

1 STATE OF CALIFORNIA
2 BUSINESS, TRANSPORTATION AND HOUSING AGENCY
3 DEPARTMENT OF CORPORATIONS

4 TO: DEBTWORKS, INC., dba Debtworks
5 Andris Pukke
6 14132 Stonecutter Drive
7 Gaithersburg, MD 20878
8 and
9 12850 Middlebrook Road, Suite 205
10 Germantown, MD 20874

11 THE BALLENGER GROUP, LLC, dba The Ballenger Group
12 321 Ballenger Center Drive
13 Frederick, MD 21703

14 **DESIST AND REFRAIN ORDER**
15 **(For violations of section 12200 of the Financial Code)**

16 The California Corporations Commissioner finds that:

17 1. On October 25, 2002, pursuant to Financial Code section 12103, the California
18 Corporations Commissioner ordered AmeriDebt, Inc., doing business as AmeriDebt
19 ("AmeriDebt") and others acting in concert or in participation with it, to desist and refrain from
20 engaging in the business as a check seller, bill payer or prorater unless and until they are licensed
21 or exempt. This Order was necessary in the public interest and for the protection of consumers.
22 AmeriDebt was served with the California Corporations Commissioner's Desist and Refrain
23 Order and advised that pursuant to Financial Code section 12103, a hearing could be requested
24 concerning this Order.

25 2. On multiple occasions AmeriDebt had been provided with copies of forms to obtain
26 licensure or to meet the requirements to come within an exemption to the licensing requirements.
27 No documents were ever filed with the California Department of Corporations to obtain
28 licensure or to comply with the requirements for an exemption from licensure.

3. AmeriDebt has not pursued a hearing to contest the issuance of the Desist and
Refrain Order. The Order has been in effect at all times since issuance. However, AmeriDebt

1 has sought to circumvent the California Corporations Commissioner's Desist and Refrain Order
2 by using other unlicensed, non-exempt entities.

3 4. AmeriDebt with an Internet web site at www.ameridebt.org, and/or others working in
4 concert or in participation with it, engaged in the following activities in violation of the Check
5 Sellers, Bill Payers and Proraters Law pursuant to the California Financial Code section 12000 et seq.

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7 5. AmeriDebt placed advertisements in print, radio and/or other media, including
8 Internet web sites, offering their debt management program to California consumers that includes
9 a description of the benefits of their program. These benefits include the convenience of only one
10 lower monthly payment, reduction in interest, improved credit, and reduced or eliminated late and
11 over the limit fees. AmeriDebt's documents state that consumer monthly payments of their
12 existing credit debt could be reduced by as much as 30-50%, and they can have their debts paid
13 off in 3-6 years and improve their credit rating. AmeriDebt states that upon enrollment with their
14 debt management program they will negotiate a repayment plan with creditors, whereby money
15 received from the consumer will be used to pay a consumer's creditors.

16 6. The minimum account contribution to enroll in the program is \$20.00. AmeriDebt
17 states that the consumer is requested to make a one time "counseling" contribution to AmeriDebt
18 equivalent to 3% of the total debt that they handle for the consumer. Additionally, when
19 AmeriDebt receives monthly deposits from a consumer it collects a "monthly" contribution of
20 \$7.00 per credit card account that AmeriDebt is handling for a consumer with a minimum of \$20
21 per month and a maximum of \$70 per month.

22 7. The Department of Corporations has jurisdiction over and regulates proraters
23 under the Check Sellers, Bill Payers and Proraters Law set forth in California Financial Code
24 section 12000 et seq. California Financial Code section 12200, states:

25 No person shall engage in the business, for compensation, of selling
26 checks, drafts, money orders, or other commercial paper serving the
27 same purpose, or of receiving money as agent of an obligor for the
28 purpose of paying bills, invoices, or accounts of such obligor, or
acting as a prorater, nor shall any person, without direct
compensation and not as an authorized agent for a utility company,
accept money for the purpose of forwarding it to others in payment

1 of utility bills, without first obtaining a license from the
2 commissioner.

3 8. The California Corporations Commissioner had not licensed AmeriDebt in this State
4 to act as a check seller, bill payer or prorater. The definition of proraters, found in Financial
5 Code section 12002.1, states:

6 A prorater is a person who, for compensation, engages in whole or in part in
7 the business of receiving money or evidences thereof for the purpose of
8 distributing the money or evidences thereof among creditors in payment or
9 partial payment of the obligations of the debtor.

10 9. Members of the public have provided funds to AmeriDebt based upon assurances
11 and representations that AmeriDebt will assist them in reducing their debts and negotiate with
12 their creditors and distribute payments.

13 10. Although not listed as an officer or director of AmeriDebt, Andris Pukke (“Pukke”)
14 regularly held himself out to be the president of AmeriDebt. On July 21, 1999, Pukke
15 incorporated DebtWorks, Inc., a for-profit Maryland corporation (File number D05411681).
16 Debtworks, Inc., does business as Debtworks (“Debtworks”). In September 1996 Andris Pukke
17 plead guilty in Federal District Court to a felony of trying to defraud consumers by falsely
18 promising to broker debt-consolidation loans while pocketing excessive application fees.

19 11. The offices for AmeriDebt and DebtWorks are both located in the same office building,
20 except for the suite number, and Andris Pukke arranged for AmeriDebt to sell its assets to
21 DebtWorks and hired it to process AmeriDebt's consumer accounts.

22 12. During relevant times AmeriDebt paid Debtworks for its services in processing accounts
23 a one-time fee of \$50 for each current client, \$100 for each new customer, plus a \$25 monthly service
24 fee for each customer making a payment. Debtworks received monies from a consumer and used it
25 to pay the consumer’s creditors.

26 13. In late 2002 The Ballenger Group, LLC, a for-profit limited liability company doing
27 business as The Ballenger Group acquired Debtworks for \$43.1 million to process AmeriDebt's
28 consumer accounts. Presently, The Ballenger Group receives monies from a consumer and uses it to
pay the consumer’s creditors. Over the five-year period from 1999 to 2003 AmeriDebt's total

1 revenue exceeded \$222 million and they paid \$107 million of that to DebtWorks and The Ballenger
2 Group.

3 14. The above-named individuals and entities, working in concert or in participation
4 among themselves or with others, engaged in the following activities in violation of the Check
5 Sellers, Bill Payers and Proraters Law pursuant to the California Financial Code section 12000 et
6 seq.

7 15. The California Corporations Commissioner has not licensed DebtWorks, Inc.,
8 Debtworks, The Ballenger Group, LLC, The Ballenger Group and Andris Pukke in this State to
9 act as a bill payer or prorater.

10 16. Based upon the foregoing findings, the California Corporations Commissioner is of
11 the opinion that Debtworks, Inc., Debtworks, The Ballenger Group, LLC, The Ballenger Group
12 and Andris Pukke working in concert and/or in participation with AmeriDebt, Inc. and others,
13 have been engaging in business as a bill payer or prorater as defined in the Check Sellers, Bill
14 Payers and Proraters Law without a license from the California Corporations Commissioner.

15 Pursuant to Financial Code section 12103, the California Corporations Commissioner
16 hereby orders Debtworks, Inc., Debtworks, The Ballenger Group, LLC, The Ballenger Group
17 and Andris Pukke individually, in concert and/or in participation with others, to desist and refrain
18 from engaging in business as a bill payer and prorater unless and until they are licensed or
19 exempt. This Order is necessary, in the public interest, and for the protection of consumers.

20 Dated: September 30, 2004
21 Los Angeles, California

22 WILLIAM P. WOOD
23 California Corporations Commissioner

24 By _____

25 ALAN S. WEINGER
26 Supervising Counsel
27 Enforcement and Legal Services Division
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