

THIS NOTICE MAY AFFECT YOUR RIGHTS. READ IT CAREFULLY.

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
SOUTHERN DIVISION

ALYSSA POLACSEK, et al. individually,
and on behalf of the classes of similarly situated persons, et al.

Plaintiffs,

vs.

DEBTICATED CONSUMER COUNSELING, INC., et al.

Defendants.

Case No. 8:04-cv-00631PJM

NOTICE OF CLASS ACTION SETTLEMENTS

**BENEFITTING CONSUMERS WHO CONTRIBUTED TO THE
AGENCIES LISTED BELOW FROM JANUARY 31, 1998 TO OCTOBER 7, 2004**

**DEBTICATED CONSUMER COUNSELING, INC.
AMERIDEBT, INC.
A BETTER WAY CREDIT COUNSELING, INC.
CREDICURE, INC.
MASON CREDIT COUNSELING, INC.
NEXUM CREDIT COUNSELING, INC.**

**NEWAY, INC.
THE CREDIT NETWORK, INC.
VISUAL CREDIT COUNSELING, INC.
PREACTIVE, INC., OR
DEBTSCAPE, INC.**

I.

THE LAWSUIT

The essence of the claim is that these CCAs didn't act like true non-profit, tax-exempt 501(c)(3) organizations because they and their debt management plans existed to help Defendants Andris Pukke and DebtWorks make money. Their representations that they were tax-exempt and nonprofits were untrue. Therefore your contributions should be returned.

The Defendants deny these claims entirely.

A. WHO FILED THE CASE AND WHO WAS IT AGAINST?

On January 31, 2003, the plaintiff, ALYSSA POLACSEK ("POLACSEK") started a class action lawsuit in the United States District Court for the Central District of California against the following defendants: DEBTWORKS, INC., a Maryland Corporation, INFINITY RESOURCES GROUP, INC., a Washington D.C. Corporation ("Infinity") and their owner, ANDRIS PUKKE. Also named were, among others, DEBTICATED CONSUMER COUNSELING, INC., a CCA entity formed as a New York not-for-profit corporation ("DEBTICATED"), and its founder, ERIKS PUKKE. POLACSEK was later joined in her claims by SARAH LEONI and FELECIA ROBINSON (collectively "Plaintiffs"). These intervening Plaintiffs asserted claims against ANDRIS PUKKE's wife, PAMELA PUKKE.

On November 19, 2003, the FEDERAL TRADE COMMISSION (the "FTC") filed a similar case against AMERIDEBT INC. as well as defendants DEBTWORKS, ANDRIS PUKKE, and PAMELA PUKKE to recover contributions deceptively obtained by AMERIDEBT. The FTC and Plaintiffs coordinated these actions and the related settlements.

In late 2003, the United States District Court for the Central District of California transferred this case to the United States District Court for the District of Maryland, where the FTC case was pending. On November 3, 2004, this case was certified by U.S. District Judge Peter Messitte as a class action on behalf of all persons nationwide who paid money to one of the CCAs.

B. WHO ELSE IS INVOLVED?

The Plaintiffs and Defendants are not the only actors. The Plaintiffs' claims relate directly to certain credit counseling agencies that claim to be tax-exempt non-profits. We refer to them as a group by the term "the CCAs" in this Notice.

Among the CCAs, only DEBTICATED was actually named as a defendant in this case. AMERIDEBT was named as a defendant in the FTC's case. You received this Notice because records show you had a relationship with these agencies or one of the other CCAs listed on the front of this Notice. You are a class member because that

CCA's client accounts were all handled by defendant DEBTWORKS or THE BALLENGER GROUP, LLC ("BALLENGER"), or because DEBTWORKS allegedly profitted from your relationship with the CCA.

In 2005, the Plaintiffs and the FTC asked the Court to appoint a professional receiver to begin collecting money from ANDRIS PUKKE because they believed he was hiding and wasting millions of dollars he had received from DEBTWORKS. The Court granted the FTC's motion and appointed Robb Evans & Associates to do that work. Robb Evans & Associates is court-supervised and is referred to as the "RECEIVER."

In August 2005, MR. PUKKE filed for bankruptcy. The IRS filed claims totaling more than \$300,000,000 for unpaid taxes, interest and penalties in MR. PUKKE's bankruptcy case.

Plaintiffs also asserted that after January 1, 2003, DEBTWORKS sold its business to BALLENGER which then did the debt management plan ("DMP") processing work (but also paid a large part of its profits, and made interest payments, to DEBTWORKS and ultimately to ANDRIS PUKKE). In late 2005, the Court approved a limited settlement with BALLENGER.

C. WHAT'S THE CASE ABOUT?

Plaintiffs allege the CCAs were all organized and controlled by or primarily for the benefit of ANDRIS PUKKE and his for-profit company DEBTWORKS. The lawsuit claimed that the supposedly non-profit CCAs had as their primary purpose bringing business to DEBTWORKS which they paid to set up and process the "debt management plans" (DMPs) they sold. The Plaintiffs claimed that DEBTWORKS paid profits of approximately \$70 million to ANDRIS PUKKE from 1998 through 2004. These distributions allegedly undermined the non-profit status of the CCAs that DEBTWORKS served, and constituted private inurement and private benefit payments to ANDRIS PUKKE from the CCAs. The CCAs' publicity and advertising that they were non-profits were therefore false. Most of the CCAs also claimed they could help people get loans from INFINITY, which ANDRIS PUKKE also owned.

Debticated was the non-profit CCA that Ms. POLACSEK and Ms. Leoni used. ANDRIS PUKKE and Eriks PUKKE spun it off from AmeriDebt. Neway was the non-profit CCA Ms. Robinson used.

Plaintiffs claim ANDRIS PUKKE gave some of the money he got from this activity to his wife, PAMELA PUKKE.

D. WHAT ARE THE CLAIMS?

In her original lawsuit, POLACSEK claimed that the Defendants breached fiduciary duties, committed fraud, and violated California statutes that protect consumers and that restrict unfair competition. The statutes were (1) California's Consumers Legal Remedies Act; and (2) California's Unfair Competition Law. The surviving California common-law claims were (3) fraud; (4) breach of fiduciary duty; and (5) unjust enrichment. POLACSEK asked the Court to return her money and to order the defendants to cease their conduct. She also asked the Court to find a "constructive trust" as to the monies consumers paid, i.e. that in spite of the fact that consumers paid money to the CCAs, the money paid never rightfully became their property because it was obtained by fraud.

The case is nationwide because POLACSEK claimed the Defendants violated a federal law that regulates credit repair organizations called the Credit Repair Organizations Act ("CROA"). Plaintiffs contended that because they existed to make money, the CCAs were not operating in a manner consistent with their non-profit status and that they violated the CROA by collecting fees in advance of rendering services, and by failing to provide required contract language and disclosures. Further, the complaint alleged that these organizations were formed as non-profit tax-exempt entities to avoid the CROA and that the donations that were solicited from consumers were obtained in violation of the CROA.

The intervening Plaintiffs added the additional claim that defendants and PAMELA PUKKE fraudulently attempted to place the money they had gained out of reach of their creditors.

The Defendants deny all of these allegations.

II. THE SETTLEMENTS

A. WHY IS THERE A SETTLEMENT?

The Court did not conduct a trial at which it rendered a decision in favor of Plaintiffs or Defendants. Instead, to avoid the risk and expense of a trial, the parties have agreed to terms of settlement that are fair, reasonable and adequate to the classes. Under the terms of the settlements, which were coordinated with the FTC and its case against MR. PUKKE and DEBTWORKS, the Plaintiffs will receive the great majority of what they think they might have obtained at trial.

B. WHO WILL BENEFIT FROM THE SETTLEMENTS?

The Class Members include all consumers in the United States, who at any time after January 31, 1998 through to October 7, 2004, paid contributions to one of the CCAs for the performance by DEBTWORKS or BALLENGER for a CCA including debt consolidation or debt management plan services. The proposed revised class definition is quoted verbatim below:

“The DebtWorks National Class is defined as including all consumers in the United States, who at any time after January 31, 1998 and through October 7, 2004, paid an ostensibly non-profit credit counseling agency, directly or indirectly, any money or other valuable consideration whatsoever (whether denominated as a “voluntary contribution” or otherwise), in consideration of or relating in any way to the performance of any service for or on behalf of the non-profit credit counseling agency, including, without limitation, debt consolidation or debt management plan services and who had a portion of that money or other consideration benefit, directly or indirectly, DebtWorks, Inc.”

* See front page of this Notice for listing.

C. WHO REPRESENTS THE CLASS?

In addition to Ms. Polacsek, Ms. Leoni, and Ms. Robinson, who are acting as representatives of consumers, the following attorneys seek to be designated as “Class Counsel”:

- (1) Garrett M. Smith, Esq. of Michie Hamlett Lowry Rasmussen & Tweel PLLC, 500 Court Square, Suite 300, P.O. Box 298, Charlottesville, VA 22902-0298, Telephone: (434) 951-7200; Facsimile: (434) 951-7242;
- (2) David J. Vendler, Esq. of Morris, Polich & Purdy LLP, 1055 West Seventh Street, 24th Floor, Los Angeles, CA 90017, Telephone: (213) 891-9100; Facsimile: (213) 488-1178, and
- (3) Gregory S. Duncan, Esq., 412 East Jefferson Street, Charlottesville, VA 22902, Telephone: (434) 979-8556; Facsimile: (434) 979-9766.

D. WHERE DID YOU GET YOUR INFORMATION ABOUT ME?

We obtained summary financial data on your plan from BALLENGER through the litigation process. The records indicated the identity of your CCA, your address and other identifying information. They will be used only to contact you and to calculate your share of the proceeds. Class Counsel believes that the information was accurate when it was saved, coming as it did from the company that was processing your DMP through the spring of 2005.

III. HOW DOES THIS AFFECT YOU?

A. YOU ARE A CLASS MEMBER, AND WILL GET A PAYMENT IF YOU GAVE ANY “VOLUNTARY CONTRIBUTION” TO YOUR CCA DURING THE CLASS PERIOD.

If you fit within the Class definition and have not previously excluded yourself, you will be considered a member of the class. You may show these materials to your attorney if you wish, but you do not need to do that just to get paid.

If we don't hear from you, you will automatically be included in the case and will automatically receive your share of the proceeds of the settlements, if the Court approves them and if we have a valid address for you.

All of your claims against your CCA and the other Defendants will be released.

You do not need a lawyer to participate in the settlements.

As a member of the class, you will be bound by their terms and by any judgment entered as a result of the settlements, and will be permanently prevented from making any of the claims released in this matter at any time in the future, but you will receive your share of the proceeds of the settlement funds. **If your present address is different from the address at which we have contacted you, or if it will change in the future, make sure you provide an address for mail forwarding by notifying the Administrator** at: Polacsek Class Administrator, c/o Rosenthal & Company LLC, P.O. Box 6177, Novato, CA 94948-6177.

If you are a former client of **AmeriDebt**, then the **FTC will give you your share of the recovery**, and your payment will come whether or not an objection to the class settlements is sustained.

If you were with **another of the CCAs**, the **Class's Settlement Administrator will send you your check** unless an objection is sustained

IV. SUMMARY OF THE PROPOSED SETTLEMENTS

A. WHAT ARE THE MAIN SETTLEMENT TERMS?

The settlements give Plaintiffs a judgment of \$172 million against ANDRIS PUKKE and provides that the money the RECEIVER is already collecting from him are being held by him (and by the RECEIVER) in trust for class members. In the opinions of the Plaintiffs, it is very likely that Mr. Pukke possesses assets valued

at around \$35 million. In exchange for releasing that judgment, MR. PUKKE agrees to allow the Plaintiffs and the FTC to have his assets up to \$35 million. The RECEIVER estimates that as of December 31, 2005, a gross amount of approximately \$35 million has been recovered from MR. PUKKE's assets. Of this amount, \$300,000 has been paid to Mr. Pukke's attorneys and for administration of his bankruptcy, and \$125,000 has been paid directly to Mr. Pukke. Any money over \$35 million goes into his bankruptcy estate to pay off other creditors including the IRS (unless MR. PUKKE failed to disclose any assets).

PAMELA PUKKE settled with the Plaintiffs and the FTC class by agreeing to allow them to have her share of the proceeds of the Pukkes' house in Potomac, MD and her residence in Miami Beach, Florida. After they are sold, she will retain approximately \$500,000 from the sale of the Florida home, and two accounts worth approximately \$413,150 as of December 31, 2005 when the settlement was reached. (See Settlement Document 1 at www.PolacsekClass.com).

Thus there are two settlements with the defendants. Copies of all of the settlement agreements can be viewed at the class action website: www.PolacsekClass.com.

On May 15, 2006, a preliminary approval hearing was conducted at which the Court considered these settlements and preliminarily approved of them as fair and reasonable with respect to all claims against the remaining Defendants. The Court entered an Order preliminarily approving the settlements on May 17, 2006.

B. HOW MUCH MONEY DO YOU THINK WILL BE COLLECTED?

At present, because the RECEIVER's activities are not finished, it is impossible to tell with precision exactly how much money will be collected. If all of the settlement conditions are fulfilled, the maximum potential fund would be \$35 million of Net Monies (see Settlement Document 2 at www.PolacsekClass.com). Attorneys' fees and expenses for Class Counsel and the RECEIVER, and the FTC's expenses distributing its portion of the money would be paid out of that fund. (See Settlement Document 2 at www.PolacsekClass.com). The RECEIVER's reports will be posted from time to time on the website.

C. WHAT AM I GIVING UP?

In exchange for your restitution from this case, **you will be deemed to have released all of the Defendants from all liability for their actions.**

D. WHAT OTHER DEALS HAVE BEEN MADE?

The IRS claimed it had a better claim to the settlement money than Plaintiffs and the FTC did. Its claims threatened to pull all of the settlement proceeds into MR. PUKKE's personal bankruptcy case, and to render the Settlements valueless to you. Therefore, the FTC and Plaintiffs reached an agreement with the IRS. The IRS will receive 30% of the Net Monies in exchange for giving up its other claims on the money.

In addition, the FTC and Plaintiffs have agreed on a fair formula for determining how much money to distribute to each class member. Under the terms of the settlements, you will receive a share of the assets that are being collected by the RECEIVER. Each of approximately 420,000 consumers for whom we have valid addresses will receive a pro rata share of the fund. The more you paid in contributions, the more you will receive. If we have money left in the fund because consumers do not cash their checks, and it is practicable, we will make a second distribution to consumers.

Finally, Plaintiffs and the FTC reached an agreement under which the FTC will make distributions to AmeriDebt clients and Class Counsel will issue all notices and make distributions to all of the other CCAs.

E. HOW MUCH WILL MY SHARE BE?

Your individual payment or recovery will depend on what fraction or percentage of total contributions your individual claim is of the total contributions made to all of the CCAs listed on the front. Your individual claim is the sum of all of your monthly contributions plus your initial setup contribution. This total claim will be divided by the sum of all contributions and then multiplied by the Net Monies after the IRS and Class Counsel have been paid.

F. HOW AND WHEN WILL I GET MY MONEY?

You will get your money when the RECEIVER has finished collecting and selling property held by ANDRIS PUKKE. That could take months or even more than a year or two. As long as the Court believes the RECEIVER has a reasonable chance to obtain more money efficiently, it will continue that work and you must wait.

G. WHAT DOES CLASS COUNSEL THINK OF THE SETTLEMENTS?

Class Counsel considers the settlements that have been reached to be in the best interests of consumers like you. The class and FTC settlements were negotiated simultaneously and in coordination with each other. Of particular importance, ANDRIS PUKKE has agreed to give up substantially all of his assets and PAMELA PUKKE agreed to give up the large majority of her assets. None of the other Defendants has any meaningful assets.

Additionally, the settlement with the IRS resolves much of the risk that the settlements would result in no benefit for consumers.

V. HOW MUCH MONEY GOES TO LAWYERS?

A. CLASS COUNSEL'S CLAIM FOR ATTORNEYS FEES.

This case has been privately prosecuted on behalf of the class by three groups of attorneys: Morris Polich & Purdy LLP of Los Angeles, California; Michie Hamlett Lowry Rasmussen & Tweel PLLC of Charlottesville, Virginia; and The Law Offices of Gregory S. Duncan of Charlottesville, Virginia. These attorneys were approved as "Class Counsel" by the Court.

This is your notice that Class Counsel will move for an award of \$2.75 million in combined attorneys' fees and expenses. The FTC has agreed not to oppose this requested fee. The Court has ordered Class Counsel to file a fee petition on or before July 14, 2006. It will be posted on the website.

The law requires that in a class action, a claim for an award of attorney fees must be made by a motion at a time set by the Court. The same is true of a claim for costs that will not be born by the defendant. You are therefore entitled to this notice of the motion. You are also entitled to object to the motion. The Court will hold a hearing on the motion and any objections on September 18, 2006.

B. OTHER FEE CLAIMS.

In addition to Class Counsel's motion for attorneys' fees and costs, the Court has already approved as part of the settlement with MR. PUKKE payments in the amount of \$300,000 to his counsel and for administration of his bankruptcy. To date the Court has authorized payments to the RECEIVER in the total of \$785,400.61 for the period from April 2005 through September 2005. The RECEIVER will submit additional fee and expense requests. The RECEIVER's fees and expense will come from the RECEIVER's gross recovery, not the Net Monies. They will not impact Net Monies unless the RECEIVER's gross estate is less than \$35 million plus the RECEIVER's costs and expenses and other approved costs and expenses. Rule 23 of the Federal Rules of Procedure, which governs class actions, does not address such fee claims. The Court has retained the RECEIVER under terms and conditions set forth in Fee Document 4 at www.PolacsekClass.com.

VI. WHAT HAPPENS NEXT?

A. THERE WILL BE A HEARING ON THE FAIRNESS OF THE SETTLEMENTS

The next event in this class action is a fairness hearing for the Court's consideration of the class settlements and Class Counsel's motion for fees. **The Court has ordered that the final fairness hearing (the "Hearing") will be held on September 18, 2006** at 11:30 a.m. (or such other time as the Court may, without further notice, direct), in a courtroom (to be announced on the www.PolacsekClass.com web site) in the United States District Court for the District of Maryland, Greenbelt Division, located at 6500 Cherrywood Lane, Greenbelt Maryland, before the Honorable Peter J. Messitte. The purpose of the Hearing will be to finally determine whether the proposed settlements are: fair, reasonable, adequate, and in the best interests of the Class. The Court will also determine at that hearing the fees that reasonably should be awarded from the settlement fund to Class Counsel.

You may check for updates on the results of the Hearing at www.PolacsekClass.com after the appointed Hearing date.

B. DO I NEED TO COME TO COURT OR HIRE A LAWYER?

No. You do not need to appear at this Hearing *unless* you want to object to the settlements. If the settlements are finally approved, a judgment will be entered dismissing the claims against all of the Defendants on the merits and with prejudice. You do not need to hire a lawyer to receive your share of the settlements.

C. HOW DO I OBJECT TO THE SETTLEMENTS?

Should any class member wish to appear at the approval hearing to object to the terms of the settlements, they may do so. However, class members who wish to object **must file a written objection with the Court by August 25, 2006, and must serve the objection** on the attorneys in the case.

Any objections to the settlements should begin with the following statement: "I object to the proposed settlements in the Credit Counseling Class Action" and must state the factual and legal basis for the objection. All objections must also state the objector's name and address. Objections must be filed and must be served on Class Counsel identified herein by August 25, 2006. Late-filed objections will not be considered.

If you file a timely written objection and have not previously requested exclusion, you may appear at the hearing in person or through an attorney retained at your own expense. If you retain an attorney, your objection should so state and identify your attorney.

D. WHAT HAPPENS IF THE COURT APPROVES THE SETTLEMENT?

1. **You will become entitled to your pro rata share of the settlement fund.**

If the Court finally approves the settlements and you have not excluded yourself from the class, then you will be entitled to receive your fractional share of the settlement fund without any further action on your part, if we have a valid address for you.

2. You will be deemed to have released the Defendants from all claims as follows:

You shall also be deemed to have released all of the Defendants, and their representatives, past and present officers, owners, directors, employees, parents, subsidiaries, predecessors, and their respective estates, heirs, beneficiaries, successors, personal representatives, and assignees from any claim or claims in law or equity arising under any federal or state laws based upon the facts alleged in the complaints in this case or otherwise based upon the provision of credit counseling, credit repair, debt consolidation and/or debt management services to you.

The claims you release include but are not limited to claims that the defendants:

- (a) Violated the CROA;
- (b) Aided and abetted violations of the CROA;
- (c) Are liable under any derivative theory of liability for the actions of Defendants DEBTWORKS, ANDRIS PUKKE, DEBTICATED, ERIKS PUKKE, PAMELA PUKKE, or INFINITY RESOURCES GROUP, INC.

With respect to the claims described above, this covenant, waiver and release shall apply to any suits, debts, liens, contracts, agreements, promises, liability claims, demands, damages, losses, costs, expenses, or attorneys' fees of any nature whatsoever, known or unknown, fixed or contingent, suspected or claimed, which you ever had or now have against the Defendants.

If you are from California, you will also be held to have expressly waived the provisions of California Civil Code §1542 which reads as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

E. HOW DO I LEARN MORE?

You may inspect the Complaint, and all of the other papers filed in this lawsuit at your cost by electronic means. The Court's web site is at <https://ecf.mdd.uscourts.gov/>. Full instructions as to how to download pleadings from the federal courts are available at <http://pacer.psc.uscourts.gov>. Certain select pleadings are available without cost at www.PolacsekClass.com and www.ftc.gov/ameridebt.

You may also visit www.PolacsekClass.com or www.ftc.gov/ameridebt for updates before and after the Hearing date.

F. WHEN DO I GET MY PAYMENT?

Even if Judge Messitte approves the settlement, the RECEIVER must complete the process of collecting and selling MR. PUKKE's property before it can be distributed. This could take months or even years even though the process has been underway since April 2005. In addition, there could be appeals, and resolving them can take as much as or more than a year.

To get information about the progress of the Settlements visit the www.PolacsekClass.com or www.ftc.gov/ameridebt website. **Please be patient. Do not call the Court.**

G. ADDITIONAL INFORMATION

If you have questions contact your own attorney or, if you would like more information about this Notice or this case, you may contact Class Counsel:

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DATED: June 21, 2006.

**DO NOT CALL OR PERSONALLY CONTACT THE
COURT ABOUT MATTERS SET FORTH IN THIS NOTICE.**