the Commission to enforce its rights pursuant to this Order including, but not limited,to, a nondischargeability complaint in any bankruptcy case.
H. All funds paid pursuant .to .this Paragraph shall be deposited into a fund administered by the Commk-ssion or its agent to be used for equitable relief, including but not limited to consumer redress and any attendant expenses for the administration of any redress fund. In the event that direct redress to consumers is wholly or partially impracticable or funds remain after redress is completed, the Commission may apply my remaining funds for such other equitable relief (including zonsumer information remedies) as it determines to be reasonably related to the Defendants' practices alleged in the Complaint. 1s-y funds not used for such equitable relief shall be deposited :o the Treasury as disgorgement. The Commission

individual claimants in any consumer redress
program implemented pursuant to this Order;
2. Determine the manner and timing of any notices to be given to consumers regarding the existence and terms of such programs; and
3. Delegate any and all tasks connected with such redress program to any individual, partnerships,
or corporations; and pay reasonable fees,
salaries, and expenses incurred thereby

and in any other documents or testimony submitted by Defendants,.. upon which the Commission relied in negotiating and agreeing to the terms of this Order. If, upon motion by the Commission to the Court, the Court finds that Defendants, in their above-referenced financial statements and information, failed to disclose any asset with a value in excess of $1,000, materially misrepresented the value of any asset, or made any other material misrepresentation or omission, 'the suspension of the monetary judgment will be terminated and the entire reaffirmed Judgment amount of $8', 959,860, representing the approximate amount "of consumer injury, will become immediately due and payable, less
any palments already made, including but not limited to payments
to the Commission from the.Baker Bankruptcy Estate. For purposes
of this ~ara'~a~h, and. any subsecpent::~proceedings to enforce the,,.:. Commissionls rights under this Order, including but not limited
to a non-dischargeability complaint filed in a bankruptcy case, Defendants waive any right to contest any of the allegations set forth in the Complaint filed in this matter or the $8,959,860 Judgment referenced in Paragraph I11 (A) , above. Any proceedings instituted under this Paragraph shall be in addition to and not in 1,ieu of any other proceedings the Commission may initiate to 3nforce this Order. Nothing in thi's Paragraph or elsewhere in this Order shall be read to modify the obligations of Eaker under Paragraph I11 (C) to stipulate and agree to reaffirm the Judgment, including the conditions set forth in this Paragraph, or under laragraph III(E) to stipulate and agree to the entry of a

nondischargeability judgment in the Baker Bankruptcy Case determining the Judgment referenced in Paragraph III(A) of this Order, including the conditions set forth in this Paragraph, to be nondischargeable.

V. CUSTOMER LISTS

IT IS FURTHER ORDERED that Defendants, as well as their officers, agents, servants, employees, and attorneys,

VI. DISTRIBUTION OF ORDER BY DEFENDANTS

IT IS FURTHER ORDERED that, for a period of five (5) years
from the date of entry of this Order:
A. DRS must deliver a copy of this Order to a11 of its
principals, officers, directors, and managers. DRS also must deliver copies of this Order to all of its employees, agents, and representatives who engage in conduct related to the subject matter of the Order. For current personnel, delivery shall be within (5) days of service of this Order upon DRS. For new personnel, delivery shall occur prior to them assuming their responsibilities.
B. For any business that Baker controls, directly or
indirec.tly, .or in which..Baker has a majority ownership interest, .. Baker must deli~er a. ic.opy of this Order to all principals , ~fficers, directors, and managers of that business. Baker must 3lso deliver copies of this Order to all employees, agents, and representatives of that business who engage in conduct related to che subject matter of the Order. For current personnel, delivery shall be within (5) days of service of this Order upon Defendant. ?or new personnel, delivery shall occur prior to them assuming :heir responsibilities.
C. For any business where Baker is not a controlling
?erson of a business but otherwise engages in conduct related to :he subject matter of this Order, Baker must deliver a copy of :his Order to all principals and managers of such business before xtgaging in such conduct.

D. Defendants must secure a signed and dated statement acknowledging receipt of the Order,

zontractor is involved; provided that this Paragraph does not mthorize or require Defendants to take any steps that violate 3ny federal, state, or local laws;
B. Failing to investigate promptly and fully any consumer complaint to which this Paragraph applies; and
C. Failing to take corrective action with respect to any
sales person whom Defendants determine is not complying with this Order, which may include training, disciplining, and/or terminating such sales person.

VIII. RECORD KEEPING PROVISIONS
IT IS FLmTBER

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 bus'iness ;
I

D. complaints and refund requests (whether received
directly, indirectly or through any third party) and any responses to those complaints or requests;
E. Copies of all sales scripts, training materials,
advertisements, or other marketing materials: and
F. All records and documents necessary to. demonstrate full
compliance with each provision of this Order, ipcluding but not limited to, copies of acknowledgments of receipt of this Order, required by Paragraph VI of this Order, and all reports submitted to the FTC pursuant to Paragraph IX of this Order.

IX. COMPLIANCE REPORTING BY DEFENDANTS

IT IS FURTHER ORDERED that, in order that compliance with
the provisions of this Order may be monitored:
A. For a period of five (5) years from the date of entry
of this Order:
1. Baker shall notify the Commission of the
following:
(a) Any changes in Baker's residence, mailing

addresses, and telephone numbers, within ten
(10) days of the date of such change;
(b) Any changes in Baker's employment status (including self-employment), and any change
,in Baker's ownership in any business entity, within ten (10) days of the date of such change. Such notice shall include the name
and address of each business that Baker is affiliat.ed with, employed by; creates or
forms, or performs ~ervices for; a statement
of the nature of the business; and a
statement of Baker's duties and
responsibilities i:n. .connection with the
I . business . or employment ;l,.,,,. : :. :-....i; ;:::..:,:.:
(c) Any changes in Baker's name or use of any aliases or fictitious names; and
Defendants shall notify the Commission of any changes in corporate structure of DRS or any business entity that Baker directly or indirectly controls, or has an ownership interest in, that may affect compliance obligations arising under this Order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in 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 the Defendants learn less
than thirty (30) days prior to the date such
action is to take place, Defendants shall notify
the Commission as soon as is practicable after
obtaining such knowledge.
B. One hundred eighty (180) days after the date of entry of this Order, Defendants shall provide a written report to the FTC, sworn to under penalty of perjury,.setting forth in detail the manner and form in.which they have .compl5ed.and are complying with this Order. This report shall include, but not limited

under Subparagraph A of this Paragraph IX.
(2) For all Defendants:
a. A copy of each acknowledgment of receipt of
this Order, obtained pursuant to Paragraph
VI ; , and
b. Any other changes required to be reported
under Subparagraph this Paragraph IX.
C. For the,purposes of this Order, Defendants shall, unless otherwise directed by the Commission's authorized representatives, mail all written notifications to the FTC to: Assistant Regional Director

Western Region - Los Angeles Federal Trade Commission
10877 Wilshire Blvd., Suite 700.
Los. AngeI:es, California 90024

Re: FTC v. Innovative Svstems Technoloqv, et al. . , ./ + ., : .'... . <. .. . . ,. . . .. , , .., . ..
D. For purposes of the compliance reporting and monitoring required by this Order, the Commission is authorized to . communicate directly with Defendants.

X. COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for the purpose of monitoring
and investigating compliance with any provision of this Order, A. Within ten (10) days of receipt of written notice from a representative of the Commission, Defendants shall submit additional written reports, sworn to under penalty of perjury; produce documents for inspection and copying; appear for deposition; and/or provide entry during normal business hours to

business days of receipt of this Order as entered by the Court, must submit to the Commission a truthful sworn statement acknowledging receipt of this Order.

XII'. COSTS AND ATTORNEYS' FEES

IT IS FURTHER ORDERED that each party to this Order shall
bear its own costs and attorneys' fees incurred in connection with this action.

XIII. RETENTION OF JURISDICTION
FURTHER ORDERED that this Court shall retain
jurisdiction of this matter for purposes of construction; modification.:.and enfo~cement of this Order. . ,.
. . .. .

.. :. . ,.... . - % . . . . I.;: . &.

.. :.. , ... ,. - , .

I INDEPENDENCE OF OBLIGATIONS

IT IS FURTHER ORDERED that the expiration of any
requirements imposed by this Order shall not affect any other obligation under this Order.

Debtor's NameIJoint Debtor's Name: Todd Baker / Mari,e Baker

FOR COURT USE ONLY

UNITED STATE3 BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA

Creditor's Name and Address:
Federal Trade Commission
10877

Reafiirmation Aoreement - Page 2 of 4 F 4008-1 ,d
In re (SHORT TITLE) I CXE NO.: SV-04-11635 KL
Todd Baker and Mane Baker Debtor(s).

his Agreement is not valid or binding unless it is filed with the clerk oithe bankruptcy court. If youwere not represented .by I atiorney during the negotiation af this Raaifirmatior, Agr~emsnt, the Agreement cannot be enforczd by the cr~ditor unl~ss) yau have attended a reaffirmation hearing in the,bankmptcy court, and (2) the.Agreement has.been approved by the gnkruptcy judge. (Caurt approval is not required ifthis is a consumer debt secured by,a mortgage or other lien on your real state.)

he Debtorjs) and creditor named above agree to reafiirm the debt described in this Agreement as io\lows:

THE DEBT

~ tal Amount of Debt When Case was Filed

1ta1 Amount of Debt Reaffirmed

re

re4l by real

o7ed RInteres Tced Accruj ET-24/Susp /S11365 0 Td 8625n real At26 ney1 Tf -0.1 Tc 12.8.5 17.28046 53.08]>Tm 46004]>
e Start9523 - 1.35 454.7999 5728100]>Tm3928Reafox 52m4 Tf 289/BBo9[13.6802 570.40003]>4.15 13 Tc 2 01J -0.0MC BT 1 Tf -28Reafox 61028t0 11.125 17.7605 51361009 57391.1ta1

Reaflrmation Agreement- Page 3 of 4 F 4QQ8-d .I

The terms of this Agreement differ from the terms of the original contract between the creditor and the Debtor(s) as follows:

In re (SHORT TITLE)
Todd Baker and Marie Baker D~htor(s).

Not Appiicabls-Debtor is filing this Raaffirmstion Agreement in accordanca with Sac. Ill dihe zttached Stipulated Final Judgment

CASE NO.: SV-04-11635

& Orderto settle FTC v. Innovative Systems Technology, lnc., el ai., CV 04-728 GAF (c.D.

Aany) ASECURlTYlCOLLATERAL elscripion eofeColatedral.

eNot eApplicable glueValuaion

aDted
or

ReafFinnatian AgwernBnt = Pgp 4 of4 I= 4oo8=~,~
In re (SHORT TlTtE)

Plaintiff, the Federal Trade Commission (;FTCU), through its undersigned attorneys, filed a Complaint to Determine Nondischargeability

incorporated herein as Exhibit 1.
5. The FTC and the Debtor agree to resolve this Adversary
Proceeding without litigation, pursuant to the terms of this Stipulated Judgment for Nondischargeability.
6. The Debtor waives service of summons.
Order

1. Judgment is hereby entered in favor of the FTC and
against the Debtor/defendant, Todd Baker, determining the Stipulated Final Judgment entered in the Enforcement Action to be nondischargeable in the amount of $8,959,860.
2. The judgment identified in Paragraph 1 shall be
partially satisfied as follows: Pursuant to Section 502 of the Bankruptcy Code, 11 U.S.C. § 502, the FTC shall hold an allowed general unsecured claim in this case in the amount of $8,959,860, which amount is the approximate amount of consumer injury alleged in the Enforcement Action. The FTC shall be entitled to participate in any distribution in this case paid on account of allowed general unsecured claims, pursuant to Sections 726, 1129, or 1325 and 1326 of the Bankruptcy Code and in accordance with the priorities of the Bankruptcy Code.
3. The remainder of the nondischargeable judgment
identified in Paragraph 1 of this Stipulated Judgment for Nondischargeability shall be suspended, subject to the Cornrnissionls right to file a motion in the District Court for the entry of judgment against the Debtor in the amount of $8,959,860, less any payments already made, in accordance with the terms of Paragraph IV of the Stipulated Final Order in the Enforcement Action and any applicable law.

- 3- APPENDIX B

4. All other provisions of the Stipulated Final Judgment in
the Enforcement Action, including the injunctive provisions, Action, in

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19:35 FAX 310 824 43E --. -. -. FEDE_RjL TRAIIE -I 7- - 5005

4. All other proviaions of the Stipulakd Fieal Judgment in
the Enforcement Action, including the injunctive

CERTIFICATE OF SERVICE

I, Kenneth H. Abbe, hereby declare as follows:

1. I am over the age of 18. My business address is 10877 Wilshire Blvd. #700, Los Angeles, CA 90024. The following statements are within my personal knowledge, and if called as a

witness I could and would competently testify thereto.

2. On July d , 2005, I caused the attached "STIPULATED

FINAL JUDGMENT AND [PROPOSED] ORDER FOR PERMANENT INJUNCTION

AGAINST DEFENDANTS TODD A. BAKER AND DEBT RESOLUTION SPECIALISTS,

INC." to be served via pre-paid first class U.S. Mail to:

Richard K. Diamond
Danning, . Gill, Diamond & Kollitz
2029 Century Pk East, 3cd Fl.
Los Angeles, CA 90067-2904
Chapter 7 Trustee for Innovative Systems Technology, Inc.

Brad D. Krasnoff
Lewis, Brisbois, Bisgaard & Smith
221 N. Figueroa St. #I200
Los Angeias, CA 90012-2601
Chapter 7 Trustee for Todd Baker & Marie Baker

James T. King