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FILED	
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JUL 13 2005	
CENTRAL DISTRICT OF CALIFORNIA	DEPUTY

9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

11 FEDERAL TRADE COMMISSION,

12 Plaintiff,

13 v.

14 INNOVATIVE SYSTEMS TECHNOLOGY,
15 INC. dba Briggs & Baker
16 et al.,

17 Defendants.

18 Case No. CV 04-0728 GAF
19 (JTLx)

20 STIPULATED FINAL JUDGMENT AND
21 [~~PROPOSED~~] ORDER FOR
22 PERMANENT INJUNCTION AGAINST
23 DEFENDANTS TODD A. BAKER AND
24 DEBT RESOLUTION SPECIALISTS,
25 INC.

26 Plaintiff, the Federal Trade Commission ("Commission" or
27 "FTC") commenced this action by filing a Complaint seeking a
28 permanent injunction and other relief pursuant to Section 13(b)
of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C.
§ 53(b). The Complaint alleges that Innovative Systems
Technology, Inc. dba Briggs & Baker ("IST"), Debt Resolution
Specialists, Inc. ("DRS"), Todd A. Baker ("Baker"), and Jack
Briggs, aka John Briggs, have engaged in unfair and deceptive
acts or practices in violation of Section 5 of the FTC Act, in
connection with the advertising, marketing, promoting, offering
for sale, or sale of their debt negotiation services.

Defendants Baker and DRS (collectively, "Defendants") and

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

7 **FINDINGS**

8 1. This Court has jurisdiction of the subject matter of
9 this case and of the parties consenting hereto;

10 2. Venue is proper as to all parties in the Central
11 District of California;

12 3. The activities of Defendants are in or affecting
13 commerce, as defined in Section 4 of the FTC Act, 15 U.S.C. § 44;

14 4. Defendants were properly served with the Complaint and
15 Summons in this matter;

16 5. The Complaint states a claim upon which relief may be
17 granted against Defendants under Sections 5 and 13(b) of the FTC
18 Act, 15 U.S.C. §§ 45(a) and 53(b);

19 6. Defendants have waived all rights that may arise under
20 the Equal Access to Justice Act, 28 U.S.C. § 2412, amended by
21 Pub. L. 104-121, 110 Stat. 847, 863-64 (1996);

22 7. Defendants have waived all rights to seek appellate
23 review or otherwise challenge or contest the validity of this
24 Order, and have further waived and released any claim they may
25 have against the Commission, its employees, and agents;

26 8. Defendants enter into this Order freely, without
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1 admitting liability for any allegation or charge made in the
2 Commission's Complaint, without coercion, and acknowledge that
3 they understand the provisions of this Order and are prepared to
4 abide by them;

5 9. This Order is remedial in nature and shall not be
6 construed as the payment of a fine, penalty, punitive assessment,
7 or forfeiture;

8 10. Entry of this Order is in the public interest; and

9 11. On March 5, 2004, Baker filed a voluntary petition for
10 relief under the liquidation provisions of Chapter 7 of the
11 Bankruptcy Code, 11 U.S.C. §§ 101 et seq., in the United States
12 Bankruptcy Court for the Central District of California, San
13 Fernando Division, Case No. SV 04-11635-KL (the "Baker Bankruptcy
14 Case").

15 12. On October 8, 2004, the Court granted Baker's motion to
16 convert his Chapter 7 petition to a petition for relief under the
17 provisions for the adjustment of debts of an individual with
18 regular income of Chapter 13 of the Bankruptcy Code, 11 U.S.C. §
19 101, et seq.

20 13. The Commission's action against Baker, including the
21 enforcement of a judgment other than a money judgment obtained in
22 this action, is not stayed by 11 U.S.C. § 362(a)(1), (2), (3) or
23 (6) because it is an exercise of the Commission's police or
24 regulatory power as a governmental unit pursuant to 11 U.S.C.
25 § 362(b)(4) and thus falls within an exemption from the automatic
26 stay.

ORDER

Definitions

- 1
- 2
- 3 A. "Defendants" means Todd A. Baker and Debt Resolution
4 Specialists, Inc., and each of them, by whatever names each
5 might be known by, including but not limited to "Briggs &
6 Baker" or "DRS";
- 7 1. "Baker" means Todd A. Baker, by whatever names he might
8 be known; and
- 9 2. "DRS" means Debt Resolution Specialists, Inc., by
10 whatever names it might be known.
- 11 B. "Consumer debt services" means debt negotiation, debt
12 settlement, debt consolidation, debt management, credit
13 counseling, or credit repair services; provided, however,
14 that "consumer debt services" shall not include debt
15 collection services as an agent of a creditor or the
16 employee of the agent of a creditor for the purpose of
17 arranging or assisting a creditor to arrange for payment by
18 the debtor to the creditor.
- 19 C. "Credit counseling" means providing financial advice to a
20 consumer about the consumer's finances or credit.
- 21 D. "Credit repair" means any service that is sold, provided or
22 performed (or promoted with representations that it is sold,
23 provided or performed) for the express or implied purpose
24 of:
- 25 1. improving any consumer's credit record, credit history,
26 or credit rating; or
- 27
- 28

1 2. providing advice or assistance to any consumer with
2 regard to any activity or service that purports to
3 improve any consumer's credit record, credit history,
4 or credit rating.

5 E. "Debt consolidation" means paying off a consumer's debts
6 under a debt management plan, debt management program or
7 "DMP."

8 F. "Debt management" means:

- 9 1. receiving money from a consumer for the purpose of
10 distributing one or more payments to or among one or
11 more creditors of the consumer in full or partial
12 payment of the consumer's obligation;
- 13 2. arranging or assisting a consumer to arrange for the
14 distribution of one or more payments to or among one or
15 more creditors of the consumer in full or partial
16 payment of the consumer's obligation;
- 17 3. exercising direct or indirect control, or arranging for
18 the exercise of such control, over funds of a consumer
19 for the purpose of distributing payments to or among
20 one or more creditors of the consumer in full or
21 partial payment of the consumer's obligation; or
- 22 4. acting or offering to act as an intermediary between a
23 consumer and one or more creditors of the consumer for
24 the purpose of adjusting, settling, discharging,
25 reaching a compromise on or otherwise altering the
26 terms of payment of the consumer's obligation.

1 G. "Debt management plan," "debt management program" or "DMP"
2 means a program in which:

- 3 1. a consumer pays one consolidated periodic payment to
4 the program to cover the debts that are included in the
5 program; and
- 6 2. the program disburses payments to the creditors of the
7 consumer.

8 H. "Debt negotiation" or "debt settlement" means:

- 9 1. the business or practice of receiving, in return for
10 consideration, the scheduled receipt of a debtor's
11 monies, or evidences thereof, for the purpose of
12 distribution among certain specified creditors in
13 payment, or partial payment, of the debtor's
14 obligations; or
- 15 2. the business or practice of acting or offering or
16 attempting to act as an intermediary between a debtor
17 and his creditors for the purpose of settling,
18 negotiating, or in any way altering the terms of
19 payment of any debt of a debtor.

20 I. "Debtor" means any consumer indebted to a creditor or
21 creditors.

22 J. "Assisting Others" means knowingly providing any of the
23 following goods or services to another entity: (1)
24 performing customer service functions, including, but not
25 limited to, receiving or responding to consumer complaints;
26 (2) formulating or providing, or arranging for the
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1 formulation or provision of, any marketing material; (3)
2 providing names of, or assisting in the generation of,
3 potential customers; (4) hiring, recruiting or training
4 personnel; (5) advising or consulting others on the
5 commencement or management of a business; or (6) performing
6 marketing services of any kind.

7 K. "Material" means likely to affect a person's choice of, or
8 conduct regarding, goods or services.

9 L. "Assets" means any legal or equitable interest in, right to,
10 or claim to, any real or personal property, including,
11 without limitation, chattels, goods, instruments, equipment,
12 fixtures, general intangibles, leaseholds, mail or other
13 deliveries, inventory, checks, notes, accounts, credits,
14 contracts, receivables, shares of stock, and all cash,
15 wherever located.

16 M. "Document" is equal in scope and synonymous in meaning to
17 the usage of the term in Federal Rule of Civil Procedure
18 34(a), and includes writings, drawings, graphs, charts,
19 photographs, audio and video recordings, computer records,
20 and any other data compilations from which information can
21 be obtained. A draft or non-identical copy is a separate
22 document within the meaning of the term.

23 N. The terms "Person" or "Consumer" mean a natural person,
24 organization, or other legal entity, including a
25 corporation, partnership, proprietorship, association,
26 cooperative, or any other group or combination acting as an
27

1 entity.

2 O. "Baker Bankruptcy Case" means the case commenced upon the
3 filing of the joint voluntary petition by Todd Baker and
4 Marie Baker on March 5, 2004, for relief under the
5 liquidation provisions of Chapter 7 of the Bankruptcy Code,
6 11 U.S.C. §§ 101, et seq., in the United States Bankruptcy
7 Court for the Central District of California, San Fernando
8 Division, Case No. SV 04-11635-KL. On October 8, 2004, the
9 Court granted Baker's motion to convert his Chapter 7
10 petition to a petition for relief under the provisions of
11 Chapter 13 of the Bankruptcy Code, 11 U.S.C. § 101, et seq.,
12 for the adjustment of debts of an individual with regular
13 income.

14 P. "Baker Bankruptcy Estate" means the bankruptcy estate that
15 was created pursuant to 11 U.S.C. § 541(a) upon the
16 commencement of the Baker Bankruptcy Case.

17 Q. The terms "and" and "or" shall be construed conjunctively or
18 disjunctively as necessary, and to make the applicable
19 phrase or sentence inclusive rather than exclusive.

20
21 **I. PERMANENT BAN**

22 **IT IS THEREFORE ORDERED** that Defendants, whether acting
23 directly or through any corporation, limited liability company,
24 subsidiary, division, or other device, are hereby permanently
25 restrained and enjoined from engaging in, or receiving any
26 remuneration of any kind whatsoever from, or holding a majority

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

6
7 **II. PROHIBITED MISREPRESENTATIONS**

8 **IT IS FURTHER ORDERED** that in connection with the
9 advertising, marketing, promoting, offering for sale, or sale of
10 consumer debt services, Defendants, and their agents, servants,
11 employees, and all other persons or entities in active concert or
12 participation with them who receive actual notice of this Order
13 by personal service or otherwise, whether acting directly or
14 through any corporation, limited liability company, subsidiary,
15 division, or other device, are hereby permanently restrained and
16 enjoined from misrepresenting, or assisting others in
17 misrepresenting, expressly or by implication, any fact material
18 to a consumer's decision to buy or accept the consumer debt
19 services.

20
21 **III. MONETARY JUDGMENT**

22 **IT IS FURTHER ORDERED** that:

23 A. Judgment is entered in favor of the Commission and
24 against Defendants, jointly and severally, in the amount of
25 \$8,959,860 (the "Judgment") for equitable monetary relief;
26 provided, however, that subject to the conditions of this
27

1 Paragraph this Judgment shall be suspended until further order of
2 the Court, and provided further that this Judgment shall be
3 subject to the conditions set forth in Paragraph IV of this
4 Order.

5 B. Pursuant to Section 502 of the Bankruptcy Code, 11
6 U.S.C. § 502, the FTC shall hold an allowed general unsecured
7 claim in the Baker Bankruptcy Case in the amount of \$8,959,860,
8 which amount is the approximate amount of consumer injury alleged
9 in the Complaint. The FTC shall be entitled to participate in
10 any payments in the Baker Bankruptcy Case paid on account of such
11 allowed general unsecured claim, pursuant to Section 1322, 1325,
12 1326 and 1327 of the Bankruptcy Code, 11 U.S.C. §§ 1322, 1325,
13 1326 and 1327, and in accordance with any confirmed plan and the
14 priorities of the Bankruptcy Code.

15 C. Baker stipulates and agrees to, within ten (10) days of
16 the date of entry of this Order, file an agreement reaffirming
17 the debt owed to the Commission in the amount of \$8,959,860 in
18 the Baker Bankruptcy Case, substantially in the form attached
19 hereto as Appendix A (the "Reaffirmation Agreement").

20 D. In the event of a conversion of the Baker Bankruptcy
21 Case from Chapter 13 to a case under Chapter 7 or Chapter 11 of
22 the Bankruptcy Code, pursuant to Section 502 of the Bankruptcy
23 Code, 11 U.S.C. § 502, the FTC shall hold an allowed general
24 unsecured claim in the Baker Bankruptcy Case in the amount of
25 \$8,959,860, which amount is the approximate amount of consumer
26 injury alleged in the Complaint. The FTC shall be entitled to
27

1 participate in any distribution in the Baker Bankruptcy Case paid
2 on account of such allowed general unsecured claim, pursuant to
3 Section 726 or 1129 of the Bankruptcy Code, 11 U.S.C. §§ 726 and
4 1129, and in accordance with any approved Chapter 7 trustee's
5 final report or confirmed plan and the priorities of the
6 Bankruptcy Code.

7 E. In the event of a conversion of the Baker Bankruptcy
8 Case from a Chapter 13 case to a case under Chapter 7 or Chapter
9 11 of the Bankruptcy Code, Baker further stipulates and agrees
10 to, within ten (10) days of the date of entry of this Order or,
11 if later, ten (10) days of the date of the bankruptcy court's
12 entry of the order converting the Baker Bankruptcy Case, file an
13 agreed judgment in the Baker Bankruptcy Case, substantially in
14 the form attached hereto as Appendix B, determining that the
15 Judgment ordered by Paragraph III(A) of this Order, including the
16 conditions set forth in Paragraph IV of this Order, will be
17 nondischargeable, pursuant to Section 523 of the Bankruptcy Code,
18 11 U.S.C. § 523.

19 F. Provided that the bankruptcy court in the Baker
20 Bankruptcy Case enters an order approving the Reaffirmation
21 Agreement referred to in Paragraph III(C) of this Order (in the
22 event the Baker Bankruptcy Case remains a Chapter 13 case) or
23 the agreed judgment referred to in Paragraph III(E) of this Order
24 determining the Judgment ordered by Paragraph III(A) of this
25 Order to be nondischargeable (in the event that the Baker
26 Bankruptcy Case is converted to a case under Chapter 7 or 11),
27
28

1 and subject to the conditions set forth in Paragraph IV of this
2 Order, the Judgment against Defendants shall be suspended until
3 further order of the District Court. Nothing in this Paragraph
4 III(F) or elsewhere in this Order shall be read to modify the
5 FTC's entitlement to participate in any distribution in the Baker
6 Bankruptcy Case under Paragraphs III(B) and III(D) of this Order.

7 G. Baker agrees that, if he fails to meet the obligations
8 set forth in this Order, the facts as alleged in the Complaint
9 filed in this matter shall be taken as true without further proof
10 in any subsequent litigation filed by the Commission to enforce
11 its rights pursuant to this Order including, but not limited to,
12 a nondischargeability complaint in any bankruptcy case.

13 H. All funds paid pursuant to this Paragraph shall be
14 deposited into a fund administered by the Commission or its agent
15 to be used for equitable relief, including but not limited to
16 consumer redress and any attendant expenses for the
17 administration of any redress fund. In the event that direct
18 redress to consumers is wholly or partially impracticable or
19 funds remain after redress is completed, the Commission may apply
20 any remaining funds for such other equitable relief (including
21 consumer information remedies) as it determines to be reasonably
22 related to the Defendants' practices alleged in the Complaint.
23 Any funds not used for such equitable relief shall be deposited
24 to the Treasury as disgorgement. The Commission shall have full
25 and sole discretion to:

- 26 1. Determine the criteria for participation by
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1 individual claimants in any consumer redress
2 program implemented pursuant to this Order;

3 2. Determine the manner and timing of any notices to
4 be given to consumers regarding the existence and
5 terms of such programs; and

6 3. Delegate any and all tasks connected with such
7 redress program to any individual, partnerships,
8 or corporations; and pay reasonable fees,
9 salaries, and expenses incurred thereby from the
10 payments made pursuant to this Order;

11 I. Defendants expressly waive their rights to litigate the
12 issue of disgorgement. Defendants acknowledge and agree that all
13 money paid pursuant to this Order is irrevocably paid to the
14 Commission for purposes of settlement between Plaintiff and
15 Defendants. No portion of any payments under this Order shall be
16 deemed a payment of any fine, penalty, or punitive assessment;
17 and

18 J. Defendants shall have no right to challenge the
19 Commission's choice of remedies under this Paragraph.

20
21 **IV. TERMINATION OF SUSPENSION**

22 **IT IS FURTHER ORDERED** that the Commission's agreement to,
23 and the Court's approval of, this Order is expressly premised
24 upon the truthfulness, accuracy, and completeness of Defendants'
25 financial condition, as represented in their financial statements
26 dated March 24, 2003, and April 1, 2004, including attachments,
27

1 and in any other documents or testimony submitted by Defendants,
2 upon which the Commission relied in negotiating and agreeing to
3 the terms of this Order. If, upon motion by the Commission to
4 the Court, the Court finds that Defendants, in their
5 above-referenced financial statements and information, failed to
6 disclose any asset with a value in excess of \$1,000, materially
7 misrepresented the value of any asset, or made any other material
8 misrepresentation or omission, the suspension of the monetary
9 judgment will be terminated and the entire reaffirmed Judgment
10 amount of \$8,959,860, representing the approximate amount of
11 consumer injury, will become immediately due and payable, less
12 any payments already made, including but not limited to payments
13 to the Commission from the Baker Bankruptcy Estate. For purposes
14 of this Paragraph, and any subsequent proceedings to enforce the
15 Commission's rights under this Order, including but not limited
16 to a non-dischargeability complaint filed in a bankruptcy case,
17 Defendants waive any right to contest any of the allegations set
18 forth in the Complaint filed in this matter or the \$8,959,860
19 Judgment referenced in Paragraph III(A), above. Any proceedings
20 instituted under this Paragraph shall be in addition to and not
21 in lieu of any other proceedings the Commission may initiate to
22 enforce this Order. Nothing in this Paragraph or elsewhere in
23 this Order shall be read to modify the obligations of Baker under
24 Paragraph III(C) to stipulate and agree to reaffirm the Judgment,
25 including the conditions set forth in this Paragraph, or under
26 Paragraph III(E) to stipulate and agree to the entry of a

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

6 V. CUSTOMER LISTS

7 IT IS FURTHER ORDERED that Defendants, as well as their
8 officers, agents, servants, employees, and attorneys, and all
9 other persons or entities in active concert or participation with
10 them who receive actual notice of this Order by personal service
11 or otherwise, whether acting directly or through any corporation,
12 subsidiary, division, or other entity, are permanently restrained
13 and enjoined from selling, renting, leasing, transferring, or
14 otherwise disclosing the name, address, telephone number, social
15 security number, credit card number, bank account number, e-mail
16 address, or other identifying information of any person who paid
17 any money to Baker, DRS or IST, who was solicited to pay money to
18 Baker, DRS or IST, or whose identifying information was obtained
19 for the purpose of soliciting them to pay money to Baker, DRS or
20 IST, at any time prior to the date this Order is entered, in
21 connection with the advertising, marketing, promoting, offering
22 for sale or sale of any debt negotiation services. Provided,
23 however, that any party subject to this provision may disclose
24 such identifying information to a law enforcement agency or as
25 required by any law, regulation, or court order.

1 VI. DISTRIBUTION OF ORDER BY DEFENDANTS

2 IT IS FURTHER ORDERED that, for a period of five (5) years
3 from the date of entry of this Order:

4 A. DRS must deliver a copy of this Order to all of its
5 principals, officers, directors, and managers. DRS also must
6 deliver copies of this Order to all of its employees, agents, and
7 representatives who engage in conduct related to the subject
8 matter of the Order. For current personnel, delivery shall be
9 within (5) days of service of this Order upon DRS. For new
10 personnel, delivery shall occur prior to them assuming their
11 responsibilities.

12 B. For any business that Baker controls, directly or
13 indirectly, or in which Baker has a majority ownership interest,
14 Baker must deliver a copy of this Order to all principals,
15 officers, directors, and managers of that business. Baker must
16 also deliver copies of this Order to all employees, agents, and
17 representatives of that business who engage in conduct related to
18 the subject matter of the Order. For current personnel, delivery
19 shall be within (5) days of service of this Order upon Defendant.
20 For new personnel, delivery shall occur prior to them assuming
21 their responsibilities.

22 C. For any business where Baker is not a controlling
23 person of a business but otherwise engages in conduct related to
24 the subject matter of this Order, Baker must deliver a copy of
25 this Order to all principals and managers of such business before
26 engaging in such conduct.

1 D. Defendants must secure a signed and dated statement
2 acknowledging receipt of the Order, within thirty days of
3 delivery, from all persons receiving a copy of the Order pursuant
4 to this Paragraph.

5
6 **VII. MONITORING COMPLIANCE OF SALES PERSONNEL**

7 **IT IS FURTHER ORDERED** that Defendants, in connection with
8 any business where:

9 1. Defendants are the majority owners of the business or
10 directly or indirectly manage or control the business,
11 and where

12 2. the business is engaged in radio, television or
13 Internet advertising to market or sell its products or
14 services; or assists others in said activities,

15 are hereby permanently restrained and enjoined from:

16 A. Failing to take reasonable steps sufficient to monitor
17 and ensure that all employees and independent contractors engaged
18 in sales or other customer service functions comply with

19 Paragraphs I-II of this Order. Such steps shall include adequate
20 monitoring of sales presentations or other calls with customers,
21 and shall also include, at a minimum, the following: (1)

22 listening to the oral representations made by persons engaged in
23 sales or other customer service functions; (2) establishing a

24 procedure for receiving and responding to consumer complaints;

25 and (3) ascertaining the number and nature of consumer complaints
26 regarding transactions in which each employee or independent
27

1 contractor is involved; provided that this Paragraph does not
2 authorize or require Defendants to take any steps that violate
3 any federal, state, or local laws;

4 B. Failing to investigate promptly and fully any consumer
5 complaint to which this Paragraph applies; and

6 C. Failing to take corrective action with respect to any
7 sales person whom Defendants determine is not complying with this
8 Order, which may include training, disciplining, and/or
9 terminating such sales person.

10
11 **VIII. RECORD KEEPING PROVISIONS**

12 **IT IS FURTHER ORDERED** that, for a period of eight (8) years
13 from the date this Order is entered, where Defendants are the
14 majority owners or directly or indirectly control the business;
15 Defendants and their agents, employees, officers, corporations,
16 successors, and assigns, and those persons in active concert or
17 participation with them who receive actual notice of this Order
18 by personal service or otherwise, are hereby restrained and
19 enjoined from failing to create and retain the following records:

20 A. Accounting records that reflect the cost of goods or
21 services sold, revenues generated, and the disbursement of such
22 revenues;

23 B. Personnel records accurately reflecting: the name,
24 address, and telephone number of each person employed in any
25 capacity by such business, including as an independent
26 contractor; that person's job title or position; the date upon
27

1 which the person commenced work; and the date and reason for the
2 person's termination, if applicable;

3 C. Customer files containing the names, addresses, phone
4 numbers, dollar amounts paid, quantity of items or services
5 purchased, and description of items or services purchased, to the
6 extent such information is obtained in the ordinary course of
7 business;

8 D. Complaints and refund requests (whether received
9 directly, indirectly or through any third party) and any
10 responses to those complaints or requests;

11 E. Copies of all sales scripts, training materials,
12 advertisements, or other marketing materials; and

13 F. All records and documents necessary to demonstrate full
14 compliance with each provision of this Order, including but not
15 limited to, copies of acknowledgments of receipt of this Order,
16 required by Paragraph VI of this Order, and all reports submitted
17 to the FTC pursuant to Paragraph IX of this Order.

18
19 **IX. COMPLIANCE REPORTING BY DEFENDANTS**

20 **IT IS FURTHER ORDERED** that, in order that compliance with
21 the provisions of this Order may be monitored:

22 A. For a period of five (5) years from the date of entry
23 of this Order:

24 1. Baker shall notify the Commission of the
25 following:

26 (a) Any changes in Baker's residence, mailing
27

1 addresses, and telephone numbers, within ten
2 (10) days of the date of such change;

3 (b) Any changes in Baker's employment status
4 (including self-employment), and any change
5 in Baker's ownership in any business entity,
6 within ten (10) days of the date of such
7 change. Such notice shall include the name
8 and address of each business that Baker is
9 affiliated with, employed by, creates or
10 forms, or performs services for; a statement
11 of the nature of the business; and a
12 statement of Baker's duties and
13 responsibilities in connection with the
14 business or employment;

15 (c) Any changes in Baker's name or use of any
16 aliases or fictitious names; and

17 2. Defendants shall notify the Commission of any
18 changes in corporate structure of DRS or any
19 business entity that Baker directly or indirectly
20 controls, or has an ownership interest in, that
21 may affect compliance obligations arising under
22 this Order, including but not limited to a
23 dissolution, assignment, sale, merger, or other
24 action that would result in the emergence of a
25 successor entity; the creation or dissolution of a
26 subsidiary, parent, or affiliate that engages in
27

1 any acts or practices subject to this Order; the
2 filing of a bankruptcy petition; or a change in
3 the corporate name or address, at least thirty
4 (30) days prior to such change, provided that,
5 with respect to any proposed change in the
6 corporation about which the Defendants learn less
7 than thirty (30) days prior to the date such
8 action is to take place, Defendants shall notify
9 the Commission as soon as is practicable after
10 obtaining such knowledge.

11 B. One hundred eighty (180) days after the date of entry of
12 this Order, Defendants shall provide a written report to the FTC,
13 sworn to under penalty of perjury, setting forth in detail the
14 manner and form in which they have complied and are complying
15 with this Order. This report shall include, but not be limited
16 to:

17 1. For Baker:

- 18 (a) Baker's then-current residence address,
19 mailing addresses, and telephone numbers;
20 (b) Baker's then-current employment and business
21 addresses and telephone numbers, a
22 description of the business activities of
23 each such employer or business, and Baker's
24 title and responsibilities, for each such
25 employer or business; and
26 (c) Any other changes required to be reported
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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 A of 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 Angeles, California 90024
Re: FTC v. Innovative Systems Technology, 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

1 any business location in Defendants' possession or direct or
2 indirect control to inspect the business operation;

3 B. In addition, the Commission is authorized to monitor
4 compliance with this Order by all other lawful means, including
5 but not limited to the following:

- 6 1. obtaining discovery from any person, without further
7 leave of court, using the procedures prescribed by Fed.
8 R. Civ. P. 30, 31, 33, 34, 36, and 45;
- 9 2. posing as consumers and suppliers to Defendants or
10 their employees, or any other entity managed or
11 controlled in whole or in part by Defendants, without
12 the necessity of identification or prior notice;

13 C. Defendants shall permit representatives of the
14 Commission to interview any employer, consultant, independent
15 contractor, representative, agent, or employee who has agreed to
16 such an interview, relating in any way to any conduct subject to
17 this Order. The person interviewed may have counsel present.

18 Provided that nothing in this Order shall limit the FTC's
19 lawful use of compulsory process, pursuant to Sections 9 and 20
20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1, to obtain any documentary
21 material, tangible things, testimony, or information relevant to
22 unfair or deceptive acts or practices in or affecting commerce
23 (within the meaning of 15 U.S.C. § 45(a)(1)).

24
25 **XI. ACKNOWLEDGMENT OF RECEIPT OF ORDER BY DEFENDANTS**

26 **IT IS FURTHER ORDERED** that Defendants, within five (5)
27

1 business days of receipt of this Order as entered by the Court,
2 must submit to the Commission a truthful sworn statement
3 acknowledging receipt of this Order.
4

5 **XII. COSTS AND ATTORNEYS' FEES**

6 IT IS FURTHER ORDERED that each party to this Order shall
7 bear its own costs and attorneys' fees incurred in connection
8 with this action.
9

10 **XIII. RETENTION OF JURISDICTION**

11 IT IS FURTHER ORDERED that this Court shall retain
12 jurisdiction of this matter for purposes of construction,
13 modification and enforcement of this Order.
14

15 **XIV. INDEPENDENCE OF OBLIGATIONS**

16 IT IS FURTHER ORDERED that the expiration of any
17 requirements imposed by this Order shall not affect any other
18 obligation under this Order.
19

20 ///
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26 ///

XV. WAIVER OF CLAIMS

IT IS FURTHER ORDERED that Defendants waive all claims under the Equal Access to Justice Act, 28 U.S.C. § 2412, as amended by Pub. L. 104-121, 110 Stat. 847, 863-64 (1996), and all rights to seek appellate review or otherwise challenge or contest the validity of this Order, and further waive and release any claim they might have against the FTC or its employees, agents or representatives.

SO STIPULATED:

DATED: _____, 2005

TODD A. BAKER, individually and for Defendant Debt Resolution Specialists, Inc.

DATED: July 11, 2005


KENNETH H. ABBE
BARBARA Y.K. CHUN
Attorneys for Plaintiff FTC

APPROVED AS TO FORM:

DATED: _____, 2005

GARY BROWN, ESQ.
Attorney for Defendants

IT IS SO ORDERED:

Dated: 7/30/05

GARY ALLEN FEESS
GARY A. FEESS
UNITED STATES DISTRICT JUDGE

Debtor's Name/Joint Debtor's Name: Todd Baker / Marie Baker	FOR COURT USE ONLY
UNITED STATES BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA	
Creditor's Name and Address: Federal Trade Commission 10877 Wilshire Blvd. Suite 700 Los Angeles, CA 90024	CASE NO.: SV-04-11635 KL REAFFIRMATION AGREEMENT
Last Four Digits of Loan/Account Number of This Debt: CV 04-728 GAF	

INSTRUCTIONS

Attach copies of all documents that prove the creditor has a lien on property of the Debtor(s) or on property of the bankruptcy estate (recorded abstracts of judgment, security agreements/financing statements) and evidence that such lien was perfected prior to bankruptcy.

File with the bankruptcy court (a) this Reaffirmation Agreement and (b) all the documents related to the Reaffirmation Agreement, including those referred to in paragraph 1 above, by mailing or delivering them to the clerk of the court.

NOTICE TO DEBTOR(S):

this Agreement you are giving up the protection of your bankruptcy discharge for this debt.

As a result of this Agreement, the creditor may be able to take your property or wages if you do not pay the agreed amounts. The creditor may also act to collect the debt in other ways.

You may rescind (cancel) the Reaffirmation Agreement at any time before the bankruptcy court enters a discharge order or within 60 days after the Reaffirmation Agreement was filed with the court, whichever is later, by notifying the creditor that the Reaffirmation Agreement is rescinded. The court recommends that if the Debtor(s) rescind(s) (cancels) the Reaffirmation Agreement that it be done in writing (a copy should be kept by the Debtor(s)).

You are not required to enter into this Agreement by any law. It is not required by the Bankruptcy Code, any other law, or by any contract.

You are allowed to pay this debt without signing this Agreement. However, if you do not sign this Agreement and are later unwilling or unable to pay the full amount, the creditor may not be able to collect it from you. The creditor also will not be allowed to take your property to pay the debt unless the creditor has a lien on that property.

If the creditor has a lien on your personal property, you may have a right to redeem the property and eliminate the lien by making a single payment to the creditor equal to the current value of the property, as agreed by the parties or determined by the judge.

(Continued on next page)

Debtor Name (SHORT TITLE) Todd Baker and Marie Baker	CASE NO.: SV-04-11635 KL
Debtor(s).	

This Agreement is not valid or binding unless it is filed with the clerk of the bankruptcy court. If you were not represented by an attorney during the negotiation of this Reaffirmation Agreement, the Agreement cannot be enforced by the creditor unless (1) you have attended a reaffirmation hearing in the bankruptcy court, and (2) the Agreement has been approved by the bankruptcy judge. (Court approval is not required if this is a consumer debt secured by a mortgage or other lien on your real estate.)

REAFFIRMATION AGREEMENT

The Debtor(s) and creditor named above agree to reaffirm the debt described in this Agreement as follows:

THE DEBT

Total Amount of Debt When Case was Filed	\$ 8,959,860.00
Total Amount of Debt Reaffirmed	\$ 8,959,860.00

The reaffirmed debt includes the following:

Interest Accrued to Date of Agreement	\$ 0.00
Attorney Fees	\$ 0.00
Late Fees	\$ 0.00
Other Expenses or Costs Relating to the Collection of this Debt (<i>Describe</i>)	\$ 0.00

Original Annual Percentage Rate (APR) 0.000 %

Annual Percentage Rate (APR) (Reaffirmed Debt) 0.000 %

Amount of New Monthly Payment \$ 0.00

First Payment Start _____

Total Number of Payments to be made _____

Total of Payments if paid according to schedule \$ 8,959,860.00

Whether any Lien is to be Released if paid according to schedule _____

Additional Terms Agreed to by the Parties: Stipulated Final Judgment & Order agreed to by Todd Baker & the FTC (attached)

So long as Debtor(s) complies/comply with the terms of the original contract as modified by the terms of this Agreement, creditor agrees it will not seize, foreclose upon or sell the collateral or seek collection of the debt by other means unless a default under the contract, as amended hereby, occurs after the bankruptcy court has approved this Agreement.

Stipulated Final Judgment & Order

Payments on this debt were were not in default on the date on which this bankruptcy case was filed.

(Continued on next page)

Debtor(s) Todd Baker and Marie Baker	CASE NO.: SV-04-11635 KL
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The terms of this Agreement differ from the terms of the original contract between the creditor and the Debtor(s) as follows:
 Not Applicable-Debtor is filing this Reaffirmation Agreement in accordance with Sec. III of the attached Stipulated Final Judgment
 & Order to settle FTC v. Innovative Systems Technology, Inc., et al., CV 04-728 GAF (C.D. Cal.)

**CREDITOR'S STATEMENT CONCERNING
 AGREEMENT AND SECURITY/COLLATERAL (if any)**

Description of Collateral. If applicable, list manufacturer, year and model: Not Applicable

Value \$ _____ Valuation Date _____

Basis or Source for Valuation _____

Check Applicable Box:

- Any lien described herein is valid and perfected.
- This Agreement is part of a settlement of a dispute regarding the dischargeability of this debt under § 523 of the Bankruptcy Code (11 U.S.C. § 523) or any other dispute. The nature of the dispute is _____

DEBTOR'S(S)' STATEMENT OF EFFECT OF AGREEMENT ON DEBTOR'S(S)' FINANCES

Our monthly income (take-home pay plus any other income received) is: \$ _____

Our current monthly expenses total \$ _____, not including any payment due under this agreement or any debt to be discharged in this bankruptcy case.

We believe this Agreement will will not impose an undue hardship on me/us or my/our dependents.

DEBTOR'S(S)' STATEMENT CONCERNING DECISION TO REAFFIRM

We agree to reaffirm this debt because: doing so is in my and the public interest as set forth in the attached Stipulated Final Judgment & Order. Pursuant to Secs. II and IV, the debt will be suspended unless I materially misrepresented my finances to the FTC.

We believe this Agreement is in my/our best interest because: entering into it will allow the FTC to rely upon my financial representations & therefore allow me to settle FTC v. Innovative Systems Technology, Inc., et al., CV 04-728 GAF (C.D. Cal.)

(Continued on next page)

This form is mandatory by Order of the United States Bankruptcy Court for the Central District of California.

In re Todd Baker and Marie Baker	(SHORT TITLE) Debtor(s).	CASE NO.: SV-04-11855 KL
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I/We considered did not consider redeeming the collateral under § 722 of the Bankruptcy Code (11 U.S.C. § 722). I chose not to redeem because: Not Applicable

I/We was/were was/were not represented by an attorney during negotiations in this Agreement.

Current Location and Use of Collateral Not Applicable

Expected Future Use of Collateral Not Applicable

Value (Debtor's(s)' opinion) \$ _____

CERTIFICATION OF ATTACHMENTS

Any documents which created and perfected the security interest or lien are are not attached. (If the document(s) attached contains a full financial account number and/or Social Security Number, black out all but the last four digits. For names of minor children, use each child's initials. For dates of birth, use only the birth year.) If documents are not attached: The documents which created and perfected the security interest or lien are not attached because _____

SIGNATURES

[Signature]
(Signature of Debtor) Todd Baker

(Signature of Joint Debtor)

Date: 2-2-2005

Date: _____

Kenneth Abba, Attorney for Federal Trade Commission
(Name of Creditor)

(Signature of Creditor Representative)

(310) 824-4318
(Telephone Number of Creditor)

Date: _____

CERTIFICATION BY DEBTOR'S(S)' ATTORNEY (if any)

I hereby certify that (1) this Agreement represents a fully informed and voluntary Agreement by the Debtor(s); (2) this Agreement does not impose a hardship on the Debtor(s) or any dependent of the Debtor(s); and (3) I have fully advised the Debtor(s) of the legal effect and consequences of this Agreement and any default under this Agreement.

Date

[Signature]
(Signature of Debtor's(s)' Attorney, if any)

This form is mandatory by Order of the United States Bankruptcy Court for the Central District of California.

1 WILLIAM BLUMENTHAL
General Counsel

2 KENNETH H. ABBE (Cal. Bar No. 172416)
3 BARBARA Y.K. CHUN (Cal Bar No. 186907)
Federal Trade Commission
4 10877 Wilshire Blvd., Ste. 700
Los Angeles, CA 90024
5 (310) 824-4343; Fax (310) 824-4380

6 RAMONA D. ELLIOTT
Federal Trade Commission
7 600 Pennsylvania Ave., N.W.,
Room H-286
8 Washington, D.C. 20580
(202) 326-3452; Fax (202) 326-3392

9 Attorneys for Plaintiff
10 FEDERAL TRADE COMMISSION

11 UNITED STATES BANKRUPTCY COURT
12 CENTRAL DISTRICT OF CALIFORNIA
13 SAN FERNANDO DIVISION

14 IN RE: TODD BAKER AND MARIE 15 BAKER, 16 Debtors. 17 18 19) Case No. SFV 04-11635-KL) Chapter ____) STIPULATED JUDGMENT FOR) NONDISCHARGEABILITY) OF DEBT OWED TO THE FEDERAL TRADE) COMMISSION) No Hearing Requested
20 FEDERAL TRADE COMMISSION, 21 Plaintiff, 22 v. 23 TODD BAKER, 24 Defendant.) Adv. Proc. No. _____)

25
26
27 IT IS HEREBY STIPULATED AND AGREED BY AND BETWEEN THE PARTIES
28 through their respective attorneys of record as follows:

1
2 Plaintiff, the Federal Trade Commission ("FTC"), through its
3 undersigned attorneys, filed a Complaint to Determine
4 Nondischargeability of Debt under Section 523 of the Bankruptcy
5 Code, 11 U.S.C. § 523. Defendant Todd Baker, one of the debtors
6 herein ("Debtor"), denies the allegations in the Complaint, except
7 jurisdictional facts, but is willing to agree to the entry of the
8 following Stipulated Judgment for Nondischargeability, as follows:

9 Findings

10 1. This Court has subject matter jurisdiction over this
11 Stipulated Judgment for Nondischargeability pursuant to 28 U.S.C.
12 §§ 157 and 1334, and 11 U.S.C. § 523.

13 2. Venue in the Central District of California is proper
14 under 28 U.S.C. § 1391(b) and (c).

15 3. This Adversary Proceeding is a core proceeding pursuant
16 to 28 U.S.C. § 157(b) (2) (I).

17 4. This Adversary Proceeding relates to *In re Todd Baker*
18 *and Marie Baker*, Case No. SV04-11635-KL (Bankr. C.D. Cal.)
19 (Chapter ___), now pending in this Court. The FTC is an unsecured
20 creditor with a claim against the Debtor in the amount of
21 \$8,959,860, pursuant to the Stipulated Final Judgment and Order
22 for Permanent Injunction Against Defendants Todd A. Baker and Debt
23 Resolution Specialists, Inc. (the "Stipulated Final Judgment")
24 entered by the United States District Court for the Central
25 District of California, in the case styled *FTC v. Innovative*
26 *Systems Technology, Inc., et al.*, Case No. CV 04-0728 GAF (JTLx)
27 (C.D. Cal.) (the "Enforcement Action"). A copy of the Stipulated
28 Final Judgment as to the Debtor is attached hereto and

1 incorporated herein as Exhibit 1.

2 5. The FTC and the Debtor agree to resolve this Adversary
3 Proceeding without litigation, pursuant to the terms of this
4 Stipulated Judgment for Nondischargeability.

5 6. The Debtor waives service of summons.

6 Order

7 1. Judgment is hereby entered in favor of the FTC and
8 against the Debtor/defendant, Todd Baker, determining the
9 Stipulated Final Judgment entered in the Enforcement Action to be
10 nondischargeable in the amount of \$8,959,860.

11 2. The judgment identified in Paragraph 1 shall be
12 partially satisfied as follows: Pursuant to Section 502 of the
13 Bankruptcy Code, 11 U.S.C. § 502, the FTC shall hold an allowed
14 general unsecured claim in this case in the amount of \$8,959,860,
15 which amount is the approximate amount of consumer injury alleged
16 in the Enforcement Action. The FTC shall be entitled to
17 participate in any distribution in this case paid on account of
18 allowed general unsecured claims, pursuant to Sections 726, 1129,
19 or 1325 and 1326 of the Bankruptcy Code and in accordance with the
20 priorities of the Bankruptcy Code.

21 3. The remainder of the nondischargeable judgment
22 identified in Paragraph 1 of this Stipulated Judgment for
23 Nondischargeability shall be suspended, subject to the
24 Commission's right to file a motion in the District Court for the
25 entry of judgment against the Debtor in the amount of \$8,959,860,
26 less any payments already made, in accordance with the terms of
27 Paragraph IV of the Stipulated Final Order in the Enforcement
28 Action and any applicable law.

1 4. All other provisions of the Stipulated Final Judgment in
2 the Enforcement Action, including the injunctive provisions,
3 remain in full force and effect.
4

5 **SO STIPULATED:**

6 Dated: _____, 2005 _____

7 Of Counsel:
8 RAMONA D. ELLIOTT
9 Counsel for Bankruptcy and
Redress, Federal Trade
Commission

KENNETH H. ABBE
BARBARA Y.K. CHUN
Counsel for Federal Trade
Commission

10
11 Dated: _____, 2005 _____

12 JAMES T. KING
13 Attorney for Debtor TODD BAKER

14 **SO ORDERED:**

15 DATED: _____, 2005 _____

16 KATHLEEN T. LAX
17 United States Bankruptcy Judge
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4. All other provisions of the Stipulated Final Judgment in the Enforcement Action, including the injunctive provisions, remain in full force and effect.

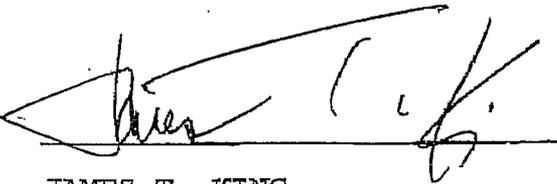
SO STIPULATED:

Dated: _____, 2005

Of Counsel:
RAMONA D. ELLIOTT
Counsel for Bankruptcy and
Redress, Federal Trade
Commission

KENNETH H. ABBE
BARBARA Y.K. CHUN
Counsel for Federal Trade
Commission

Dated: 5-3-, 2005



JAMES T. KING
Attorney for Debtor TODD BAKER

SO ORDERED:

DATED: _____, 2005

KATHLEEN T. LAX
United States Bankruptcy Judge

1 CERTIFICATE OF SERVICE

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

3 1. I am over the age of 18. My business address is 10877
4 Wilshire Blvd. #700, Los Angeles, CA 90024. The following
5 statements are within my personal knowledge, and if called as a
6 witness I could and would competently testify thereto.

7 2. On July 11, 2005, I caused the attached "**STIPULATED**
8 **FINAL JUDGMENT AND [PROPOSED] ORDER FOR PERMANENT INJUNCTION**
9 **AGAINST DEFENDANTS TODD A. BAKER AND DEBT RESOLUTION SPECIALISTS,**
10 **INC.**" to be served via pre-paid first class U.S. Mail to:

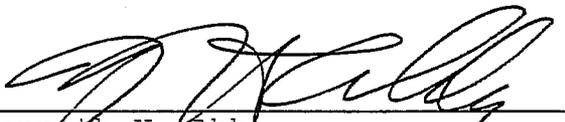
11 Richard K. Diamond
12 Danning, Gill, Diamond & Kollitz
13 2029 Century Pk East, 3rd Fl.
14 Los Angeles, CA 90067-2904
15 Chapter 7 Trustee for Innovative Systems Technology, Inc.

16 Brad D. Krasnoff
17 Lewis, Brisbois, Bisgaard & Smith
18 221 N. Figueroa St. #1200
19 Los Angeles, CA 90012-2601
20 Chapter 7 Trustee for Todd Baker & Marie Baker

21 James T. King
22 King & Jordan
23 315 W. Arden Ave. #28
24 Glendale, CA 91203-1119
25 Bankruptcy Counsel for Innovative Systems Technology, Inc., Todd Baker, and Marie Baker

26 Gary S. Brown, Esq.
27 Law Offices of Gary Brown
28 1 S. Fair Oaks Ave., #301
Pasadena, CA 91105
District Court Counsel for Todd Baker and Debt Resolution Specialists, Inc.

29 I declare under penalty of perjury that the foregoing is
30 true and correct. Executed this 11 day of July, 2005, at Los
31 Angeles, California.

32 
33 _____
34 Kenneth H. Abbe