

**IN THE UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND**

FEDERAL TRADE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No. PJM 03-3317
)	
AMERIDEBT, INC., et al.,)	
)	
Defendants.)	
)	

**FTC’S JOINDER IN SUPPORT OF THE RECEIVER’S APPLICATION FOR
ORDER TO SHOW CAUSE AS TO WHY ANDRIS PUKKE AND PETER BAKER
SHOULD NOT BE HELD IN CONTEMPT AND FOR RELATED RELIEF**

The Federal Trade Commission (“FTC” or “Commission”) joins the Receiver’s Application for Order to Show Cause as to Why Andris Pukke and Peter Baker Should Not Be Held in Contempt and for Related Relief (“Receiver’s Application,” DE # 525). As the Receiver’s Application makes clear, Defendant Andris Pukke (“Pukke”), with the assistance of his childhood friend Peter Baker (“Baker”), has lied repeatedly to the Receiver, the FTC, and this Court by engaging in a long line of ongoing and deliberate efforts to hide his assets and thwart attempts to obtain redress for distressed consumers whom Pukke has cheated out of millions of dollars.

Pukke’s initial dissipation of assets through transfers to close friends and relatives necessitated the entry of a preliminary injunction. More recently, despite the subsequent entry of a final judgment maintaining the requirement that he turn over all Receivership assets, Pukke has again gone to great lengths to conceal such assets. Specifically, he has hidden his 60% ownership interest in an offshore investment, his purchase of a California mansion through

Baker, shares he held in an Internet sports gambling venture, and his ownership of two foreign bank accounts - Receivership assets worth nearly \$40 million. Quite simply, the Court's preliminary injunction and final judgment have had no affect on Pukke's practice of concealing assets and preventing consumer redress.

I. FACTUAL BACKGROUND

Pukke and Baker have blatantly violated two of the Court's orders: the Preliminary Injunction Order with Asset Freeze, Appointment of a Receiver, Repatriation of Assets, and Other Equitable Relief ("Preliminary Injunction Order", DE #122) and the Stipulated Final Judgment and Permanent Injunction as to Defendants Debtworks, Inc. and Andris Pukke ("Stipulated Final Judgment," DE # 473).

Eighteen months ago, on April 20, 2005, this Court issued its Preliminary Injunction Order finding a substantial likelihood that Pukke had violated Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), by making deceptive claims about the nature and costs of services provided by AmeriDebt, a so-called non-profit credit counseling organization, to induce distressed consumers to pay for high-cost debt management plans. Preliminary Injunction Order Findings ¶ 2. Accordingly, the Court entered an immediate asset freeze, an accounting, repatriation of assets, and the appointment of a receiver. *Id.* at Findings ¶ 3. The Court found that, absent such strict measures, there was a danger that Pukke would transfer, conceal, dissipate, or otherwise divert his assets, thereby defeating the possibility of effective final relief for consumers. *Id.* at Findings ¶ 4. Accordingly, the Preliminary Injunction Order requires Pukke and other persons to "transfer or deliver possession, custody, and control" of all Receivership Property¹ immediately upon

¹ The Preliminary Injunction Order defines "Receivership Property" as any assets, wherever located, that are owned, controlled or held by or for the benefit of Pukke. *Id.* at Definition K.

service of the order upon them and “fully cooperate and assist the Receiver in taking and maintaining possession, custody, or control of Receivership Property.” *Id.* at Order §§ VII-VIII. Further, the Preliminary Injunction Order requires Pukke to repatriate foreign assets to the United States. *Id.* at Order § IV.

Subsequently, on May 16, 2006, the Court entered the Stipulated Final Judgment, which mandates in pertinent part that “to the extent they are not inconsistent with this Order, all powers granted to the Receiver pursuant to the [Preliminary Injunction Order] shall remain in full force and effect.” Stipulated Final Judgment § IX.

Pukke has admitted that the assets comprising Receivership Property came from payments made by consumers and that he does not have a legitimate claim to those funds. Stipulated Final Judgment at 2. Nonetheless, Pukke has made repeated efforts to hide these assets from the Receiver and the FTC. As detailed in the Receiver’s Application, Pukke began violating the Court’s orders the moment they were entered. Indeed, he failed to disclose various assets on a financial statement he submitted shortly after entry of the Preliminary Injunction Order and again swore to the accuracy of that misleading financial statement prior to the entry of the Stipulated Final Judgment. *See* Declaration of Andris Pukke ¶ 2, Exhibit A. These facts demonstrate that he never had any intention of abiding by the terms of the Court’s orders.

According to the Receiver’s estimates, Pukke has hidden assets that are currently worth nearly \$40 million. These assets include Pukke’s 60% controlling ownership interest in Dolphin Development Co., Ltd., an entity organized under the laws of Belize. Pukke also hid his interest in a piece of real estate in Laguna Beach, California, which Baker purchased on Pukke’s behalf for \$6.45 million in a sale that closed on July 8, 2005, less than three months after entry of the Preliminary Injunction Order. Pukke further hid his ownership interest in Internet Opportunity

Entertainment Ltd., later acquired by Sportingbet Plc, notwithstanding his vehement yet inaccurate statements to the contrary to this Court. *See* Response of Andris Pukke to the Report of Receiver's Activities January 1, 2006 through June 23, 2006 ("Pukke Response," DE # 493) at 5-6. Pukke also has attempted to hide accounts at Hansabanka, a bank located in Latvia, including an account ending in 5390. Pukke stated that he owned the 5390 account on a sworn financial statement dated February 12, 2004 that he signed in connection with a loan application to a bank. However, when faced with losing the \$12 million that is currently in the account, Pukke chose to disavow his previous sworn statement that he owns the account. Pukke Response at 5 (explaining that a banker told Pukke to list among his assets the 5390 account belonging to Pukke's father because Pukke had previously made a loan to his father).

II. LEGAL ANALYSIS

Pukke's actions constitute flagrant violations of the Court's orders and clearly meet the Fourth Circuit's standard for contempt:

(1) the existence of a valid decree of which the alleged contemnor had actual or constructive knowledge; (2) a showing that the decree was in the movant's 'favor;' (3) a showing that the alleged contemnor ... violated the terms of the decree and had knowledge (at least constructive knowledge) of such violations; and (4) a showing that the movant suffered harm as a result.

The Colonial Williamsburg Foundation v. The Kittinger Co., 792 F.Supp. 1392, 1405-06 (E.D. Va. 1992) (citation omitted), *aff'd*, 38 F.3d 133 (4th Cir. 1994). First, there is no dispute that the Preliminary Injunction Order and the Stipulated Final Judgment are valid orders of which Pukke had actual knowledge.² Second, the orders were entered in favor of the FTC, as indicated by the

² Pukke has been represented by counsel throughout this matter. Moreover, Pukke himself signed the Stipulated Final Judgment and signed a sworn affidavit indicating that he received a copy of the order on May 30, 2006, two weeks after the order was entered. *See* Affidavit for Receipt of Final Order, Exhibit B.

Court's issuing the Preliminary Injunction Order upon finding that the FTC was likely to succeed on the merits of its claim and the Stipulated Final Judgment's requirement that Pukke turn over his assets so they could be returned to consumers. Third, as set forth above and in more detail throughout the Receiver's Application, Pukke has hidden assets worth approximately \$40 million in violation of the Court's orders requiring him to turn over such assets to the Receiver, cooperate with and assist the Receiver in taking over Pukke's assets, and repatriate his foreign assets to the United States. Fourth, these violations have clearly inflicted injury on the FTC by withholding from consumers millions of dollars that were derived from Pukke's unlawful activities.

Baker's actions in assisting Pukke also constitute contempt of the Preliminary Injunction Order and Stipulated Final Judgment. Pursuant to Fed. R. Civ. P. 65(d), injunctions are binding "upon the parties to the action, their officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise." *Id.* This Court, in the exercise of its equitable powers, may hold nonparties with actual notice of an order in contempt of the order when they "act in concert with named parties to frustrate an injunctive decree or to avoid compliance with it." *Equal Employment Opportunity Commission v. Internat'l Longshoremen's Association*, 541 F.2d 1062, 1063-64 (4th Cir. 1976). As explained in the Receiver's Application, Baker was personally served with the Preliminary Injunction Order on September 15, 2005 and again on September 16, 2005, and he admitted under oath that he knew of the Preliminary Injunction Order since early October 2005. Nevertheless, Baker acted in concert with Pukke in hiding various assets, including Pukke's ownership interest in Dolphin Development Co., Ltd., the Laguna Beach real estate, and Internet Opportunity/Sportingbet. Indeed, without Baker's

assistance, Pukke likely would not have been successful in concealing Receivership assets for as long as he did.

III. CONCLUSION

For the foregoing reasons, the FTC joins in the Receiver's Application seeking an order to show cause why Pukke and Baker should not be held in contempt and all other relief requested therein.

Dated: November 6, 2006

Respectfully submitted,

FEDERAL TRADE COMMISSION
William Blumenthal
General Counsel

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

_____)	
FEDERAL TRADE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Civil Action No. PJM-03-cv-03317
)	
AMERIDEBT, INC., <i>et al.</i> ,)	
)	
Defendants.)	
_____)	

DECLARATION OF ANDRIS PUKKE

I, Andris Pukke, declare:

1. I am a defendant in the above-captioned lawsuit brought by the Federal Trade Commission. In connection with our agreement to settle and resolve all of their claims against me, I have agreed to provide a statement of my current financial condition.

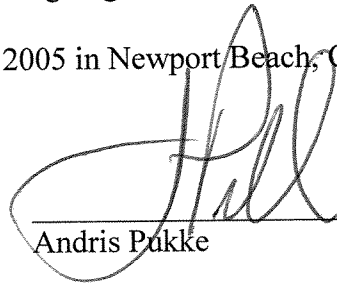
2. To the best of my knowledge, I declare that my current assets have been disclosed in the following documents: (1) the IRS Form 433-A that I completed in May 2005, attached as Exhibit 1 to my July 12-13, 2005 deposition in this case; as supplemented by (2) the Overview of Assets and Liabilities that was attached as Addendum A to the Emergency Motion To Modify Order Appointing Receiver To Facilitate Compliance With 11 U.S.C. § 543 filed in this case on my behalf on July 14, 2005 (Document 221); and (3) the July 22, 2005 Statement of Financial Affairs, and supporting Schedules, that I submitted as part of my voluntary petition for bankruptcy.

3. I have also had an opportunity to review certain reports that have been filed by the Receiver in this case. I make specific reference to the June 29, 2005 and September 20, 2005

Receiver's reports. While I dispute the amounts and characterizations of ownership of certain assets that the Receiver identifies in these reports, I am aware of no additional assets in which I have any ownership interest.

4. Because most of my assets have been seized by the court-appointed Receiver in this matter, Robb Evans & Associates, LLC, who has not shared with me a current accounting of the collection and/or disposition of my assets or the documents that I would need to make such an accounting on my own, this Declaration represents my best estimate of my current financial condition.

I declare under penalty of perjury that the foregoing is true and accurate and that this Declaration was executed this 5th day of January, 2005 in Newport Beach, California.

A handwritten signature in black ink, appearing to read "Andris Pakke", is written over a horizontal line. The signature is stylized and cursive.

Andris Pakke

Attachment A: Affidavit for Receipt of Final Order
UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND

_____)	
FEDERAL TRADE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Civil No. PJM 03-3317
)	
AMERIDEBT, INC., et al.,)	
)	
Defendants.)	
_____)	

[Name of defendant], being duly sworn, hereby states and affirms as follows:

1. My name is ANDREW PUKLE. My current residence address is 31 Linda Isle Newport Beach CA 92660. I am a citizen of USA and am over the age of eighteen. I have personal knowledge of the facts set forth in this Affidavit.

2. I am a defendant in *Federal Trade Commission v. AmeriDebt, Inc., et al.* Civil No. PJM 03-3317 (United States District Court for the District of Maryland).

3. On May 30, 2006, I received a copy of the Stipulated Order for Permanent Injunction and Final Judgment, which was signed by the Court, and entered by the Court on _____. A true and correct copy of the Order I received is appended to this Affidavit.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on May 31, 2006 [date], at Newport Beach CA [city and state].

[Signature]
[Full name of Defendant]

State of California, City of Newport Beach
Subscribed and sworn to before me this 27 day of May, 2006.

[Signature]
Notary Public

My Commission Expires: January 15, 2009

