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AMERIDEBT DEFENDANT SETTLES COMMISSION CHARGES

Pamela Pukke Will Forfeit All Rights to Assets Held by Receiver

Relief defendant Pamela Pukke, the estranged wife of AmeriDebt, Inc. founder Andris Pukke, has agreed to forfeit all rights to assets currently held in receivership and will cooperate with the Federal Trade Commission in its continuing case against her husband and his company, DebtWorks, Inc., under the terms of a court settlement filed and announced today.

In addition, she will give up her ownership interest in two homes the Pukkes own in Maryland and Florida and will be subject to a \$4 million judgment if she is found to have misrepresented her financial condition. The FTC alleged that she received significant assets – as much as \$4 million – from AmeriDebt's deceptive operations, but did not actively participate in or control the defendants' deceptive debt-management scheme. The money collected from Mrs. Pukke will be used to provide consumer redress.

The Commission's Complaint

In a complaint filed in 2003, the FTC charged that AmeriDebt, Inc., DebtWorks, Inc., and Andris Pukke deceived consumers with claims that AmeriDebt was a nonprofit organization that could help consumers get out of debt without an up-front fee. The FTC charged that, rather than operating for charitable purposes as advertised, AmeriDebt funneled profits to affiliated for-profit entities and individuals, including DebtWorks and Andris Pukke. According to the FTC, AmeriDebt deceived new clients when it required an up-front payment to enroll in the program. AmeriDebt then kept these initial payments as fees without consumers' knowledge, rather than disbursing the money to consumers' creditors as promised.

The complaint also charged that, contrary to their claims that they provided counseling, the defendants simply enrolled customers in debt-management plans (DMPs). Once in a DMP, consumers made a single monthly payment to AmeriDebt for all their unsecured debts; the payment was then disbursed to the consumers' creditors. The FTC charged AmeriDebt with deceptive practices in violation of the Federal Trade Commission Act and with violating the Gramm-Leach-Bliley Act by failing to provide consumers with required privacy notices.

After the complaint was filed, the court appointed a receiver to collect and maintain the assets of the defendants. In June 2004, AmeriDebt filed for bankruptcy protection. At the request of the FTC and others, the bankruptcy court removed existing management and appointed a trustee to oversee AmeriDebt. In March 2005, AmeriDebt settled the FTC's charges by – among other things – agreeing to shut down its debt management operations. Litigation continues, with the trial against Andris Pukke and DebtWorks currently scheduled to begin on January 3, 2006.

Other Terms of the Order

In addition to the terms described above, the court order requires Pamela Pukke to cooperate with authorities in her husband's bankruptcy case. She also will testify against her husband in the Commission's continuing case against him and DebtWorks. Finally, the order specifies that the Commission and counsel for a nationwide class action that is pending against Andris Pukke will agree on a redress program that fairly distributes funds to consumers.

The Commission vote approving the issuance of the stipulated final judgment and order was 3-0, with Chairman Deborah Platt Majoras recused. The judgment and order were filed on December 30, 2005, in the U.S. District Court for the District of Maryland.

NOTE: Stipulated final judgments are for settlement purposes only and do not constitute an admission by the defendants of a law violation. Stipulated judgments have the force of law when signed by the judge.

Copies of the consent order in settlement of the court action are available from the FTC's Web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint in English or Spanish (bilingual counselors are available to take complaints), or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at <http://www.ftc.gov>. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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(<http://www.ftc.gov/opa/2005/12/pukkeameridebt.htm>)