

ROBB EVANS & ASSOCIATES LLC

Receiver of the Assets of

DebtWorks, Inc., and

Andris Pukke

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United States of America v.

Bradley Dorman

Louis Mustachio and

Daniel Ruggiero

CASE No. CR 06 0206

**Grand Jury Indictment Re:
Debticated Consumer Counseling, Inc.**

**Filed March 28, 2006
U. S. District Court Eastern District New York**

★ MAR 28 2006 ★

LONG ISLAND OFFICE

CMM:JGM:jgm
F.#2003R00454

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

-----X
UNITED STATES OF AMERICA

CR 06 0206
INDICTMENT

- against -

Cr. No. SEYBERT, J.

BRADLEY DORMAN,
LOUIS MUSTACHIO and
DANIEL RUGGERIO,
120

(T. 18, U.S.C., §§ 1349,
981(a)(1)(C) and 3551
et seq.; T. 21, U.S.C.,
§ 853(p); T. 28, U.S.C.,
§ 2461(c))

Defendants.

-----X
THE GRAND JURY CHARGES:

INTRODUCTION

At all times relevant to this Indictment, unless otherwise indicated:

1. Debticated Consumer Counseling, Inc.

("Debticated") was a corporation formed in April 2000 under the laws of the State of New York, organized as a non-profit credit counseling agency ("CCA") and recognized as exempt from federal taxation under Title 26, United States Code, Section 501(c)(3). Debticated's principal place of business was in Huntington, New York.

2. Debticated was formed through the purchase of the assets of the Huntington, New York office of Ameridebt, a Maryland corporation formed in December 1996, that also was

organized as a CCA and recognized as exempt from federal taxation under Title 26, United States Code, Section 501(c)(3). At the time Debticated purchased the assets of the Huntington office of Ameridebt, all employees of that office of Ameridebt became employees of Debticated.

3. The defendants BRADLEY DORMAN, LOUIS MUSTACHIO and DANIEL RUGGERIO were employed by Debticated in or about and between December 2000 and May 2003 as managers whose responsibilities included supervision of sales agents. These sales agents solicited consumers seeking debt counseling services to enroll in debt management plans ("DMPs") promoted by Debticated. The defendants DORMAN, MUSTACHIO and RUGGERIO, at various times, also worked as sales agents directly soliciting consumers seeking debt counseling services.

4. A DMP was an arrangement whereby a CCA would, among other things, arrange more favorable terms with creditors and set up a monthly payment schedule for a consumer who had significant debt problems. The DMP enabled an enrolled consumer to make a consolidated monthly payment to the CCA which, in turn, would pay the consumer's creditors.

5. Debticated was one of multiple CCAs affiliated with a for-profit corporation known as Debtworks, Inc. ("Debtworks"). Debtworks was a corporation formed under the laws

of the State of Maryland and had its principal place of business in Germantown, Maryland. Debtworks had a contractual relationship with Debticated under which Debtworks received a portion of the DMP revenues generated by Debticated as payment for DMP-related services provided by Debtworks.

6. After a consumer agreed to enroll in a DMP with Debticated, the responsible sales agent would send the consumer a document titled "Agreement" which purported to set forth the terms of the operation of the DMP and which the consumer was required to sign and return with an initial payment. Following receipt of the executed Agreement and payment, Debticated would forward the consumer's file to Debtworks, which would contact the consumer's creditors, and establish and administer the DMP.

The Scheme to Defraud

7. The defendants DORMAN, MUSTACHIO and RUGGERIO, together with others, made materially false and fraudulent representations and engaged in fraudulent and deceptive sales practices designed to induce consumers to enroll in Debticated DMPs. Among the fraudulent techniques are those described below.

8. The defendants DORMAN, MUSTACHIO and RUGGERIO, together with others, instructed and directed sales agents to make high pressure, false and misleading sales pitches to consumers aimed at convincing them to enroll with Debticated.

Most of the sales pitches and so-called "rebuttals" to consumer questions were scripted, and DORMAN, MUSTACHIO and RUGGERIO, together with others, trained and supervised sales agents in the use of these scripts.

9. In these sales pitches, the sales agents deliberately misrepresented, among other things, that the consumer's initial payment to Debticated under the consumer's DMP would be applied toward Debticated's costs in establishing the DMP and negotiating with the consumer's creditors when, in fact, this payment was used to pay (i) 20-30% sales commissions to the sales agent responsible for successfully pitching that customer; (ii) sales-based incentive bonuses to sales agents; (iii) commissions and sales-based incentive bonuses to managers of the sales agents; and (iv) other costs unrelated to debt management, including advertising and purchasing so-called "leads" from vendors to assist in locating and pitching additional potential customers.

10. It was further a part of the scheme to defraud that sales agents, acting at the instruction and direction of DORMAN, MUSTACHIO, RUGGERIO, and others falsely promised consumers that enrollment in a DMP would drastically reduce or eliminate credit card interest rates. Sales agents also falsely represented that enrolling in a DMP would have no deleterious

effect on the consumer's credit rating and might even improve the customer's rating.

11. Sales agents acting at the instruction and direction of DORMAN, MUSTACHIO, RUGGERIO, and others misrepresented Debticated's ability to secure a beneficial loan for DMP-enrolled consumers, by falsely stating that consumers who made six or seven monthly payments to a Debticated DMP qualified for a low interest unsecured loan, when they well knew and believed that the loans were available only at high interest rates of approximately 17% and that the DMP-enrolled consumers were almost always denied such loans. The sales agents also falsely represented to consumers that the sales agents were personally conducting negotiations with the consumers' creditors when, in fact, no such negotiations had occurred.

12. Additionally, the defendants DORMAN, MUSTACHIO, RUGGERIO, and others sent false and misleading promotional materials and Agreements to consumers. The promotional materials misrepresented, among other things, that the consumer would incur no start-up costs in enrolling with Debticated. The Agreements that DORMAN, MUSTACHIO and RUGGERIO, with others, sent to consumers misrepresented, among other things, that the initial payment was a "voluntary" contribution, and that Debticated would assist the consumer even if the consumer did not remit an initial

payment or "voluntary" contribution. In fact, each consumer was required to remit the initial payment before a Debticated sales agent would start any debt management program.

COUNT ONE
(Mail Fraud Conspiracy)

13. Paragraphs 1 through 12 are hereby realleged and incorporated as though fully set forth in this paragraph.

14. In or about and between August 2002 and May 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants BRADLEY DORMAN, LOUIS MUSTACHIO and DANIEL RUGGERIO, together with others, did knowingly and intentionally conspire to devise a scheme and artifice to defraud consumers, and to obtain money and property from consumers by means of materially false and fraudulent pretenses, representations and promises and, for the purpose of executing such scheme and artifice, to place and cause to be placed in post offices and authorized depositories for mail matter matter and things to be sent and delivered by the United States Postal Service and commercial interstate carriers according to the directions thereon, in violation of Title 18, United States Code, Section 1341.

(Title 18, United States Code, Sections 1349 and 3551
et seq.)

CRIMINAL FORFEITURE ALLEGATION

15. The United States hereby gives notice to the defendants charged in the mail fraud conspiracy above that, upon their conviction of such offense, the government will seek forfeiture from a defendant so convicted in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which require any person convicted of such offense to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offense, including but not limited to the following:

Money Judgment

A sum of money equal to at least approximately \$24,000,000 in United States currency.

16. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:


- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which

cannot be divided without difficulty;
it is the intent of the United States, pursuant to Title 21,
United States Code, Section 853(p), as incorporated by Title 28,
United States Code, Section 2461(c), to seek forfeiture of any
other property of such defendant up to the value of the
forfeitable property described in this forfeiture allegation.

(Title 28, United States Code, Section 2461(c); Title
18, United States Code, Section 981(a)(1)(C); Title 21, United
States Code, Section 853(p))

A TRUE BILL


FOREPERSON


ROSLYNN R. MAUSKOPF
UNITED STATES ATTORNEY
EASTERN DISTRICT OF NEW YORK