

AmeriDebt Founder Allegedly Hid Funds

Court Addresses Bankruptcy Case, Lawyers Fees

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By Caroline E. Mayer / Washington Post Staff Writer

AmeriDebt Inc. founder Andris Pukke is deliberately hiding millions of dollars in assets from federal and state agencies, an attorney for a court-appointed receiver told a federal judge yesterday.

Pukke has been accused by the Federal Trade Commission and several state attorneys general of defrauding thousands of financially strapped consumers out of \$172 million when they sought help from the Germantown credit-counseling firm. Meanwhile, the Internal Revenue Service is seeking \$300 million from Pukke, whose assets were frozen by a U.S. district judge in April, pending a decision on the FTC case.

Despite the freeze, Pukke managed to buy a \$6.4 million home in Laguna Beach, Calif., in July, the receiver's attorney Gary Owen Caris alleged yesterday. The receiver is trying to document Pukke's assets, which the FTC hopes to use to make refunds to consumers.



Jonathan Ernst / The Washington Post
AmeriDebt founder Andris Pukke bought a \$6.4 Million house in July, the receiver's attorney said

Caris said Pukke has repeatedly made misstatements and omissions about his financial worth. "He continues to hide and secrete assets," Caris said in a hearing held in U.S. District Court for Maryland in Greenbelt to discuss Pukke's July petition to seek bankruptcy protection and his request to pay attorney fees out of the funds in receivership. Pukke did not attend the hearing, and his attorney in the FTC and state cases declined to comment on the allegations after the hearing.

One example of hiding assets, Caris said, was that Pukke initially omitted from his financial statement his ownership in a Belize resort. Then Pukke said that he had a 30 percent stake but that the resort had no assets and was "worth zero." In reality, Caris said, Pukke lent the resort \$3 million and owns a 60 percent stake in the company, which has started to sell 220 lots, beginning at \$80,000. One agent who will receive a commission in the lot sales is Pukke's mother, Caris added.

Caris suggested that Pukke may be trying to go around the court's funding freeze by having friends and family members make key payments for him. For example, Caris said, a high school friend made the down payment on the Laguna Beach house -- after Pukke's girlfriend toured it. The real estate agent who showed the house said the girlfriend was accompanied by a man who resembled Pukke.

Additionally, \$300,000 in legal fees was paid by Pukke's father, including \$200,000 in July after the freeze was ordered.

U.S. District Judge Peter J. Messitte yesterday decided to delay the bankruptcy case until the trial in the FTC case is finished. Additionally, he declined to allow unlimited attorneys fees, saying that while Pukke was entitled to a defense, it was not to be at

"Cadillac rates." He said he would name an attorney to review the \$4 million in attorney fees that Pukke's lawyers have already billed for representing him in the FTC proceeding and told attorney John B. Williams that it was highly unlikely he would agree to pay his hourly rate of \$575. "That's a big number," Messitte said.

Williams said he would have to consult with his law firm, Jones Day, before he could commit to continuing to defend Pukke. Williams said the numerous lawsuits forced Pukke to file for bankruptcy protection. In his filing, Pukke listed assets of \$53.4 million.

Williams declined to comment on Caris's allegations, saying he was "not authorized to talk." Previously, Williams said evidence will show that AmeriDebt's benefits to consumers surpassed the \$172 million it collected because the credit-counseling firm was able to reduce interest rates and get rid of late fees and interest charges for many clients.

Caris also said Pukke is claiming to be a victim of fraud, citing a court case in Michigan in which Pukke said he lost at least \$5.7 million in an offshore investment that was investigated by the Securities and Exchange Commission. "Maybe Mr. Pukke met his match in terms of scamsters," Caris said.

However, Caris questioned the investment, saying Pukke paid suspiciously high insurance premiums to two offshore companies. The policies were written so that if a claim was never filed, a portion of the premiums would go to a firm controlled by Pukke. "The more cynical among us would say that sounds like money laundering," Caris said.

Pukke is slated to get \$1.4 million as part of a settlement in the Michigan case. Caris said it is the receiver's intention to recover that money.

Pukke's bankruptcy attorney William N. Lobel told Messitte that Pukke filed for creditor protection because he "has to go on with his life even if all his assets are taken." He added, "He'll do something else with his life. He's shown an ability to make a lot of money."

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