

James J. Welch, # 09546
Assistant Attorney General
Office of the Attorney General
301 SW 10th
Topeka, Kansas 66612-1597
(913) 296-3751

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KANSAS ATTORNEY GENERAL
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IN THE DISTRICT COURT OF SHAWNEE COUNTY, KANSAS
Division 1

STATE OF KANSAS, *ex rel.*
CARLA J. STOVALL, Attorney General

Plaintiff,

vs.

CONSUMER DEBT RESOURCES, INC.,

Defendant.

Case No. 98CV279

Petition Pursuant to K.S.A. Chapter 60

JOURNAL ENTRY OF CONSENT JUDGMENT

NOW on this 3 day of MARCH, 1998, Plaintiff's Petition for Approval of Consent Judgment comes before the Court pursuant to K.S.A. §50-632(b). Plaintiff, the State of Kansas, *ex rel.* Carla J. Stovall, Attorney General, appears by and through James J. Welch, Assistant Attorney General. Defendant Consumer Debt Resources, Inc., after having the competent advice of Julian Spirer, Washington, D.C., appears pro se.

Whereupon, the parties advise the Court that they have stipulated and agree to the following matters:

1. Carla J. Stovall is the Attorney General of the State of Kansas.
2. The Attorney General's authority to bring this action is derived from the statutory and common law of the State of Kansas, specifically the Kansas Consumer Protection Act, K.S.A. §50-623 *et seq.*

3. Defendant Consumer Debt Resources, Inc. is a foreign corporation organized under the laws of the state of Maryland. The principal office of the corporation is located at 702 Russell Avenue, Suite #401, Gaithersburg, MD 20877.

4. Pursuant to its Foreign Corporation Application, Defendant Consumer Debt Resources, Inc. may be served with process by serving its registered agent, John V. Vipulis, 3804 Chesterwood Drive, Silver Spring, Maryland 20906.

5. The officers and directors of Consumer Debt Resources, Inc. are Andris Pukke and Timothy McCallan.

6. Defendant is a supplier within the definition of K.S.A. §50-624(i) and has engaged in consumer transactions in Kansas within the definition of K.S.A. §50-624(c) and (h).

7. Defendant admits the Court has personal and subject matter jurisdiction over the parties.

8. Defendant stipulates and waives any objection to venue in Shawnee County.

9. Defendant is a Credit Services Organization, as defined by K.S.A. §50-1101 *et seq.*, due to the fact that a substantial part of Defendant's services involve assisting consumers in improving their credit records and/or in obtaining extensions of credit for such consumers.

10. The Attorney General alleges Defendant engaged in the following acts and practices which are deceptive and/or unconscionable and violate the Kansas Consumer Protection Act:

- a. Defendant is a credit services organization, as defined in K.S.A. §50-1102 due to the fact that a substantial part of defendants' services involve assisting consumers in improving their credit records and/or in obtaining extensions of credit for such consumers. Defendants charged consumers listed in Exhibit A for services before completing performance agreed upon without filing a surety bond in the amount of \$25,000.00 with the

Kansas Consumer Credit Commissioner, in violation of K.S.A. §50-1103 and K.S.A. §50-1104.

- b. Defendant made and used false and misleading representations in the offer and sale of services of a credit services organization, including the guarantee of an extension of credit regardless of the consumers' previous credit problems and/or histories. The representation did not clearly disclose the eligibility requirements for obtaining extensions of credit, in violation of K.S.A. §50-1103(c)(2).
- c. Defendant advertised, or caused to be advertised, the services of a credit services organization without filing a registration statement with the consumer credit commissioner, in violation of K.S.A. §50-1103(f).

11. Defendant, by entering into this Consent Judgment, shall not be deemed to admit the violations of the Kansas Consumer Protection Act alleged herein.

12. Defendant agrees to refrain from and to be permanently enjoined from engaging in those acts and practices alleged to be deceptive or unconscionable in paragraph ten (10) of this Consent Judgment, and Defendant agrees that engaging in such acts or similar acts, after the date of this Consent Judgment, shall constitute a violation of this Order.

13. Defendant agrees to refrain from and to be permanently enjoined from engaging in any and all deceptive and/or unconscionable acts and practices in violation of the Kansas Consumer Protection Act, K.S.A. §50-623 *et seq.*, as it now exists or as amended in the future and Defendant agrees that engaging in such acts or practices after the date of this consent judgment shall constitute a violation of this Order.

14. The provisions of this Consent Judgment will be applicable to Defendant, and every employee, agent or representative of Defendant.

15. Defendant agrees to make available and/or disclose the provisions of this Consent Judgment to its employees, agents and representatives within five days of signing the Consent Judgment.

16. Defendant agrees to resolve any future complaints filed with the Office of the Attorney General regarding Defendant after the date of this Consent Judgment to the satisfaction of the Attorney General within 30 days of the date such complaint is forwarded to Defendant for resolution.

17. Defendant agrees to refund all consumers listed in Exhibit A in the amounts such consumers have paid to Defendant, as listed in Exhibit A. Such refunds shall be made, payable to each consumer listed in Exhibit A, and delivered to the Attorney General of the State of Kansas by or before February 28, 1998.

18. Defendant agrees to be permanently enjoined from entering into, forming, organizing or reorganizing into any partnership, corporation, sole proprietorship or any other legal structures, for the purpose of avoiding compliance with the terms of this Consent Judgment.

19. Defendant agrees to pay \$ 2,500 in investigation fees and expenses to the "Office of the Attorney General" of the State of Kansas. In addition, Defendant agrees to pay \$ 2,500 in civil penalties to the "State of Kansas." Payment shall be made by certified checks and shall be delivered to the Attorney General of the State of Kansas by or before February 28, 1998.

20. Defendant agrees to pay all expenses and reasonable attorney's fees in connection with the collection of any amounts in this judgment, provided Defendant does not pay the amounts as agreed herein within the time frame stated.

21. Defendant agrees to maintain all business records for a period of five years and to allow the Attorney General to inspect all of Defendant's business records in the future.

22. Jurisdiction is retained by this Court for the purpose of enabling any of the parties to this Consent Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the modification of any of the provisions hereof, for the enforcement of compliance herewith, and for the punishment of violations thereof

23. If any portion, provision, or part of this Consent Judgment is held to be invalid, unenforceable, or void for any reason whatsoever, that portion shall be severed from the remainder and shall not affect the validity or enforceability of the remaining provisions, portions or parts.

24. Compliance with this Consent Judgment does not relieve Defendant of any obligation imposed by applicable federal, state, or local law, nor shall the Attorney General be precluded from taking appropriate legal action to enforce civil or criminal statutes under her jurisdiction.

25. The parties understand that this Consent Judgment shall not be construed as an approval of or sanction by the Attorney General of the business practices of Defendant nor shall Defendant represent the decree as such an approval. The parties further understand that any failure by the State of Kansas or by the Attorney General to take any action in response to any information submitted pursuant to the Consent Judgment shall not be construed as an approval of or sanction of any representations, acts or practices indicated by such information, nor shall it preclude action thereon at a later date.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that the stipulation and agreement of the parties contained herein are adopted and approved as the findings of fact and conclusions of law of the Court and any monies owed hereunder by Defendant immediately become a judgment upon filing.

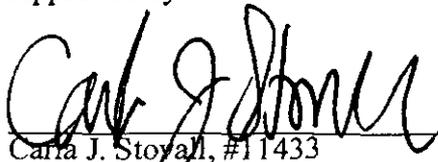
IT IS FURTHER ORDERED, ADJUDGED AND DECREED that judgment is entered against Defendant in favor Plaintiff in the amount of \$ 7,773.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that pursuant to the Kansas Consumer Protection Act, and the provisions of K.S.A. §50-632(b), the Court hereby approves the terms of the Consent Judgment and adopts the same as the order of the Court.

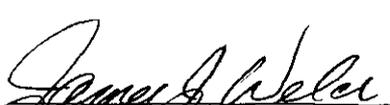
IT IS SO ORDERED.

15/ Hon Franklin Tiers
DISTRICT COURT JUDGE

Approved by:



Carla J. Stoyal, #11433
Attorney General



James J. Welch, #09546
Assistant Attorney General
Kansas Judicial Center
Topeka, Kansas 66612-1597
(913) 296-3751
Attorney for Plaintiff



Andrijs Pukke, President, for
Consumer Debt Resources, Inc.
702 Russell Avenue, Suite #401
Gaithersburg, MD 20877
Defendant