

**UNITED STATES DISTRICT COURT  
DISTRICT OF MARYLAND**

**FEDERAL TRADE COMMISSION** )  
600 Pennsylvania Avenue, Northwest )  
Washington, District of Columbia 20580 )  
Plaintiff, )

v. )

**AMERIDEBT, INC.,** )  
12800 Middlebrook Road )  
Germantown, Maryland 20874 )  
Montgomery County, )

**DEBTWORKS, INC.,** )  
12850 Middlebrook Road )  
Germantown, Maryland 20874 )  
Montgomery County, )

**ANDRIS PUKKE,** )  
11509 Dahlia Terrace )  
Potomac, Maryland 20854-1174 )  
Montgomery County )  
Defendants, and )

**PAMELA PUKKE a/k/a Pamela Shuster** )  
11509 Dahlia Terrace )  
Potomac, Maryland 20854-1174 )  
Montgomery County )  
Relief Defendant. )

**Civil Action No.:**

Complaint for Injunctive and  
Other Equitable Relief

**COMPLAINT FOR INJUNCTIVE  
AND OTHER EQUITABLE RELIEF**

The Federal Trade Commission alleges:

1. This is an action under Sections 5(a) and 13(b) of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 45(a) and 53(b), and Sections 503 and 505(a)(7) of the Gramm-Leach-Bliley Act (“GLB Act”), 15 U.S.C. §§ 6803 and 680.0005 Tc-0.0005 i5





in this District.

**DEFENDANTS' BUSINESS PRACTICES**

with consumers consist of describing the DMPs and enrolling consumers on the plans. Defendants solicit prospective clients for the DMPs through television, radio, print, and internet advertisements. These advertisements make various claims about the services that Defendants provide to consumers and invite consumers to call AmeriDebt for a free consultation. In 2001, Defendants spent more than \$11 million on advertisements.

14. Defendants employ customer service representatives, whom Defendants call “counselors,” to sell DMPs to consumers. Defendants train these representatives to market the DMPs by making a variety of statements about the services offered and terms of enrollment. The representatives receive bonuses based on the amount of revenue they generate – that is, the amount of fees they collect from consumers.

15. Defendants represent, both in advertisements and orally, that they do not charge up-front fees for enrolling in the DMPs. For example, in a television advertisement, Defendants state, “We’re a non-profit organization offering free consultations and solutions to consumers seeking to eliminate their debt.” (Exhibit 3). In response to the question, “How much will it cost me to be on the Debt Management Program,” AmeriDebt’s website has stated, “Due to the fact that AmeriDebt is a non-profit organization, we do not charge any advance fees for our service. We do request that clients make a monthly contribution to our organization to cover the costs involved in handling the accounts on a monthly basis.” (Exhibit 4).

16. In the initial telephone call with the consumer, Defendants’ representative obtains the consumer’s debt information, determines the estimated amount of the consumer’s monthly payment under the DMP, tells the consumer when he will receive the contract (usually the same day via fax or internet), and presses the consumer to return the signed contract immediately.

17. After Defendants receive the signed contract, Defendants' representative contacts the consumer, tells him that he must make the first payment to be formally enrolled in the program, and urges him to make the payment quickly. In most instances, Defendants keep the consumer's first payment as the up-front fee for participating in the DMP, and disburse none of it to creditors.

18. Although Defendants refer to the up-front payments in their form contracts, they call the payments "contributions" and state that they are voluntary. These disclosures, which come late in the transaction, are inconsistent with the statements Defendants have already made to consumers that there are no up-front fees to obtain Defendants' services. Moreover, Defendants' description of the fees as "voluntary" leads consumers to believe that they have a choice about whether and when to make these

creditors and consumers, including setting up repayment terms with creditors, fielding incoming calls from consumers, making outgoing calls to consumers and creditors, updating consumers' information, collecting payments from consumers, and disbursing payments to creditors.

22. Defendants conduct the business practices described in this complaint through an interrelated maze of companies that have had common ownership, officers, and business functions. For example, Defendant Pukke was instrumental in the founding of AmeriDebt, currently owns DebtWorks, and controlled both companies for a period of time. Further, other individuals have held key leadership positions for more than one of the corporate Defendants. For example, DebtWorks' former chief operating officer was also a manager and director of AmeriDebt. In addition, after AmeriDebt enrolled a consumer in a DMP, DebtWorks performed the remainder of the operations associated with the DMP, and DebtWorks employees held themselves out to be employees of AmeriDebt.

## **FEDERAL TRADE COMMISSION ACT VIOLATIONS**

### **Count I: Misrepresentation of Up-Front Fees**

23. Plaintiff incorporates by reference all of the foregoing paragraphs.

24. In numerous instances, through their advertisements, contracts, and employees Defendants have represented, expressly or by implication, that they charge no up-front fees for enrolling in the DMPs.

25. In truth and in fact, Defendants do charge up-front fees for enrolling in the DMPs. Therefore, Defendants' representations were, and are, false or misleading.

### **Count II: Deceptive Omission That Defendants Retain All or a Substantial Portion of a Consumer's First Payment as a Fee**

26. Plaintiff incorporates by reference all the foregoing paragraphs.

27. Defendants, through their advertisements, contracts, and employees, have represented, expressly or by implication, that consumers' payments will be disbursed to creditors. Defendants have failed to disclose that Defendants keep all or a substantial portion of a consumer's first payment as a fee. This fact would be material to consumers. Defendants' failure to disclose this fact, in light of the representations made, was, and is, a deceptive practice.

**Count III: Misrepresentation That Defendants Teach Consumers How to Handle Credit and Finances in the Future**

28. Plaintiff incorporates by reference all the foregoing paragraphs.

29. Defendants, through their advertisements, contracts, and employees, have represented, expressly or by implication, that they teach consumers how to handle their credit and finances in the future.

30. In truth and in fact, Defendants do not teach consumers how to handle their credit and finances in the future. Therefore, Defendants' representations were, and are, false or misleading.

**Count IV: Misrepresentation That AmeriDebt is a Non-Profit Entity**

31. Plaintiff incorporates by reference all of the foregoing paragraphs.

32. Defendants, through their advertisements, contracts, and employees, have represented, expressly or by implication, that AmeriDebt is a non-profit entity.

33. In truth and in fact, AmeriDebt is not a non-profit entity. Therefore, Defendants' representations were, and are, false or misleading.

**GRAMM- LEACH- BLILEY ACT VIOLATION**

**Count V: Failure to Provide Required Disclosures**



34. Plaintiff incorporates by reference all of the foregoing paragraphs.

35. AmeriDebt is a financial institution for purposes of the GLB Act and the Privacy Rule, 15 U.S.C. 6809(3); 16 C.F.R. Part 313.3(k). Pursuant to the GLB Act and the Privacy Rule, AmeriDebt was required to provide, on or before July 1, 2001, notices to their customers regarding the collection, disclosure, and protection of nonpublic personal information about its customers.

36. AmeriDebt did not send these required notices to its existing customers until July 2002.

37. AmeriDebt's failure to provide notices to its existing customers on or before July 1, 2001 constitutes a violation of Section 503 of the GLB Act, 15 U.S.C. § 6803, and the Privacy Rule, 16 C.F.R. Part 313.

#### **CONSUMER INJURY**

38. Consumers have suffered, and will continue to suffer, substantial injury as a result of Defendants' violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), Section 503 of the GLB Act, 15 U.S.C. § 6803, and the Privacy Rule, 16 C.F.R. Part 313, as set forth above.

#### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff requests that this Court, as authorized in Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and pursuant to its own equitable powers:

1. Enter judgment against Defendants and in favor of plaintiff for each violation charged in the Complaint;

2. Permanently enjoin and restrain Defendants from violating the FTC Act as alleged herein;

3. Permanently enjoin and restrain Defendant AmeriDebt from violating Section 503 of the GLB Act or the Privacy Rule as alleged herein;

4. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act, including, but not limited to, the rescission of contracts, the refund of monies, and the disgorgement of ill-gotten monies;

5. Award such relief against Relief Defendant Pamela Pukke that the Court deems necessary to protect and return funds and other property to which Pamela Pukke has no legitimate claim that were derived from Defendants' violations of Section 5(a) of the FTC Act, including an order to disgorge all ill-gotten gains or proceeds that she has received as a result of the acts and practices complained of herein, and an order imposing a constructive trust upon such gains or proceeds; and

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6. Award Plaintiff such other and additional equitable relief as the Court may determine to be just and proper.

Dated: November, \_\_\_\_\_ 2003

Respectfully Submitted,

FEDERAL TRADE COMMISSION  
WILLIAM E. KOVACIC  
General Counsel

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JEANNE-MARIE S. BURKE  
MAIYSHA R. BRANCH  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Room NJ-3158  
Washington, DC 20580  
(202) 326-2874 (telephone)  
(202) 326-3768 (facsimile)

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Local Counsel  
ROBERT S. KAYE  
MD.D.CT. # 09560  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Room H-238  
Washington, DC 20580  
(202) 326-2215 (telephone)  
(202) 326-3395 (facsimile)